

# WEST VIRGINIA LEGISLATURE

## 2026 REGULAR SESSION

### Committee Substitute

for

### House Bill 4418

By Delegates McCormick, Riley, Maynor, Kyle,

Browning, Criss, Fehrenbacher, and Funkhouser

[Originating in the Committee on Finance, February

26, 2026]

1 A BILL to amend and reenact §8-13-5 of the Code of West Virginia, 1931, as amended,  
2 relating to creating the "The Tax Efficiency Act of 2026" authorizing the design and implementation  
3 of an electronic data processing system by the Tax Commissioner to facilitate the filing and  
4 collection of municipal business and occupation or privilege taxes.

5 *Be it enacted by the Legislature of West Virginia:*

**ARTICLE 13. TAXATION AND FINANCE.**

**§8-13-5. Business and occupation or privilege tax; limitation on rates; effective date of tax;  
exemptions; activity in two or more municipalities; administrative provisions;  
electronic data processing system to facilitate the filing and collection of municipal  
business and occupation or privilege taxes.**

1           (a) *Authorization to impose tax.* — (1) Whenever any business activity or occupation, for  
2 which the state imposed its annual business and occupation or privilege tax under §11-13-1 *et*  
3 *seq.* of this code, prior to July 1, 1987, is engaged in or carried on within the corporate limits of any  
4 municipality, the governing body thereof shall have plenary power and authority, unless prohibited  
5 by general law, to impose a similar business and occupation tax thereon for the use of the  
6 municipality.

7           (2) Municipalities may impose a business and occupation or privilege tax upon every  
8 person engaging or continuing within the municipality in the business of aircraft repair, remodeling,  
9 maintenance, modification, and refurbishing services to any aircraft, or to an engine or other  
10 component part of any aircraft as a separate business activity.

11           (b) *Maximum tax rates.* — In no case shall the rate of the municipal business and  
12 occupation or privilege tax on a particular activity exceed the maximum rate imposed by the state,  
13 exclusive of surtaxes, upon any business activities or privileges taxed under §11-13-2a, §11-13-  
14 2b, §11-13-2c, §11-13-2d, §11-13-2e, §11-13-2g, §11-13-2h, §11-13-2i, and §11-13-2j of this code,  
15 as those rates were in effect under §11-13-1 *et seq.* of this code, on January 1, 1959, or in excess  
16 of one percent of gross income under §11-13-2k of this code, or in excess of three-tenths of one  
17 percent of gross value or gross proceeds of sale under §11-13-2m of this code. The rate of  
18 municipal business and occupation or privilege tax on the activity described in subdivision (2),  
19 subsection (a) of this section shall be ten one-hundredths of one percent. The rate of municipal  
20 business and occupation or privilege tax on the activity of a health maintenance organization  
21 holding a certificate of authority under the provisions of §33-25A-1 *et seq.* of this code, shall not  
22 exceed one-half of one percent to be applied solely to that portion of gross income received from  
23 the Medicaid program pursuant to Title XIX of the Social Security Act, the state employee  
24 programs administered by the Public Employees Insurance Agency pursuant to §5-16-1 *et seq.* of  
25 this code, and other federal programs, for health care items or services provided directly or  
26 indirectly by the health maintenance organization, that is expended for administrative expenses;

27 and shall not exceed one half of one percent to be applied to the gross income received from  
28 enrollees, or from employers on behalf of enrollees, from sources other than Medicaid, state  
29 employee programs administered by the Public Employees Insurance Agency, and other federal  
30 programs for health care items or services provided directly or indirectly by the health  
31 maintenance organization: *Provided*, That this tax rate limitation shall not extend to that part of the  
32 gross income of health maintenance organizations which is received from the use of real property  
33 other than property in which any company maintains its office or offices in this state, whether the  
34 income is in the form of rentals or royalties. This provision concerning the maximum municipal  
35 business and occupation tax rate on the activities of health maintenance organizations is effective  
36 beginning after December 31, 1996. Any payments of business and occupation tax made by a  
37 health maintenance organization to a municipality for calendar year 1997 is not subject to recovery  
38 by the health maintenance organization. Administrative expenses shall include all expenditures  
39 made by a health maintenance organization other than expenses paid for claims incurred or  
40 payments made to providers for the benefits received by enrollees.

41 (c) *Effective date of local tax.* — Any taxes levied pursuant to the authority of this section  
42 may be made operative as of the first day of the then current fiscal year or any date thereafter:  
43 *Provided*, That any new imposition of tax or any increase in the rate of tax upon any business,  
44 occupation or privilege taxed under §11-13-2e of this code, applies only to gross income derived  
45 from contracts entered into after the effective date of the imposition of tax or rate increase, and  
46 which effective date shall not be retroactive in any respect: *Provided, however*, That no tax  
47 imposed or revised under this section upon public utility services may be effective unless and until  
48 the municipality provides written notice of the same by certified mail to said public utility at least 60  
49 days prior to the effective date of said tax or revision thereof.

50 (d) *Exemptions.* —

51 (1) A municipality shall not impose its business and occupation or privilege tax on any  
52 activity that was exempt from the state's business and occupation tax under the provisions of §11-

53 13-3 of this code, prior to July 1, 1987, and determined without regard to any annual or monthly  
54 monetary exemption also specified therein: *Provided*, That on and after July 1, 2007, a  
55 municipality may impose its business and occupation or privilege tax on any activity of a  
56 corporation, association, or society organized and operated exclusively for religious or charitable  
57 purposes that was exempt from the state's business and occupation tax under the provisions of  
58 §11-13-3 of this code, prior to July 1, 1987, but only to the extent that the income generated by the  
59 activity is subject to taxation under the provisions of §511 of the Internal Revenue Code of 1986, as  
60 amended.

61 (2) Effective July 1, 2023, the municipal business and occupation or privilege tax on the  
62 sale of new automobiles that have never been registered in the name of an individual shall be  
63 reduced by 50 percent of the total amount of the tax: *Provided*, That, effective July 1, 2024, the  
64 remaining municipal business and occupation or privilege tax on the sale of new automobiles that  
65 have never been registered in the name of an individual shall be reduced by an additional 50  
66 percent of the total amount of the tax: *Provided, however*, That July 1, 2025, the municipal  
67 business and occupation or privilege tax on the sale of new automobiles that have never been  
68 registered in the name of an individual shall be completely eliminated. For the purposes of this  
69 section, an automobile is a self-propelled vehicle used on the roads and highways by the use of  
70 motor vehicle fuel or propelled by one or more electric motors using energy stored in batteries or a  
71 combination thereof. An automobile shall include a light-duty truck with an enclosed cabin and an  
72 open loading area at the rear and a sport utility vehicle. An automobile does not include a  
73 motorcycle.

74 (e) *Activity in two or more municipalities.* — Whenever the business activity or occupation  
75 of the taxpayer is engaged in or carried on in two or more municipalities of this state, the amount of  
76 gross income, or gross proceeds of sales, taxable by each municipality shall be determined in  
77 accordance with legislative rules as prescribed by the Tax Commissioner. It is the intent of the  
78 Legislature that multiple taxation of the same gross income, or gross proceeds of sale, under the

79 same classification by two or more municipalities shall not be allowed, and that gross income, or  
80 gross proceeds of sales, derived from activity engaged in or carried on within this state, that is  
81 presently subject to state tax under §11-13-2c or §11-13-2h of this code, which is not taxed or  
82 taxable by any other municipality of this state, may be included in the measure of tax for any  
83 municipality in this state, from which the activity was directed, or in the absence thereof, the  
84 municipality in this state in which the principal office of the taxpayer is located. Nothing in this  
85 subsection shall be construed as permitting any municipality to tax gross income or gross  
86 proceeds of sales in violation of the Constitution and laws of this state or the United States, or as  
87 permitting a municipality to tax any activity that has a definite situs outside its taxing jurisdiction.

88 (f) Where the governing body of a municipality imposes a tax authorized by this section, the  
89 governing body may offer tax credits from the tax as incentives for new and expanding businesses  
90 located within the corporate limits of the municipality.

91 (g) *Administrative provisions.* — The ordinance of a municipality imposing a business and  
92 occupation or privilege tax shall provide procedures for the assessment and collection of the tax,  
93 which shall be similar to those procedures in §11-13-1 *et seq.* of this code, as in existence on June  
94 30, 1978, or to those procedures in §11-10-1 *et seq.* of this code, and shall conform with such  
95 provisions as they relate to waiver of penalties and additions to tax.

96 (h) *Timely payment.* — Payments for taxes due under this section that are postmarked or  
97 remitted via the system after the due date by which they are owed shall be considered late and  
98 may be subject to late fees or penalties: *Provided*, That payments that are received by the  
99 municipality after the due date, but that were postmarked or remitted via the system on or before  
100 the due date shall be considered to be on time and shall not be assessed any late fees or  
101 penalties.

102 (i) Any third-party vendors who contract with a city or municipality to collect business and  
103 occupation taxes authorized by this section on behalf of a municipality may not charge for their  
104 services more than 20% of the amount of taxes collected.

105 (j) Administration of Municipal Business and Occupation or Privilege Tax. --

106 (1) System Design and Authority. -- The Tax Commissioner shall design and implement an  
107 electronic data processing system to facilitate the filing and collection of municipal business and  
108 occupation or privilege taxes. The Commissioner has broad authority to determine the technical  
109 architecture of the system and may enter into such contracts as necessary to develop or modify  
110 the system for these purposes. The Tax Commissioner's role under this subsection is limited to  
111 providing an optional administrative and processing platform; the participating municipality shall  
112 retain all legal authority to administer its local tax, including the authority to conduct audits, make  
113 assessments, and pursue the collection of delinquent taxes in accordance with the ordinances of  
114 municipality as authorized under §8-13-5 of this code.

115 (2) Administrative Fee and Funding. -- To cover the costs of system development,  
116 maintenance, and ongoing administration, the Tax Commissioner shall retain an administrative fee  
117 of one percent (1%) of the gross collections for each participating municipality. All fees retained  
118 under this subdivision shall be deposited into the "Tax Administration Services Fund" provided for  
119 under §11-10-27 of this code.

120 (3) System Activation Threshold. -- The Tax Commissioner's obligation to implement the  
121 system is contingent upon a sufficient number of municipalities committing to participation through  
122 local ordinance. The determination of whether the revenue threshold has been met shall be based  
123 on the total anticipated business and occupation tax revenue reflected on the most recent fiscal  
124 year budgets filed by the participating municipalities with the State Auditor pursuant to articles  
125 §11-8-1 et seq. and §6-9-1 et seq. of this code.

126 (4) Effective Date. -- Once the Tax Commissioner determines that the committed  
127 municipalities represent an aggregate annual revenue exceeding \$30,000,000, as verified by the  
128 budgets filed with the State Auditor, the system shall be implemented and become available for  
129 use on the July 1 following a period of at least 12 months from the date of such determination.

130 (5) Definitions. -- As used in this subsection:

131 "Electronic data processing" means the use of computer systems for operations including  
132 the storing, retrieving, sorting, merging, calculating, and reporting of data for use in tax billing,  
133 accounting, and information sharing among municipalities and the Tax Commissioner.

134 "Municipal business and occupation or privilege tax" means and is limited to only those  
135 municipal taxes authorized under this section.

136 "System" means the electronic data processing system developed by the Tax  
137 Commissioner for the administration of municipal business and occupation or privilege taxes.

138 (6) Rulemaking. -- The Tax Commissioner may propose legislative rules for promulgation  
139 in accordance with §29A-3-1 et seq. of this code to establish the procedures for certifying the  
140 threshold, the timeline for municipal onboarding, and the requirements for the electronic exchange  
141 of data.

142 (k) The amendments to this section enacted during the 2026 regular legislative session,  
143 shall be known as the "Tax Efficiency Act of 2026".