

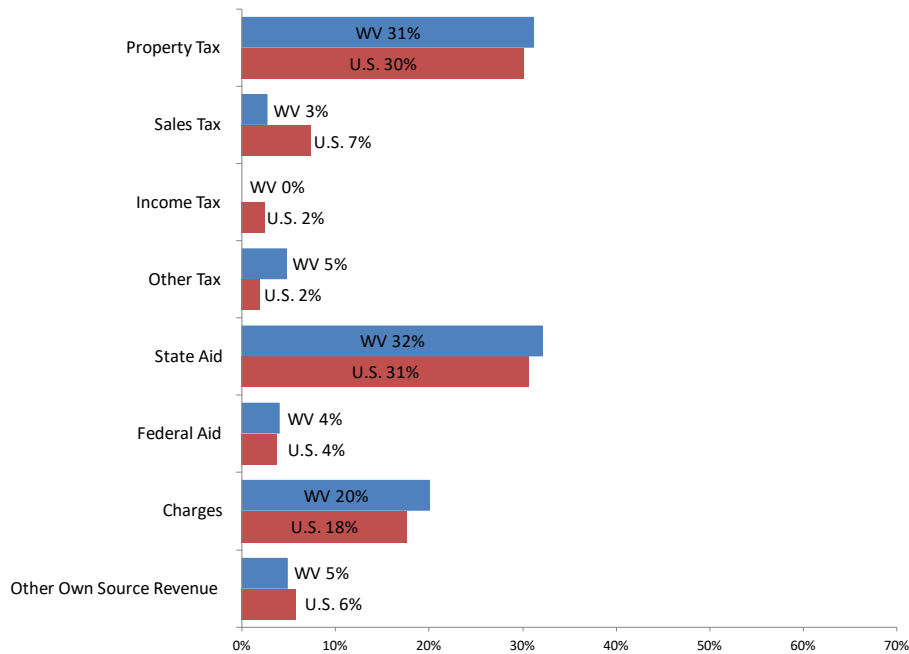
# West Virginia

## Highlights

Natural resources, especially coal, are an important source of West Virginia's property tax revenue. Taxes related to the coal industry cover five primary categories—active coal mining property, reserve coal property, coal property that can't be mined, buildings and land owned by coal companies, and equipment and machinery used in coal production (Higgenbotham et al. 2010). In several counties, the coal industry alone accounts for a significant portion of the total property tax revenue. Coal production declined from 2008 to 2016, reducing the property tax base supporting county governments and school districts; production rebounded between 2017 and 2019. Despite a dip in energy consumption due to the Covid-19 pandemic, production is projected to grow slowly over the next 10 years (Pace 2021).

West Virginia is among a minority of states that still tax tangible personal property, including inventories (Watson 2019). This revenue is significant for West Virginia, and efforts to reduce or eliminate personal property taxes have failed in recent years. However, in 2022, voters will have a chance to vote on a constitutional amendment that would authorize the legislature to exempt personal property from taxation.

Property taxes are levied by the state, counties, municipalities, and school districts. Although property taxes are a small share of state revenue, West Virginia counties and school districts rely heavily on them. For counties, the property tax is the single largest source of funding. The percentage of local government revenue in West Virginia generated by the property tax is slightly higher than the national average (figure WV-1).



Source: U.S. Census via Significant Features of the Property Tax

## Property Tax Reliance

Compared to the rest of the United States, West Virginia has one of the lowest effective property tax rates. Median real estate taxes paid on an owner-occupied home ranked next to last, and property tax as a percentage of state and local revenue in 2019 ranked 44th among the states (table WV-1).

**Table WV-1**  
**Selected West Virginia Property Tax Statistics, 2019<sup>1</sup>**

	West Virginia	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$963	\$1,758	44
Property tax percentage of personal income	2.3%	3.1%	41
Total property tax as percentage of state-local revenue	9.9%	16.6%	44
Median owner-occupied home value <sup>2</sup>	\$119,600	\$217,500	50
Median real estate taxes paid for owner-occupied home <sup>2</sup>	\$698	\$2,471	50
Effective tax rate, median owner-occupied home <sup>3</sup>	0.6%	1.1%	44

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

<sup>1</sup> All revenue numbers in this table include the state government as well as local governments.

<sup>2</sup> The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2015-2019.

<sup>3</sup> Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

## Administration and Assessment

Property taxes are levied by the State of West Virginia but can also be administered by counties, county school boards, and municipalities. The tax rates for school districts are set by the West Virginia legislature, whereas counties and municipalities set their own tax rates with the help of the state auditor (O'Leary 2011). Property assessment is conducted annually by West Virginia's 55 counties. West Virginia's constitution establishes four property tax classes: personal property used in agriculture, farm real estate and owner-occupied property, all other real and personal property located outside a municipality, and all other real and personal property located inside a municipality. The tax rates, but not the assessment ratio, vary for these four classes, but West Virginia does not currently tax any personal property used in agriculture (class 1).

## Limits on Property Taxation

The West Virginia Constitution sets the maximum tax rates that each taxing body may levy for each class of property. However, these maximums can be exceeded for up to five years if approved by the voters in a special election. There is also a second rate limit that applies by class to overall taxes by all overlapping taxing jurisdictions. Override provisions exist for this overall property tax rate cap as well.

In addition to tax rate caps, West Virginia has a cap on the growth of property tax levies, which is considered a levy limit with a truth-in-taxation override. When annual property reappraisal would increase total property taxes by 1 percent or more under current tax rates, property tax rates must be reduced. However, an override provision allows rate increases (not to exceed a 10 percent increase in the levy) after public notice and hearings.

## Property Tax Relief and Incentives

West Virginia has a homestead exemption that applies to the first \$20,000 of value for a senior or disabled homeowner. It also provides a senior citizens' property tax credit and circuit breakers for elderly homeowners and renters (table WV-2).

The state also has three programs that provide property tax incentives to promote economic development. One is tax increment financing, and the others are tied to investment or increases in jobs or wages.

**Table WV-2**  
**Property Tax Features of State Governments, United States, 2020**

Feature	West Virginia	Count for 50 states plus DC
<a href="#">Statewide classification of real property</a>	Yes	25
<a href="#">Assessment of property primarily by county</a>	Yes	31
<a href="#">Limits on property tax rates or levies</a>	Yes	45
<a href="#">Limits on the rate of growth of assessed value</a>	No	18
<a href="#">Circuit breaker property tax relief program</a>	Yes	31

Sources: Significant Features of the Property Tax

## Key Property Tax History

In response to the problems farmers and homeowners had in paying their property taxes during the Depression, in 1932 West Virginia passed the Tax Limitation Amendment, which separated properties into four different classes with different maximum tax rates. The initial effect of this amendment was to decrease the share of property taxes paid by farmers and homeowners, shifting that burden toward businesses. In addition, the amendment created limits on the maximum property tax rate. These rate limits were criticized because they restricted the ability of local government to provide municipal services and to adjust as necessary to changing economic conditions (Shamberger and Thompson 1950).

In 1980, the Homestead Exemption was passed, which reduced property taxes for individuals over the age of 65. Over the years, West Virginia has added exemptions for other types of property including all land used exclusively for agricultural purposes (Higginbotham et al. 2009). In 1982, the legislature also changed how property was valued and assessed. Specifically, taxes were assessed at 60 percent of fair market value rather than at 100 percent of fair market value.

In 1990, West Virginia implemented a property tax revenue limit (Mullins and Wallin 2004). While the 1932 Tax Limitation Amendment limited the amount by which rates could change, this more recent legislation stated that property tax revenues could grow by no more than 3 percent as a result of increases in assessed property values (Lyons and Lav 2007). As is the case with other property tax caps set by West Virginia law, this maximum can be overridden by voter approval.

In 2006, the Governor of West Virginia, Joe Manchin, convened a state summit on tax modernization in the state. The West Virginia Tax Modernization Project included a variety of recommendations, as well as comparisons to other states, and outlined a variety of policy changes and initiatives to consider over the next several years (State of West Virginia 2006). In the 2006, 2007, and 2008 legislative sessions, several changes were adopted from that proposal that related to the property tax, specifically provisions that provided additional tax credits for senior citizens and a reduction in assessed values of aircraft (West Virginia Development Office 2008).

## Recent Developments

In 2019, the West Virginia Supreme Court ruled that a property tax exemption for gas and oil producers that was based on a percentage of operating costs and capped at \$5,000 was unconstitutional and violated state statute, creating inequality. The court remanded seven consolidated cases to the circuit court and interpreted the statute to call for a lump sum exemption based on average operating expenses. (*The Honorable Dale W. Steager vs. Consol Energy, Inc.*, No. 18-0121, No. 18-0122, No. 18-0123, 18-0124, 18-0125; *County Commission of Doddridge Co. v. Consol Energy, Inc.*, 18-0227; *The County Commission of Doddridge Co. vs. Antero Resources Corp.*, No. 18-0228).

Also in 2019, West Virginia enacted HB 206, a historic education bill that authorized charter schools, increased teacher salaries, and increased state funding. The law increased the amount of locally-raised property taxes counties can retain, gave counties additional spending flexibility through block grants, and set a minimum funding level for districts with fewer than 1,400 students (Adams 2019).

Although West Virginia relies less on property tax revenue than do most other states, it is among the minority of states that tax business inventory, and personal property accounts for a third of the state's property tax base. Eliminating personal property taxes on inventory and equipment emerged as a major recommendation of a 2015 legislative committee, and in recent years the legislature has considered several proposals to do so (Gutman 2015). In 2021, the legislature passed a resolution (HJR 3) to send the Property Tax Modernization Amendment to the ballot. In November 2022, voters will decide whether to authorize the legislature to exempt business inventory, machinery, equipment, and motor vehicles from personal property taxation.

## Resources

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