Forbes

Tim Kaine And Tax Policy

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August 11, 2016

Democratic vice presidential nominee Tim Kaine of Virginia, like his GOP counterpart, Mike Pence of Indiana, has a tax record as governor. And as with Pence, Kaine's tax policies as governor are worthy of consideration. Kaine served as Virginia's governor from 2006 through 2010, which included the beginning of the Great Recession. During his term, he supported several tax measures, most of which were good policy choices.

Kaine began his term by calling for the repeal of the estate tax, a proposal that was eventually signed into law. The estate tax cannot be effectively levied at the state level. Wealthy people have too many opportunities to avoid the tax. Kaine deserves credit for supporting this effort. Also early in his term, Kaine tried to raise revenue for transportation. His good idea, to raise the gas tax, was defeated in the House. His bad idea, to increase the sales tax on cars, was never brought to a vote. I note that his efforts to raise money for transportation earned him a D on the Cato Institute's "Fiscal Policy Report Card on America's Governors."

In 2009 Kaine called for doubling the cigarette tax. That is usually bad policy, but in this case, perhaps not so much. Kaine wanted to raise the very low state tax to align with the public health costs of smoking. But he also called for an increase in tax incentives to lure businesses to the state, which was a bad tax policy choice. That year he also signed legislation that ended generous tax breaks for real estate investment trusts. That was a good tax policy measure, although I doubt the REITs would see it that way. Further, he signed into law a bill ensuring that the state's minimum corporate income tax on telecommunications companies would also apply to passthrough entities, thereby eliminating a potential loophole from a Virginia Supreme Court decision. In 2008 the court held in *Virginia Cellular LLC v. Virginia Department of Taxation* that only corporations were subject to the minimum tax imposed on telecommunications companies. But Kaine also passed a law in 2009 allowing manufacturing companies to elect to use single-sales-factor apportionment. The law permits one industry sector (in this case manufacturing) to choose a formula that minimizes its taxes. That's awful tax policy.

In his final year as governor, Kaine wanted to eliminate the state's hated car tax. Virginia is one of the few states that allow local governments to impose a property tax on automobiles. It's a terrible tax that, among other things, discourages new car purchases and essentially encourages people to hide their cars from taxation. But it raises over $1 billion a year. To pay for the repeal, Kaine proposed a 1 percentage point income tax increase. It would have been a good trade — Virginia rids itself of an awful tax while being saddled with higher, less awful taxes. But the Republican-controlled legislature crushed the proposal.

There were two other developments of note during Kaine's administration. First, he approved three different sales tax holidays. Sales tax holidays are political gimmicks that far too many states (17 this year) enact. On the positive side, Kaine supported several tax relief measures aimed at low-income citizens. For example, he signed legislation raising the filing threshold and increasing the personal exemption. If you're going to cut taxes, starting with the poorest among us is good.

Kaine's gubernatorial tax policies were moderate. He governed a fiscally conservative state and led it successfully through the recession without significant tax increases. As a senator, he has opposed millionaire taxes, supported broadening the corporate tax base while lowering rates, and was in favor of curbing capital gains treatment of carried interest. Those are all solid policy positions. He also supported the Marketplace Fairness Act, an eminently good idea.

Overall Kaine has taken a balanced, slightly left-of-center approach to tax policy. He's certainly more fiscally conservative than his running mate. The question is, if the Clinton-Kaine team triumphs, will the president listen to her vice president on tax matters?