

WEST VIRGINIA LEGISLATURE

2026 REGULAR SESSION

Introduced

Senate Bill 492

**FISCAL
NOTE**

By Senator Takubo

[Introduced January 19, 2026; referred
to the Committee on Finance]

A BILL to amend the Code of West Virginia, 1931, as amended, by adding a new section, designated §11-21-12o, relating to establishing an additional modification reducing federal adjusted gross income relating to taxes on tips and overtime; phasing out the reducing modification for taxpayers with modified adjusted gross incomes over a certain threshold; and providing that nonresidents are only eligible for a reducing modification attributable to services performed in the state.

Be it enacted by the Legislature of West Virginia:

ARTICLE 21. PERSONAL INCOME TAX.

§11-21-12o. Additional modification reducing federal adjusted gross income relating to taxes on tips and overtime.

(a) In addition to amounts authorized to be subtracted from federal gross income pursuant to §11-21-12 of this code, a modification reducing federal adjusted gross income is hereby authorized for taxable years beginning on or after January 1, 2026, and before January 1, 2029, in an amount equal to the sum of the following deductions allowed on the taxpayer's federal income tax return for the same tax year for the following:

(1) Qualified tips under 26 U.S.C. § 224 of the Internal Revenue Code; and

(2) Qualified overtime compensation under 26 U.S.C. § 225 of the Internal Revenue Code.

(b) For a nonresident, only qualified tips and overtime compensation that are attributable to services performed in this state may be eligible for the reducing modification.

(c) In addition to amounts authorized to be subtracted from federal gross income pursuant to §11-21-12 of this code, a modification reducing federal adjusted gross income is hereby authorized for taxable years beginning on or after January 1, 2029, for the following:

(1) Qualified tips in accordance with the provisions of W.Va. C.S.R. §42-8-12 et seq. up to \$25,000 annually.

(A) The reducing modification phases out for taxpayers with modified adjusted gross incomes over \$150,000.

17 (B) The reducing modification is available regardless of the type of return form filed.

18 (2) Qualified overtime compensation paid by an employer in accordance with the
19 provisions of §21-5C-3 of this code up to \$12,500 annually.

20 (A) The reducing modification phases out for taxpayers with modified adjusted gross
21 incomes over \$150,000.

22 (B) The reducing modification is available regardless of the type of return form filed.

23 (d) For a nonresident, only qualified tips and overtime compensation that are attributable to
24 services performed in this state may be eligible for the reducing modification.

NOTE: The purpose of this bill is to establish an additional modification reducing federal adjusted gross income relating to taxes on tips and overtime.

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