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How Would a Corporate Income Tax Cut Hurt Virginia's Ability to Invest in the Future?

In 2012, nearly two-thirds of corporations in Virginia paid no corporate income taxes at all

RICHMOND, VA – Letting big, profitable corporations skip out on support for the things that make Virginia one of the best states for business will undermine the commonwealth's ability to create jobs and boost the economy, according to new analysis released today by The Commonwealth Institute for Fiscal Analysis, an independent fiscal and economic policy organization in Richmond. A stronger future for Virginia requires businesses to invest in the key services that build the foundation for real economic growth – things like healthy families, educated workers, safe communities, and well-maintained roads.

“Businesses need well-trained workers, good roads that allow them to bring their products to market, and safe, stable communities,” says Michael Cassidy, President and CEO of The Commonwealth Institute, an independent fiscal and economic policy organization in Richmond. “These are the things that attract businesses and people to a state and allow it to thrive over the long-term. Cutting business taxes makes it harder to have these things, not easier.”

Key findings of the new analysis:

- **The corporate income tax is a key revenue source for things like schools and public safety.**
 - The corporate income tax is the third largest source of revenue for the state's general fund.
 - It generated \$860 million in 2012 and over \$700 million on average annually over the last 10 years.
- **Only a third of businesses pay it.**
 - Only one type of business, legally classified as “C corporations,” are subject to the tax.
 - Fewer than 10 percent of Virginia businesses are C corporations.
 - In 2012, nearly two-thirds of corporations in Virginia paid no corporate income taxes at all.
- **Benefits of a cut flow out of state.**
 - Businesses would retain or invest about 75 percent of a Virginia tax reduction outside of the state.

- Without the corporate income tax, out of state investors and shareholders would benefit from state services that create a strong business environment essentially at no cost because they don't live or work in Virginia.

The full report, *How Would a Corporate Income Tax Cut Hurt Virginia's Ability to Invest in the Future?*, is available 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.