

WEST VIRGINIA LEGISLATURE

2026 REGULAR SESSION

Introduced

House Bill 5560

**FISCAL
NOTE**

By Delegates D. Cannon and Campbell

[Introduced February 16, 2026; referred to the
Committee on Finance]

1 A BILL to amend and reenact §11-21-12 of the Code of West Virginia, 1931, as amended, relating
2 to exempting pensions of municipal law enforcement officers paid through the Public
3 Employees Retirement System from income taxes and setting an effective date.

Be it enacted by the Legislature of West Virginia:

ARTICLE 21. PERSONAL INCOME TAX.

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

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

(7) Amounts withdrawn from a medical savings account established by or for an individual under §33-15-20 or §33-16-15 of this code that are used for a purpose other than payment of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

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

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

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

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

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

(5) Annuities, retirement allowances, returns of contributions and any other benefit received under the West Virginia Public Employees Retirement System, and the West Virginia State Teachers Retirement System, including any survivorship annuities derived therefrom, to the extent includable in gross income for federal income tax purposes: *Provided*, That notwithstanding

any provisions in this code to the contrary this modification shall be limited to the first \$2,000 of benefits received under the West Virginia Public Employees Retirement System, the West Virginia State Teachers Retirement System and, including any survivorship annuities derived therefrom, to the extent includable in gross income for federal income tax purposes for taxable years beginning after December 31, 1986; and the first \$2,000 of benefits received under any federal retirement system to which 4 U.S.C. § 111 applies: *Provided, however,* That the total modification under this paragraph shall not exceed \$2,000 per person receiving retirement benefits and this limitation shall apply to all returns or amended returns filed after December 31, 1988: *Provided further, That,* the limitation under this subdivision does not apply to benefits received in subdivision (6);

(6) (A) Retirement income received in the form of pensions and annuities after December 31, 1979, under any West Virginia police; West Virginia Firemen's Retirement System; or the West Virginia State Police Death, Disability and Retirement Fund; the West Virginia State Police Retirement System; or the West Virginia Deputy Sheriff Retirement System; or the Public Employees Retirement System if paid to local law enforcement officers, including those formerly classified as deputy sheriffs, full-time firefighters, and municipal police officers, including any survivorship annuities derived from any of these programs, to the extent includable in gross income for federal income tax purposes;

(B) To be eligible for the tax benefit under this subdivision a retired law enforcement officer under the Public Employees Retirement System must verify his or her employment history. The Public Employees Retirement System shall create a certification form for individuals to apply. The form should have the retiree verify that he or she retired as a municipal police officer and is currently receiving retirement benefits under the Public Employees Retirement System. The retiree shall provide proof of employment including, but not limited to, one of the following:

(i) Municipal employee separation letter;

(ii) Law Enforcement Professional Standards certification number;

(iii) Honorable retirement certificate issued by the municipality;

73 (iv) A W-2 or payroll record showing police officer classification; or

74 (v) An oath-of-office or badge identification number at time of retirement.

75 (7)(A) For taxable years beginning after December 31, 2000, and ending prior to January
76 1, 2003, an amount equal to two percent multiplied by the number of years of active duty in the
77 Armed Forces of the United States of America with the product thereof multiplied by the first
78 \$30,000 of military retirement income, including retirement income from the regular Armed Forces,
79 Reserves and National Guard paid by the United States or by this state after December 31, 2000,
80 including any survivorship annuities, to the extent included in gross income for federal income tax
81 purposes for the taxable year.

82 (B) For taxable years beginning after December 31, 2000, the first \$20,000 of military
83 retirement income, including retirement income from the regular Armed Forces, Reserves and
84 National Guard paid by the United States or by this state after December 31, 2002, including any
85 survivorship annuities, to the extent included in gross income for federal income tax purposes for
86 the taxable year.

87 (C) For taxable years beginning after December 31, 2017, military retirement income,
88 including retirement income from the regular Armed Forces, Reserves and National Guard paid by
89 the United States or by this state after December 31, 2017, including any survivorship annuities, to
90 the extent included in federal adjusted gross income for the taxable year. For taxable years
91 beginning after December 31, 2018, retirement income from the uniformed services, including the
92 Army, Navy, Marines, Air Force, Space Force, Coast Guard, Public Health Service, National
93 Oceanic Atmospheric Administration, reserves, and National Guard, paid by the United States or
94 by this state after December 31, 2018, including any survivorship annuities, to the extent included
95 in federal adjusted gross income for the taxable year.

96 (D) In the event that any of the provisions of this subdivision are found by a court of
97 competent jurisdiction to violate either the Constitution of this state or of the United States, or is
98 held to be extended to persons other than specified in this subdivision, this subdivision shall

99 become null and void by operation of law.

100 (8) Decreasing modification for social security income.

101 (A) For taxable years beginning on or after January 1, 2022, 100 percent of the social
102 security benefits received pursuant to Chapter 7 of Title 42 of the United States Code, including,
103 but not limited to, social security benefits paid by the Social Security Administration as Old Age,
104 Survivors and Disability Insurance Benefits as provided in 42 U.S.C. § 401 *et. seq.* or as
105 Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. § 1381
106 *et. seq.*, included in federal adjusted gross income for the taxable year shall be allowed as a
107 decreasing modification from federal adjusted gross income when determining West Virginia
108 taxable income subject to the tax imposed by this article, subject to the limitation in §11-21-
109 12(c)(8)(B) of this code.

110 (B) The deduction allowed by §11-21-12(c)(8)(A) of this code are allowable only when the
111 federal adjusted gross income of a married couple filing a joint return does not exceed \$100,000,
112 or \$50,000 in the case of a single individual or a married individual filing a separate return.

113 (C) For taxable years beginning on and after January 1, 2024, 35 percent of the amount of
114 social security benefits received pursuant to Chapter 7 of Title 42 of the United States Code,
115 including, but not limited to, social security benefits paid by the Social Security Administration as
116 Old Age, Survivors and Disability Insurance Benefits as provided in 42 U.S.C. § 401 *et. seq.* or as
117 Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. § 1381
118 *et. seq.*, included in federal adjusted gross income for the taxable year shall be allowed as a
119 decreasing modification from federal adjusted gross income when determining West Virginia
120 taxable income subject to the tax imposed by this article, subject to the limitation in §11-21-
121 12(c)(8)(F) of this code.

122 (D) For taxable years beginning on or after January 1, 2025, 65 percent of the social
123 security benefits received pursuant to Chapter 7 of Title 42 of the United States Code, including,
124 but not limited to, social security benefits paid by the Social Security Administration as Old Age,

Survivors and Disability Insurance Benefits as provided in 42 U.S.C. § 401 *et. seq.* or as Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. § 1381 *et. seq.*, included in federal adjusted gross income for the taxable year shall be allowed as a decreasing modification from federal adjusted gross income when determining West Virginia taxable income subject to the tax imposed by this article, subject to the limitation in §11-21-12(c)(8)(F) of this code.

(E) For taxable years beginning on or after January 1, 2026, 100 percent of the social security benefits received pursuant to Chapter 7 of Title 42 of the United States Code, including, but not limited to, social security benefits paid by the Social Security Administration as Old Age, Survivors and Disability Insurance Benefits as provided in 42 U.S.C. § 401 *et. seq.* or as Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. 1381 *et. seq.*, included in federal adjusted gross income for the taxable year shall be allowed as a decreasing modification from federal adjusted gross income when determining West Virginia taxable income subject to the tax imposed by this article, subject to the limitation in §11-21-12(c)(8)(F) of this code.

(F) The deduction allowed by §11-21-12(c)(8)(C), §11-21-12(c)(8)(D), and §11-21-12(c)(8)(E) of this code are allowable only when the federal adjusted gross income of a married couple filing a joint return exceeds \$100,000, or \$50,000 in the case of a single individual or a married individual filing a separate return.

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

disability income tax exclusion is acceptable: *Provided, however, That:*

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

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

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

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

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

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

(12) Any other income which this state is prohibited from taxing under the laws of the United States including, but not limited to, tier I retirement benefits as defined in Section 86(d)(4) of

the Internal Revenue Code.

(d) Modification for West Virginia fiduciary adjustment. — There shall be added to or subtracted from federal adjusted gross income, as the case may be, the taxpayer's share, as beneficiary of an estate or trust, of the West Virginia fiduciary adjustment determined under §11-21-19 of this code.

(e) Partners and S corporation shareholders. — The amounts of modifications required to be made under this section by a partner or an S corporation shareholder, which relate to items of income, gain, loss or deduction of a partnership or an S corporation, shall be determined under §11-21-17 of this code.

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

(g) Effective date. —

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

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

(3) Changes in the language of this section enacted in the year 2019 shall apply to taxable years beginning after December 31, 2018.

(4) Changes in the language of this section enacted in the year 2024 shall apply retroactively to taxable years beginning after December 31, 2023.

(5) Changes in the language of this section enacted in the year 2026 shall apply retroactively to taxable years beginning after December 31, 2025.

NOTE: The purpose of this bill is to exempt PERS pensions for local law enforcement

officers from state income taxes.

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