

WV Sales Tax Base Broadening Options

Jared Walczak, Tax Foundation

+ \$75M
 \$340M
 + \$910M
 + \$1.30B

Good or Service	Base %	Now	A	B	C	D
Durable Goods						
New Motor Vehicles ¹	2.32%	5¢	✓	✓	✓	✓
Used Motor Vehicles	1.05%	5¢	✓	✓	✓	✓
Motor Vehicle Parts and Accessories	0.61%	✓	✓	✓	✓	✓
Furnishings and Durable Household Equipment	2.01%	✓	✓	✓	✓	✓
Recreational Goods and Vehicles						
Sports & Recreational Vehicles (except bicycles)	0.32%	5¢	✓	✓	✓	✓
Other Recreational Goods and Vehicles	2.24%	✓	✓	✓	✓	✓
Telephone & Facsimile Equipment	0.12%		✓	✓	✓	✓
Other Durable Goods	1.29%	✓	✓	✓	✓	✓
Nondurable Goods						
Food & Nonalcoholic Beverages for Off-Premise Consumption	6.88%			✓	✓	✓
Alcoholic Beverages for Off-Premise Consumption	1.16%	✓	✓	✓	✓	✓
Clothing and Footwear	3.03%	✓	✓	✓	✓	✓
Gasoline and Other Energy Goods ²	2.71%	✓	✓	✓	✓	✓
Prescription Drugs	4.18%				✓	✓
Nonprescription Drugs	0.51%	✓	✓	✓	✓	✓
Other Medical Products ³	0.05%		✓	✓	✓	✓
Recreational Items	1.56%	✓	✓	✓	✓	✓
Household Supplies	1.24%	✓	✓	✓	✓	✓
Personal Care Products	1.25%	✓	✓	✓	✓	✓
Tobacco (also subject to separate excise tax)	0.09%	✓	✓	✓	✓	✓
Magazines, Newspapers, & Stationary ⁴	0.89%		✓	✓	✓	✓
Services						
Rental of Tenant-Occupied Housing	2.91%					✓
Imputed Rental, Farm Dwellings, and Group Housing ⁵	8.66%					
Household Utilities						
Water & Sewage	0.45%		✓	✓	✓	✓
Garbage & Trash Collection	0.10%	✓	✓	✓	✓	✓
Electricity and Natural Gas (taxed separately under B&O)	1.28%					
Outpatient Health Care Services	9.89%				✓	✓
Nonprofit and Government Hospitals	8.52%					✓
Proprietary Hospitals	1.55%				✓	✓
Nursing Homes	1.84%					✓

¹ Motor vehicles and motor vehicle services are generally subject to a lower 5 percent rate.

² The variable rate component of the state gas tax is considered part of the sales tax, but flows to a separate fund.

³ Category includes medical devices but excludes first aid items and most home health and hygiene products.

⁴ West Virginia exempts newspapers for home delivery, but taxes newspapers purchased at a newsstand, along with other periodicals. In our analysis, we assume that the state taxes half the possible magazines, newspaper, and stationary base.

⁵ West Virginia currently imposes a 3 percent tax on owner-occupied mobile homes. Our analysis incorporates, and does not change, this tax.

Good or Service	Base %	Now	A	B	C	D
Services, cont.						
Motor Vehicle Services						
Motor Vehicle Maintenance & Repair + Parking & Tolls	0.95%	✓	✓	✓	✓	✓
Motor Vehicle Leasing	0.22%	5¢	✓	✓	✓	✓
Motor Vehicle Rental (taxed separately)	0.07%		✓	✓	✓	✓
Public Transportation ⁶	0.45%					✓
Recreation Services						
Parks, Clubs & Admissions	1.07%	✓	✓	✓	✓	✓
A/V & Information Equipment Services	0.69%	✓	✓	✓	✓	✓
Gambling	0.78%					
Other Recreational Services ⁷	0.33%	✓	✓	✓	✓	✓
Meals and Beverages at Schools or Furnished to Employees						
Meals Furnished to Employees	0.16%					
Elementary School Lunches	0.05%					✓
Higher Education School Lunches	0.15%		✓	✓	✓	✓
Meals and Beverages at Eating Places	4.91%	✓	✓	✓	✓	✓
Accommodations	1.00%	✓	✓	✓	✓	✓
Financial Services						
Financial Services Charges, Fees, and Commissions	1.89%			✓	✓	✓
Financial Services Furnished Without Payment	2.48%					
Insurance (also subject to premium tax)	2.63%				✓	✓
Telecommunications Services (also subject to separate tax)	2.01%				✓	✓
USPS Delivery Services	0.06%					
Other (non-USPS) Delivery Services	0.02%		✓	✓	✓	✓
Internet Access	0.73%					
Educational Services	2.06%				✓	✓
Professional and Other Services						
Legal, Accounting, & Other Professional Services	1.00%			✓	✓	✓
Professional & Labor Organization Dues	0.16%		✓	✓	✓	✓
Funeral and Burial Services	0.20%			✓	✓	✓
Personal Care and Clothing Services						
Personal Care Services	1.02%		✓	✓	✓	✓
Clothing & Footwear Services	0.13%	✓	✓	✓	✓	✓
Social Services and Religious Activities	1.38%				✓	✓
Household Maintenance	0.56%	✓	✓	✓	✓	✓

Revenue Neutral Rates

A: 5.65%, B: 4.75%, C: 3.5%, D: 3.0%

Select Components

Groceries and Currently Untaxed Durable Goods and Personal Care Services: \$258 million; Prescription Drugs: \$110 million; Insurance, Financial, and Professional Services: \$155 million; Education & Health Care: \$630 million. Broadest option, goods: \$318 million; services: \$982 million.

⁶ West Virginia exempts most but not all intrastate public transportation. Interstate commerce restrictions can limit ability to impose taxes on all public transportation. We account for these nuances, and only assume expansion to about half of this base item.

⁷ Veterinary services are included in this category, and are not taxable in West Virginia. We adjust for this in our calculations, and extend the tax to veterinary services in all expansion options.