



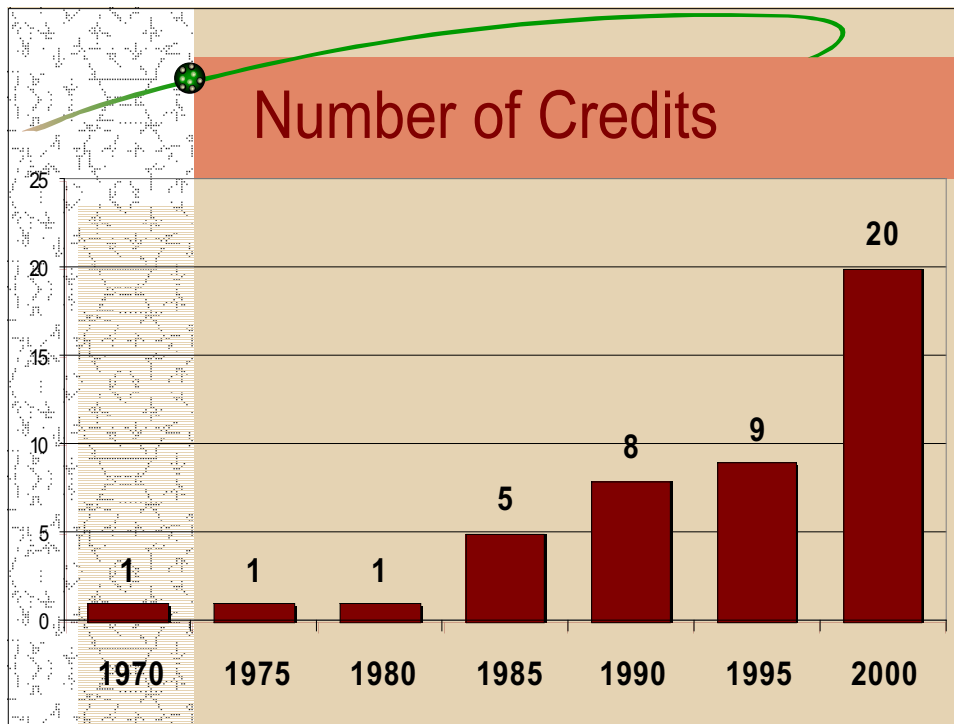
# A Study of Tax Incentives

West Virginia Department of Tax and Revenue



## Goals

- ✦ To determine which existing incentives are working.
- ✦ To determine which existing incentives are ineffective.
- ✦ To see where West Virginia can be more competitive.



## Jobs / Employment Credits

- ✦ Number: 8
- ✦ Cost 1988 to 1997: \$625.6 million
- ✦ Analysis:
  - Frequency of Use
  - Jobs / Employment
  - \$ of Credit Allowable Vs Applied
  - Other



## Investment Credits

- ✦ Number: 11
- ✦ Cost 1988 to 1997: \$257.7 million
- ✦ Analysis:
  - Frequency of Use
  - \$ of Credit Allowable Vs Applied
  - Other



## Research and Development Credit

- ✦ Number: 1
- ✦ Cost 1988 to 1997: \$16.8 million
- ✦ Analysis:
  - Frequency of Use
  - Eligibility
  - Other

## Comparison to Other States

	WV	Seven States
Jobs Creation Credit		7
Investment Credit		3
Research & Development Credit		6
Geographical Tax Incentives	⊘	6

## Competitiveness

(1st - Highest tax Liability)

Industry	Pre-Credit Liability	Post-Credit Liability
Motor Vehicle Parts & Accessories Manufacturer – SIC 3714	2 <sup>nd</sup>	5 <sup>th</sup>
Machine Shop – SIC 3599	1 <sup>st</sup>	6 <sup>th</sup>
Computer Data Processing – SIC 7374	2 <sup>nd</sup>	3 <sup>rd</sup>
Computer Integrated Design – SIC 7373	2 <sup>nd</sup>	4 <sup>th</sup>
Commercial, Physical & Biological Research – SIC 8731	2 <sup>nd</sup>	1 <sup>st</sup>
Hotels & Motels – SIC 7011	2 <sup>nd</sup>	8 <sup>th</sup>



## Recommendations

### ✦ Jobs / Employment Credits

- Improve (1)
  - Add Geographical Component
  - Add High Wage Component
  - Reduce Complexity
  - Lower Excess Credit Availability
- Retain (2)
- Sunset / Repeal (5)



## Recommendations (cont.)

### ✦ Investment Credits

- Improve (1)
  - Add Application Against CNIT
  - Lower Excess Credit Availability
- Retain (6)
- Sunset / Repeal (4)

## Recommendations (cont.)

### ✦ Research and Development Credit

- Improve (1)
  - True Research and Development

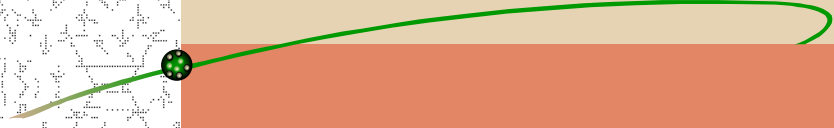
### ✦ Other

- Lower CNIT and BFT Tax Rates
- R&D Direct Use Exemption
- BFT Exemption for Venture Capital Companies
- Accountability

## Provisions Not Making The Cut

### ✦ Geographical Component

### ✦ Lower CNIT and BFT Tax Rates



West Virginia Tax Credits				
Credit	Effective Date	Credit Classification	Costs 1988 to 1997	Recommendations
Industrial Expansion & Industrial Revitalization Credit	July 1, 1969	Investment	\$206,965,605	Improve
Coal Loading Facilities Credit	April 1, 1983	Investment	\$5,195,002	Retain
Historic Rehabilitated Buildings Investment Credit	July 1, 1986	Investment	\$925,705	Retain
West Virginia Capital Company Credit	July 1, 1986	Investment	\$44,099,184	Retain
West Virginia Environmental Agricultural Equipment Credit	July 1, 1997	Investment	\$0	Retain
West Virginia Alternative-Fuel Motor Vehicles Credit	July 1, 1997	Investment	\$0	Retain
Rehabilitated Residential Building Investment Credit	January 1, 2000	Investment	\$0	Retain
Residential Housing Development project Credit	July 1, 1986	Investment	\$534,976	Sunset / Repeal
Coal-Based Synthetic Fuels Credit	July 1, 1991	Investment	\$0	Sunset / Repeal
Convenience Food Store Security Tax Credit	June 12, 1998	Investment	\$0	Sunset / Repeal
Aerospace Industrial Facility Credit	March 5, 1999	Investment	\$0	Sunset / Repeal
West Virginia Military Incentive Credit	July 1, 1984	Jobs / Employment	\$5,348	Retain
Natural Gas Jobs Retention Act Credit	October 1, 1996	Jobs / Employment	\$3,508,680	Retain
Colin Anderson Employment Credit	January 1, 1996	Jobs / Employment	\$0	Sunset / Repeal
Value-Added Wood Manufacturing Operations Credit	July 1, 1997	Jobs / Employment	\$0	Sunset / Repeal
Value-Added Agricultural Products Credit	July 1, 1997	Jobs / Employment	\$0	Sunset / Repeal
Value-Added Aluminum or Polymer Manufacturing Operations Tax Credit	July 1, 1997	Jobs / Employment	\$0	Sunset / Repeal
Value-Added Steel Manufacturing Operations Credit	July 1, 1998	Jobs / Employment	\$0	Sunset / Repeal
Business Investment and Jobs Expansion Credit	March 1, 1985	Jobs / Employment & Investment	\$622,109,753	Improve
Research and Development Projects Credit	July 1, 1985	Research and Development	\$16,828,201	Improve
			\$900,172,454	
Analysis and Recommendations for WV Tax Incentives				
<a href="http://www.state.wv.us/taxrev/taxstudy.pdf">http://www.state.wv.us/taxrev/taxstudy.pdf</a>				