For Immediate Release

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Finding the Best Deal for Virginians

Analysis Examines Impacts of the Compromise Tax Deal on Virginia

RICHMOND, VA -- The compromise tax deal currently under debate in Washington has important implications for Virginia families, workers, businesses, and the state budget, according to a new report published today by the Commonwealth Institute for Fiscal Analysis.

“Most economists expect the package as a whole will produce more economic and job growth than otherwise would occur,” says Michael Cassidy, CEO and President of the Commonwealth Institute for Fiscal Analysis, “Given the very fragile recovery we are experiencing, that would be welcome news for Virginia.”

But the report, Deal or No Deal?, also shows how Virginia legislators can make it a better deal for Virginians and for the state budget. Among the report’s key findings:

- All Virginians will benefit from the compromise package in some way because of the extension of the Bush tax cuts and the payroll tax reduction- which will reduce the taxes of anyone earning wages and paying income taxes.

- The deal’s extension of targeted refundable credits will help low- and moderate-income working families already struggling with losses in income: An estimated 134,459 Virginia families will benefit from the improved Earned Income Tax Credit - and 53,312 families will benefit from the child care tax credit.

- The compromise package includes a 13-month extension of emergency unemployment insurance benefits for jobless workers who exhaust their regular 26 weeks of benefits. As of Nov. 30, 2010, the date on which emergency benefits expired, nearly 23,000 Virginians will lose this key lifeline by the end of the year.

- The business expensing provision, which allows businesses to immediately deduct the entire cost of capital investments in machinery and equipment on their federal tax returns could cost the state as much as $372 million across the next two years if Virginia does not de-couple from this new provision.

- A provision in the current state budget disallows low-income working families from taking advantage of the federal improvements in the EITC in 2010 and beyond. If Virginia does not fix this problem, it will mean 134,000 low-income working Virginia families will pay an additional $6 million in income taxes annually for this and the next two years.
“The compromise deal offers some strong protections for Virginia’s unemployed and low- and moderate-income families,” says Cassidy. “But without action from the Governor and General Assembly during the upcoming session, this tax deal won’t be the best deal it could be for Virginia families.”

The complete report is available online at www.thecommonwealthinstitute.org.

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**About The Commonwealth Institute**
The Commonwealth Institute for Fiscal Analysis provides credible, independent and accessible information and analyses of fiscal and economic issues with particular attention to the impacts on low- and moderate-income persons. Our products inform fiscal and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole. Visit www.thecommonwealthinstitute.org for more information.

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