MERCATUS CENTER
George Mason University

POLICY SPOTLIGHT

Prosperity amid Population Growth in West Virginia

Tax, housing, and labor reforms to support a stronger economy

JACK SALMON | JULY 2026 (UPDATED IN AUGUST 2026)

Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among states. West Virginia ranked 26th in net interstate migration, gaining almost 1,800 residents but losing $280 million in income—suggesting it attracts lower-income movers while losing higher-earning residents.[1] Research shows that taxes, economic freedom, and housing supply are key drivers of migration. Tax reforms have improved West Virginia's position, but its corporate tax burden, one of the nation's lowest housing permitting rates, and an above-peer occupational licensing burden continue to weigh on its competitiveness.

Tax Policy Reforms

The competitive landscape

West Virginia ranks 32nd on the Tax Foundation's State Tax Competitiveness Index. The state has reduced its top individual income tax rate, with revenue-triggered reductions continuing to phase in. Yet it still trails neighboring Kentucky's flat income tax, as the table below shows. West Virginia's corporate income tax rate is above the national average, while taxes on tangible personal property, including harmful levies on business inventory, further burden investment.

Kentucky	Flat individual income tax of 3.5% (reduced from 4.5% in 2023) being phased down further. No business inventory tax.
West Virginia	Top individual income tax rate of 4.58% in 2026 (reduced from 5.12% in 2024 and 4.82% in 2025), with revenue-triggered reductions continuing. Corporate income tax rate of 6.5% (above national average). Business inventory taxes and other tangible personal property taxes add distortions. Ranks 32nd on State Tax Competitiveness Index.

Recommended reforms

- **Protect and revenue-triggered income tax cuts** and narrow the gap with Kentucky's 3.5% flat rate.

[1] See Jack Salmon, "Interstate Migration Trends in the United States, 2018–2023: Where Are Americans Moving, and Why?" (Mercatus Policy Brief, Mercatus Center at George Mason University, July 2026). For the full analysis including sources, scan the QR code on the next page.

- **Reduce the corporate income tax rate by eliminating distortive credits** for jobs, R&D, and capital investment. Instead, legislators should consider a lower corporate rate applied uniformly to all income.
- **Eliminate the business inventory tax,** which discourages investment, increases compliance costs, and puts West Virginia at a competitive disadvantage relative to most neighboring states.

Housing Policy Reforms

The supply gap

West Virginia issues approximately 2.3 housing permits per 1,000 residents annually—the 8th-lowest rate in the country. Constrained supply raises housing costs, reduces affordability for incoming residents and workers, and diminishes West Virginia's attractiveness relative to peer states. The barriers are not primarily financial; they are regulatory. Slow permitting processes impose costs on developers that further raise housing costs.

Recommended reforms

- **Permit residential and mixed-use housing development by right in commercially zoned areas**.
- **Establish statewide limits on minimum lot size mandates in sewer-served areas.** Research shows that minimum lot size mandates are a major barrier to entry-level housing construction.
- **Allow HUD Code manufactured homes on residential lots** where site-built homes are permitted. Manufactured housing is a major source of unsubsidized affordable homeownership. West Virginia should preempt local requirements that impose redundant inspections, additional construction standards, or design requirements beyond HUD standards. It can look to Kentucky, which passed legislation in 2025 containing most of these recommendations.

Labor Market Freedom Reforms

The licensing burden

Of 102 lower-income occupations studied, West Virginia licenses 67, compared with 38 in Kentucky and 40 in Ohio, ranking the state 31st nationally in licensing burden. According to the Archbridge Institute's State Occupational Licensing Index, West Virginia's universal license recognition allows most out-of-state workers to obtain a license without repeating education or experience requirements. Although the law includes a residency requirement, it does not require licenses to be "substantially similar," making it a meaningful advantage for attracting relocating workers.

Recommended reforms

- **Reduce the overall licensing burden.** Conduct a systematic review of all occupational licensing statutes, prioritizing occupations where West Virginia's requirements substantially exceed those of Kentucky and Ohio.
- **Remove the residency requirement from universal license recognition** to strengthen West Virginia's appeal as a destination for licensed workers from other states.
- **Permit independent contractors (ICs) to buy employer health coverage without affecting their IC employment classification.** With this reform, West Virginia can build on its work empowering independent workers through portable benefits. Larger risk pools can lower insurance costs while maintaining contractor status. Changes would affect state-regulated individual and small-group markets, but not the larger ERISA plans.

For more information or to meet with the scholar, contact
Mercatus Outreach, 703-993-4930, dschroeder@mercatus.gmu.edu *or* mercatusoutreach@mercatus.gmu.edu
Mercatus Center at George Mason University, 3434 Washington Blvd., 4th Floor, Arlington, Virginia 22201

The ideas presented in this document do not represent official positions of the Mercatus Center or George Mason University.