

WEST VIRGINIA



STATE TAX DEPARTMENT

Joint Select Committee on Tax Reform

June 9, 2015

Property Tax Director, Jeff Amburgey

Mechanics of Property Taxes

Constitution of West Virginia

ARTICLE X

Taxation and finance

Taxation shall be equal and uniform throughout the state, and all property, both real and personal, shall be taxed in proportion to its value.

All property subject to ad valorem taxation shall be assessed at 60 % of its value.

Mechanics of Property Taxes

Appraised Value X 60% = Assessed Value

Assessed Value X Tax Rate = Taxes

State versus Local

State Tax Department

Public Utility Property
Oil & Gas Property
Coal Property
Industrial Property
Managed Timberland

Local Assessors

Residential Property
Commercial Property
Vehicles
Farms

Important Dates

Local Assessment

July 1 – Assessment Date

September 1 – Commercial business property tax returns are due

January 15 – Taxpayers notified of any 10% increase

(assessment increase must also be \$1,000 for real estate and \$100,000 for business personal property)

Taxpayers have 8 business days after receiving an increase notice to file an request for an informal review of the increased assessment

February 1 – First date that the County Commission must meet to hear assessment appeals.

September 1 – 1st half payment of taxes due.

October 1 - First date that the County Commission must meet to hear assessment appeals (Board of Assessment appeals).

March 1 – 2nd half payment of taxes due.

Tax Year 2014

Purpose

State	\$ 6,673,028	.4%
County	427,943,271	26.6%
Schools	1,060,323,290	65.9%
Municipal	<u>114,742,034</u>	7.1%
Total	1,609,771,623	

Tax Year 2014

Property Type

Real Estate	\$874,499,626	54%
Personal Property	528,808,357	33%
Public Utility	<u>206,463,640</u>	13%
Total	1,609,771,623	

Real Estate

Land values are generally valued based on market transactions.

Homes and other building values are generally based on the cost to build and market transactions.

Personal Property

The majority of taxable personal property is machinery and equipment which is generally valued by depreciating original cost figures.

Vehicles are valued (by statute) using nationally recognized valuation guides.

Personal Property Taxes

Type	Total	Inventory
Industrial	\$192 million	\$37 million
Commercial	113 million	31 million
Individual	132 million	

Exemptions

Governmental

Educational

Religious

Non-profit

The tax losses associated with these exemptions are itemized in the property tax portion of the Tax Expenditure Study.

Tax Preference Items

Farms	\$15 Million
Managed Timberland	8 Million
Pollution control facilities	73 Million
Qualified additions to manufacturing facilities	25 Million
Special aircraft property	1 Million
High technology business property	170,000

Classification of Property

Class I. Farm personal property and intangible property
(exempt since 2008)

Class II. All property owned, used and occupied by the
owner exclusively for residential purposes and farms

Class III. All other real and personal property situated
outside of municipalities

Class IV. All real and personal property situated inside of
municipalities

Class II

Owner Occupied Homeowners

The Class II tax rate in each county is half the Class III rate.

This preference item for owner-occupied homes saves homeowners approximately **\$393 million annually**.

A homeowner can owner occupy more than one home.

Constitution of West Virginia

ARTICLE X

Taxation and finance

The Constitution provides for a homestead exemption of the first **\$20,000 of assessed valuation** of any real property, or of personal property in the form of a mobile home, used exclusively for residential purposes and occupied by the owner and who is sixty-five years of age or older or is permanently and totally disabled

Homestead Exemption

Saves taxpayers nearly \$48 million per year.

Increasing from \$20,000 to \$30,000 would save taxpayers approximately an additional \$20 million per year.

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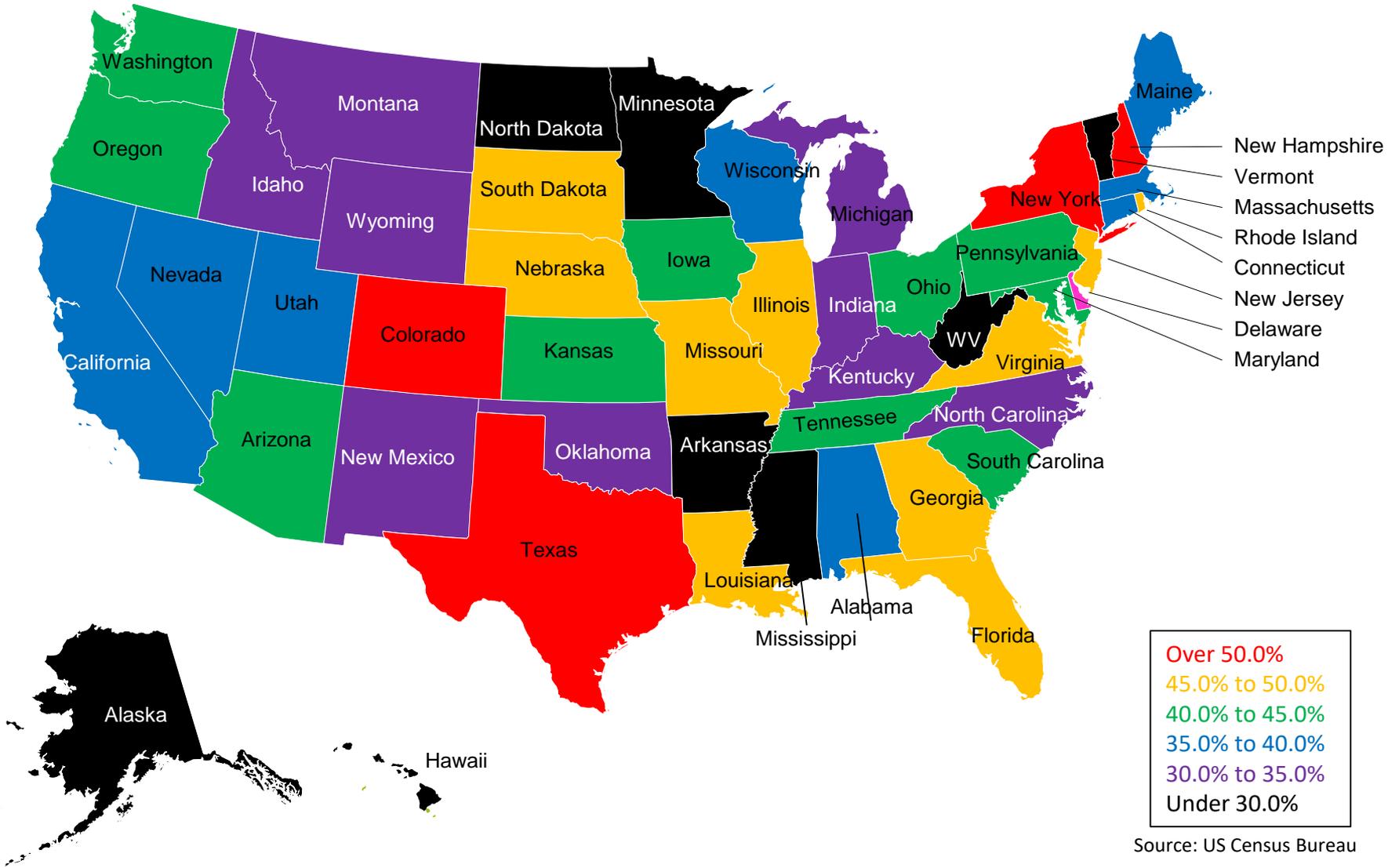
June 9, 2015

Deputy Secretary of Revenue, Mark Muchow

Local Property Tax Comparisons

Local Share of State and Local Taxes

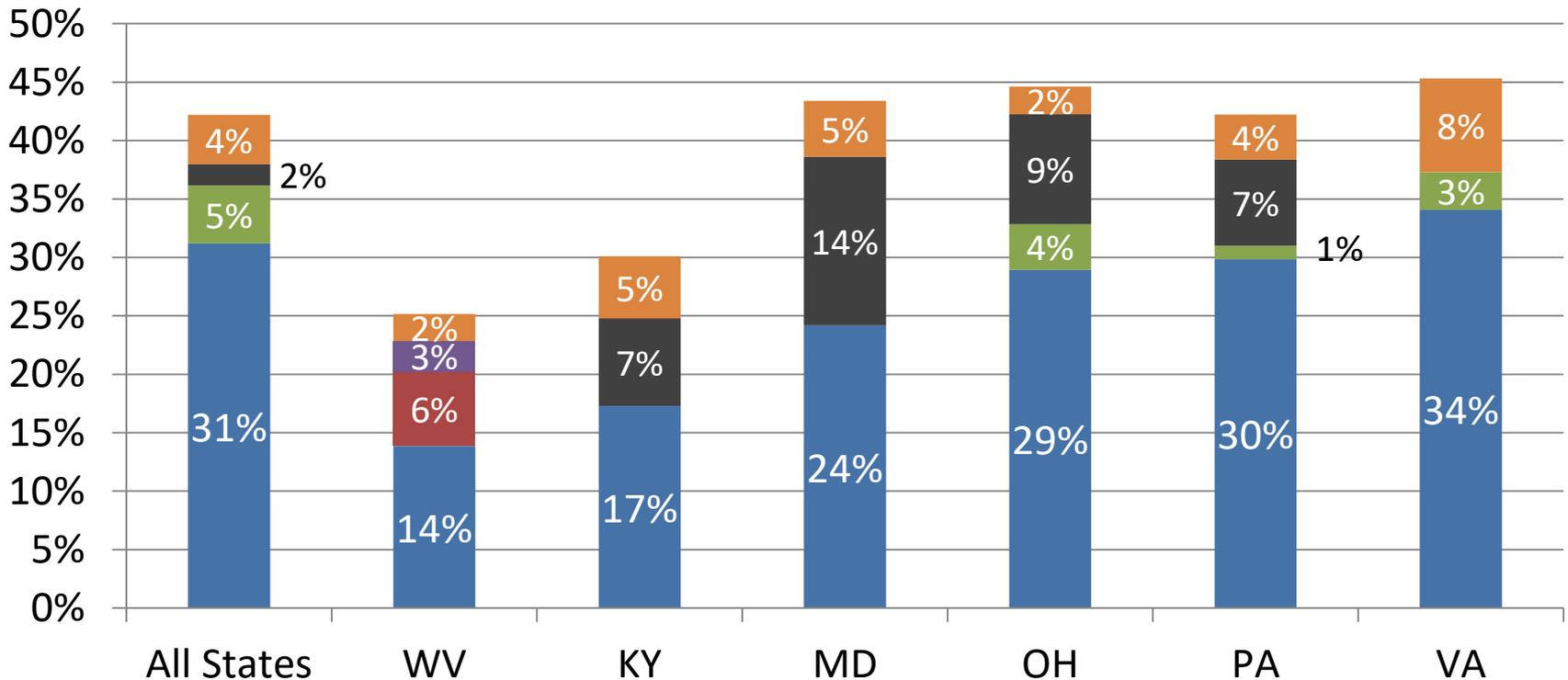
FY2012



Local Government Taxes as Share of Total State & Local Taxes

Sources: U.S. Census Bureau *State & Local Government Finances 2012* and
West Virginia Classified Assessed Valuations Taxes Levied 2011

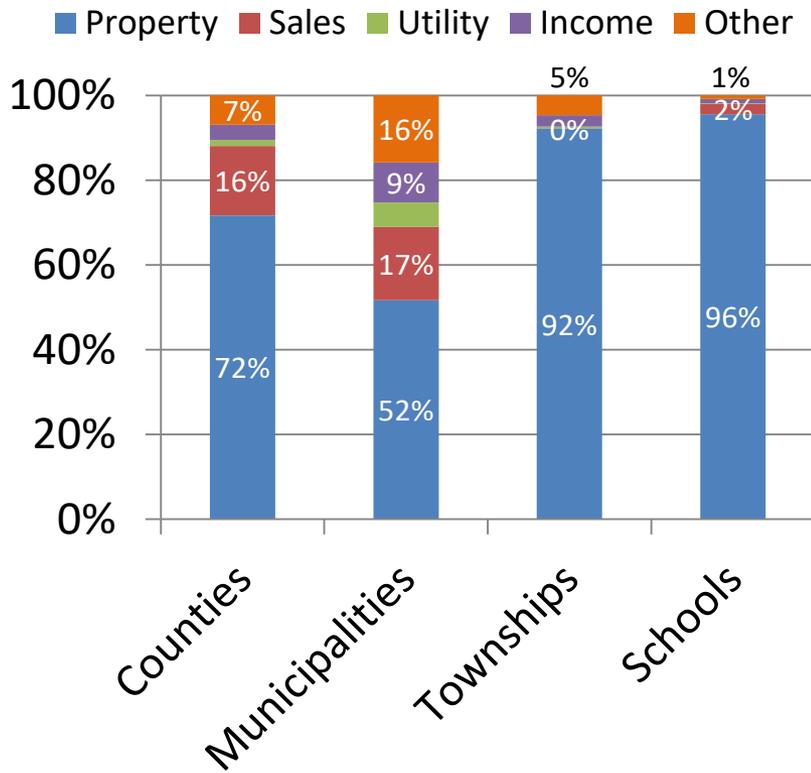
■ Property Tax ■ Tangible PP ■ General Sales
■ B&O Tax ■ Income Tax ■ Other



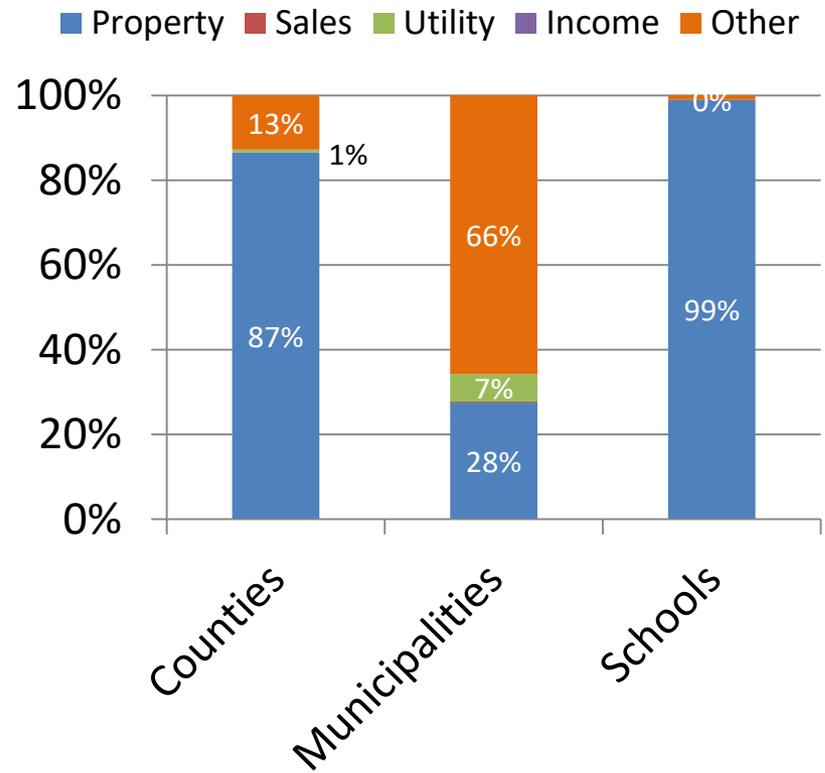
Local Taxes by Tax Type: FY2012

Source: U.S. Census Bureau, *State and Local Government Finances*

Local Taxes: All State Average

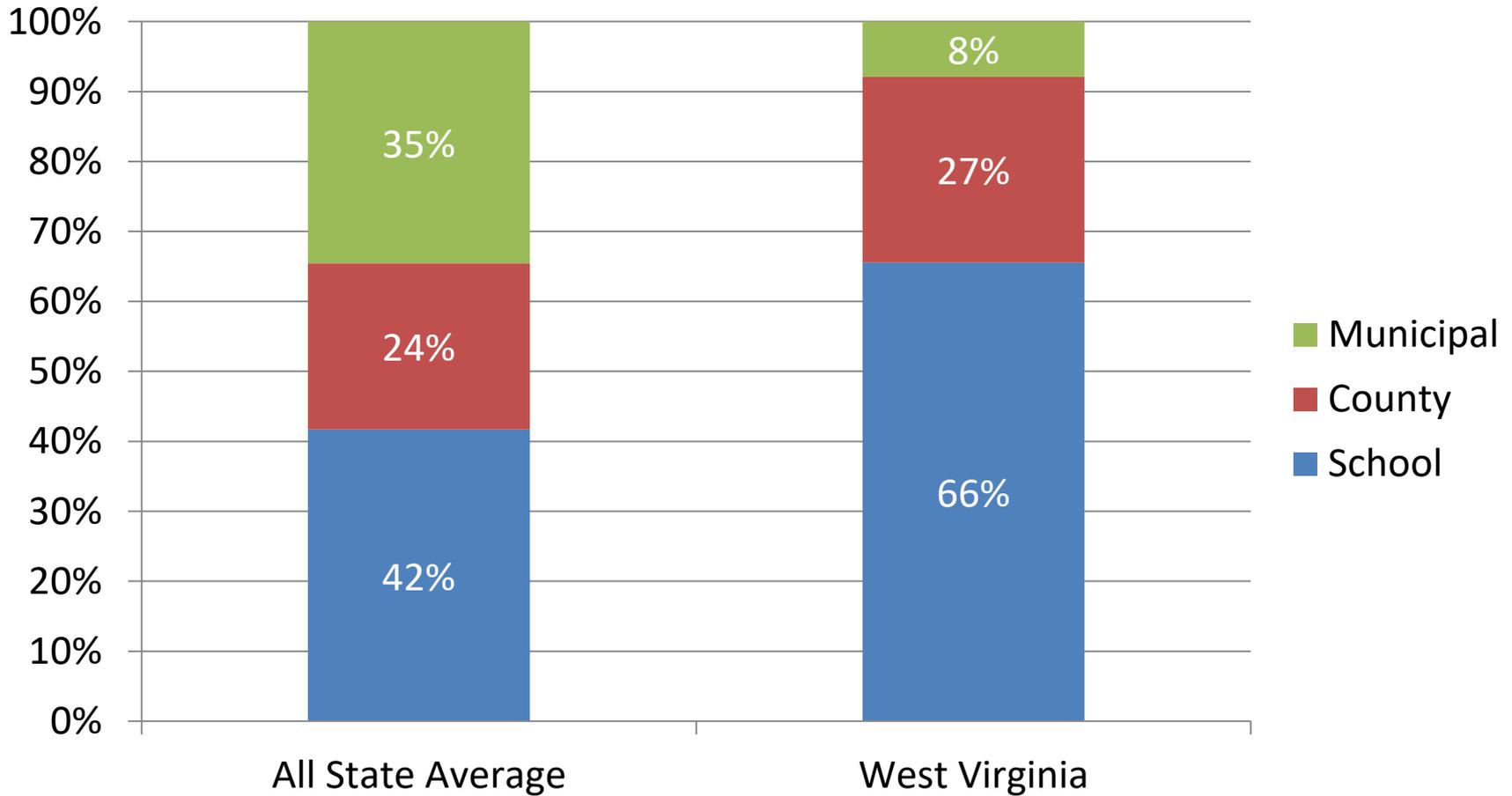


Local Taxes: West Virginia



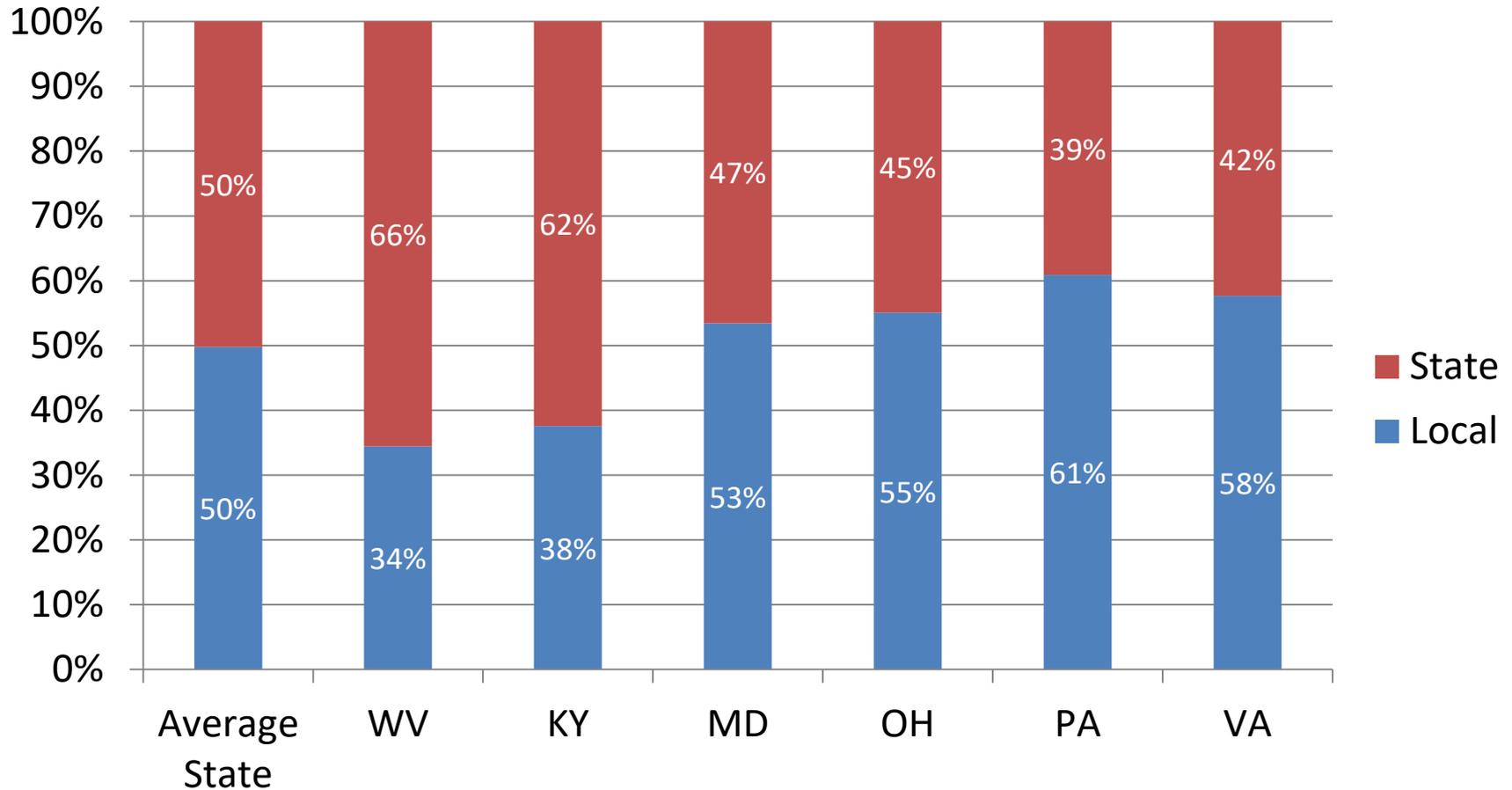
Comparative Distribution of Local Property Taxes in 2012

Source: U.S. Census Bureau, *State and Local Government Finances*



Non-Federal K-12 Education Funding Sources

Source: U.S. Census Bureau, *Public Education Finances 2013*



Overview of Local Government Finance

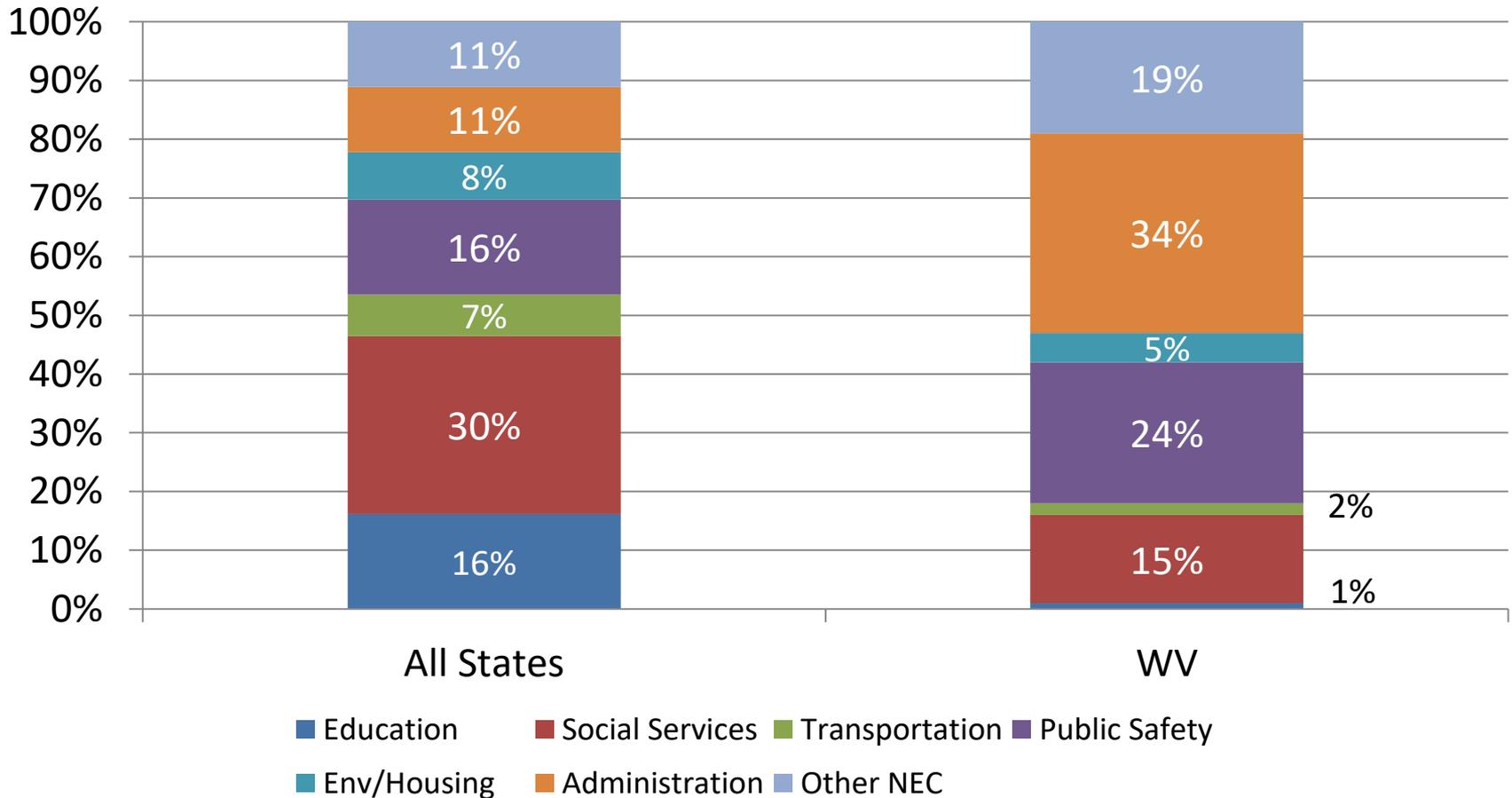
Property Tax and Education Funding Dominate

Source: U.S. Census Bureau, *State and Local Government Finance 2012*

<u>General Tax Revenues</u>	<u>All States</u>	<u>West Virginia</u>
Property	74%	80%
General Sales	12%	0%
Selective Sales	5%	7%
Personal Income	4%	0%
Other	5%	12%
<u>General Expenditures</u>		
K-12 Education	42%	58%
Higher Education/Libraries	4%	1%
Social Services	13%	6%
Public Safety	11%	8%
Transportation	4%	3%
Environment/Housing	11%	11%
Administration	5%	8%
Interest/Other	10%	5%

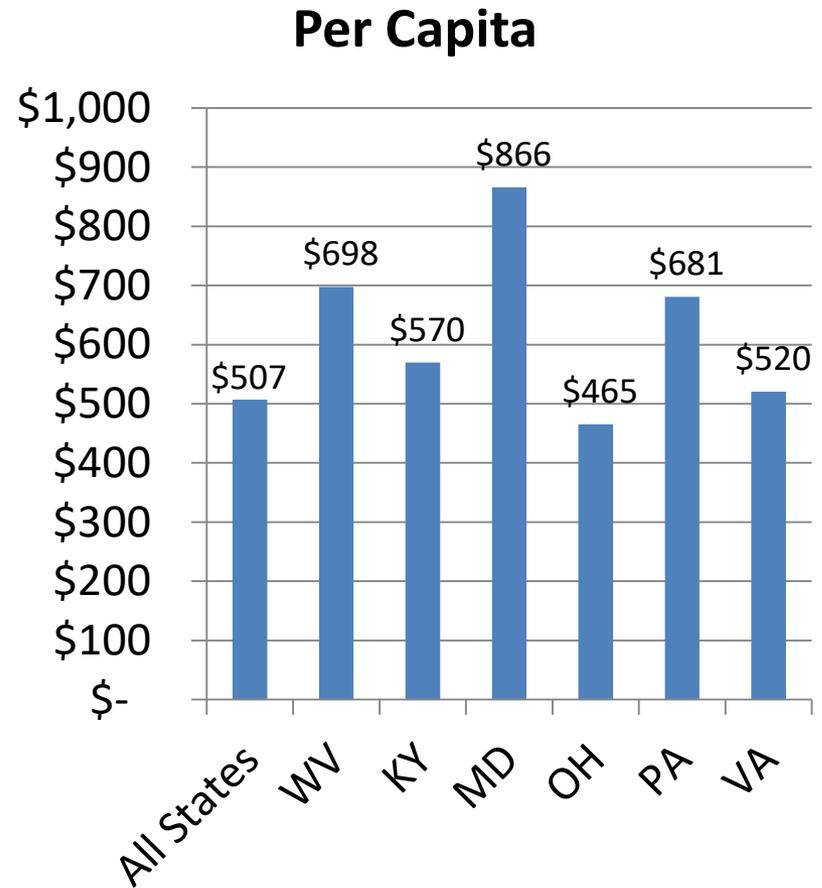
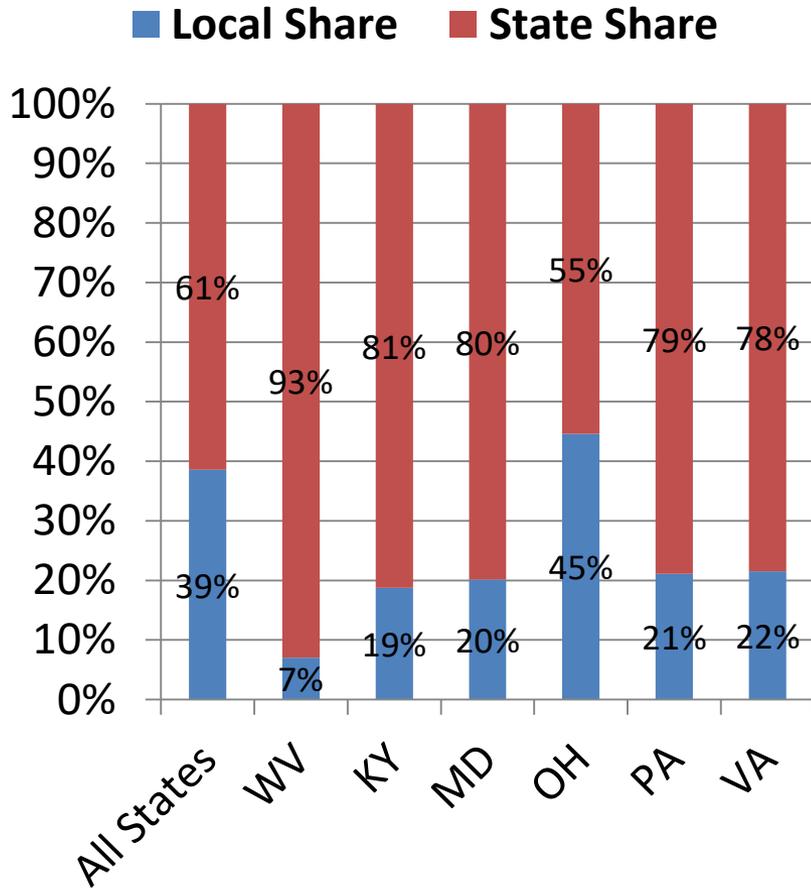
General County Government Expenditures 2012

Source: U.S. Census Bureau, *State and Local Government Finances 2012*



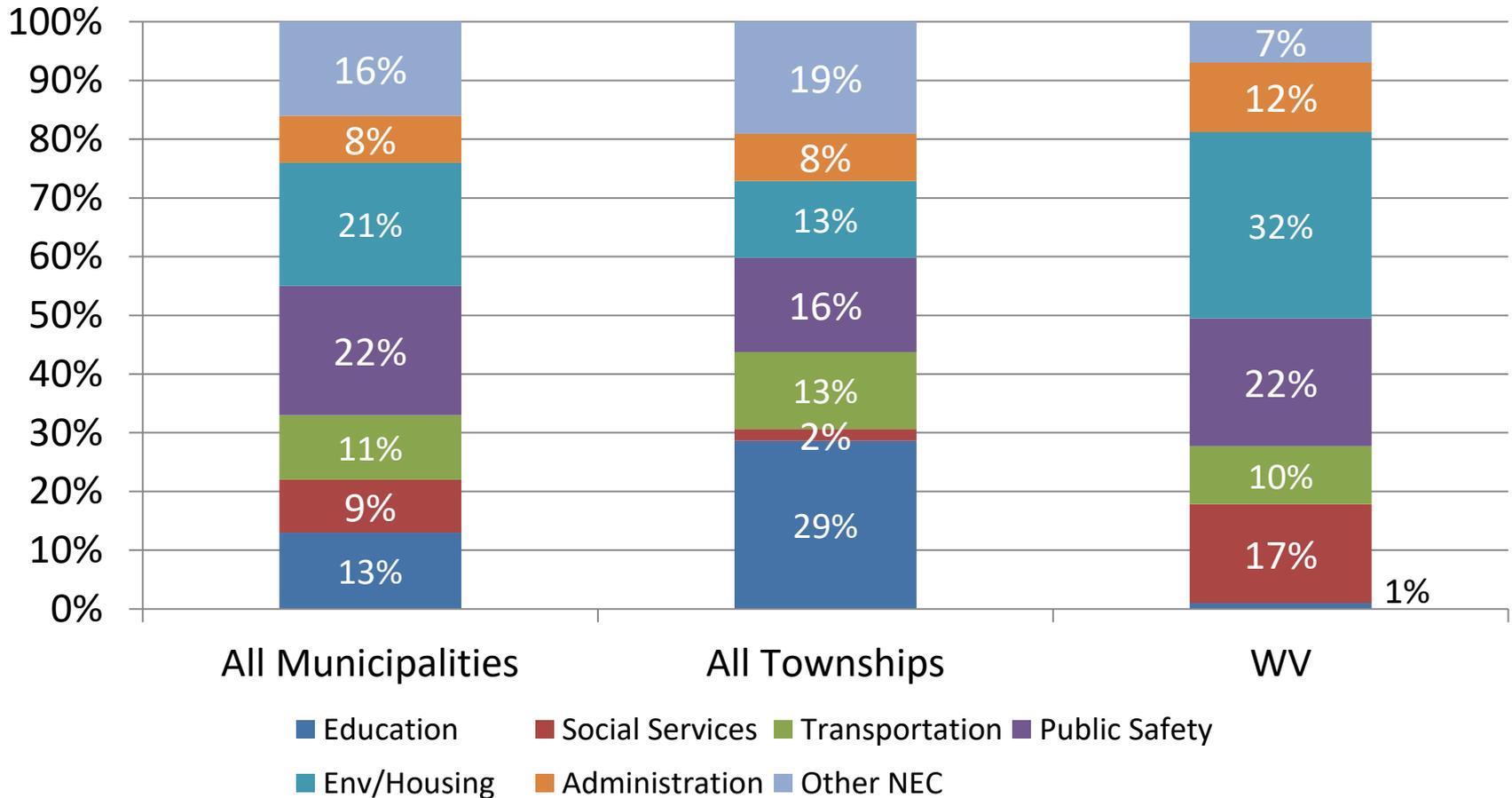
West Virginia is 11th Highest in Per Capita Funding and Lowest in Local Funding

Source: U.S. Census Bureau, *State and Local Government Finances 2012*



General Municipal Government Expenditures 2012

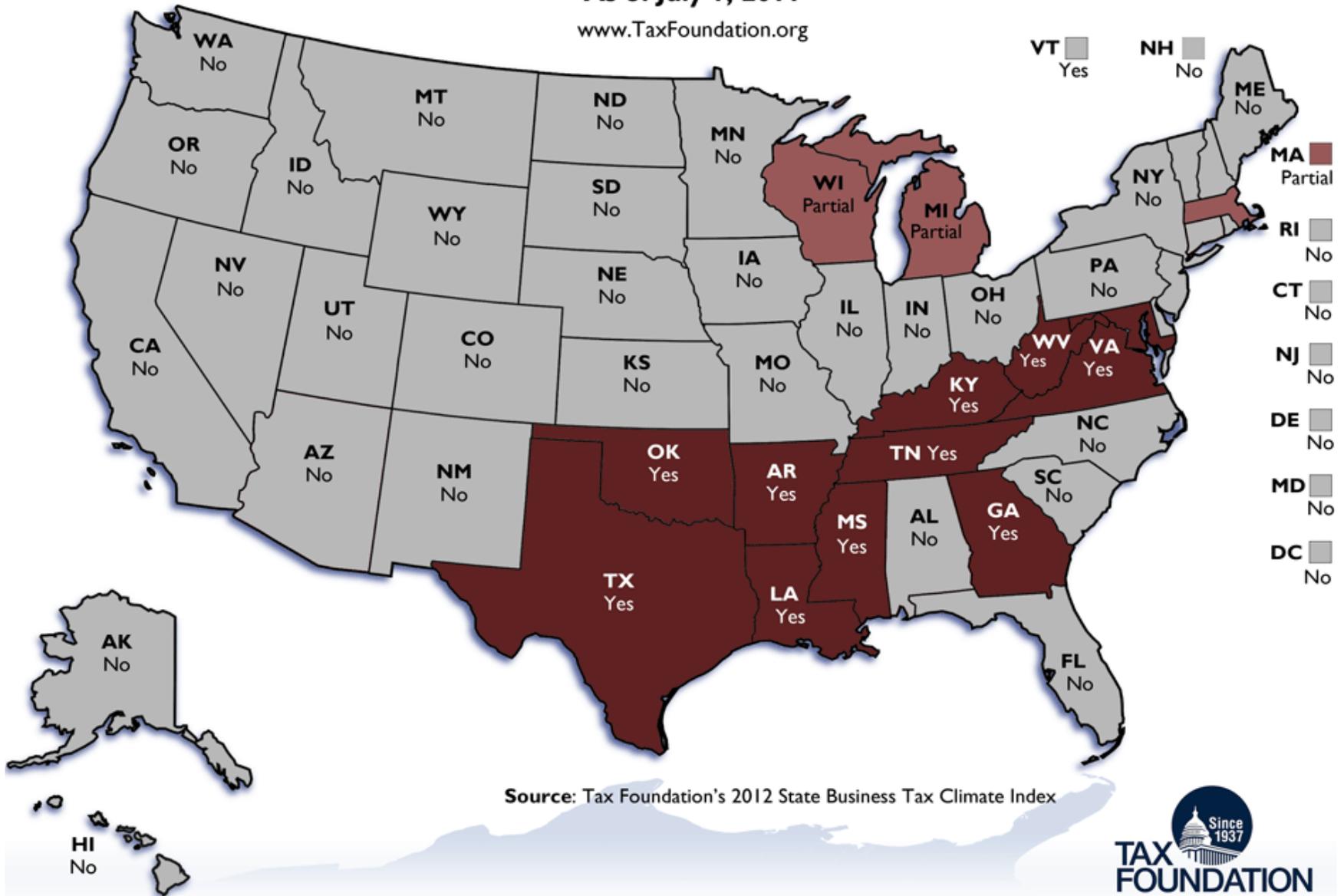
Source: U.S. Census Bureau, *State and Local Government Finances 2012*



Property Taxes on Business Inventory

As of July 1, 2011

www.TaxFoundation.org

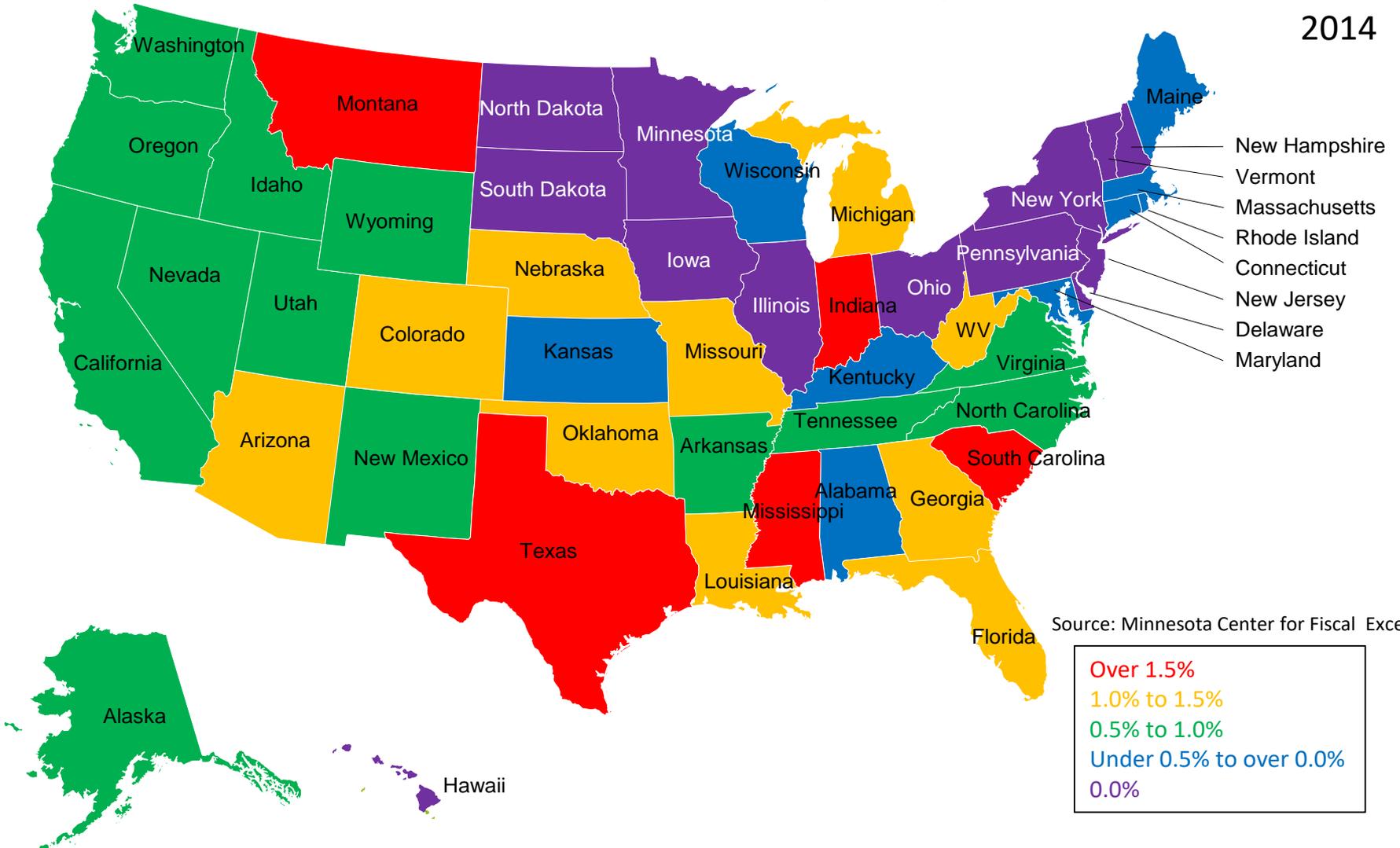


Source: Tax Foundation's 2012 State Business Tax Climate Index



Marginal Tax Rate on Rural Manufacturing Personal Property

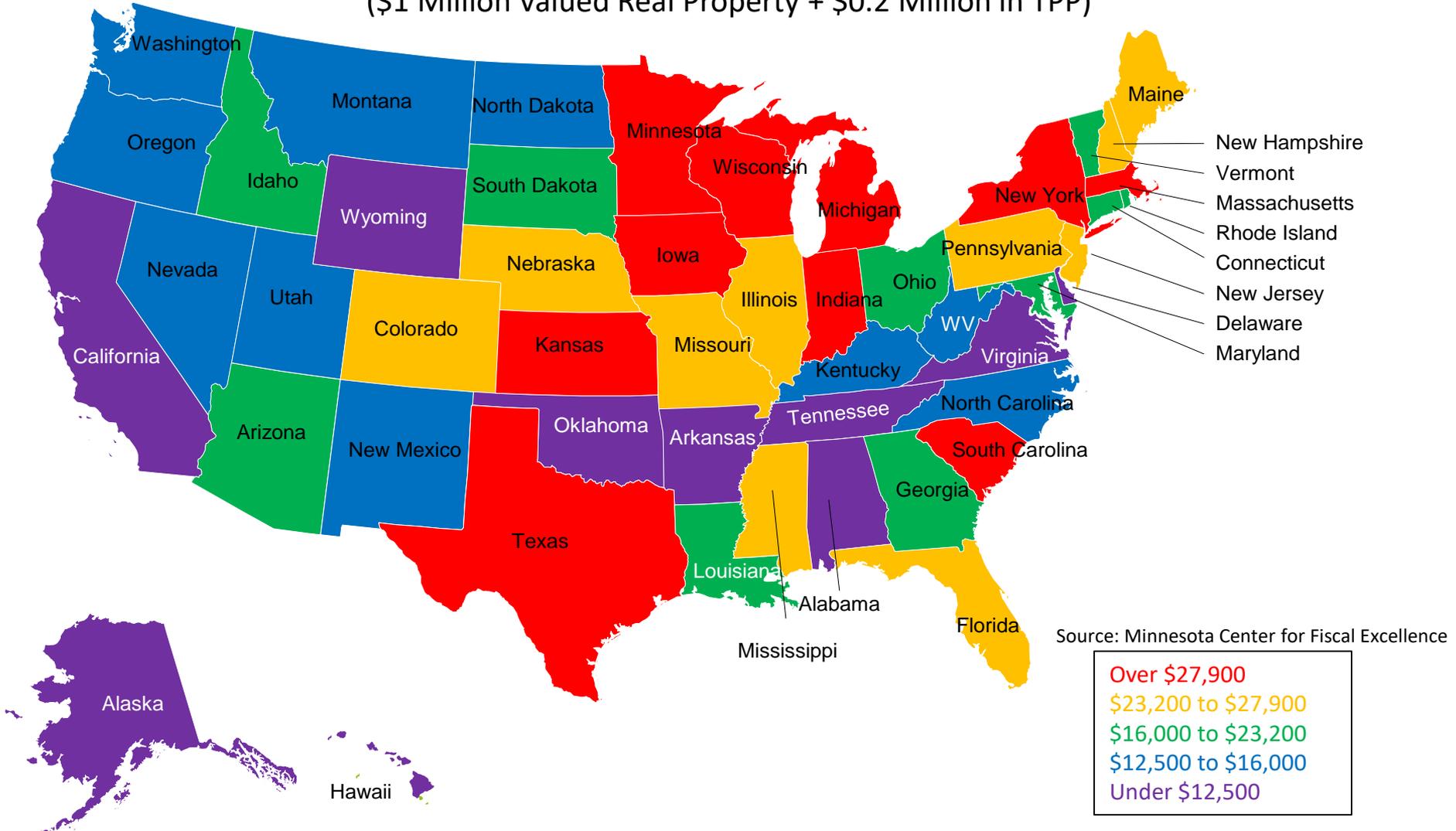
2014



Rural Commercial Property Taxes

Net Tax Payable 2014

(\$1 Million Valued Real Property + \$0.2 Million in TPP)



Urban Commercial Property Taxes

Net Tax Payable 2014

(\$1 Million Valued Real Property + \$0.2 Million in TPP)

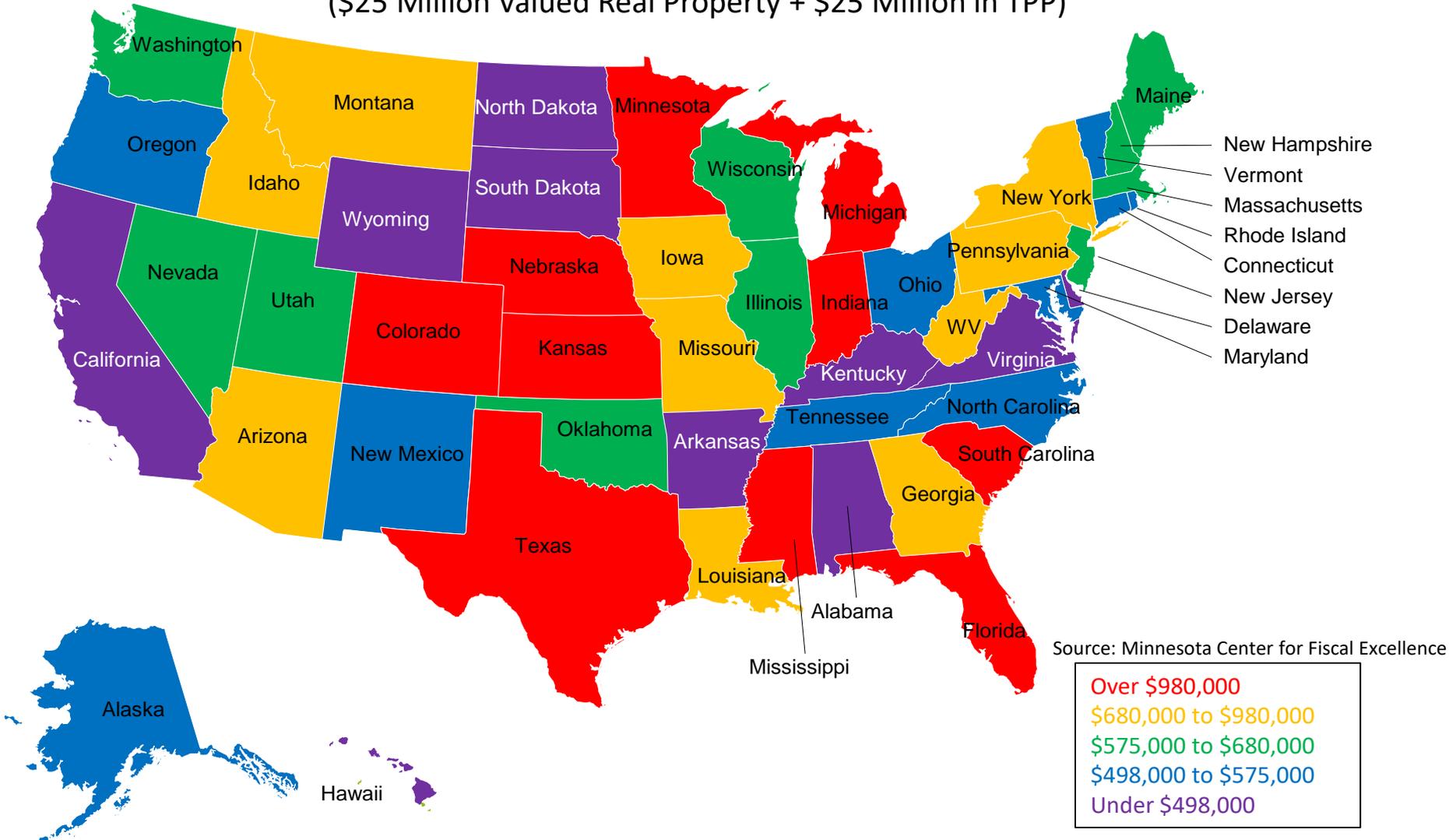


Source: Minnesota Center for Fiscal Excellence

Rural Industrial Property Taxes

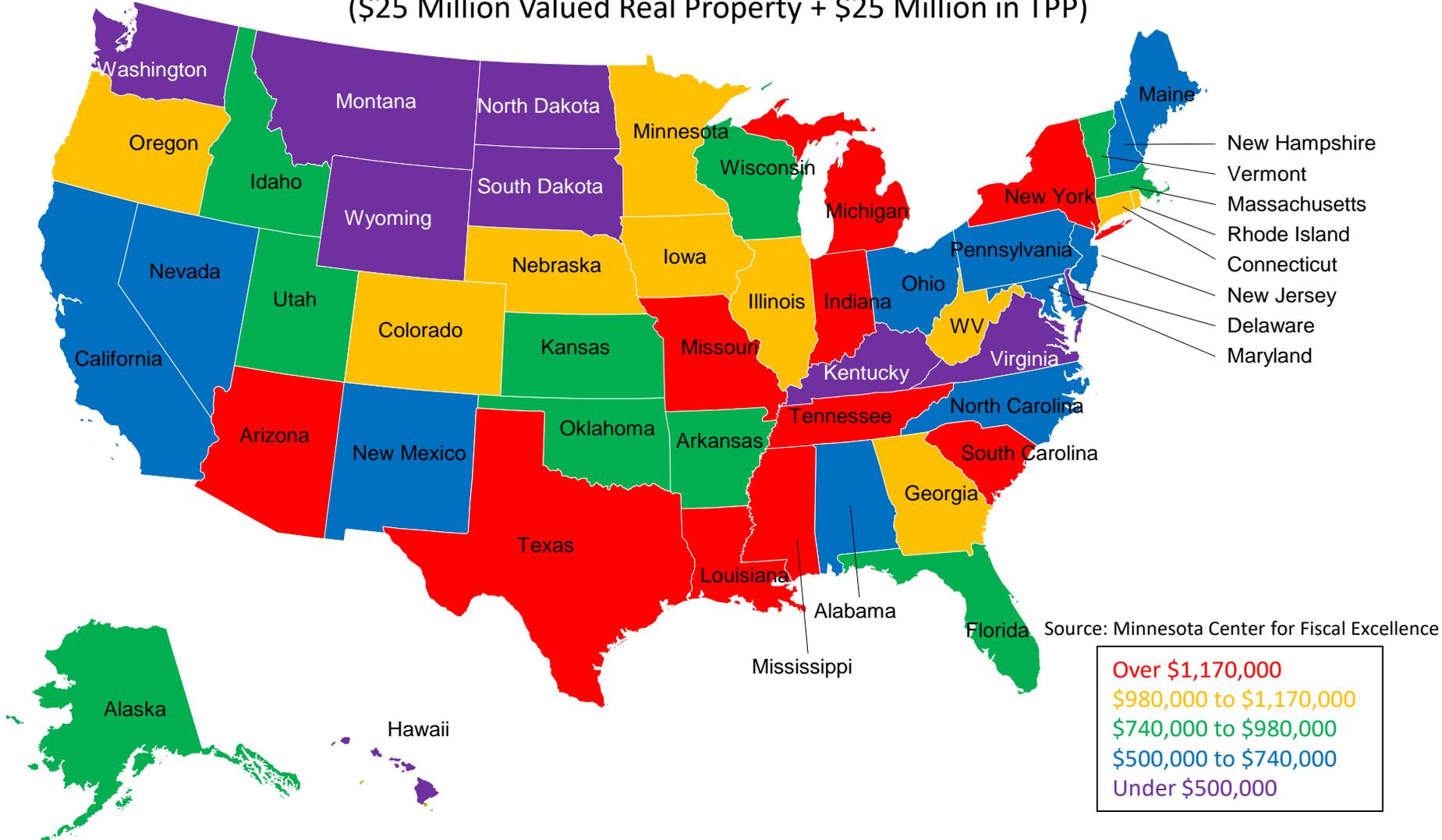
Net Tax Payable 2014

(\$25 Million Valued Real Property + \$25 Million in TPP)



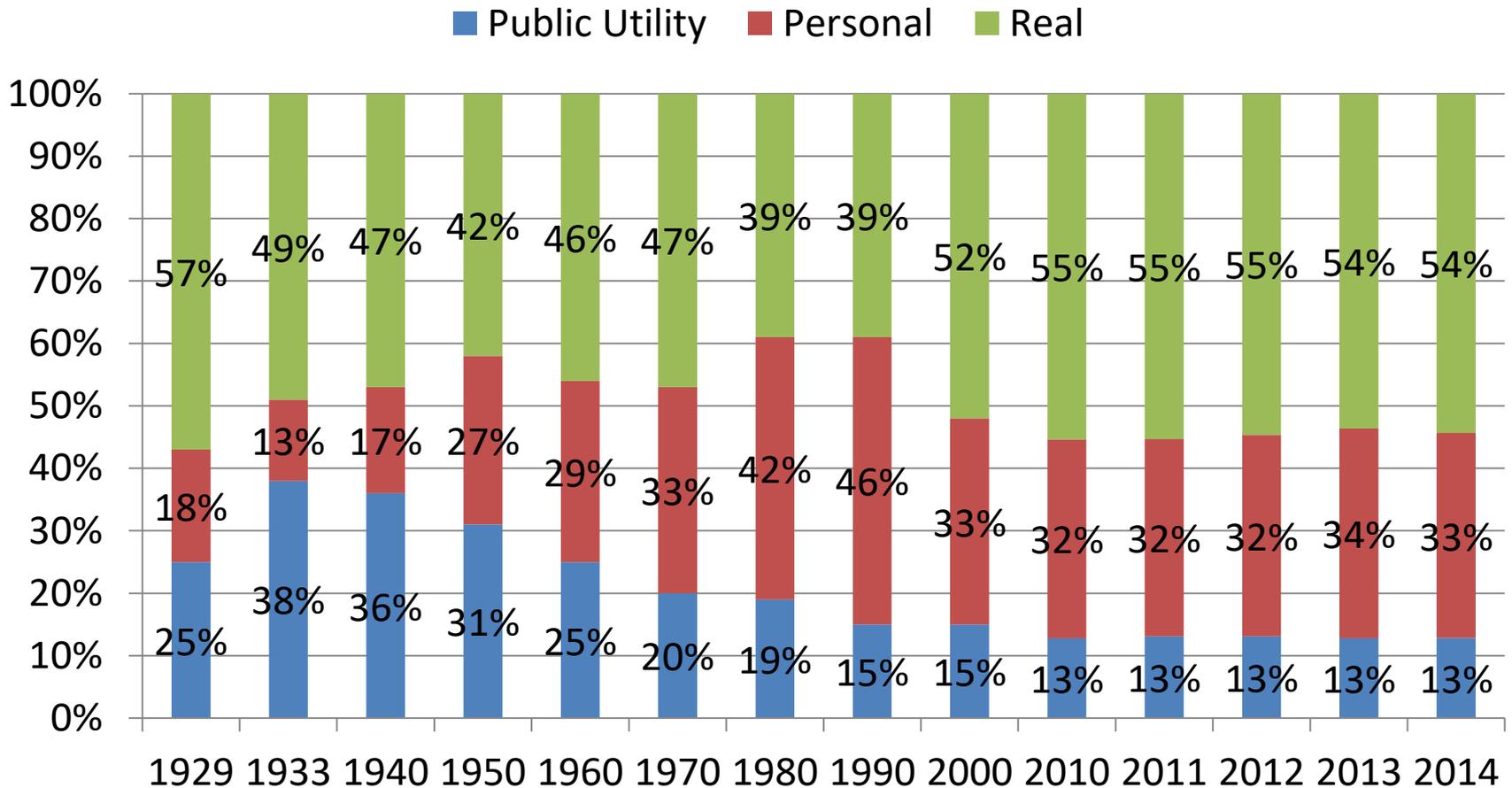
Urban Industrial Property Tax Net Tax Payable 2014

(\$25 Million Valued Real Property + \$25 Million in TPP)



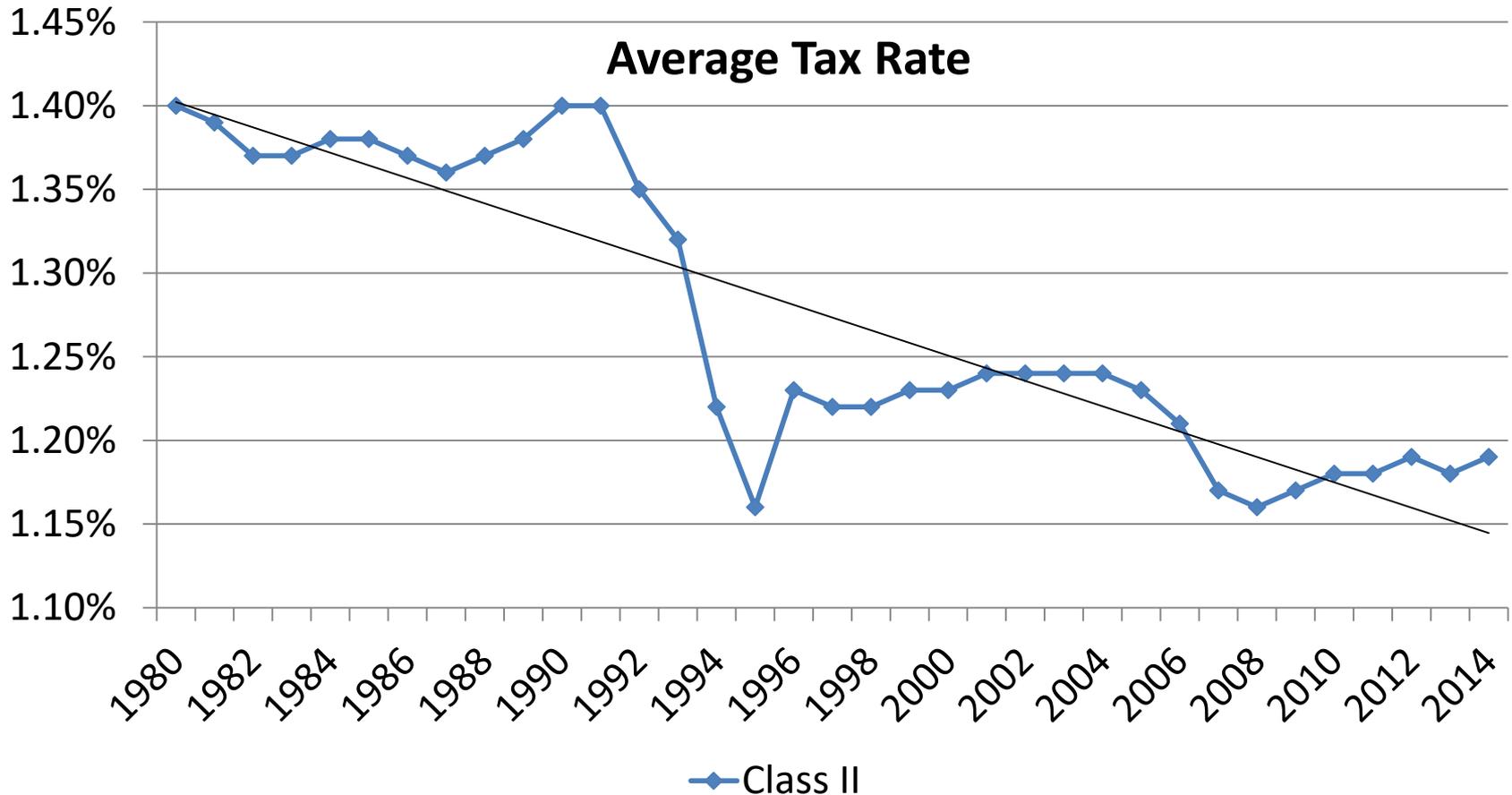
Sources of West Virginia Property Taxes

Sources: *Biennial Report Tax Commissioner of West Virginia and Classified Assessed Valuations*

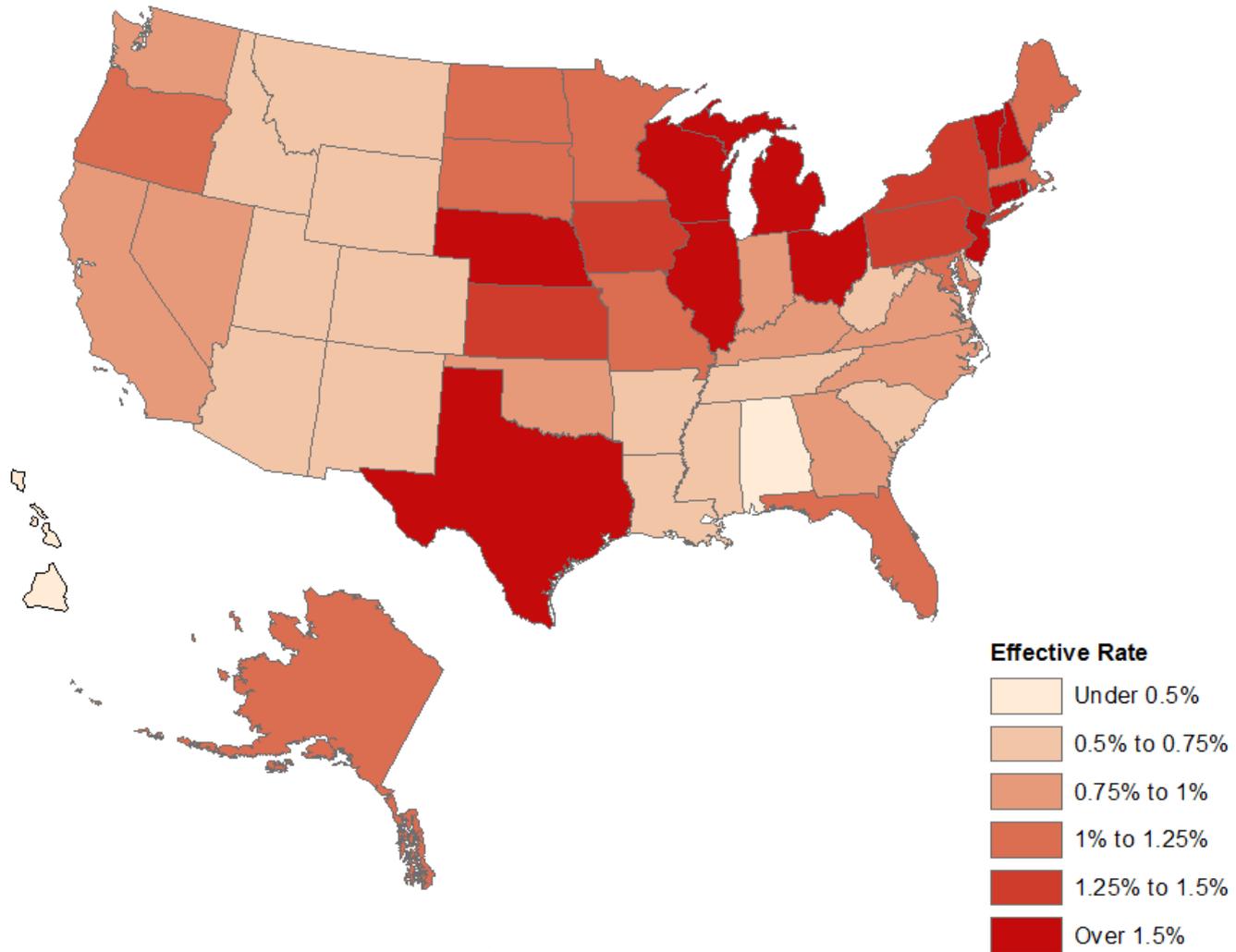


Property Tax Rates lower in 2014 than in 1980

Class II Residential Down 15% from 1980 Peak



Effective Real Estate Tax Rate - 2013

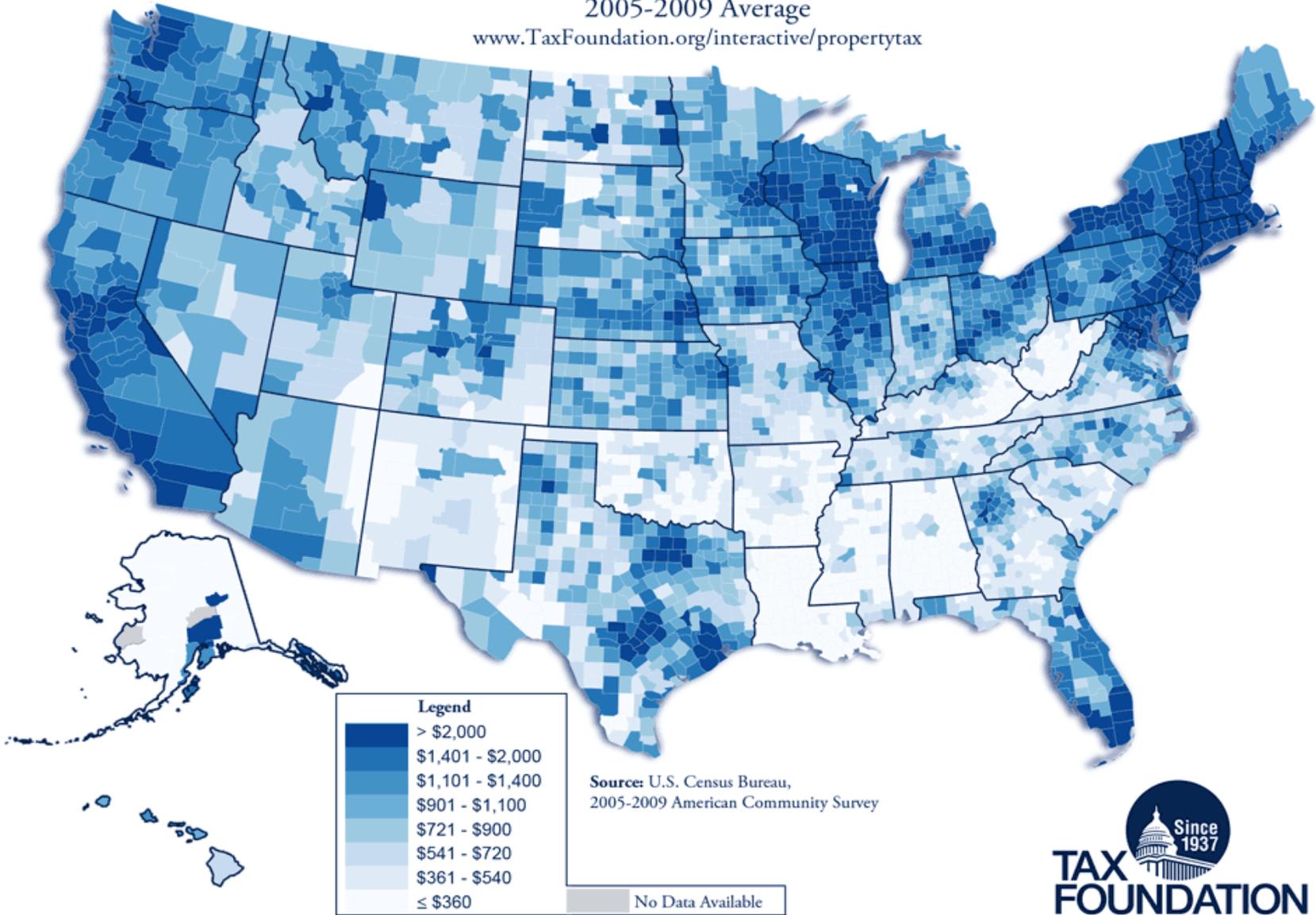


Source: 2013 American Community Survey; NAHB estimates

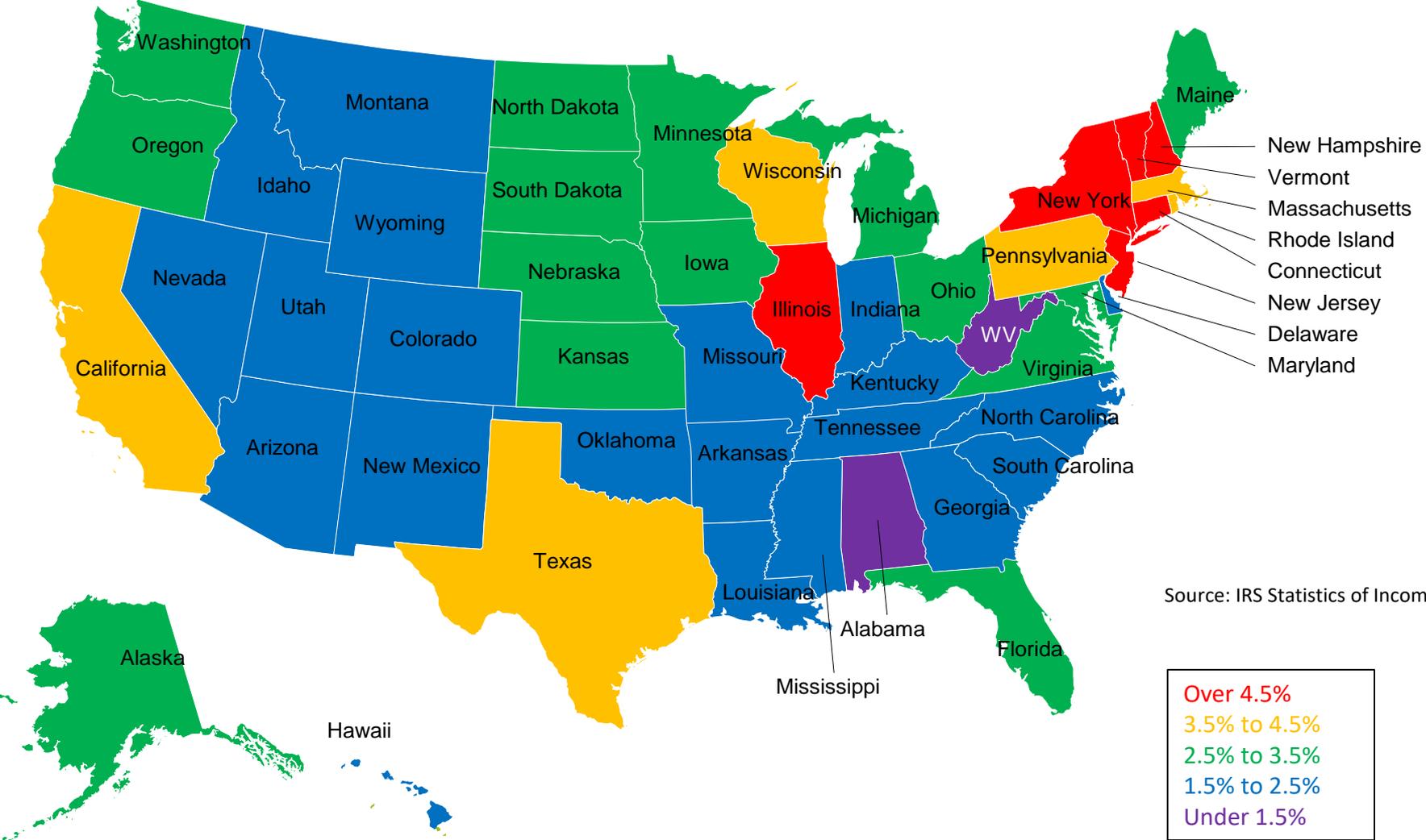
Median Property Taxes Paid By County

2005-2009 Average

www.TaxFoundation.org/interactive/propertytax

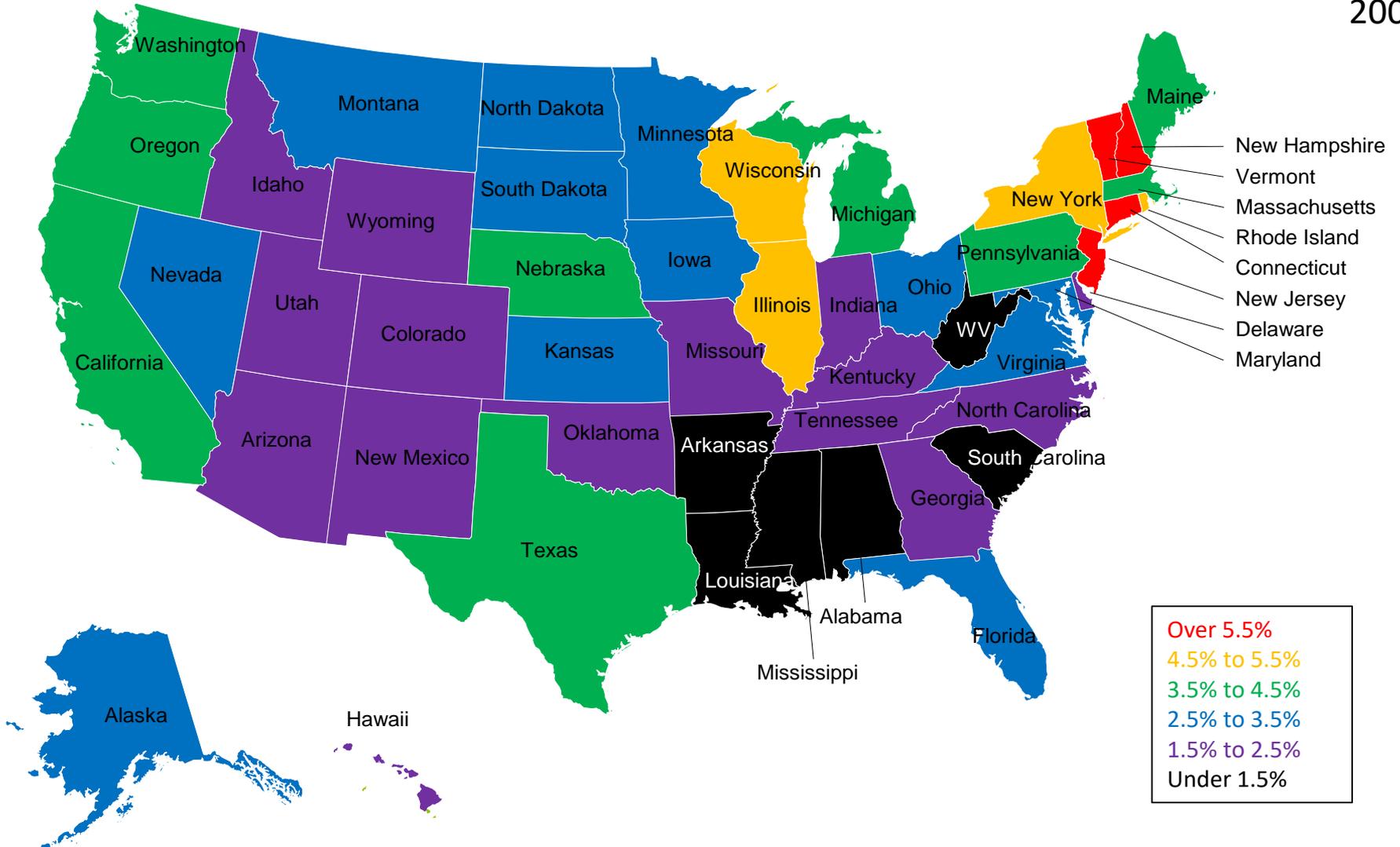


Itemized Property Tax Paid Deduction as a Share of Income for Family with \$130,000 Income



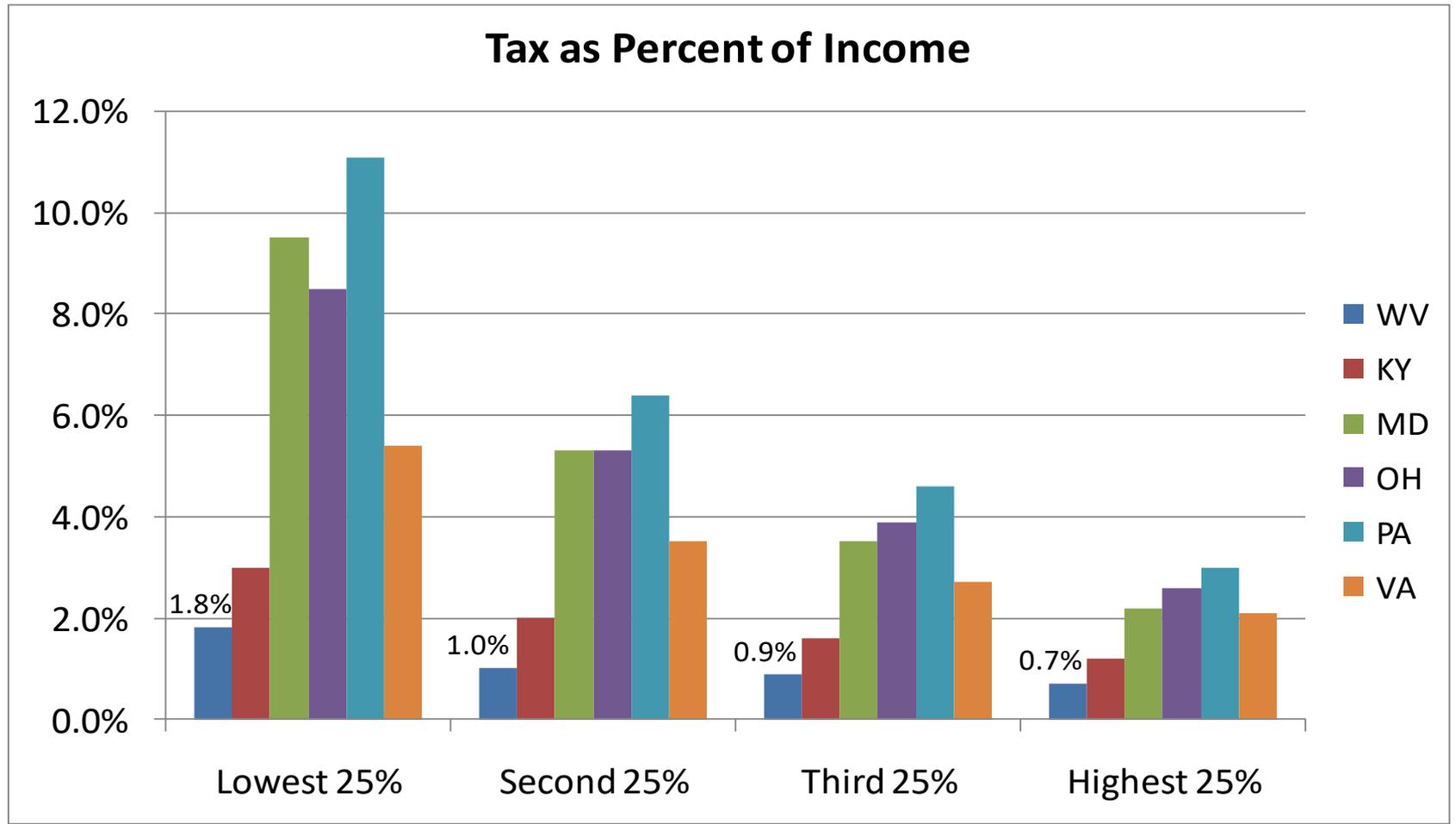
Property Taxes on Owner-Occupied Housing by State Taxes as a Percent of Median Income

2009



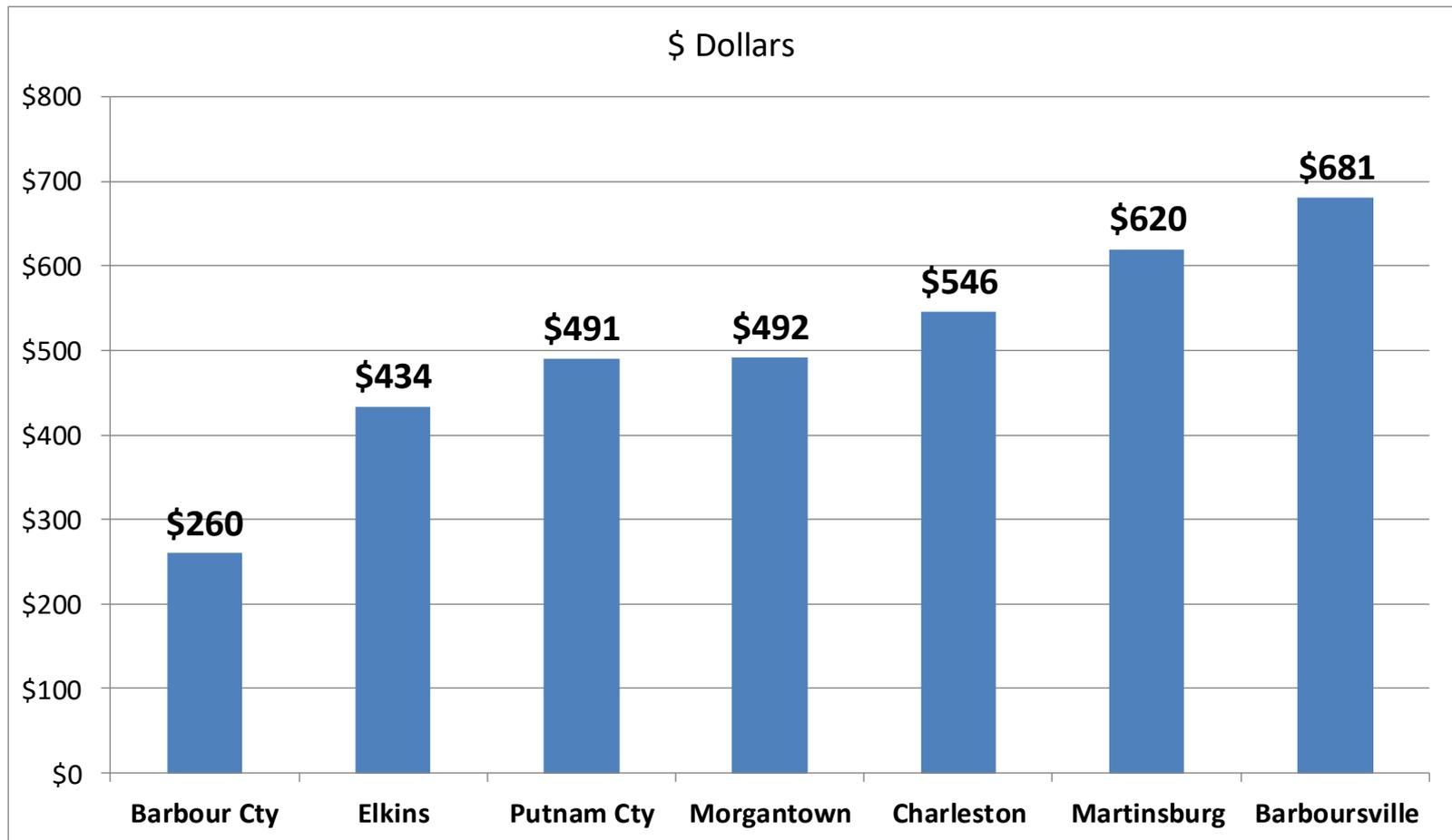
Median Property Tax Burden of Homeowners Age 65-Plus by Income Quartile in 2005

Source: *State and Local Property Tax Burdens in 2005*, David Baer, AARP Public Policy Institute



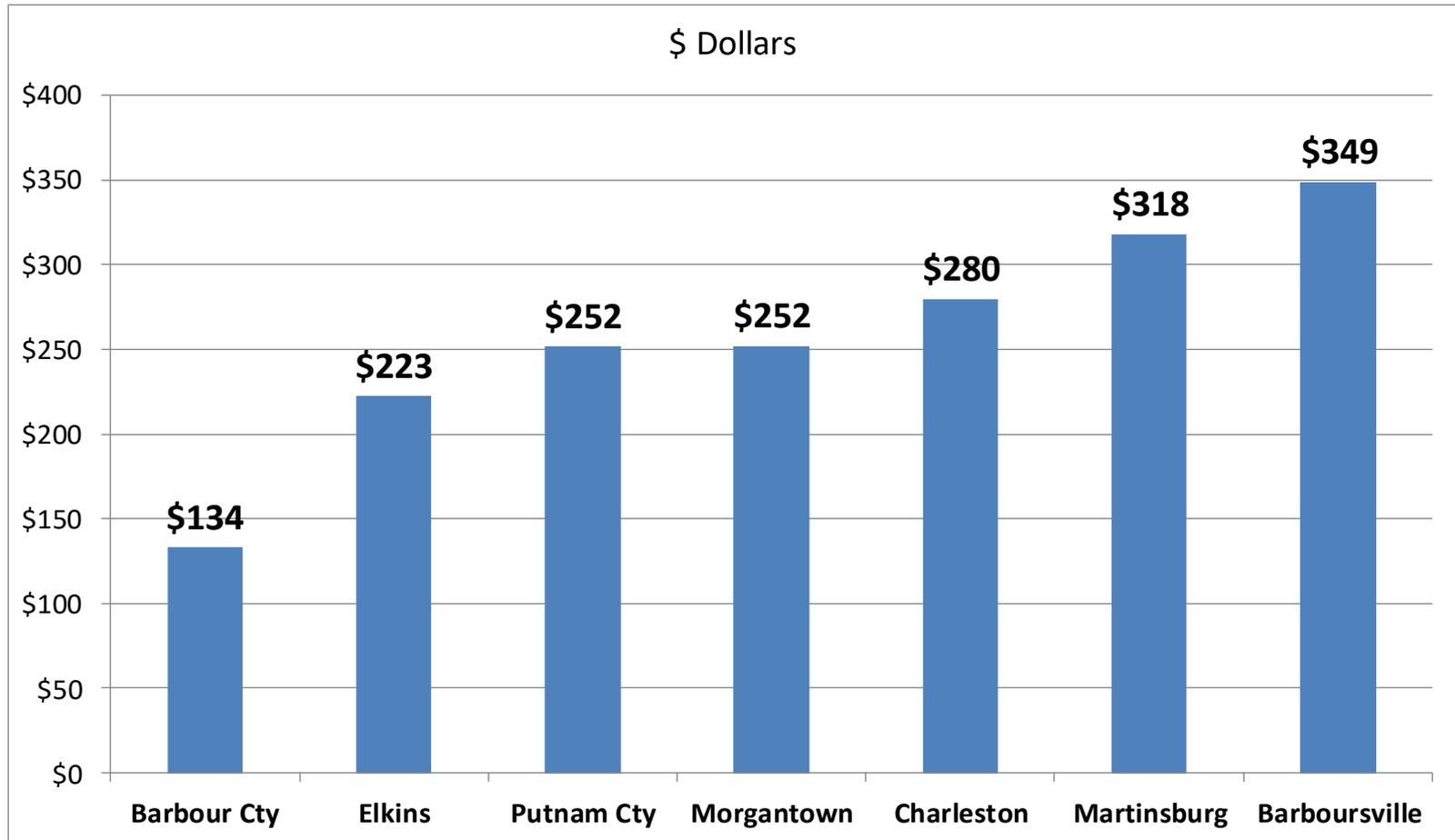
Location – Location – Location: Tax Rate Matters

Tax on \$100,000 Home for 65+ Homeowner



Location – Location – Location: Tax Rate Matters

Homestead Exemption Tax Savings for 65+ Homeowner



Voters are in control



- Nearly 40% of all West Virginia property taxes are voter-approved levies.

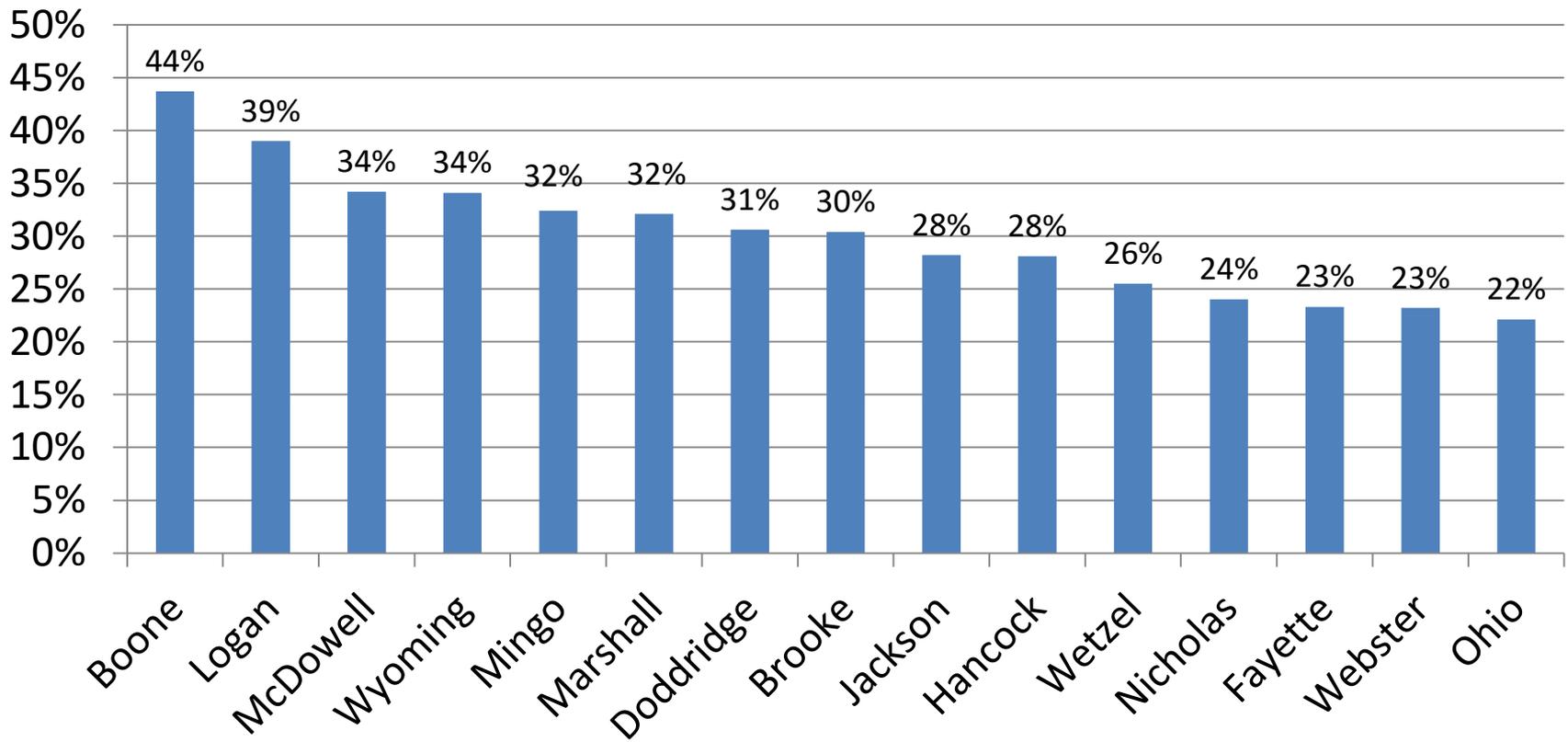
Voters vs. Legislature vs. Commissions

	<u>Rural WV</u>	<u>All WV</u>
Share of Tax Imposed by Voters :	40%	38%
Share of Tax Imposed by Legislature :	36%	34%
Share of Tax Imposed by County Commissions :	24%	23%

Business Tangible Personal Property Tax

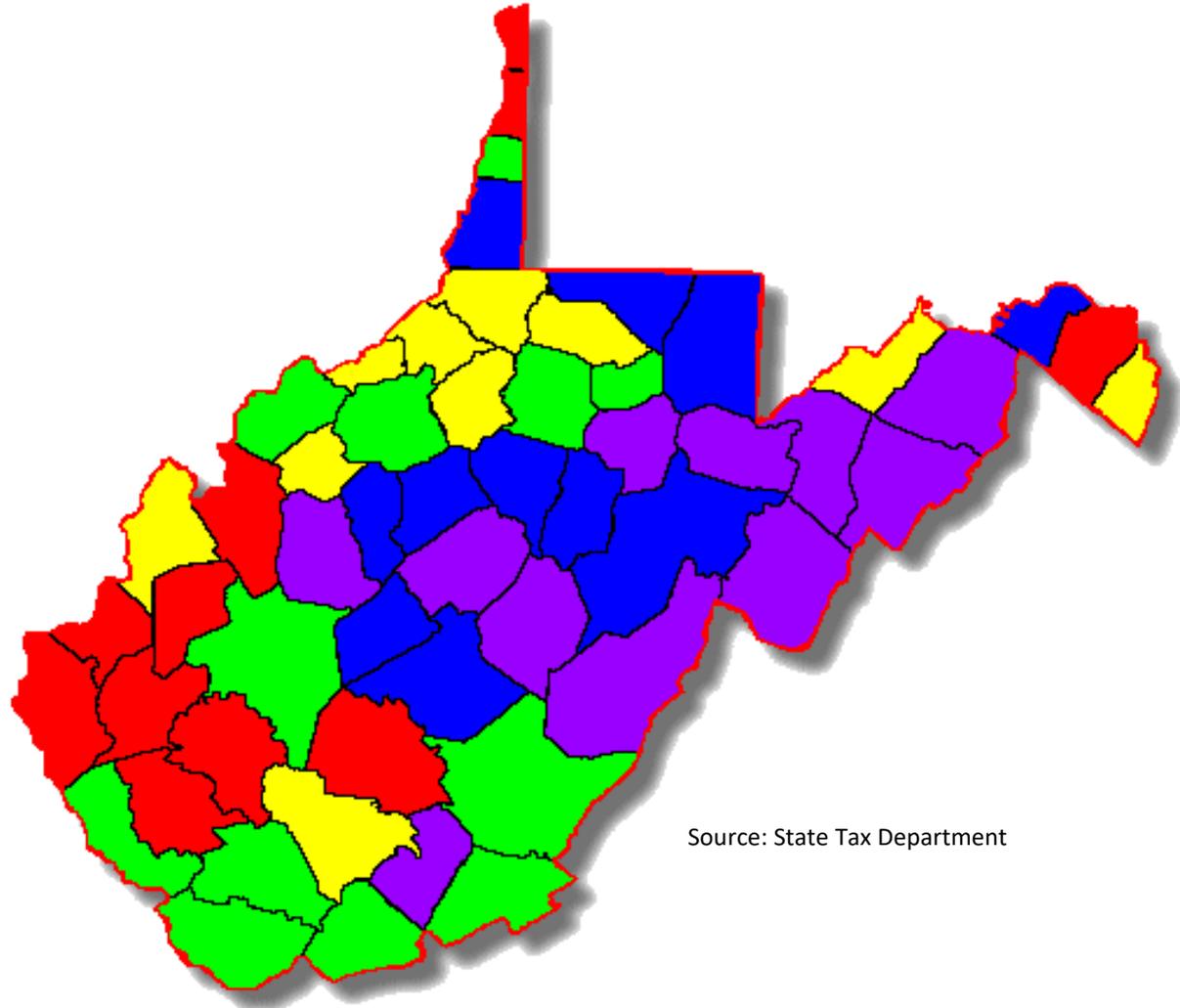
Share of Total Property Taxes Assessed in 2014

Business TPP Share



2015 County Tax Rates Class II Property

1.2348% or over
1.1412% to 1.2324%
1.0477% to 1.1380%
0.8240% to 1.0402%
Under 0.8240%



Source: State Tax Department