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## Editorials

### Session

#### Plug tax dodges

AS THE regular legislative session starts today, lawmakers have an opportunity to reap hundreds of millions of dollars in state revenue currently being ducked by tax-avoiders.

A three-year study by Washington analysts of Citizens for Tax Justice found that 71 major firms — most of them doing business in the Mountain State — eluded \$41.7 billion in state-level corporate income taxes, mostly by shifting paper assets artificially to tax-free states.

The Gazette's Jim Balow described Tuesday how the scheme works: Leaders of a huge corporation require their state branches to funnel all profits to a division in a "haven" state that doesn't tax a particular type of profit. Sometimes the funneling is in the form of payments for trademarks and logos. Or it may consist of moving paper assets such as loans to the tax-haven state. As a result, the corporation pays no state taxes anywhere.

Big firms eluding all state taxes in at least one year included the BB&T bank chain, Marriott hotels, Merrill Lynch, Toys R Us, AT&T, Manpower, Advance Auto Parts, Foot Locker, Avon, Charles Schwab, IBM, Alltel and the parents of Columbia Gas Transmission and a Tucker County wind farm.

The amount of state corporate income tax being ducked in West Virginia might be \$750 million over the three years of the study, Steve White of the Affiliated Construction Trades Council guessed. When large entities fail to pay their share of the state budget, other taxpayers must make up the loss. Thus the avoidance by national firms hurts West Virginia companies and individuals faithfully paying their taxes.

This is a serious, complex issue — but we hope legislators immediately launch inquiries to learn how much tax revenue is being ducked, and how West Virginia can plug the loopholes. Presumably, other states will do likewise, now that the new national study has spotlighted the problem.