



West Virginia Taxes at a Glance

West Virginia Tax Revenue FY 2016

Major State Tax Revenue:

- Personal income tax - \$1.8 billion ¹
- Sales and use tax - \$1.3 billion ²
- Motor fuel taxes - \$396 million ³
- Corporate income tax - \$144 million ⁴
- Severance tax - \$260 million ⁵

Major Local Tax Revenue:

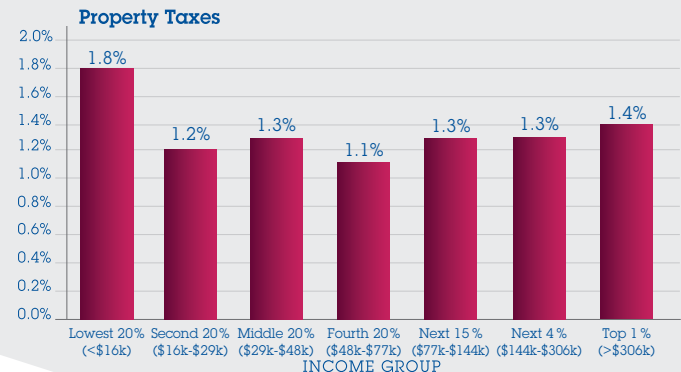
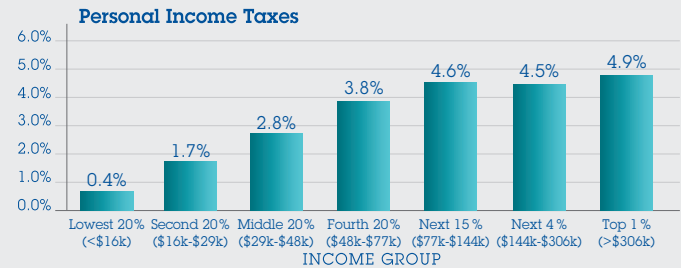
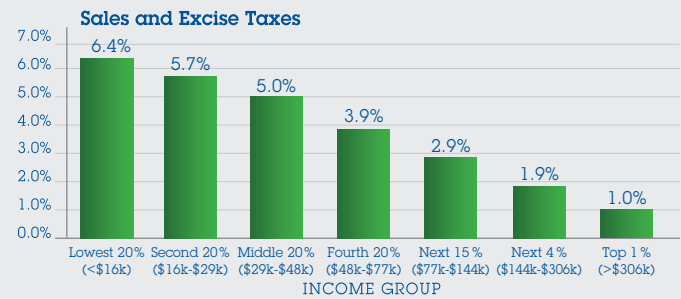
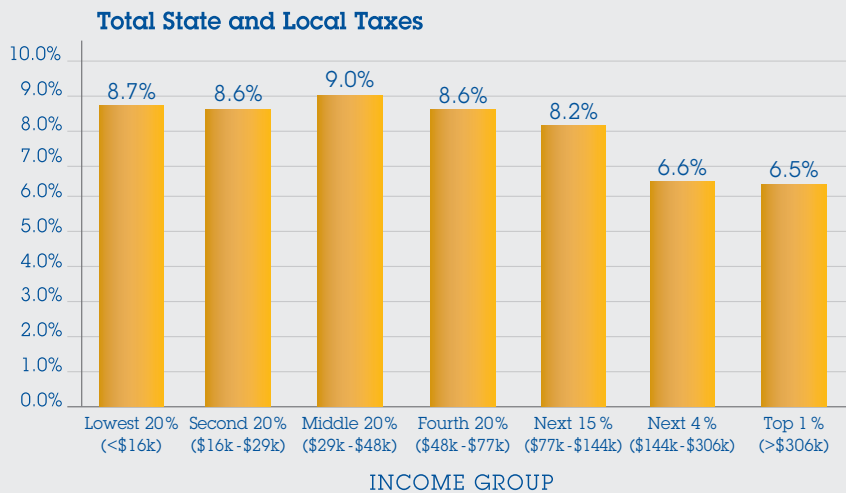
- Property tax - \$1.7 billion ⁶
- Local B+O Tax - \$230 million ⁷

National Rankings:

- State and local taxes - 29th per capita ⁸
- State and local spending - 32nd per capita ⁹

Low- and Middle-Income West Virginians Pay More of Their Income in Taxes

State and local taxes as a share of non-elderly family income.



Source: Institute on Taxation and Economic Policy, "Who Pays?" January 2015.
Note: Totals include effect of federal deductibility of state and local taxes.

Sales Tax

Rate: 6% (6.2% including local)

National Ranking: 44th per capita ¹⁰

What's taxed: Goods, some services

What's not: Professional services, food

More about the sales tax:

- \$365 million in service exemptions ¹¹
- West Virginia taxes 105 out of 168 services taxed in other states. ¹²
- \$10 million in revenue lost annually in untaxed digital downloads. ¹³
- 28 municipalities impose local sales tax of 0.5% - 1%. ¹⁴

Property Tax

Rate: Varies by class and locality, property assessed at 60% of market value. Class II property includes residential property and farms. Class III and IV includes business real and personal property and vehicles.

National Ranking: 46th per capita ¹⁵

Average Rate: \$1.91 per \$100 of assessed value.

Levies: ¹⁶

- Total levy limits - Class II: \$1.00 per \$100 of assessed value; Class III and IV: \$2.00 per \$100 of assessed value.
- State levy limits - Class II: \$0.005 per \$100 of assessed value; Class III and IV: \$0.01 per \$100 of assessed value.
- County levy limits - Class II: \$0.286 per \$100 of assessed value; Class III and IV: \$0.572 per \$100 of assessed value.
- School district levy limits - Class II: \$0.459 per \$100 of assessed value; Class III and IV: \$0.918 per \$100 of assessed value.

(Continued)

Property Tax Continued...

- Municipal levy limits – Class II: \$0.25 per \$100 of assessed value; Class IV: \$0.50 per \$100 of assessed value.
- County, school, and municipal levy limits may be exceeded with excess levies if approved by voters in a levy election.

More about the property tax:

- Property tax revenue growth is capped at 1% per year for counties and municipalities, and 2% per year for school

districts excluding new construction. A public hearing can be held to exceed the cap. Levy rate increases that would exceed the revenue cap are applied incrementally.¹⁷

- State and local governments can offer tax abatements, salvage value, tax-increment financing and other tax incentives to businesses that affect property tax revenue.¹⁸

Personal Income Tax

Marginal rates (for married couples filing jointly)

- 3.0% on first \$10,000 of taxable income
- 4.0% on taxable income from \$10,001 to \$25,000
- 4.5% on taxable income from \$25,001 to \$40,000
- 6.0% on taxable income from \$40,001 to \$60,000
- 6.5% on taxable income above \$60,000

National Ranking: 28th per capita¹⁸

Average Rate: 2.8 %

More about the personal income tax:

- \$2,000 personal exemption for each household member¹⁹
- Family Tax Credit decreases or eliminates income taxes for families with incomes below the poverty threshold.
- There are a number of other deductions, credits, and exemptions available, which reduced income tax collections by \$242 million in 2014.²⁰
- Personal income tax applies to wages and salaries, interest, rental income, capital gains, and some business and pension income, including from shareholders of S corporations.

Corporate Net Income Tax

Rate: 6.5% on taxable net profits

National Ranking: 28th per capita²¹

Who pays: C corporations, mostly large, publicly traded companies

Who doesn't: S corporations, LLC, and unincorporated entities

More about the corporate net income tax:

- West Virginia is a combined reporting state, which closes loopholes allowing multi-state corporations to avoid paying in-state corporate income taxes.
- The business franchise tax on a business's net equity was eliminated as of January 2015.
- Economic opportunity tax credit, strategic research and development tax credit, manufacturing investment tax credit and other business incentives reduce Corporate Net Income tax and other taxes for qualifying companies. In FY 2012 these credits reduced Corporate Net Income tax revenue by \$20 million.²²

Motor Fuel Tax

Rate: 33.2 cents per gallon (as of 1/1/2016)²³

National Rank: 11th highest per gallon²⁴

Severance Tax

Rate: 5% of gross value of extracted coal, natural gas, oil, and other minerals. Reduced rates for thin-seam coal.

Local share: Local governments receive 10% of natural gas and oil severance tax revenue. Included in the base 5% rate on coal is a 0.35% local rate. Revenue from the 0.35% rate is distributed to local governments. In addition, 5% of coal severance tax revenue, up to \$20 million annually, is also distributed to local governments.²⁵

More about the severance tax:

- West Virginia is one of 38 states with some type of severance tax, and is one of the top 10 states most reliant on severance tax revenue.
- Reduced rates for thin-seam coal cost \$68.6 million in lost revenue in FY 2013.²⁶

1) West Virginia State Budget Office, Revenue Collections FY 2016.

2) Ibid.

3) Ibid.

4) Ibid.

5) West Virginia State Tax Department, Severance Tax Summary, FY 2016.

6) West Virginia State Tax Department, Classified Assessed Valuations Taxes Levied, FY 2016

7) U.S. Census Bureau, 2013 Survey of State and Local Government Finance and Bureau of Economic Analysis.

8) Ibid.

9) Ibid.

10) Ibid.

11) West Virginia Department of Revenue, Presentation to the Joint Select Committee on Tax Reform, August 31, 2015.

12) Federation of Tax Administrators, Sales Taxation of Services, 2007 Survey.

13) West Virginia Department of Revenue, Presentation to the Joint Select Committee on Tax Reform, August 31, 2015.

14) West Virginia State Tax Department.

15) U.S. Census Bureau, 2013 Survey of State and Local Government Finance and Bureau of Economic Analysis.

16) West Virginia State Tax Department, Property Tax Division.

17) West Virginia Code §11-8-6e.

18) U.S. Census Bureau, 2013 Survey of State and Local Government Finance and Bureau of Economic Analysis.

19) West Virginia Department of Revenue, Presentation to the Joint Select Committee on Tax Reform, August 17, 2015.

20) Ibid.

21) U.S. Census Bureau, 2013 Survey of State and Local Government Finance and Bureau of Economic Analysis.

22) West Virginia State Tax Department.

23) West Virginia State Tax Department, West Virginia Tax Credit Review and Accountability Report 2015.

24) Tax Foundation, State Gasoline Tax Rates in 2016.

25) West Virginia Department of Revenue, Presentation to the Joint Select Committee on Tax Reform, September 14, 2015.

26) Ibid.