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STATE TAX DEPARTMENT

Special Instructions for Payment of Annual Tax Due on Organizations Providing Managed Care for the 2020 Tax Year

The West Virginia State Tax Department previously provided guidance on the filing and payment of the tax on the provision of Managed Care. This guidance is issued to provide instruction on calculating the tax in any tax year that is less than 12 months (a "short period return"). If a taxpayer has an annual period ending December 31, 2020, the 2020 annual return is a short period return of six months because the tax was imposed beginning July 1, 2020.

In determining the tax that should be paid on a short period return, a taxpayer must annualize the tax liability. This is performed through the following calculation:

- 1) First, calculate the total number of Medicaid member months for the taxable period;
- 2) Divide the total by the number of months in the short period to determine the "average Medicaid member months";
- 3) Multiply the average Medicaid member months by 12 (the number of months in a regular period);
- 4) Apply the appropriate tax rates to calculate the "tentative tax":
 - a. \$35.00 for each member month under 250,000
 - b. \$20.00 for each member month between 250,000 and 500,000
 - c. \$1.00 for each member month over 500,000
- 5) Multiply the "tentative tax" by a ratio, the numerator of which is the number of months in the short period, the denominator is the number of months in a regular period.
- 6) The result is the tax on Medicaid member months
- 7) Next, apply the same calculation in (1) through (6) above for non-Medicaid member months, using the following rates:
 - a. \$0.25 for each non-Medicaid member month under 150,000
 - b. \$0.10 for each non-Medicaid member month 150,000 and over.
- 8) The result is the tax on non-Medicaid member months.
- 9) Add the tax on Medicaid member months and the tax for non-Medicaid member months together.
- 10) The resulting calculation is the Tax Due for the short period.

This calculation is only necessary for taxable periods that are less than 12 months. For a regular period, taxpayers must calculate the tax due under the rates prescribed above without annualization.