Combined Reporting Quick Facts

- Begins January 1, 2009
- First Annual Returns Due in 2010
- Unitary Businesses must file a combined report
- Only Insurance Companies are exempt from combined reporting
- West Virginia is a Joyce state
- West Virginia has a Throw Out Rule
- Combined reporting treats each tax filer as part of one business, the unitary group
- West Virginia is the first state to craft its combined reporting after the Multi State Tax Commission Model Statute
- Features Water's Edge Default Election
- Learn more at: www.wvtax.gov

West Virginia

State Tax Department

www.wvtax.gov

Taxpayer Services General Assistance

(304) 558-3333
1-800-982-8297 (8:30 a.m. - 5:00 p.m.)
Impaired TDD Service: (800) 282-9833

Combined Reporting In West Virginia

What You Need to Know

As of January 1, 2009, West Virginia becomes one of 20 states which require mandatory unitary combined reporting of income for corporations operating inside and outside of West Virginia.

A working relationship between the public and private sectors will assist both groups in meeting the demands set forth by the Legislature.

West Virginia State Tax Department

What is Combined Reporting?

Combined reporting is a tax reporting method where all of the members of a unitary group are required to determine their net income based on the activities of the unitary group as a whole.

All unitary group members that have nexus with West Virginia must apportion the total income of the unitary group to the State through an apportionment formula based on:

A property factor,
A payroll factor and
A double weighted sales factor.

What does a Combined Report Require?

The tax return for a unitary filer will typically be a separate return.

Separate returns will usually be filed by each unitary group member having nexus with West Virginia, but the income reported will be based on the unitary group income.

The combined report will be an essential part of the tax return, and will show the unitary income and other details for determining the taxable income of the filer.

Under combined reporting, a Taxpayer may elect to file a composite or group tax return with other group members instead of filing separately.

Who will use Combined Reporting?

All Industries Including:

- Partnerships
- Corporations
- Financial Institutions
- Transportation Industry

Certain industries, such as financial institutions and transportation, have special apportionment rules.

Insurance Companies are not subject to West Virginia corporate net income tax as these companies pay a premium tax and are thereby excluded from combined reporting.

Unitary Business:

- Defined as a commonly controlled group of businesses.

For a complete definition visit the West Virginia State Tax Department web site's administrative notices page located online at:

www.wvtax.gov

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Why use Combined Reporting?

The goal of combined reporting is to restore public confidence in the fairness of the corporate net income tax in relation to other taxes.

Combined reporting is expected to level the playing field for in-state business by preventing the shift of income out-of-state and expenses into the state.

More than half of the states who do not mandate combined reporting impose a secondary business tax such as the business franchise tax.

Combined Reporting Benefits

- Allows West Virginia to phase out its business franchise tax between 2009 and 2015
- Allows West Virginia to reduce its corporate net income tax from 8.75% in 2008 to 6.5% in 2014
- A reduced corporate net income tax rate may result in a simplified tax system
- Taxpayers who filed a consolidated tax return for the 2008 Tax Year are allowed to allocate unused net operating loss deductions and tax credits earned prior to 2009 among members of the unitary group