

## WEST VIRGINIA BUSINESS TAXES

West Virginia has removed approximately \$109 million of business tax burden in FY 2011 and over \$345 million during the past five years.

The state levies two primary business taxes: the corporation net income tax and the business franchise tax. Certain other taxes are levied upon specialized industries. For example, severance tax is imposed on the production of natural resources. The business and occupation tax is a gross receipts tax imposed on public utilities, electric power generators, natural gas storage operators and producers of synthetic fuel.

### **Corporation Net Income Tax**

The corporation net income tax is imposed annually at a 2012 rate of 7.75 percent of federal taxable income allocated and apportioned to West Virginia. There is a scheduled phased tax rate reduction intended to bring the tax rate to 6.5 percent by 2014.

### **Business Franchise Tax**

The tax base is the net worth of the corporation or partnership as determined for federal income tax purposes. The 2012 tax rate is 0.27 percent of the tax base apportioned to West Virginia or \$50, whichever is greater. There will be an annual phased reduction in the tax and the tax is scheduled to be eliminated in 2015.

### **Business and Occupation Tax**

The business and occupation tax is an annual privilege tax levied on public utilities, electric power generators, natural gas storage operators and producers of synthetic fuel.

### **Consumers' Sales and Service Tax (CSST) and Use Tax**

West Virginia has a 6 percent consumers' sales and service tax and a use tax. Sales of goods and service to a manufacturer for direct use in manufacturing are exempt from CSST (for in-state purchases) and from the use tax (for out-of-state purchases).

### **Business Registration Tax**

The rate of this tax is \$30 biennially for each location in which business activity is conducted. Businesses generating annual gross income of less than \$4,000 are exempt from payment but still must file to obtain the certificate. Business Registration Certificates (either initial registration or renewals) issued for periods beginning on or after July 1, 2010 will be a permanent certificate and not subject to biennial renewal.

### **Severance Taxes**

Severance taxes are levied on the production of natural resources including ordinary processing commonly employed by the industry to obtain a salable natural resource product. The oil and gas production privilege will end at the well-mouth; the timber production privilege ends once the tree is severed, de-limbed, and topped; the limestone or sandstone production privilege ends immediately after severance from the earth; and the coal production privilege includes certain coal processing activities.

The regular severance tax rate on timber production is 3.22 percent and the tax rate on other natural resources is generally 5 percent. Note that, effective for a 36-month period beginning with the first tax year that begins on or after January 1, 2010, the regular severance tax on timber is temporarily eliminated. However, timber production, along with coal, natural gas, and methane production, continues to be subject to an additional severance tax under the Workers' Compensation Debt Reduction Act of 2005. Coal production is also subject to certain other taxes and may be subject to special severance tax rates.

### **Personal Income Tax**

A graduated scale of rates is applied to taxable income of all residents, individuals, estates and trusts and on the West Virginia income of nonresidents. The starting point for computation of the tax is federal adjusted gross income. Individuals are allowed a \$2,000 personal exemption for each personal exemption claimed on the federal return.

Individuals older than 65 are allowed an additional \$8,000 income deduction. Tax rates range from 3 percent on the first \$10,000 of taxable income to 6.5 percent on income exceeding \$60,000.

### **Property Taxes**

In West Virginia, ad valorem property taxes are local taxes. The assessed value of non-utility property is set by locally elected county officials. Utility and industrial property is valued by a State Board or agency. Guidelines are provided by the state to achieve equal and uniform assessed values for property throughout the State. Public utility property taxes are collected by the State and remitted to county sheriffs for distribution to local levying bodies. County sheriffs collect all other property taxes. Property is generally taxed on 60 percent of its appraised value.

