

WEST VIRGINIA LEGISLATURE

2019 REGULAR SESSION

Introduced

House Bill 2071

FISCAL
NOTE

BY DELEGATE SPONAUGLE AND LOVEJOY

[Introduced January 9, 2019; Referred
to the Committee on Senior, Children, and Family
Issues.]

1 A BILL to amend and reenact §11-21-12 of the Code of West Virginia, 1931, as amended, relating
 2 to personal income tax; exempting a percentage of social security benefits from personal
 3 income tax based on individual's overall amount of taxable income.

Be it enacted by the Legislature of West Virginia:

ARTICLE 21. PERSONAL INCOME TAX.

PART II. RESIDENTS.

§11-21-12. West Virginia adjusted gross income of resident individual.

1 (a) *General.* -- The West Virginia adjusted gross income of a resident individual means his
 2 or her federal adjusted gross income as defined in the laws of the United States for the taxable
 3 year with the modifications specified in this section.

4 (b) *Modifications increasing federal adjusted gross income.* -- There shall be added to
 5 federal adjusted gross income, unless already included therein, the following items:

6 (1) Interest income on obligations of any state other than this state or of a political
 7 subdivision of any other state unless created by compact or agreement to which this state is a
 8 party;

9 (2) Interest or dividend income on obligations or securities of any authority, commission
 10 or instrumentality of the United States, which the laws of the United States exempt from federal
 11 income tax but not from state income taxes;

12 (3) Any deduction allowed when determining federal adjusted gross income for federal
 13 income tax purposes for the taxable year that is not allowed as a deduction under this article for
 14 the taxable year;

15 (4) Interest on indebtedness incurred or continued to purchase or carry obligations or
 16 securities the income from which is exempt from tax under this article, to the extent deductible in
 17 determining federal adjusted gross income;

18 (5) Interest on a depository institution tax-exempt savings certificate which is allowed as

19 an exclusion from federal gross income under Section 128 of the Internal Revenue Code, for the
20 federal taxable year;

21 (6) The amount of a lump sum distribution for which the taxpayer has elected under
22 Section 402(e) of the Internal Revenue Code of 1986, as amended, to be separately taxed for
23 federal income tax purposes; and

24 (7) Amounts withdrawn from a medical savings account established by or for an individual
25 under §33-15-20 of this code or §33-16-15 of this code that are used for a purpose other than
26 payment of medical expenses, as defined in those sections.

27 (c) *Modifications reducing federal adjusted gross income.* -- There shall be subtracted from
28 federal adjusted gross income to the extent included therein:

29 (1) Interest income on obligations of the United States and its possessions to the extent
30 includable in gross income for federal income tax purposes;

31 (2) Interest or dividend income on obligations or securities of any authority, commission
32 or instrumentality of the United States or of the State of West Virginia to the extent includable in
33 gross income for federal income tax purposes but exempt from state income taxes under the laws
34 of the United States or of the State of West Virginia, including federal interest or dividends paid
35 to shareholders of a regulated investment company, under Section 852 of the Internal Revenue
36 Code for taxable years ending after June 30, 1987;

37 (3) Any amount included in federal adjusted gross income for federal income tax purposes
38 for the taxable year that is not included in federal adjusted gross income under this article for the
39 taxable year;

40 (4) The amount of any refund or credit for overpayment of income taxes imposed by this
41 state, or any other taxing jurisdiction, to the extent properly included in gross income for federal
42 income tax purposes;

43 (5) Annuities, retirement allowances, returns of contributions and any other benefit
44 received under the West Virginia Public Employees Retirement System, and the West Virginia

45 State Teachers Retirement System, including any survivorship annuities derived therefrom, to the
46 extent includable in gross income for federal income tax purposes: *Provided*, That notwithstanding
47 any provisions in this code to the contrary this modification shall be limited to the first \$2,000 of
48 benefits received under the West Virginia Public Employees Retirement System, the West Virginia
49 State Teachers Retirement System and, including any survivorship annuities derived therefrom,
50 to the extent includable in gross income for federal income tax purposes for taxable years
51 beginning after December 31, 1986; and the first \$2,000 of benefits received under any federal
52 retirement system to which Title 4 U.S.C. §111 applies: *Provided, however*, That the total
53 modification under this paragraph shall not exceed \$2,000 per person receiving retirement
54 benefits and this limitation shall apply to all returns or amended returns filed after December 31,
55 1988;

56 (6) Retirement income received in the form of pensions and annuities after December 31,
57 1979, under any West Virginia police, West Virginia Firemen's Retirement System or the West
58 Virginia State Police Death, Disability and Retirement Fund, the West Virginia State Police
59 Retirement System or the West Virginia Deputy Sheriff Retirement System, including any
60 survivorship annuities derived from any of these programs, to the extent includable in gross
61 income for federal income tax purposes;

62 (7) (A) For taxable years beginning after December 31, 2000, and ending prior to January
63 1, 2003, an amount equal to two percent multiplied by the number of years of active duty in the
64 Armed Forces of the United States of America with the product thereof multiplied by the
65 first \$30,000 of military retirement income, including retirement income from the regular Armed
66 Forces, reserves and National Guard paid by the United States or by this state after December
67 31, 2000, including any survivorship annuities, to the extent included in gross income for federal
68 income tax purposes for the taxable year.

69 (B) For taxable years beginning after December 31, 2000, the first \$20,000 of military
70 retirement income, including retirement income from the regular Armed Forces, Reserves and

71 National Guard paid by the United States or by this state after December 31, 2002, including any
72 survivorship annuities, to the extent included in gross income for federal income tax purposes for
73 the taxable year.

74 (C) For taxable years beginning after December 31, 2017, military retirement income,
75 including retirement income from the regular Armed Forces, Reserves and National Guard paid
76 by the United States or by this state after December 31, 2017, including any survivorship
77 annuities, to the extent included in federal adjusted gross income for the taxable year.

78 (D) In the event that any of the provisions of this subdivision are found by a court of
79 competent jurisdiction to violate either the Constitution of this state or of the United States, or is
80 held to be extended to persons other than specified in this subdivision, this subdivision shall
81 become null and void by operation of law.

82 (8) For taxable years beginning after December 31, 2018, a percentage of social security
83 benefits received pursuant to Title 42 U.S.C., Chapter 7, based upon the overall gross income of
84 the taxpayer, in accordance with the following schedule:

85 (A) For an individual whose taxable income is between \$0 and \$50,000, 100 percent of
86 that individual's social security benefits shall be subtracted from federal adjusted gross income to
87 the extent included therein;

88 (B) For an individual whose taxable income is between \$50,000 and \$70,000, 80 percent
89 of that individual's social security benefits shall be subtracted from federal adjusted gross income
90 to the extent included therein;

91 (C) For an individual whose taxable income is between \$70,000 and \$80,000, 60 percent
92 of that individual's social security benefits shall be subtracted from federal adjusted gross income
93 to the extent included therein;

94 (D) For an individual whose taxable income is between \$80,000 and \$90,000, 40 percent
95 of that individual's social security benefits shall be subtracted from federal adjusted gross income
96 to the extent included therein;

97 (E) For an individual whose taxable income is between \$90,000 and \$100,000, 20 percent
98 of that individual's social security benefits shall be subtracted from federal adjusted gross income
99 to the extent included therein;

100 (F) For an individual whose taxable income exceeds \$100,000, zero percent, of that
101 individual's social security benefits shall be subtracted from federal adjusted gross income to the
102 extent included therein.

103 ~~(8)~~ (9) Federal adjusted gross income in the amount of \$8,000 received from any source
104 after December 31, 1986, by any person who has attained the age of 65 on or before the last day
105 of the taxable year, or by any person certified by proper authority as permanently and totally
106 disabled, regardless of age, on or before the last day of the taxable year, to the extent includable
107 in federal adjusted gross income for federal tax purposes: *Provided*, That if a person has a medical
108 certification from a prior year and he or she is still permanently and totally disabled, a copy of the
109 original certificate is acceptable as proof of disability. A copy of the form filed for the federal
110 disability income tax exclusion is acceptable: *Provided, however*, That:

111 (i) Where the total modification under subdivisions (1), (2), (5), (6) and (7) of this
112 subsection is \$8,000 per person or more, no deduction shall be allowed under this subdivision;
113 and

114 (ii) Where the total modification under subdivisions (1), (2), (5), (6) and (7) of this
115 subsection is less than \$8,000 per person, the total modification allowed under this subdivision
116 for all gross income received by that person shall be limited to the difference between \$8,000 and
117 the sum of modifications under subdivisions (1), (2), (5), (6) and (7) of this subsection;

118 ~~(9)~~ (10) Federal adjusted gross income in the amount of \$8,000 received from any source
119 after December 31, 1986, by the surviving spouse of any person who had attained the age of 65
120 or who had been certified as permanently and totally disabled, to the extent includable in federal
121 adjusted gross income for federal tax purposes: *Provided*, That:

122 (i) Where the total modification under subdivisions (1), (2), (5), (6), (7) and (8) of this

123 subsection is \$8,000 or more, no deduction shall be allowed under this subdivision; and

124 (ii) Where the total modification under subdivisions (1), (2), (5), (6), (7) and (8) of this
125 subsection is less than \$8,000 per person, the total modification allowed under this subdivision
126 for all gross income received by that person shall be limited to the difference between \$8,000 and
127 the sum of subdivisions (1), (2), (5), (6), (7) and (8) of this subsection;

128 ~~(40)~~ (11) Contributions from any source to a medical savings account established by or
129 for the individual pursuant to §33-15-20 section of this code or §33-16-15 of this code, plus interest
130 earned on the account, to the extent includable in federal adjusted gross income for federal tax
131 purposes: *Provided*, That the amount subtracted pursuant to this subdivision for any one taxable
132 year may not exceed \$2,000 plus interest earned on the account. For married individuals filing a
133 joint return, the maximum deduction is computed separately for each individual;

134 ~~(44)~~ (12) For the 2006 taxable year only, severance wages received by a taxpayer from
135 an employer as the result of the taxpayer's permanent termination from employment through a
136 reduction in force and through no fault of the employee, not to exceed \$30,000. For purposes of
137 this subdivision:

138 (i) The term "severance wages" means any monetary compensation paid by the employer
139 in the taxable year *as a result of* permanent termination from employment in excess of regular
140 annual wages or regular annual salary;

141 (ii) The term "reduction in force" means a net reduction in the number of employees
142 employed by the employer in West Virginia, determined based on total West Virginia employment
143 of the employer's controlled group;

144 (iii) The term "controlled group" means one or more chains of corporations connected
145 through stock ownership with a common parent corporation if stock possessing at least 50 percent
146 of the voting power of all classes of stock of each of the corporations is owned directly or indirectly
147 by one or more of the corporations and the common parent owns directly stock possessing at
148 least 50 percent of the voting power of all classes of stock of at least one of the other corporations;

149 (iv) The term "corporation" means any corporation, joint-stock company or association and
150 any business conducted by a trustee or trustees wherein interest or ownership is evidenced by a
151 certificate of interest or ownership or similar written instrument; and

152 ~~(12)~~ (13) Any other income which this state is prohibited from taxing under the laws of the
153 United States.

154 (d) *Modification for West Virginia fiduciary adjustment.* -- There shall be added to or
155 subtracted from federal adjusted gross income, as the case may be, the taxpayer's share, as
156 beneficiary of an estate or trust, of the West Virginia fiduciary adjustment determined under
157 section 19 of this article.

158 (e) *Partners and S corporation shareholders.* -- The amounts of modifications required to
159 be made under this section by a partner or an S corporation shareholder, which relate to items of
160 income, gain, loss or deduction of a partnership or an S corporation, shall be determined under
161 section 17 of this article.

162 (f) *Husband and wife.* -- If husband and wife determine their federal income tax on a joint
163 return but determine their West Virginia income taxes separately, they shall determine their West
164 Virginia adjusted gross incomes separately as if their federal adjusted gross incomes had been
165 determined separately.

166 (g) *Effective date.* --

167 (1) Changes in the language of this section enacted in the year 2000 shall apply to taxable
168 years beginning after December 31, 2000.

169 (2) Changes in the language of this section enacted in the year 2002 shall apply to taxable
170 years beginning after December 31, 2002.

NOTE: The purpose of this bill is to exempt a percentage of social security benefits from personal income tax based on individual's overall amount of taxable income.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.