STATE OF WEST VIRGINIA
Department of Revenue
State Tax Department

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Governor

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State Tax Commissioner

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OFFICE WEST VIRGINIA
SECRETARY OF STATE

ADMINISTRATIVE NOTICE 2013-14

SUBJECT: Property Tax -- State Tax Commissioner's Statement for the Allocation or Separation of Values of a Pollution Control Facility Pursuant to §110 CSR 6-5.

This notice will discuss the methods contained in Legislative Rules for the valuation of pollution control facilities (see §§ 110 CSR 6-1, *et seq.*) employed by the State Tax Department to allocate or separate salvage value treatment where the pollution control facility produces a profitable by-product or where a part of such facility is required for the operation of the business without regard to the requirements of state or federal air or water quality standards.

DISCUSSION

The State Tax Department has developed two (2) methods by which a pollution control facility will be allocated or separated to establish that portion of value attributable to pollution control activity where the pollution control facility produces a profitable by-product or where a part of such facility is required for the operation of the business without regard to the requirements of State or federal air or water quality standards. These methods are as follows:

COMPONENT METHOD

The component method will receive primary consideration as a method of allocation or separation of values of a pollution control facility. The component method of allocation or separation of values requires the identification of the specific item or component of machinery and/or equipment which is used for the purpose of pollution abatement control but which is also an integral part of the production process and the identification of the acquisition cost of the specific item or component. The component thus identified will be appraised at five percent (5%) of acquisition cost. (For example, a conveyor belt system is used to transport fuel to a boiler to produce energy. The conveyor belt line, while not a pollution abatement control device, contains water sprays and is totally enclosed to retard dust during the transportation process. While the belt line is not a pollution abatement control device but an integral part of the production process, the dust conveyors and the water sprays are eligible pollution abatement facilities. The acquisition costs of these items eligible for salvage value treatment are readily discernible and will receive salvage value treatment.)

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If an item or the cost associated with an item were not discernible, the alternative substitution method would be used.

SUBSTITUTION METHOD

When acquisition costs for eligible pollution abatement control items or components are not discernible or the items or components' use or purposes are such an integral part of the production process that the specific use or task is not clearly ascertainable, the substitution method will be applied.

The substitution method of allocation or separation of valuation is based on the assumption that the value attributable to pollution control equipment is the difference between the value of a similar facility that has the same utility without the pollution abatement attributes and the value of the subject property being appraised which has pollution abatement attributes. (For example, a double-walled pipe used for the transportation of a product from the manufacturing area of the plant to the loading area. A single-walled pipe or other means of transportation is required for the operation of the business whereas the double-walled pipe is specially designed and installed to prevent leaks should the single-wall fail. The cost of double-walled pipe is twenty-five percent higher than single wall. The additional cost of the twenty-five percent would represent the value attributable to pollution abatement control for the purposes of ad valorem taxation.)

For more information concerning the allocation or separation of values of a pollution control facility, please direct your inquiries to the Property Tax Division of the State Tax Department at telephone number (304) 558-3940.

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