

WEST VIRGINIA TAX CREDIT FOR DONATION OR SALE OF VEHICLE

TAX CREDIT REVIEW AND ACCOUNTABILITY REPORT

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Submitted by:

West Virginia State Tax Department

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State Tax Commissioner

WEST VIRGINIA TAX CREDIT FOR DONATION OR SALE OF VEHICLE

As enacted in 2020, the West Virginia Tax Credit for Donation or Sale of Vehicle Act requires a biennial Tax Credit Review and Accountability Report. Specifically, Section §11-13FF-6 of the West Virginia Code states the following:

“Beginning on the first day of the second taxable year after the passage of this article and every two years thereafter, the division shall submit to the Governor, the President of the Senate and the Speaker of the House of Delegates a tax credit review and accountability report evaluating the cost effectiveness of the tax credit and donations during the most recent two-year period for which information is available.”

The credit is available to taxpayers who donate a vehicle to a qualified charitable organization and to licensed motor vehicle dealers who sell a vehicle pursuant to W.Va. Code §17A-6-3 at a reduced sales price to low-income workers through a program administered by a qualified charitable organization. Per W. Va. Code §11-13FF-2(c), the new or used motor vehicle dealer in West Virginia would need to certify that the vehicle is not subject to any unperformed safety recall or was junked or salvaged or should have been branded or reported as junked or salvaged.

The credit amount would be equivalent to the lesser of 50 percent of the determined program value of a donated vehicle or the value of the dealer price reduction. The maximum credit amount is \$2,000. The value of the dealer price reduction is the difference between the determined program value and the reduced sale price of the qualified vehicle. This vehicle tax credit can be used to offset both Personal Income Tax and Corporation Net Income Tax per W.Va. Codes §11-21-1 *et seq.* and §11-21-4 *et seq.* Per W.Va. Code §11-13FF-2, no more than \$300,000 of tax credits may be allocated by the Tax Department in any fiscal year. The qualified charitable organization determines the program value at a level generally below fair market value. The Tax Department is required to allocate tax credits in the order of donations forms received. Remaining credit amounts in any tax year are forfeited and not subject to carryback to the prior tax year.

During the initial year of this new program, the credit amount would be based on vehicle donations occurring during 2021. The due date for Personal and Corporate Income Tax returns for 2021 is April 15, 2022, which is after the due date of this report. Further, the Tax Department does not disclose data if five or fewer claims were made for a tax credit. As of January 1, 2022, Tax Department records indicate that no claims were received. Therefore, there is insufficient information available to evaluate the cost effectiveness of this tax credit and vehicle donations during the most recent two-year period for which information is available.