LINCOLN INSTITUTE
OF LAND POLICY

West Virginia

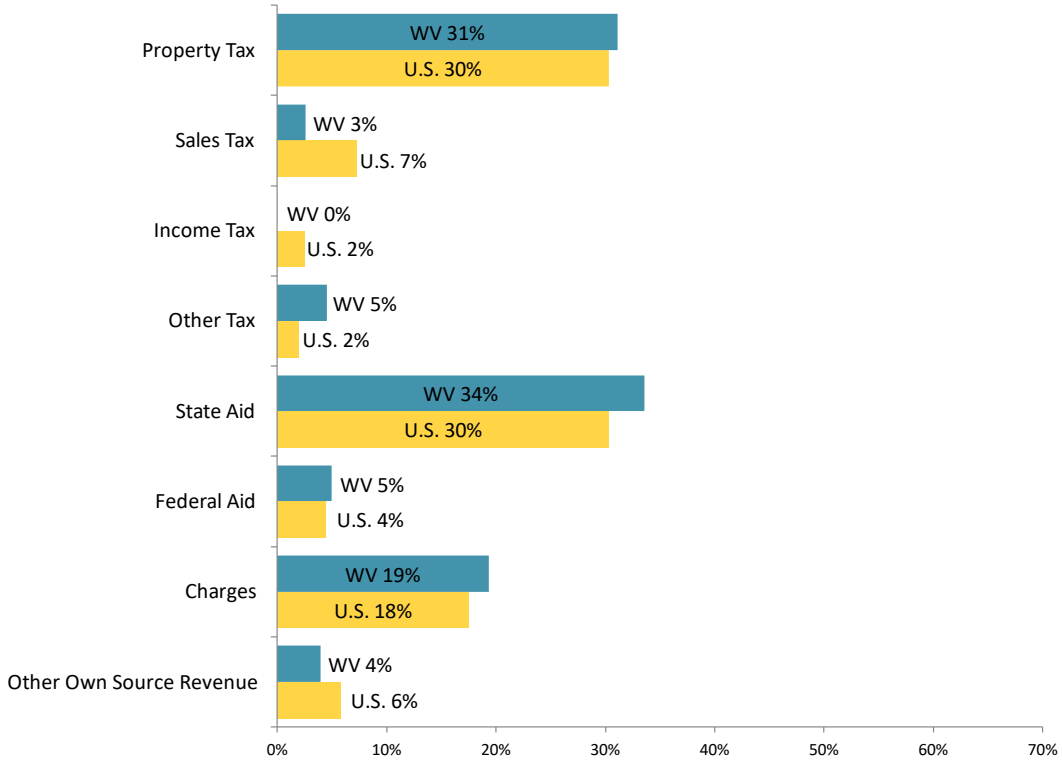
Highlights

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 (Higginbotham 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, then fell steeply during the pandemic (Pace 2021). Coal production picked up in 2021 and 2022 but still hovered below pre-pandemic levels (Lego et al. 2022).

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. In 2022, voters defeated a constitutional amendment to exempt personal property from taxation (Amendment 2 of 2022).

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., 2020



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 a very low effective property tax rate. 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 2020 ranked 44th among the states (table WV-1).

Table WV-1
Selected West Virginia Property Tax Statistics, 2020[1]

	West Virginia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,002	$1,810	*44*
Property tax percentage of personal income	2.2%	3.1%	*39*
Total property tax as percentage of state-local revenue	9.6%	16.6%	*44*
Median owner-occupied home value[2]	$123,200	$229,800	*51*
Median real estate taxes paid for owner-occupied home[2]	$719	$2,551	*50*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*43*

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 2016–2020.

[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). West Virginia's 55 counties are required to revalue properties annually, with physical reinspection every three years. 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, 2021

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	17
Circuit breaker property tax relief program	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 1989, The Supreme Court of the United States ruled that West Virginia's practice of assessment on sale violated the equal protection clause of the U.S. Constitution. The practice, also referred to as "Welcome Stranger," created horizontal inequities, with higher effective tax rates on more recently purchased properties (*Allegheny Pittsburgh Coal Co. v. Commission of Webster County, West Virginia*) (Bowman and Mikesell 1989).

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

A law enacted in 2021 reformed West Virginia's property tax appeals process (House Bill 2581 of 2021). West Virginia property taxpayers now have the option to appeal county assessments before an independent tribunal instead of the county commissioners meeting as a board of equalization and review. Prior to the passage of House Bill 2581 (2021), all property tax appeals went to county commissioners. Under the new law, property taxpayers can choose to appeal to either the county commissioners or the independent Office of Tax Appeals which hears appeals for almost all other West Virginia taxes (Griffith 2021).

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. In November 2022, voters defeated the constitutional amendment to authorize the legislature to exempt business inventory, machinery, equipment, and motor vehicles from personal property taxation. Sixty-nine percent of West Virginia voters opposed the measure (Amendment 2 of 2022) (McElhinny 2022).

In 2023, the legislature curtailed personal property taxes, and provided real property tax relief for disabled veterans as part of a tax plan that also cut income taxes (Norton 2023). In his 2023 State of the State address, Governor Jim Justice proposed halving the state's income tax over a three-year period, calling for "the biggest tax cut in the history of this state" (Hamilton 2023). House Bill 2526 struck a compromise between the governor's proposal and property tax reductions supported by Senate leadership. In addition to reducing the state's individual income tax rates, the legislation enacted a

refundable personal property tax credit for motor vehicles, a 100% property tax credit for qualifying disabled veterans, and a 50 percent personal property tax credit for small businesses. The motor vehicle personal property tax credit eliminated the personal property tax on vehicles for most taxpayers. Businesses with personal property valued under $1 million became eligible for a refundable tax credit against income taxes equal to half of personal property taxes paid (Norton 2023). Governor Justice argued that the state's revenue surplus could support new tax cuts, but the West Virginia Center on Budget and Policy pointed to declining severance tax collections as reason for caution. The reduction in taxes on business machinery and equipment had been recommended under many administrations, and proponents applauded this change as an improvement to the state's business competitiveness (Valdez 2023).

Resources

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