



Aims of this Primer

Property taxes provide revenue for the important public structures, services, and programs that enhance the quality of life for the people of West Virginia. Without the stability of the property tax system, these important services would suffer. Property taxes allow local governments to provide for our needs today and in the future, such as educating our children, building and maintaining infrastructure, providing police and fire protection, protecting our environment, promoting public health, and promoting the wellbeing and quality of life of our communities.

In West Virginia, property taxes help fund:

- 704 public schools in 55 school districts, educating 281,828 students¹
- 179 public libraries²
- 3,152 police officers³
- Public parks throughout the state
- Services provided by all 55 county governments and 232 municipal governments

Despite its importance, the property tax is often misunderstood. It is complex, with multiple governing bodies raising revenue through multiple levies on property.

This primer is a guide for citizens, lawmakers, and others to use to understand West Virginia's property tax system and why it is important.

This report was researched and written by Sean O'Leary, policy analyst with the West Virginia Center on Budget and Policy, March 2011.

What is Taxable as Property in West Virginia?

Since 1932, property has been divided into four classifications for tax purposes (**Table 1**). These classifications separate property by type and location.

Due to a series of exemptions dating back to 1946, Class I property is now fully exempted from taxation in West Virginia⁴ and is not included in the remainder of the primer.

When most people think of property, they picture homes and farms. These properties fall under Class II. Some Class II property qualifies for the Homestead Exemption, created in 1973. This exemption allows individuals 65 and older or residents who are permanently disabled to receive a \$20,000 exemption against the total assessed value of their Class II property, regardless of their income levels.⁵ In 2009, property assessed at \$3.8 billion was exempted from taxation due to the Homestead Exemption, providing property tax relief to over 200,000 West Virginians.⁶

Class III and IV properties are primarily used for business, although personal vehicles are included in these classifications as well. Both real and personal business property are subject to the property tax in West Virginia. Real property includes land, structures and certain equipment attached to structures. Personal property includes furnishings, inventory, machinery, equipment, fixtures, supplies and tools.ⁱ

West Virginia's natural resources play an important role in property taxes, and include coal, natural gas, oil, and timber as Class III and IV properties. The state identifies five types of coal property that are subject to property taxes: active coal

TABLE 1
Property Tax Classifications

Class	Description
I	personal property used in agriculture; intangibles
II	owner-occupied residencies; farm real estate
III	all other property (vacant land, rental property, vehicles, commercial real estate, equipment, inventory) located outside a municipality
IV	all other property (vacant land, rental property, vehicles, commercial real estate, equipment, inventory) located inside a municipality

Source: *West Virginia Constitution, Article 10-1*

i For a more detailed look at business personal property, see our report, "Taking Inventory: The Impact of Exempting the Business Personal Property Tax" <http://www.wvpolicy.org/downloads/WVCBP-BPPT101810.pdf>

property, non-active coal reserve property, unmineable coal property, mined-out coal property and barren coal property. Property taxes are also levied on land, buildings, and equipment owned by coal companies.

In addition to natural gas and oil production sites, reserves of these resources are also subject to property taxes. Oil and natural gas properties are divided into several categories: natural gas producing property, oil producing property, non-producing shut-in wells, barren oil/gas property, plugged or abandoned acreage, reserve oil and gas property, and others.

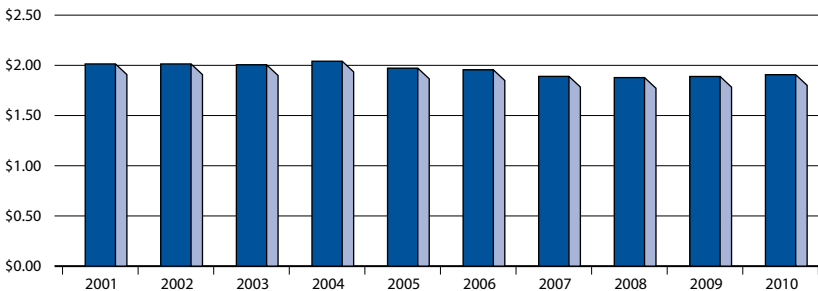
Several different formulas are used to determine the value of these natural resource properties.

What Class of Property Contributes the Most in Property Tax Revenue?

Despite declining average levy rates (**Figure 1**), total property tax revenue has increased over the past decade. In 2001, the average levy on \$100 of assessed value was \$2.01, which brought in approximately \$928 million in revenue (**Figure 2**). By 2010, revenue had grown to over \$1.4 billion, an increase of 55 percent, even as the average levy fell to \$1.90 of assessed value.⁷

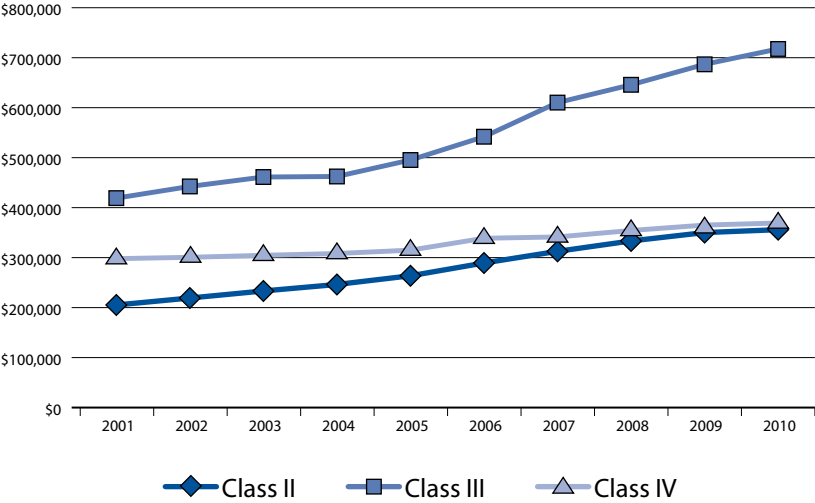
Nearly half of property tax revenue in West Virginia comes from Class III property, which includes commercial real estate, vehicles, and business personal property located outside a municipality (**Figures 3 and 4**). This is unsurprising due to the higher assessed values of Class III property, as well as the higher levy rates applied to this class.

FIGURE 1
**Average Total Levy on Each \$100
of Assessed Value**



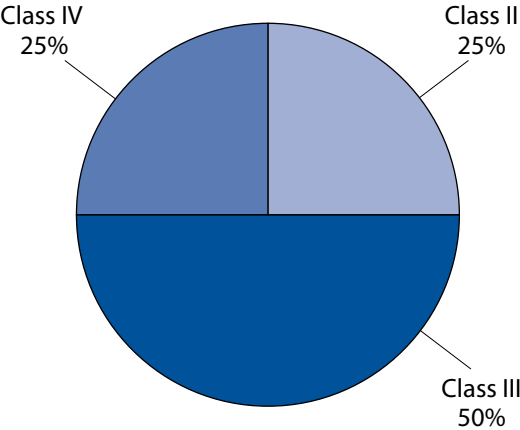
Source: West Virginia State Tax Department, Classified Assessed Valuations 2010 Tax Year

FIGURE 2
Tax Revenue by Property Class, 2000 - 2010
 (thousands of dollars)



Source: West Virginia State Tax Department, Classified Assessed Valuations 2010 Tax Year

FIGURE 3
Sources of Property Tax Revenue by Class, 2010



Source: West Virginia State Tax Department, Classified Assessed Valuations 2010 Tax Year

Although Class IV property used to contribute more toward total revenue than Class II property, the two are now nearly even, each contributing about one quarter of the total revenue. Since 2000, revenues from Class II property have grown faster than revenues from Class III and Class IV. This has resulted in a shifting of the tax burden away from Class III (primarily business property) and toward Class II (primarily homes and farms).

Several counties raise the majority of their property tax revenue from coal property (**Table 2**). For example, in Boone County (the state’s largest coal-producing county), coal property tax revenue makes up 60 percent of the county’s total property tax revenue.

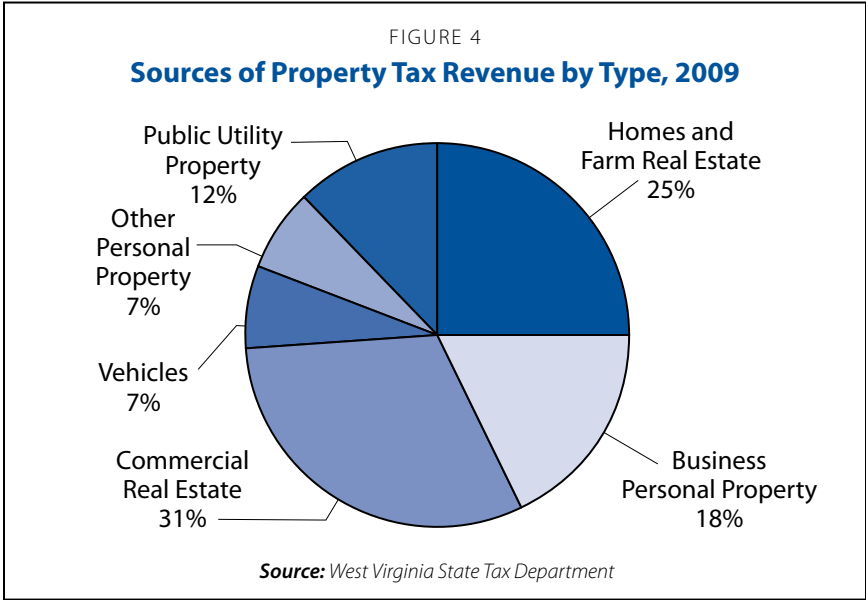


TABLE 2

Property Taxes from Coal Property

County	Total Property Tax Revenue	Coal Property Tax Revenue	Coal as a Percent of Total
Boone	\$35,423,995	\$21,290,788	60.1%
Logan	\$30,389,807	\$13,029,578	42.9%
Mingo	\$22,264,153	\$7,095,782	31.9%
Marshall	\$34,058,791	\$5,438,560	16.0%
Raleigh	\$51,241,057	\$7,563,371	14.8%
Fayette	\$24,861,810	\$3,062,242	12.3%

Source: WVU Bureau of Economic Research, The West Virginia Coal Economy 2008

How Are Property Tax Rates Determined?

Property tax rates vary not only by property class, but also by the four separate governing bodies with the power to tax: the state, counties, county school boards, and municipalities. Voters may also be considered a levying body due to the use of excess levies, discussed below. The West Virginia Constitution sets the maximum tax rate for each taxing body and property class (**Table 3**). For each governing body, the rate for Class III and IV is twice the rate for Class II.

Tax rates for school districts are set by the West Virginia Legislature and are universal across the state.⁸ The State Auditor supervises and assists the counties and municipalities in determining their tax rates, which may fall below the maximum rate.

Counties and municipalities follow five steps to determine their tax rates:

1. They prepare tentative budgets that show estimated expenditures and receipts, as well as the tax rates necessary to produce receipts.
2. The State Auditor approves the budgets and tax rates, which then are presented at public hearings. After the hearings, the counties and municipalities adopt the approved budgets and tax rates.
3. The Auditor reports the approved tax rates to the county assessors.
4. Each assessor applies the state, county, school and municipal tax rates to all items of taxable property in the county’s property books.
5. Each assessor delivers books with the new tax rates to the county sheriff, who begins the tax collection process.⁹

Counties, school districts, and municipalities may temporarily exceed these maximum rates through an excess levy. This levy is an additional property tax used to provide supplemental funding for libraries, ambulance service, school buildings, extracurricular activities, and other essential community services.

TABLE 3
West Virginia Property Tax Rates, 2010
(per \$100 assessed value)

	Maximum Rate		Current Rates	
	Class II	Class III & IV	Class II	Class III & IV
State	0.50¢	1.00¢	0.50¢	1.00¢
County	28.60¢	57.20¢	17.30¢ - 28.60¢	34.60¢ - 57.20¢
School District	45.90¢	91.80¢	38.80¢	77.60¢
Municipality	25.00¢	50.00¢	10.60¢ - 25.00¢	21.20¢ - 50.00¢

Source: West Virginia State Auditor’s Office, Rates of Levy 2010 Tax Year

Counties and municipalities may impose an excess levy for up to five years if it is approved by 60 percent of the voters in a special levy election. School districts can impose an excess levy for up to five years, and only need the approval of 50 percent of the voters.¹⁰ Currently 22 counties, 43 school districts, and 57 municipalities have an excess levy in effect. 35% of property taxes levied statewide are through excess levies, and are therefore determined by voters. **Table 4** shows the maximum excess levy rates for each taxing authority.

Counties, school districts, and municipalities may also levy a property tax based on any bonds they may have issued. This tax rate is determined by the amount of money that must be raised to pay the principal and interest of the bond and, when combined with the regular county, school, or municipal rate, may not exceed the maximum rate for that taxing authority (**Table 3**).

Although taxing authorities can raise their tax rates to the maximum rate, legislation in West Virginia has placed caps on annual property tax revenue growth.ⁱⁱ Counties and municipalities can increase property tax revenue by one percent each year, while school districts have a two percent cap. Public hearings can be held to allow revenue to increase by up to 10 percent.¹¹ Tax rate increases that cause revenues to exceed the cap are only applied to the point where the revenue limit is reached. The full increase is applied in yearly increments as allowed by the revenue caps.

What does a “tax bill” look like for property in West Virginia?

Every taxable property, regardless of classification, is assessed at 60 percent of its fair market value, with many exemptions in the Constitution and in statute.¹² For example, the assessed value of a \$200,000 house would be \$120,000. Property taxes are then levied on the assessed value, not on the property’s total value.

TABLE 4
West Virginia Maximum Excess Levy Rates, 2009
(per \$100 assessed value)

	Class II	Class III & IV
County	14.30¢	28.60¢
School	45.90¢	91.80¢
Municipal	12.50¢	25.00¢

Source: West Virginia State Auditor’s Office, Rates of Levy 2010 Tax Year

ii If revenue increases because of new construction or improvements to existing property increased the property’s value, this revenue is not subject to the cap.

Since property owners only pay one tax bill for each taxable property, it is easy to forget that this payment actually reflects multiple taxes levied by the state, county, school district, and municipality. Using the example of a \$200,000 home in Charleston (Kanawha County), **Table 5** divides this property owner's total tax bill into individual parts.

In this example, the property owner would owe \$1,684.80 in property taxes. The majority of the tax goes toward local governments, with only 0.4 percent being state revenue. Over half of the total tax would go to the Kanawha County School District, while a quarter of the tax would be used to fund public services provided by Kanawha County. Over 40 percent of the total tax comes from voter-approved excess levies.

TABLE 5
The Property Tax Bill for \$200,000 Class II Property
 (assessed value of \$120,000)
Charleston, WV 2010-2011

	Levy Rate (per \$100 assessed value)	Amount Owed	Percent of Total Property Tax
State	0.50¢	\$6.00	0.4%
Current State Rate	0.50¢	\$6.00	0.4%
County	40.78¢	\$489.36	29.0%
Current County Rate	28.60¢	\$343.20	20.3%
County Excess Levy	12.18¢	\$146.16	8.7%
School District	73.20¢	\$878.40	52.1%
Current School Rate	38.80¢	\$465.60	27.6%
School Excess Levy	34.40¢	\$412.80	24.5%
Municipal	25.92¢	\$311.04	18.5%
Current Municipal Rate	15.86¢	\$190.32	11.3%
Municipal Excess Levy	10.06¢	\$120.72	7.2%
Total	140.4¢	\$1,684.80	100%

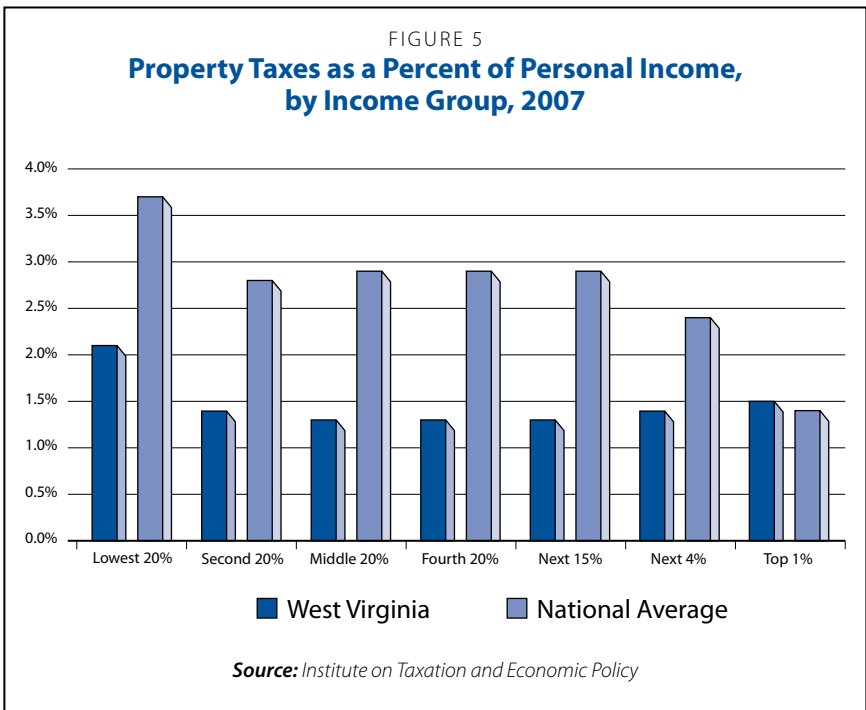
Source: West Virginia State Auditor's Office, Assessment and Levy 2010 Tax Year and author's calculations

How does West Virginia's property tax compare with other states?

West Virginia has one of the lowest property taxes in the country. In 2007, the state ranked 44th in per capita property taxes at \$628.¹³ Not only is the per capita property tax low compared to the rest of the nation, but residents also pay a smaller percent of their personal income toward property taxes (an average of 2.2 percent) than do people in 42 other states.¹⁴

Despite its low taxes, West Virginia's property tax is still slightly regressive. People in the lowest income group pay a higher percentage of their personal income in property taxes than those with higher incomes (**Figure 5**). However, West Virginia's property tax system is less regressive than the national average.

Businesses in West Virginia also pay lower property taxes than the national average. In 2009, property taxes accounted for 29 percent of all taxes paid by businesses, compared to the national average of 36 percent.¹⁵ Property taxes as a percentage of total business taxes are also lower than in the neighboring states of Pennsylvania, Virginia, and Ohio, and only slightly above those in Maryland and Kentucky.¹⁶



How important are property taxes for the financial health of West Virginia?

State

The majority of state revenues comes from the personal income tax and the sales tax. Property taxes account for only one-tenth of one percent of the state's revenues and do not play a major role in funding state priorities.

County

Property taxes are the single largest funding source for county governments, accounting for approximately 63 percent of their general fund revenues (**Figure 6**).

County governments rely heavily on property taxes to provide public safety, welfare and health services, environmental services, funding for the judicial system, and other important public services. **Figure 7** shows the major categories of typical expenditures for counties.

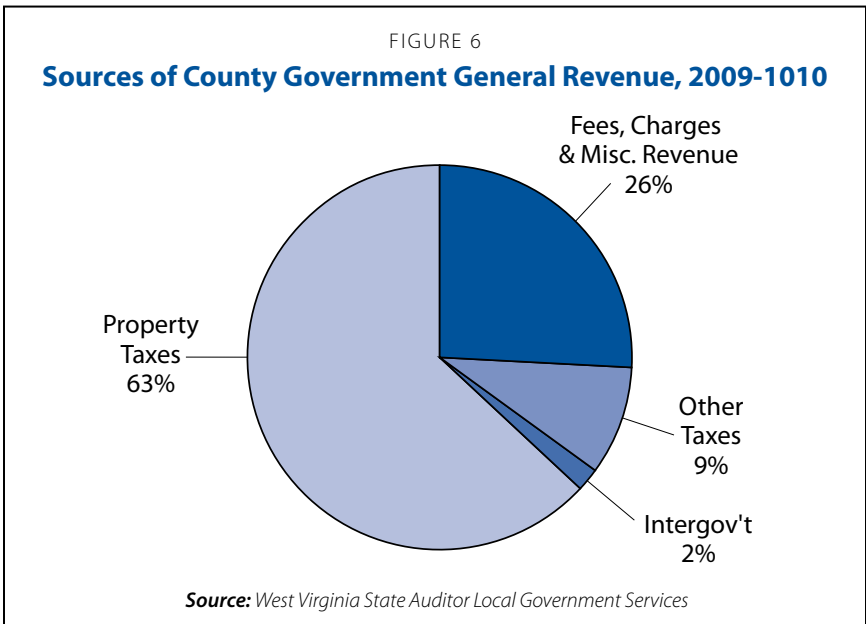
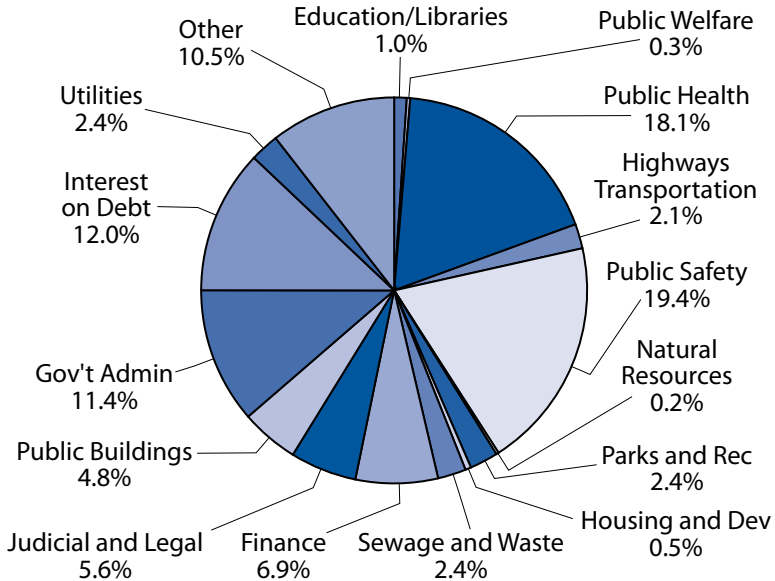


FIGURE 7

County Expenditures in West Virginia by Purpose, 2007



Source: U.S. Census Bureau, 2007 Census of Government Finance

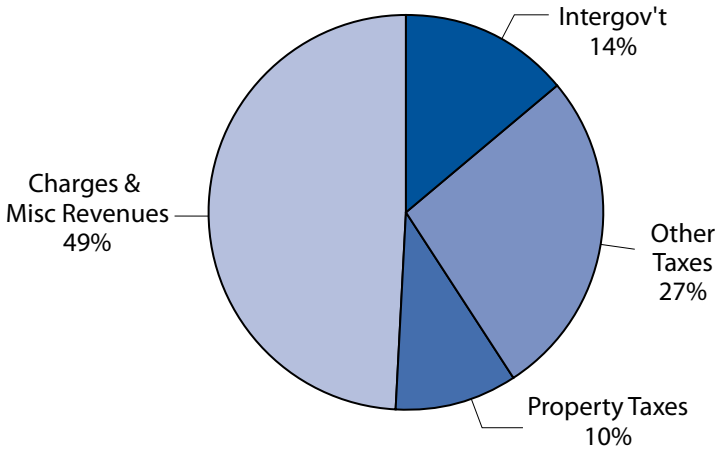
Municipalities

For municipalities, property taxes contribute approximately 10 percent of revenues, while other sources like the Business and Occupancy tax, user fees, and charges provide the bulk of revenue (**Figure 8**).

Although municipalities are less reliant on property taxes than counties, this tax still plays an important role in funding vital public services. **Figure 9** shows the municipal services these revenues help fund, including environmental protection, waste management, public safety and health, utilities, recreation, and transportation.

FIGURE 8

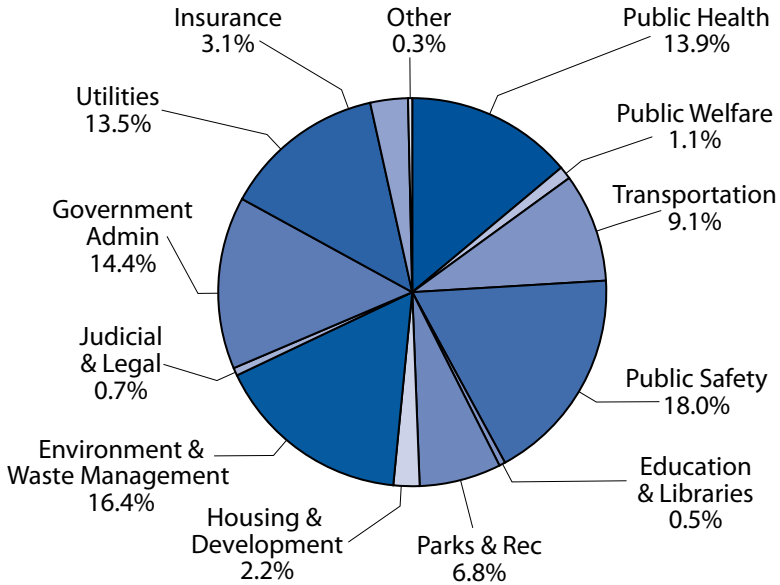
Sources of Municipal Revenue in West Virginia, 2007



Source: U.S. Census Bureau 2007 Census of Government Finance

FIGURE 9

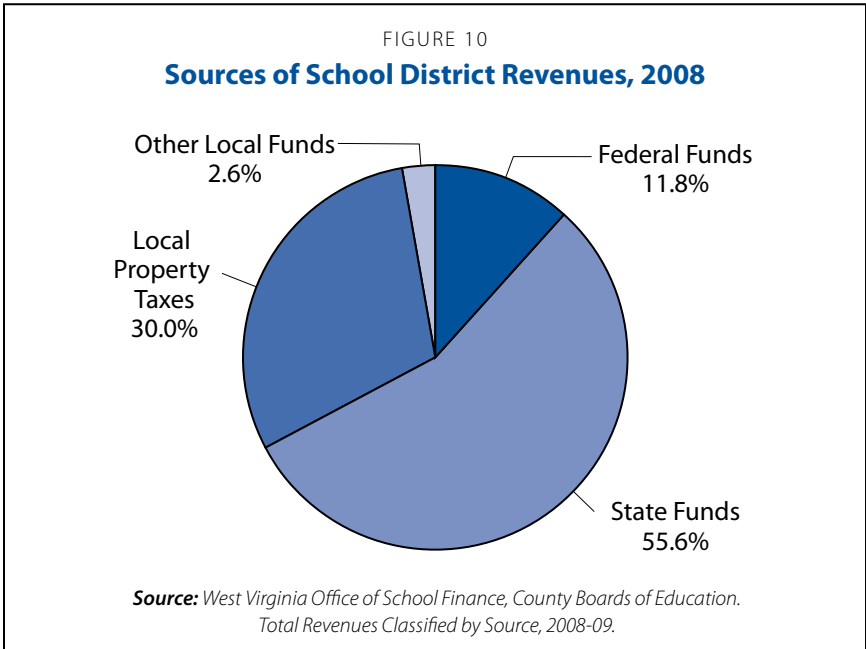
Municipal Expenditures by Purpose, 2007



Source: U.S. Census Bureau 2007 Census of Government Finance

School Districts

Much like counties, school districts rely heavily on property taxes as a source of revenue. Local property taxes make up almost one-third of school district funding in West Virginia (**Figure 10**). The largest source is the Public School Support Program, also known as the School Aid Formula, which is funded by the state.



Conclusion

While the property tax is complicated and misunderstood, almost all the revenue that provides local services to communities is derived from it. Property taxes allow for the investments that make communities more prosperous, efficient, secure, and stable as well as the necessary infrastructure that businesses need to compete and thrive. From public education and local libraries, to public safety and transportation, property taxes play an essential role in the development of the state's communities.

West Virginia's property taxes are among the lowest in the country, and provide West Virginians with a good value, considering all that they provide. It is important that the property tax base is protected from erosion. Without the stability provided by the property tax system, West Virginia's communities would suffer.

Endnotes

- 1 West Virginia Department of Education, Public School and District Data
- 2 Figure compiled from data available at www.publiclibraries.com
- 3 West Virginia State Police, Crime in West Virginia, 2008
- 4 Examples of these exemptions can be found in West Virginia Code §11-1C-11; §11-3-9; §11-1C-1b
- 5 West Virginia Constitution 10-1b
- 6 Jeff Amburgey, West Virginia State Tax Department Property Tax Division, email to Paul Miller, West Virginia Center on Budget & Policy on May 27, 2010.
- 7 West Virginia State Tax Department, Classified Assessed Valuations 2010 tax year
- 8 West Virginia Constitution 10-1b
- 9 West Virginia Code §11-8
- 10 West Virginia Constitution 10-1
- 11 West Virginia Code §11-8-6e
- 12 West Virginia Constitution 10-1b
- 13 Center on Budget and Policy Priorities tabulations based on data from the Census Bureau and the Bureau of Economic Analysis.
- 14 Ibid.
- 15 Total state and local business taxes: state-by-state estimates for the fiscal year 2009. Ernst and Young LLP in conjunction with Council on State Taxation, March 2010.
- 16 Ibid.

Property Taxes: A West Virginia Primer



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