

TOOL | November 2019

# State-by-State Guide to Taxes on Retirees

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## WEST VIRGINIA

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### The Bottom Line

#### Mixed tax picture



The tax situation in the the Mountain State is evolving, with the tax on Social Security income in the process of being phased out over a three-year period.

Property taxes are notably low, and sales taxes are reasonable.

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### State Sales Tax

6% state levy. Municipalities can add up to 1% to that, with an average combined rate of 6.40%, according to the Tax Foundation.

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### Income Tax Range

**Low:** 3% (on up to \$10,000 of taxable income)

**High:** 6.5% (on taxable income of \$60,000 or more)

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**Effective tax rate:** 3.52% for single filers, 5.76% for joint filers

## Social Security

Social Security benefits are taxed to the extent they are taxed at the federal level. However, the West Virginia tax on Social Security income is being phased out over a three-year period. In 2020, 35% of Social Security benefits will be exempt. The exemption will rise to 65% in 2021 and to 100% in 2022.

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## Exemptions for Other Retirement Income

Income from West Virginia state or local government retirement plans for police, sheriffs and firefighters is fully exempt. Military pensions and Railroad Retirement benefits are also fully exempt.

In addition, up to \$2,000 of federally taxed income from federal government and designated West Virginia government retirement plans is exempt.

Taxpayers age 65 and older can deduct up to \$8,000 of other income (not otherwise exempt). If married, each spouse can claim the deduction.

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## Property Taxes

Virginia, residents pay an average of \$615 in taxes per \$100,000 of assessed home value.

**Tax breaks for seniors:** The homestead program allows a \$20,000 exemption against the total assessed value of single-family homes, including manufactured homes. So if the home's assessed value is \$80,000, the homestead exemption allows the home to be taxed on the discounted value of \$60,000. This is a benefit administered at the county level for those who are 65 or older or totally and permanently disabled.

If you still owe local property taxes on your home after the application of the homestead exemption and your federal adjusted gross income is no higher than 150% of the federal poverty guideline, you may qualify for the Senior Citizens Tax Credit. The tax credit for eligible homestead exemption participants is based on the tax paid on the first \$20,000 of taxable value. The federal poverty guideline is based on the number of people living in the home. So for the home assessed at \$80,000, the homestead exemption and income tax credit allow the home to be taxed on the discounted value of just \$40,000.

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If your property taxes are more than 4% of your annual gross income, you could qualify

for the Homestead Excess Property Tax Credit, which is equal to the amount of property tax that exceeds 4%. (Qualifying income includes federal adjusted gross income, nontaxable benefits and any other nontaxable sources of income.) The credit cannot exceed \$1,000. Gross household income must be 300% or less of the federal poverty guideline. If you also qualify for the Senior Citizens Tax Credit, you must deduct that credit amount from property taxes paid when determining eligibility. If that net amount exceeds 4% of income, you may qualify for the Homestead Excess Property Tax Credit.

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## Vehicle Taxes

For vehicle purchases, 5% sales tax (1% lower than the general state sales tax) is due.

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## Inheritance and Estate Taxes

None.

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Annual Income <sup>i</sup>

Current Savings <sup>i</sup>

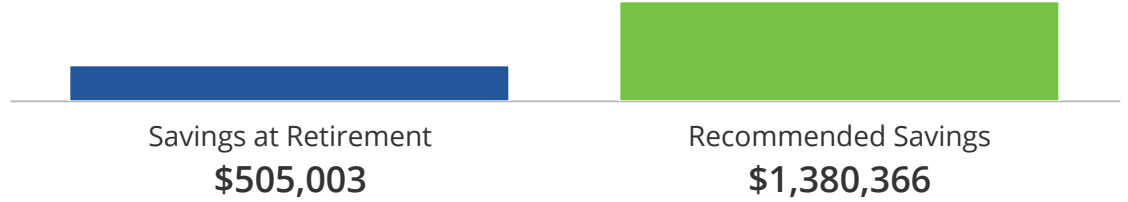
Monthly Savings <sup>i</sup>

6% of income

Birth Year

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Retirement Age <sup>i</sup>



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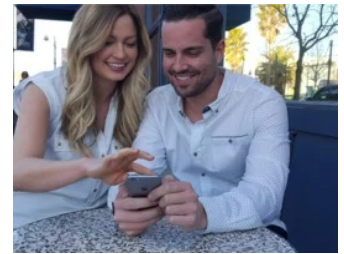
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