



## WEST VIRGINIA BUSINESS TAXES

West Virginia 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 upon public utilities, natural gas storage operators and electric power producers.

### **Corporation Net Income Tax**

The corporation net income tax is imposed annually at a rate of 8.75 percent. There will be a phased reduction in the tax from 8.75 percent to 6.5 percent by 2014.

### **Business Franchise Tax**

The measure of the business tax base is the net worth of the corporation or partnership as determined for federal income tax purposes. The rate of tax is 0.55 percent or \$50, whichever is greater. There will be a phased reduction in the rate of tax beginning in 2009 and the tax will be eliminated in 2015.

### **Business and Occupation Tax**

The business and occupation tax is an annual privilege tax levied on public utilities, natural gas storage operators and electricity generators doing business in West Virginia.

### **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 rate of tax on timber production is 3.22 percent and the tax rate on other natural resources is generally five percent.

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

West Virginia has 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). The effects of these exemptions and others are far-reaching.

### **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. The license year is July 1 to June 30 of the succeeding calendar year.

### **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 deduction for each exemption claimed on their federal return. Individuals older than 65 are allowed an additional \$8,000 income exemption. Tax rates range from three 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. Guidelines are provided by the state to achieve equal and uniform assessed values for property throughout the state. The assessed value of utility property is determined by the state. Public utility 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 with reduced valuation for qualified capital additions.

#### **• Aircraft Valuation**

A reduction in the assessed value of all aircraft owned or leased by commercial airlines, charter carriers, private carriers and private companies is provided for property tax purposes beginning July 1, 2008.