

West Virginia

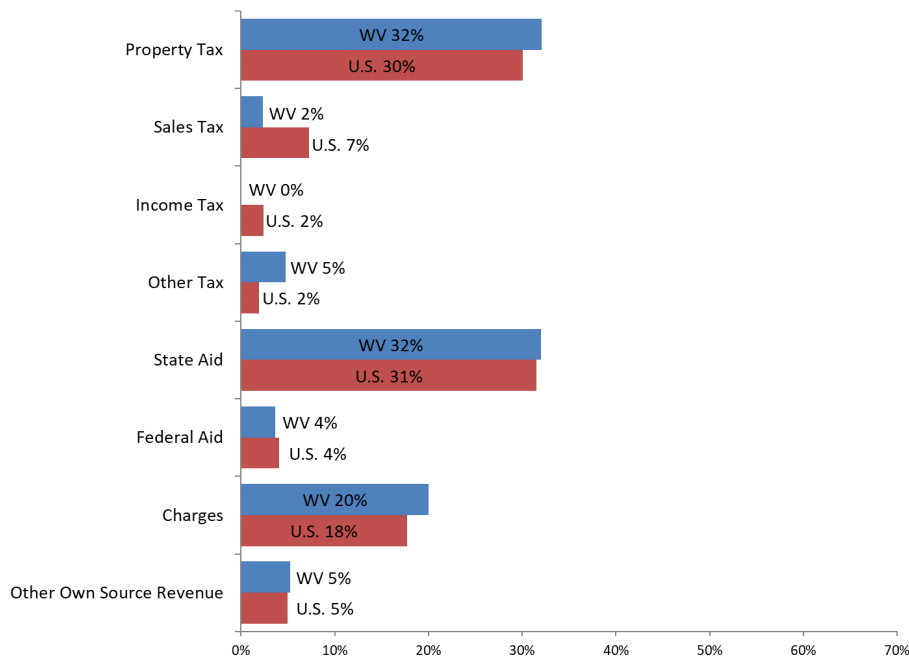
Highlights

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. In recent years, the decline of the coal industry has significantly reduced the property tax base supporting county governments and school districts (Kent 2017).

West Virginia is among a handful of states that still tax tangible personal property, including inventories. This revenue is significant for West Virginia, and the state ranked fifth in the nation in 2009 in terms of personal property tax collections per capita (Errecart, Gerrish, and Drenkard 2012).

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).

Figure WV-1
Sources of Local General Revenue, West Virginia and U.S., 2017



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 2017 ranked 44th among the states (table WV-1).

Table WV-1
Selected West Virginia Property Tax Statistics, 2017¹

	West Virginia	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$948	\$1,618	43
Property tax percentage of personal income	2.5%	3.1%	36
Total property tax as percentage of state-local revenue	10.3%	16.2%	43
Median owner-occupied home value ²	\$115,000	\$222,041	50
Median real estate taxes paid for owner-occupied home ²	\$678	\$2,412	50
Effective tax rate, median owner-occupied home ³	0.6%	1.1%	44

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

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

² 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 2014-2018.

³ 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. 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 one 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 \$33,333 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, 2018

Feature	West Virginia	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	Yes	34

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 2015, the legislature's Select Committee on Tax Reform convened to evaluate and make recommendations for improving the state's tax structure. 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 theme of the committee's work (Gutman 2015; Pritt 2015). Attempts to cut or repeal taxes on personal property have failed in recent sessions.

A dispute over property taxation of a West Virginia University residence hall led to a November 2018 supreme court ruling that has raised questions over the ability of the county to collect revenue from the university. In 2015, the county valued the residence hall at \$9 million because the university had leased the property to University Park at Evansdale, LLC which then subleased the student housing back to the university and subleased a small portion of the property to retail businesses. The university challenged the valuation, and the Supreme Court ruled that the county cannot assess property taxes on the value of the leasehold interest since the state university retains ownership and control of the property (*Mark Musick v. University Park at Evansdale, LLC*). In 2016, the university had negotiated a 50-year PILOT agreement under which it would make voluntary payments to the county equal to the amount of property taxes that would be owed on property leased to commercial establishments if taxable. The university estimated the annual contribution could be higher than \$175,000. University Park was not one of the properties bound by the agreement (West Virginia University 2016).

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: “We therefore hold that the provisions... for a deduction of the average annual industry operating expense requires the use of a singular monetary average deduction” (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, increasing the amount of local share funding counties can retain, giving counties additional spending flexibility through block grants, and setting a minimum funding level for districts with fewer than 1,400 students (Adams 2019).

Resources

Adams, Steven Allen. 2019. “West Virginia County School Board Members Discuss House Education Bill.” *Parkersburg News and Sentinel*, June 30. www.newsandsentinel.com/news/local-news/2019/06/west-virginia-county-school-board-members-discuss-house-education-bill/

Errecart, Joyce, Ed Gerrish, and Scott Drenkard. 2012. “States Moving Away From Taxes on Tangible Personal Property.” Washington, DC: Tax Foundation. <http://taxfoundation.org/article/states-moving-away-taxes-tangible-personal-property>

Gutman, David. 2015. “WV Tax Reform Committee Hears Recommendation to Repeal Personal Property Tax.” *Charleston Gazette-Mail*, October 5. www.wvqazettemail.com/article/20151005/GZ01/151009727/1419

Higginbotham, Amy, Tom S. Witt, Randy Childs, Cal Kent, and Elizabeth Pardue. 2010. *The West Virginia Coal Economy*. Morgantown, WV: West Virginia University Bureau of Business and Economic Research (BBER), and Huntington, WV: Marshall University Center for Business and Economic Research (CBER). (February). <http://busecon.wvu.edu/bber/pdfs/BBER-2010-04.pdf>

Higginbotham, Amy, Arzu Sen, and Tami Gurley-Calvez. 2009. “West Virginia Property Tax Briefing Paper.” Research report. Morgantown, WV: West Virginia University, Bureau of Business and Economic Research. <https://pdfs.semanticscholar.org/5d47/a18aba2d10d0656da07a8ca62c18aad9e719.pdf?qa=2.58189482.1062858944.1586820702-671986856.1586820702>

Kent, Calvin. 2017. “Coal’s Crash Creates a Wide Swath of Woes.” *Fair and Equitable*. (September). www.cbermu.org/wp-content/uploads/2017/11/2017-09-Fair_and_Equitable-Kent.pdf

Lyons, Karen, and Iris J. Lav. 2007. "The Problems with Property Tax Revenue Caps." Washington, DC: Center on Budget and Policy Priorities. www.cbpp.org/sites/default/files/atoms/files/6-21-07sfp.pdf

Mullins, Daniel R, and Bruce A. Wallin. 2004. "Tax and Expenditure Limitations: Introduction and Overview." *Public Budgeting and Finance* 24(4): 2-15.

O'Leary, Sean. 2011. "Property Taxes: A West Virginia Primer." Charleston, WV: West Virginia Center on Budget and Policy. https://d3n8a8pro7vhmx.cloudfront.net/wvcbp/pages/368/attachments/original/1511173910/WVCBP-Property_Tax_Primer042811.pdf?1511173910

Pritt, Pamela. 2015. "West Virginia Lawmakers Hear Thoughts on Repealing Personal Property Taxes." *Times West Virginian*, October 6. www.timeswv.com/news/west-virginia-lawmakers-hear-thoughts-on-repealing-personal-property-taxes/article_2e1732e2-6bda-11e5-a897-7729bf91ff12.html

Shamberger, Harold J., and James H. Thompson. 1950. "The Operation of the Tax-Limitation Amendment in West Virginia." Research report. Morgantown, WV: West Virginia University, Bureau of Business Research and Bureau of Government Research.

Significant Features of the Property Tax. www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax. Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

State of West Virginia. 2006. "2006 Report to Governor Joe Manchin III by the West Virginia Tax Modernization Project." Charleston, WV: West Virginia Department of Revenue. www.state.wv.us/taxrev/publications/taxModernizationProjectReport.2006.pdf

Walczak, Jared. 2017. "West Virginia Legislature Reaches Budget Agreement." Tax Foundation. (June 16). <https://taxfoundation.org/west-virginia-legislature-reaches-budget-agreement/>

West Virginia Development Office. 2008. "West Virginia: Positive Changes, Positive Results." Charleston, WV. www.wvcommerce.org/App_Media/Assets/pdf/businessandworkforce/wvdo_businessclimate.pdf

West Virginia University. 2016. "WVU, Mon County Agree on Process to Handle Non-Mission Critical Commercial Operations on Campus." *WVU Today*. August 25. <http://wvutoday-archive.wvu.edu/n/2016/08/25/wvu-mon-county-agree-on-voluntary-method.html>

Publication Date

June 2019, data updated July 2020