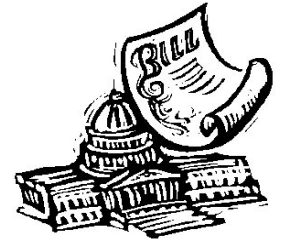


News from Inside the Capitol



Number 20 – Special Session

August 6, 2005

A special session of the Legislature will convene at 12:00 p.m. on September 7, 2005. The final call will be completed on Tuesday, September 6. Following are a list of items that we expect the call to cover:

1. Additional payments to reduce the unfunded liability in our pension funds
2. Public employees' pay, benefit and personnel issues
3. Bureau of Employment Services: a bill that is necessary to meet a federal mandate and prevent the loss of federal matching funds
4. HB 2963 - Clarifies that excess levy elections can be allowed at primary elections: it is necessary to pass this now to allow time for counties to prepare their ballots
5. Food sales tax reductions
6. Technical adjustments to the workers' compensation legislation
7. SB 348 - Clean up of grant auditing procedures
8. Legislation requiring the Division of Juvenile Services to establish a multidisciplinary treatment planning process for certain juveniles in its custody
9. Allow the term "banking," etc., in the name of a business that is not a bank
10. Legislation relating generally to the development of a thoroughbred breeding industry and authorizing the Racing Commission to establish a special fund to be used for the payment of breeders awards, restrictive races and stakes purposes
11. Supplemental appropriations
12. Certain resolutions
13. Certain campaign finance and election reform
14. HB2984 - Technical clean up to pension reforms contained in this bill

Gasoline Tax

Several lawmakers are calling for the Governor to add to his call the freezing of the variable tax on gasoline that is scheduled to be calculated and go into effect on January 1, 2006. Currently the variable tax is 6.5 cents per gallon. The variable tax comes from a sales tax equal to 5 percent of the average cost per gallon wholesale and is recalculated annually by averaging the wholesale costs from July 1 to Oct 31. The wholesale average for July through October last year came to \$1.30 per gallon.

Food Tax

WV food tax is currently 6%. All of our surrounding states with the exception of Virginia have no sales tax on food. The sales tax on food in Virginia is 2.50 percent. (On July 1, 2005 Virginia cut it's food tax by 1.5 percent. It previous was four percent.) The *Charleston Gazette* carried an article on September 6th detailing a recent study by West Virginia University regarding our food tax. Following are some of the highlights:

- West Virginia grocers have lost \$69 million to competitors across the state line since lawmakers restored the sales tax on food in 1989.
- Wayne and Mingo counties suffered the most from cross-border competition losing \$15.8 million of the total amount to Kentucky.
- Counties along the Pennsylvania line saw grocery-related income increase by nearly 6 percent since 1989. (The one explanation to this could be the growing attractiveness of the Morgantown metro area for job opportunities in this period.)
- The study attributed the drop in border grocery sales to the increase in the ranks of residents age 65 or older.
- The study estimates that grocery sales fell by about 4 percent as a result of the state removing the exemption for groceries from the 6 percent sales tax.
- Authors wrote: "Our finding suggests that policy-makers do well to consider carefully the tax structure in neighboring jurisdictions, and that tax harmonization efforts could lead to significant efficiency gains. In the case of West Virginia, the imposition of the sales tax on food resulted in a significant outflow of expenditures on the border--\$6.3 million annually."
- Grocers account for \$150 million of the \$960 million in revenue collected last fiscal year from the sales tax.
- The authors all concluded that, "it may be that in the end the benefits of imposing the sales tax on food outweighed the costs, but information presented here and in the previous literature helps decision makers to make that assessment."

In addition to the special session the legislature will hold interim meetings beginning on Sunday, September 11, lasting through Tuesday, September 13. OMEGA will keep you abreast of activities during the special session and the interim meeting.

If you have questions during the special session or would like to voice your opinion on issues, please feel free to contact the association office at jan@omegawv.com or call (304) 343-5500. If you would like to obtain copies

of any bills, you can do so at <http://www.legis.state.wv.us/> or by contacting the association office.