



The Charleston Regional  
**Chamber of Commerce**

## **WEST VIRGINIA ECONOMIC DEVELOPMENT ACT OF 2011**

### **“PROJECT MIND MINE”**

#### **ISSUE**

What steps can West Virginia take now to diversify its economy, encourage investment in businesses that create high-value jobs and promote sustainable economic growth?

#### **BACKGROUND**

In the face of continuing pressures on the U.S. and state economy and a challenging regulatory environment for the region’s traditional industrial sectors, West Virginia’s future depends on its ability to diversify its economy.

“States with a diverse set of economic drivers are much more likely to weather economic storms than others,” notes Kenneth Poole, director of the Center for Regional Economic Competitiveness, writing in the February 2010 edition of “State of Business,” published by the National Conference of State Legislatures.

Developing policies that encourage investment in twenty-first century business technologies will be key to creating a West Virginia economy that is more diverse, conducive to innovation and positioned for sustainable economic growth. Twenty-first business technologies include, but are not limited to high technology and other high technology businesses developing or using:

- (1) Emerging technologies such as green computing, cloud (Internet-based) computing and other emerging technologies in manufacturing and other commercial businesses with a low carbon footprint;
- (2) Energy conservation in residential, commercial, industrial and government buildings;
- (3) Alternative fuels and alternative fuel systems and technologies;
- (4) Renewable energy sources and technologies; and
- (5) Clean coal technologies.

The West Virginia Economic Development Act of 2011 includes two acts, the Twenty-first Century Business Technologies Property Valuation Act and the West Virginia Twenty-first

Century Tax Credit Act, that advance the objectives of capital investment in growth sectors and long-term diversification of the state economy.

- Under the Twenty-first Century Business Technologies Property Valuation Act, tangible personal property directly used in a twenty-first century business technology would be taxed on its salvage value (5 percent of cost).
- The West Virginia Twenty-first Century Tax Credit Act creates attractive tax credits for new or expanded businesses that utilize 21<sup>st</sup> century business technologies and create new jobs with good pay and health benefits. Specifically:
  - A five year exemption from the business franchise tax, the corporation net income tax and from the consumers' sales and use taxes on purchases for use in business in the emerging technology business for eligible taxpayers who employ at least 10 full-time employees in West Virginia and make a qualified investment is less than \$1 million. If the eligible taxpayer is a pass-through entity, it does not pay corporation net income tax, and the credit passes through to owners of the pass-through entity.
  - If the eligible taxpayer's investment is greater than \$1 million, the credit is equal to the cost of the qualified investment, multiplied by a new jobs percentage and is applied over a 10-year period in equal installments. This credit may offset business and occupation taxes, business franchise taxes, corporation net income taxes and personal income taxes of owners of pass-through entities attributable to the eligible business.
- The median annual compensation of the new jobs created must be at least \$45,000, which is adjusted annually for inflation. The new jobs must also have health benefits. Qualified investment is computed in a manner similar to the existing economic opportunity credit. The new jobs percentage is 15 percent if at least 11 new jobs are created; 20 percent if at least 20 new jobs are created; 30 percent if at least 280 new jobs are created; and 40 percent if at least 520 new jobs are created.
- The act requires that taxpayer apply for these credits with the Tax Commissioner and includes strong "claw back" provisions if the minimum number of new jobs specified are not created.

The West Virginia Economic Development Act advances several public policy objectives critical to the state's future. These include:

- Encouraging investment in businesses that create high-value jobs
- Positioning West Virginia as center for sustainable technology initiatives
- Developing technologies to help meet the challenges facing the state's energy sector, including the coal industry

- Reducing energy consumption and encouraging the use of alternative fuels and alternative fuel systems and technologies
- Diversifying the state economy

## **ACTION**

The Charleston Regional Chamber of Commerce has been a strong proponent of policies that support research and investment in new technologies create good paying jobs and a stronger and more diverse economy. We believe the tax incentives articulated in the West Virginia Economic Development Act of 2011 are examples of the bold and innovative policies that are fundamental to promoting innovation that creates opportunity for our citizens and meaningful and sustainable economic growth for our state. For these reasons, we are proud to support the West Virginia Economic Development Act of 2011.