

# JENNIFER CARROLL FOY FOR GOVERNOR

Dear Virginians,

We will have countless challenges — and countless opportunities — as a Commonwealth in the years ahead. From expanding healthcare so that *all* Virginians have access to affordable, high-quality care to addressing the affordable housing and eviction crisis in this Commonwealth; from creating a world-class workforce and supporting small businesses to building out broadband to all corners of the Commonwealth so we're ready to thrive in a 21st century economy, we've got a lot of work to do, and I've got a plan to do it.

But here's the thing — a lot of those plans come with a cost. And while it's easy enough to make big promises for what you'd like to achieve as Governor, it's a lot harder to find ways to pay for those promises, and to do so in a way that's not only equitable, but that actually boosts our economy, instead of hampering it. That's why I'm releasing this plan — to lay out all the new revenue we'll need to raise to pay for my agenda and where we'll find it. *To show voters the math.*

We can raise the revenue we need to fund an ambitious agenda for Virginia, and we can do so without breaking the bank or harming working-class and middle-class families. Indeed, Virginia has a long tradition of doing just that — and a consistent AAA bond rating to show for it. That AAA bond rating ensures long term investments we make in the Commonwealth are less expensive in the long run, and it's something I will protect as Governor. While we *can* afford to move our Commonwealth forward — with investments in broadband, affordable housing, and health care — it's no exaggeration to say we simply *cannot* afford to do so at the expense of our long history of fiscal responsibility. That's why we need a plan, not a wish list.

As Governor, I'll find savings and raise much-needed new revenue to fund my proposals with common-sense ideas. We're going to:

- Better align tax incentives by matching West Virginia's cigarette tax, use the revenue from the Governor's recent action on marijuana, and end the tax credit for coal.
- Ensure the wealthy pay their fair share by ending tax breaks for yachts, reinstating the estate tax, and ensuring billionaires and waitresses don't pay the same tax rate in Virginia.
- Make other changes and reforms that will not only save taxpayer dollars, but actually benefit the Commonwealth more broadly — by finding savings via a full government audit and comprehensive government reform (up to \$100 million); investing in early childhood education (a policy that more than pays for itself in the long run); and establishing a Prescription Drug Affordability Board, which could save more than \$100 million in the first year alone while bringing down drug costs for consumers at the same time.

Some pundits and politicians say you shouldn't release the details on how you'll pay for your proposals — that it will just give Republicans and right-wing groups more ways to attack. But I think it's only fair to voters — whether Democrats, Republicans, or independents; partisan or undecided — to show them not just *what* I'd like to get done as Governor, but exactly *how* I'll get it done as Governor.



As a member of the House of Delegates, I've already helped achieve a lot for the Commonwealth — expanding Medicaid to more than 500,000 Virginians; improving rural broadband access; protecting families from eviction; establishing stronger protections against discrimination for LGBTQIA+ Virginians; strengthening career and technical education; the list goes on. But there's so much more to do as Governor.

It's easy to *promise* to lead but a lot tougher to *plan* to lead. With comprehensive proposals for economic recovery and growth that will especially help the middle class, affordable housing, healthcare, government and ethics reform, and other key topics — and a plan to pay for everything we're proposing — my administration will be ready on Day One to lead this Commonwealth forward. Let's get to work.

Sincerely,

Jennifer Carroll Foy



## Better Aligned Incentives

**Increase Cigarette Tax** - The cigarette tax in Virginia is among the lowest in the country,<sup>1</sup> much lower than most of our neighboring states, like West Virginia's \$1.20 per-pack or Maryland's \$2.00 per-pack. Simply matching West Virginia's cigarette tax of \$1.20 per-pack, and increasing taxes on other tobacco products on distributors, would bring in approximately \$2.5 billion in revenue over the next 10 years.<sup>23</sup> The cigarette tax is also, according to the World Health Organization, "the single most effective way to encourage tobacco users to quit and prevent children from starting to smoke."<sup>4</sup>

**Move Up Marijuana Legalization** – While Virginia has already taken the step to legalize marijuana, this has been delayed until 2024.<sup>5</sup> Luckily the Governor just signed legislation drastically speeding this up, and by doing so added between \$81.2 and \$135.6 million in the first two years after full implementation, keeping those tax dollars out of the black market and other states.<sup>6</sup>

**Eliminate Coal Tax Credits** – In the last decade Virginia offered more than \$300 million in refundable tax credits to the coal industry<sup>7</sup>, despite these tax credits having "negligible economic benefit."<sup>8</sup> These tax credits were just eliminated by the Governor<sup>9</sup>, increasing revenues by \$12.1 million in the first five years<sup>10</sup> and more than \$40 million over the next decade.

## Ensure the Wealthy Pay Their Fair Share

**Properly Tax Yacht Purchases** – Our tax code should not disproportionately benefit the wealthy – when they buy yachts, they are subject to a much lower tax rate than most other purchases because watercrafts are taxed only at a two percent, and the taxation ends after \$2,000.<sup>11</sup> When a plan to increase the watercraft tax was proposed in 2018, estimates found that it would increase revenue by around \$6 million each year<sup>12</sup> and potentially reach more than \$60 million over 10 years.

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<sup>1</sup> ["State Cigarette Tax Rates", Tax Policy Center, 2/23/2021](#)

<sup>2</sup> ["Summary of 2018-20 Budget Actions", Legislative Information System, 7/27/2020](#)

<sup>3</sup> See <https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+SB852>, <https://lis.virginia.gov/cgi-bin/legp604.exe?211+sum+HB1120>, and <https://lis.virginia.gov/cgi-bin/legp604.exe?161+sum+HB830>

<sup>4</sup> ["Raise taxes on tobacco", World Health Organization, accessed 3/22/2021](#)

<sup>5</sup> ["Virginia Lawmakers Sign Off On Bill Legalizing Recreational Marijuana", NPR, 2/28/2021](#)

<sup>6</sup> ["2021 Special Session I Fiscal Impact Statement" – HB2312ER, Department of Planning and Budget, 3/9/2021](#)

<sup>7</sup> ["Audit commission recommends eliminating Virginia's coal tax credits", Virginia Mercury, 9/14/2020](#)

<sup>8</sup> ["Infrastructure and Regional Incentives", Joint Legislative Audit and Review Commission, 9/14/2020](#)

<sup>9</sup> <https://lis.virginia.gov/cgi-bin/legp604.exe?ses=212&typ=bil&val=HB1899>

<sup>10</sup> ["2021 Fiscal Impact Statement" – HB 1899, Department of Taxation, 2/24/2021](#)

<sup>11</sup> ["Aircraft and Watercraft", Virginia Department of Taxation, accessed 3/25/2021](#)

<sup>12</sup> ["2018 Fiscal Impact Statement" – HB 465, Department of Taxation, 1/16/2018](#)



**Restore Estate Tax** – Virginia removed the estate tax 15 years ago<sup>13</sup>, depriving the state of millions in much needed revenue. A 2020 legislative proposal<sup>14</sup> reinstating the estate tax estimated that it would raise \$15 million in the first year and \$60 million each year after,<sup>15</sup> reaching \$555 million in increased revenue over 10 years. Under this proposal, only estates worth more than \$11.58 million and closely held businesses and working farms would also be exempted.<sup>16</sup>

**Expand the Number of Tax Brackets to Mirror our Neighbors** – Virginia’s individual income tax system is in desperate of an update – the current system’s top tax bracket of 5.75 percent begins at only \$17,000,<sup>17</sup> meaning people making \$20,000 and \$20 million dollars would be subject to the same tax rates. Nearby states with graduated tax systems have much higher top brackets – Maryland’s top bracket begins at \$250,000 and West Virginia’s top bracket begins at \$60,000.<sup>18</sup> A 2018 legislative proposal that added two new tax brackets, at 6.25 percent for \$500,000 and 6.75 percent for income over \$1 million, was estimated to increase revenue by \$1.8 billion in the first six years and potentially reach more than \$3 billion in total after 10 years.<sup>19</sup> In updating the brackets we would want to provide some tax relief to working families and not raise taxes for anyone making less than \$1 million a year, but even with both of those provisions you could still easily generate more than \$2 billion over 10 years.

### **Modernize the Corporate Tax Code**

**Eliminate Single-Sales Factor Tax Break** – Corporations should have to pay their fair share, and we need to update the tax code to reflect that by eliminating the Single Sales Factor tax break. Virginia’s tax code currently allows<sup>20</sup> a tax giveaway so corporations operating in Virginia only pay income taxes on sales to Virginia consumers.<sup>21</sup> This tax giveaway costs us \$59 million annually<sup>22</sup> or more than half-a-million over 10 years.

**Eliminate Real Property Investment Grants** – Even though their original purpose was well intended, Real Property Investment Grants have had “relatively low economic benefits”<sup>23</sup> because of their targeting and design. From 2010-2018, Virginia spent more than \$93 million on these grants<sup>24</sup> or \$10.4 million per year on average.<sup>25</sup> These grants should be eliminated, which could save Virginia \$104 million over the next 10 years.

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<sup>13</sup> [HB 5019, Estate tax, and land preservation tax credit: changes in provisions therefore, report, 8/28/2006](#)

<sup>14</sup> [“HB 736 Estate Tax; reinstatement”, Legislative Information System, offered 1/8/2020](#)

<sup>15</sup> [“2020 Fiscal Impact Statement – HB 736”, Department of Taxation, 1/23/2020](#)

<sup>16</sup> [“2020 Fiscal Impact Statement – HB 736”, Department of Taxation, 1/23/2020](#)

<sup>17</sup> [“Individual Income Tax”, Virginia Department of Taxation, accessed 3/23/2021](#)

<sup>18</sup> [“State Individual Income Tax Rates and Brackets for 2021”, Tax Foundation, 2/17/2021](#)

<sup>19</sup> [“2018 Fiscal Impact Statement” – SB 390, Department of Taxation, 1/28/2018](#)

<sup>20</sup> [“Corporate Apportionment for Manufacturers Guidelines \(Single Sales Factor\)”, Virginia Department of Taxation, accessed 3/23/2021](#)

<sup>21</sup> [“Case for ‘Single Sales Factor’ Tax Cut Now Much Weaker”, Center on Budget and Policy Priorities, 4/1/2015](#)

<sup>22</sup> [“Trouble in the Commonwealth”, The Commonwealth Institute, 11/14/2016](#)

<sup>23</sup> [“Infrastructure and Regional Incentives”, Joint Legislative Audit and Review Commission, 9/14/2020](#)

<sup>24</sup> [“Infrastructure and Regional Incentives”, Joint Legislative Audit and Review Commission, 9/14/2020](#)

<sup>25</sup> [“Infrastructure and Regional Incentives”, Joint Legislative Audit and Review Commission, 9/14/2020](#)



**Fully Eliminate Dealer Discount** – Certain retailers are still allowed to keep a portion of the tax collected for sales tax, despite this dealer discount being curbed in 2010.<sup>26</sup> By continuing this discount in any form, we are reducing Virginia’s available revenue and it should be fully eliminated – this could increase revenues by \$130 million over 10 years.<sup>27</sup>

**Mandate Combined Reporting For Corporate Income Taxes** – More than half of the country requires a combined reporting system, meaning a parent company and its subsidiaries are treated as one entity for tax purposes, but not Virginia.<sup>28</sup> Without this system, companies can shift some of their tax burden to states with lower corporate taxes and deprive our state of necessary tax revenue.<sup>29</sup> If we shift to a combined reporting system, Virginia could see a sizeable tax revenue increase of \$600 million over ten years, with annual estimates between \$60 and \$80 million.<sup>30</sup>

### **Better Government, Better Taxpayer Return**

**Comprehensive Government Reform** – We can reduce government spending and inefficiencies without negatively impacting Virginians. This is not a partisan idea – in 2010, Republican Governor Bob McDonnell’s government reform commission found \$100 million in achievable savings.<sup>31</sup> It’s been more than a decade since that audit. We need a new audit of government reform and efficiency to ensure that Virginians’ hard-earned tax dollars are being spent in the best way possible.

**Prescription Drug Affordability Board** – Establishing a Prescription Drug Affordability Board (PDAB) will play a central role in the effort to reduce prescription drug prices for all Virginians, with the board able to set price limits for certain prescription drugs across the Commonwealth. This type of policy has a proven success record in other states – when the New York legislature set a drug spending cap for the state’s Medicaid spending, they were able to find nearly \$1 billion in savings in the first year,<sup>32</sup> with the total overall savings expected to reach 11.1 percent of the state’s overall drug spending. A recent legislative report found that Virginia spent more than \$1.2 billion annually on prescription drugs<sup>33</sup>, meaning the impact of drug spending caps from the PDAB could result in \$135 million in savings by the second year alone.

**Universal Preschool and Early Childhood Education** – Our children deserve access to high quality education, no matter where they live, and expanding preschool availability is also in the Commonwealth’s long-term financial interest. Estimates by the Washington Center for Economic Growth found that with investments in universal

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<sup>26</sup> [“Important Information Regarding Dealer Discounts”, Virginia Department of Taxation, 5/17/2010](#)

<sup>27</sup> [“State Lawmakers Have Tax Policy Options to Meet the Moment and Lay Groundwork for Stronger Recovery”, The Commonwealth Institute, 8/4/2020](#)

<sup>28</sup> [“28 States Plus D.C. require Combined Reporting for the State Corporate Income Tax”, Center on Budget and Policy Priorities, 11/15/2018](#)

<sup>29</sup> [“Combined Reporting Lessens Corporate Tax Avoidance at State Level”, Institute on Taxation and Economic Policy, 7/26/2019](#)

<sup>30</sup> [“2020 Fiscal Impact Statement” – HB 739, Department of Taxation, 1/30/2020](#)

<sup>31</sup> [“Report to the Governor”, Commission on Government Reform & Restructuring, 12/1/2010](#)

<sup>32</sup> [“New York’s Medicaid Drug Cap”, Pew Charitable Trusts, 4/2/2018](#)

<sup>33</sup> [“High-Cost Prescription Drugs in Virginia”, Legislative Information System, 2016](#)



pre-K, the financial benefits to Virginia would begin to outweigh the costs after just nine years,<sup>34</sup> and these investments could show tens of millions in savings by year 10 and total benefits reaching more than \$8 billion after 25 years.

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<sup>34</sup> [“A snapshot of the long-term impacts of universal pre-k in Virginia”, Washington Center for Equitable Growth, 12/2/2015](#)


  
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 FOR GOVERNOR

**Total New Revenue (in millions)**

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
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**Better Aligned Incentives**

Increase Cigarette Tax	\$258.0	\$258.0	\$258.0	\$258.0	\$258.0	\$258.0	\$258.0	\$258.0	\$258.0	\$258.0	\$2,580.0
Move Up Marijuana Legalization	-	\$18.4	\$90.0	-	-	-	-	-	-	-	\$108.4
Eliminate Coal Tax Credits	\$0.3	\$0.3	\$0.3	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$40.1

**Ensure Wealthy Pay Their Fair Share**

Increase Yacht Taxes	\$5.5	\$6.1	\$6.2	\$6.4	\$6.5	\$6.6	\$6.6	\$6.6	\$6.6	\$6.6	\$63.7
Restore Estate Tax	\$15.0	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$555
Update Individual Tax Brackets	\$125.0	\$156.3	\$195.3	\$244.1	\$244.1	\$244.1	\$244.1	\$244.1	\$244.1	\$244.1	\$2,186

**Modernize the Corporate Tax Code**

Eliminate Single-Sales Factor	\$59.0	\$59.0	\$59.0	\$59.0	\$59.0	\$59.0	\$59.0	\$59.0	\$59.0	\$59.0	\$590
Eliminate Real Property Grants	\$10.4	\$10.4	\$10.4	\$10.4	\$10.4	\$10.4	\$10.4	\$10.4	\$10.4	\$10.4	\$104.0
Eliminate Dealer Discount	\$13.0	\$13.0	\$13.0	\$13.0	\$13.0	\$13.0	\$13.0	\$13.0	\$13.0	\$13.0	\$130.0
Mandate Combined Reporting	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$600

**Better Government, Better Taxpayer Return**

Government Reform	-	\$10.0	\$20.0	\$50.0	\$20.0	-	-	-	-	-	\$100
Institute PDAB	-	\$130.0	\$143.0	\$157.3	\$157.3	\$157.3	\$157.3	\$157.3	\$157.3	\$157.3	\$1,374.1
Universal Preschool	-	-	-	-	-	-	-	-	-	\$50.0	\$50.0
<b>Total</b>	<b>\$546.2</b>	<b>\$781.5</b>	<b>\$915.2</b>	<b>\$923.8</b>	<b>\$893.9</b>	<b>\$874.0</b>	<b>\$874.0</b>	<b>\$874.0</b>	<b>\$874.0</b>	<b>\$924.0</b>	<b>\$8,480.8</b>