

## ***Taxing Tax Policy in the Commonwealth***

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With all the recent discussion about the Governor and General Assembly needing to reduce the \$25 billion general fund budget by \$6 billion because of a shortfall in tax revenue, it may surprise you to know that the Republican majority leadership in the Assembly recently announced that one of their top priorities in this legislative session is to eliminate a tax! This time it's the inheritance tax. Seems that the tax hits 400 of Virginia's wealthiest families who have estates of over a million dollars.

Fortunately the leadership is not talking about making the elimination effective this year. They plan to wait until 2004 when the economy presumably will be more prosperous. Of course, we will also have more children in schools, prisoners to house, roads to build, etc. But in typical Virginia fashion we tend to make our taxing and spending decisions in the short-term and in isolation.

Some have pointed out that the \$120 million that the wealthiest of Virginians will be saving each year could cut the food tax for all citizens nearly in half.

Many people are talking about a cigarette tax as an obvious way to make up some lost revenue. Taking Virginia's two and a half cents per pack tax, the lowest in the country, to the national average of fifty cents would produce more than \$300 million in revenue. That's enough to soften the blow of some of the budget cuts.

But the Republican leadership has already vetoed the idea. No tobacco tax, not any new or increased tax. At least a half dozen of us will be introducing cigarette tax bills anyway. I will re-introduce a tax on cigarette manufacturing that would produce a couple hundred million dollars. I will also introduce a bill to raise the tax on retail sales of cigarettes to fifty cents. Smoking is the biggest contributor to illnesses covered by Medicaid; tobacco farming and manufacturing are major industries in the state.

Trying to implement an increased cigarette tax points out the crazy patchwork that is Virginia's tax structure. While the two and a half cents on a pack is the nation's lowest state tax, cities in Virginia can also tax cigarettes. Some do, as much as 40 cents per pack. Alexandria is talking about going to a 50 cent per pack tax. Counties in Virginia cannot tax cigarettes except for Fairfax and Arlington Counties, and they are capped at a nickel per pack. The local taxes will need to be accommodated if the state tax is raised.

During the gubernatorial campaign there was a lot of talk about restructuring the tax system. Many of us have advocated the need for years. Before we eliminate another tax and refuse to consider taxing "sin," couldn't we get back to the discussion followed by some action to restructure taxes in Virginia?