



WEST VIRGINIA BUSINESS TAXES

The state currently levies two primary business taxes: the corporation net income tax and the business franchise tax. However, beginning in 2015, the State will no longer levy 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 privilege tax imposed on public utilities, electric power generators, and natural gas storage operators.

Corporation Net Income Tax

The corporation net income tax is imposed annually at a rate of 6.5 percent of federal taxable income allocated and apportioned to West Virginia.

Business Franchise Tax

The tax base is the net worth of the corporation or partnership as determined for federal income tax purposes. The 2014 tax rate is 0.10 percent of the tax base apportioned to West Virginia or \$50, whichever is greater. This tax will 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 and natural gas storage operators.

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 most natural resources is generally 5 percent. The regular timber tax rate is 1.22 percent with a provision that this tax is temporarily suspended until the date when the additional timber severance tax expires. Timber production, along with coal, and natural gas production, continues to be subject to an additional severance tax under the Workers' Compensation Debt Reduction Act of 2005 until the Old Workers' Compensation debt is actuarially paid off within the next couple of years. Coal production is also subject to certain other fees and may be subject to special severance tax rates.

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). Certain municipalities may impose an additional local sales tax at a rate not to exceed 1 percent.

Business Registration Tax

The rate of this one-time registration fee is \$30 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 initial registration certificate.

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.