State Tax Department
of West Virginia
Charleston 25305

July 9, 1981

HERSCHEL H. ROSE III
COMMISSIONER

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SECY. OF STATE
RECEIVED

Honorable A. James Manchin
Secretary of State
State Capitol Building
Charleston, West Virginia 25305

Dear Mr. Manchin:

Pursuant to the provisions of Chapter 29A, Article 3 of the West Virginia Code of 1931 as amended, I hereby submit for final adoption three (3) copies of State Tax Department rules and regulations which explain and implement the provisions of W. Va. Code § 11-21-12, which deal with income received by persons 65 or over or persons totally and permanently disabled.

These regulations were originally filed in your office on July 7, 1980. A public hearing was held, as requird by W. Va. Code § 29A-3-8, on August 11, 1980 in Charleston, West Virginia. By letter dated January 9, 1981, the rules, as adopted by the Tax Department, were transmitted to you, the Governor and the Legislative Rulemaking Committee. Thereafter, on June 16, 1981, the Legislative Rulemaking Committee reviewed the rules for informational purposes.

These rules and regulations shall be effective August 17, 1981.

Very truly yours,

Herschel H. Rose III

Herschel H. Rose III
State Tax Commissioner

HHRIII/pgs

WEST VIRGINIA PERSONAL INCOME TAX ACT

RULES AND REGULATIONS

CHAPTER 11, ARTICLE 21

SERIES V

AMENDED 1981

Submitted to State Register:

July 7, 1980
January 15, 1981
July 15, 1981

Effective: August 17, 1981

WEST VIRGINIA PERSONAL INCOME TAX ACT

RULES AND REGULATIONS

CHAPTER 11, ARTICLE 21

SERIES V

Amended 1981

IT Reg. § 1.12.1. Income received by persons 65 and over or permanently and totally disabled. Beginning January 1, 1980, an individual, regardless of age, who was certified as being permanently and totally disabled during the taxable year, or an individual who attained the age of 65 before the end of the taxable year may be eligible for certain modifications which will reduce their federal adjusted gross income up to $8,000.00 for West Virginia income tax purposes. The following definitions shall be used to determine the taxpayer's eligibility for this modification.

(a) Definition of permanently and totally disabled. An individual is permanently and totally disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental condition which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(b) Definition of proper authority to certify permanent and total disability. A physician licensed to practice medicine, is the proper authority to certify that individuals are permently and totally disabled. A certification of permanent and total disability issued by a qualified physician applicable to the current tax year must accompany each tax return for which the exclusion is claimed.

(c) Definition of surviving spouse. Surviving spouse shall mean the husband or wife (regardless of age) remaining alive after the death during the current tax year of a permanently and totally disabled individual or an individual who had attained the age of 65 prior to his or her death during the current tax year, provided such surviving spouse does not remarry.

(d) All certifications of permanent and total disability shall be given subject to penalties for perjury as set forth in West Virginia Code § 61-5-3, 1931, as amended.

IT. §1.13 West Virginia deduction of a resident individual. After computing the West Virginia adjusted gross income of a resident individual, as described in section 1.12 of these regulations, there are subtracted (1) either the West Virginia standard deduction or the West Virginia itemized deduction and (2) his personal exemptions (See section 1.16 of these regulations), and the resulting balance is his West Virginia taxable income. A resident individual must take the West Virginia standard deduction, as described in section 1.14 of these regulations, unless he has itemized deductions on his federal return for the taxable year. In the latter situation, he may claim either the West Virginia standard deduction or the West Virginia itemized deduction, as described in section 1.15 of these regulations.

IT. §1.14 West Virginia standard deduction of a resident individual. (a) General. A resident individual may use the West Virginia standard deduction on his state return, regardless of whether he used the standard deduction or claimed itemized deductions for the same year on his federal return. The West Virginia standard deduction of a resident individual shall be ten (10) per centum of West Virginia adjusted gross income or $1,000 whichever is less.

(b) Husband and wife: If the taxable incomes of a husband and wife are determined separately, their standard deductions shall not exceed ten (10) per centum of the aggregate of their separate West Virginia adjusted gross incomes or one thousand dollars, whichever is less. However, the standard deduction may be taken by either or divided between them in such proportion as they may elect. If a husband and wife file separate West Virginia returns, both must use the standard deduction unless both elect to take West Virginia itemized deductions.

IT. §1.15 West Virginia itemized deduction of a resident individual. (a) General. A resident individual may elect to use itemized deductions in computing his West Virginia taxable income only if he claimed itemized deductions for the same year in his federal return. The West Virginia itemized deduction of a resident individual means the total amount of his deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the laws of the United States for the taxable year, with the modifications specified in subsection (c) below. The West Virginia itemized deduction includes such items as contributions, interest, taxes and medical expenses listed under "Itemized Deductions" in the federal return. It does not include any item deducted in computing the amount of federal adjusted gross income, e.g., business expenses deducted in computing profit or loss from a business or profession, or depreciation or repairs deducted in computing rental income. Federal itemized deductions for contributions and medical expenses are limited by a percentage of federal adjusted gross income. The West Virginia Personal Income Tax Act does not provide for any modification of these items. Therefore, the amount of the federal itemized deductions for these items is carried over into the West Virginia itemized deduction without change.

(b) Husband and wife. (1) a husband and wife, both of whom are required to file returns, may claim the West Virginia itemized deduction only if:

A. Both claimed itemized deductions in their federal returns for the same year, and

B. Both elect to use the West Virginia itemized deduction.

If either spouse is required to use, or elects to use the West Virginia standard deduction, the other spouse must also use the standard deduction.

(2) If a husband and wife file separate federal returns for any year, they must also file separate West Virginia returns, and in this case the West Virginia itemized deduction for each spouse is based upon the itemized deductions in his or her separate federal return. If a husband and wife file a joint federal return using itemized deductions, but file separate West Virginia returns, the total of their West Virginia itemized deductions is the amount of the federal itemized deduction allowable on their joint federal return, subject to the modifications described further in this section of the regulations, and this amount may be taken by either or divided between them in any manner they may elect.

(c) Modifications reducing federal itemized deductions. The total amount of itemized deductions from federal adjusted gross income is to be reduced by the amount of the federal deductions for:

(1) Income taxes imposed by West Virginia or any other state, or by any political subdivision of a state. This modification

eliminates from federal itemized deductions the amount of any income taxes included therein, regardless of the identity of the taxing jurisdiction, for the West Virginia Personal Income Tax Act does not allow income taxes to be claimed as itemized deductions.

Example: John Doe, a resident individual, itemized deductions on his federal return. Mr. Doe's itemized deductions on his federal return consisted of the following items and amounts:

1.	contributions	$800-
2.	interest	500-
3.	union dues	100-
4.	City of Steubenville income tax	200-
	Total itemized deductions federally	$1,600-

On the taxpayer's West Virginia return, the income taxes imposed by the City of Steubenville will be a modification reducing federal itemized deductions; therefore, the taxpayer's total itemized deduction on his West Virginia return will be $1,400.

(2) Interest on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from tax under the West Virginia Personal Income Tax Act. For example, where a taxpayer borrows money to purchase new United States Treasury certificates, the interest from the certificates is subject to the federal income tax and the interest paid on the purchasing loan is an

allowable itemized federal deduction. For West Virginia income tax purposes, the United States interest income is exempt and the related interest expense is not allowable as a deduction. Therefore, the United States interest income is subtracted from federal adjusted gross income in computing West Virginia adjusted gross income, by the modification under subsection 1.12 (c) (1) of these regulations, and the interest expense is subtracted from federal itemized deductions in computing the West Virginia itemized deduction.

(d) Partners. Where a resident individual is a member of a partnership and he computes his West Virginia taxable income by using itemized deductions, then his share of any partnership item of the deduction covered by the provisions of subsection 1.15 (c) of these regulations is also subject to modification. The amount of the modification should be computed by the partner in accordance with the rules contained in this section of the regulations. (But see also section 1.17 of these regulations). In such a case, the partner should combine his share of each modification of a partnership deduction with any corresponding modification applicable to his individual federal itemized deductions.

IT. §1.16 West Virginia personal exemptions of a resident individual. (a) General. A resident individual is allowed the same personal exemptions for state tax purposes as for federal tax purposes. He is allowed one West Virginia exemption of $600 for each exemption properly allowable to him for the taxable year for federal income tax purposes.

(b) Husband and wife. Where a husband and wife file a joint federal return and also a joint state return, the same personal exemptions are allowed on the joint state return as on the joint federal return. Likewise, where a husband and wife file separate federal returns, the same personal exemptions are allowed on the separate state returns of each spouse as on the respective separate federal returns. However, if a husband and wife file a joint federal return but separate state returns, each of them is entitled to a West Virginia exemption of $600 for each federal exemption to which he or she would be separately entitled if they had filed separate federal returns.

IT. §1.17 Resident partners. (a) Partner's modifications. In determining the West Virginia adjusted gross income of a resident partner, any of the modifications referred to in subsections 1.12 (b), (c) or (d) which relate to a partnership item of income, gain, loss or deduction must be made with respect to the distributive share of the partner in such item as determined for federal tax purposes. Such modification, if applicable must be made regardless of whether in the partner's federal return the partnership item is reflected in his distributive share of ordinary partnership income or is one of the items separately reported, as mentioned.

If a resident partner claims the West Virginia itemized deduction, the modifications referred to in subsection 1.15 (c) must also be made, if applicable. If the West Virginia standard deduction is claimed, no modification is required since itemized deductions are not taken into consideration.

The modifications covered by this regulation (1.17) do not apply to any item which, for federal income tax purposes, is not treated as a partnership item.

In determining his West Virginia adjusted gross income, a resident partner combines the modification relating to his share of any partnership item with the modification relating to any similar item from sources other than the partnership. For example, if some of the partnership income constitutes interest on bonds of another state, and the non-partnership income of a resident member of the partnership also includes similar bond interest, he must add to his federal adjusted gross income both his distributive share of the partnership income from such bonds and the interest from similar bonds which he received individually.

If a modification relates to an item that is not taken into account for federal income tax purposes; such as, interest on bonds of another state, each partner's modification relating to that item is governed by the foregoing rules. In such a case, the partner's modification is determined by his distributive share of the partnership's ordinary income or loss.

Example: X and Y are partners in the furniture business. The Articles of Partnership provide that X is entitled to 75% and Y is entitled to 25% of the partnership profits (or losses). In 1962, the partnership received $1,200 interest income on United States obligations (Series E Bonds). This item is subject to a modification (see section 1.12 (c) (1)). The amount of each partner's modification is computed by allowing 75% to X and 25% to Y; therefore, the modification is to be distributed in the same proportion as is profit and loss. Each partner is entitled to his allocable share of modifications and claims the modification on his individual return. X will claim a $900 subtraction modification on his West Virginia Personal Income Tax Return, and Y will claim a $300 subtraction modification on his West Virginia Personal Income Tax Return.

The West Virginia long form provides the appropriate spaces to make the applicable additions and subtractions of modification items to or from federal adjusted gross income to arrive at an individual's West Virginia adjusted gross income.

(b) <u>Character of items</u>. In order that the modifications may be properly applied to partnership items of income, gain, loss or deduction, whenever applicable, each of such partnership items shall have the same character for a partner under the West Virginia Personal Income Tax Act as for federal income tax purposes. Where an item is not characterized for federal income tax purposes but is reflected in the computation of the ordinary income of the partnership, the item shall have the same character for a partner as if realized directly from the source from which realized by the partnership or incurred in the same manner as incurred by the partnership. If a partnership item is not required to be taken into account for federal tax purposes (such as interest on bonds of the State of California), the character of the item for a partner for West Virginia income tax purposes is the same as if he, individually, had realised or incurred the item directly.

(c) <u>West Virginia tax avoidance or evasion</u>. If a partnership agreement provides for a special allocation among the partners of any item of partnership income, gain, loss or deduction, the federal law requires that such provision with respect to partners' distributive shares be disregarded for federal income tax purposes, where the principal purpose of such provision is the avoidance or evasion of federal income tax. In such a case, each partner's distributive share of such item is determined in accordance with his share of the partnership's ordinary income or loss. This treatment and distribution of the item is reflected in each partner's federal adjusted gross income and is therefore in his West Virginia adjusted gross income, even though in a particular case no West Virginia tax avoidance or evasion may be involved.

In certain cases, however, a provision for special allocation does not have as its principal purpose the avoidance or evasion of federal income tax, but has as its principal purpose the avoidance or evasion of West Virginia income tax. In such an instance, any such provision shall be disregarded and each partner's share of the pertinent item of partnership income, gain, loss or deduction shall be determined in accordance with his share of the partnership's ordinary income or loss.

Whether the principal purpose of a special allocation of an item is the avoidance or evasion of West Virginia income tax depends on all the surrounding facts and circumstances. Among the relevant circumstances to be considered are the following: Whether the partnership or a partner individually has a business purpose for the allocation; whether the allocation has "substantial economic effect", that is, whether the allocation may actually affect the dollar amount of the partners' shares of the total partnership income or loss independently of West Virginia income tax consequences; whether the related items of income, gain, loss or deduction from the same source are subject to the same allocation; whether the allocation was made without recognition of normal business factors and only after the amount of the specially allocated item could reasonably be estimated; the duration of the allocation; and the overall tax consequences of the allocation.

Example: A and B are equal partners. However, the partnership agreement allocates to A, who is in a higher West Virginia income tax bracket than B, all interest on bonds of the State of West Virginia held by the partnership and allocates to B all interest on bonds of other states. The partnership agreement also provides that any difference in the amounts of such interest allocated to each partner is to be equalized out of other partnership income. Since the purpose and effect of this allocation is solely to reduce the West Virginia income tax of A without actually affecting the shares of A and B in partnership income, such allocation is not recognized. Accordingly, in determining their West Virginia adjusted gross incomes, A and B must each add to his federal adjusted gross income one-half of the interest from bonds of states other than West Virginia under section 1.12 (b) (1) of these regulations.

IT. §1.18 West Virginia taxable income of a resident estate or trust. (a) General. The income of a resident estate or trust is subject to the West Virginia Personal Income Tax Act. The rates specified in section 1.4 and 1.4a of these regulations are applied against the taxable income of the estate or trust.

The West Virginia taxable income of a resident estate or trust means its federal taxable income with certain modifications. In other words, the federal taxable income of the estate or trust is the starting point for computing the West Virginia taxable income. This method of computing the West Virginia taxable income of an estate or trust applies in all cases, of which the following are examples: (1) the computation of the West Virginia taxable income of an estate for the first taxable period thereof starting with the day following the decedent's death, and (2) the computation of the West Virginia taxable income for the final taxable period of an estate or trust ending at the date of termination thereof.

The computation of the taxable income of a resident decedent on the final return ending with the date of his death is computed in the same manner as the taxable income of a resident individual.

(b) Modifications of federal taxable income. In order to determine the West Virginia taxable income of a resident estate or trust, three modifications must be made. These modifications are (1) the exemption modification, (2) the gains modification, and (3) the fiduciary adjustment.

(1) The exemption modification. Each estate or trust is allowed a West Virginia exemption of $600, regardless of the amount of the federal exemption. An estate or trust is not allowed any exemption for dependents.

(2) Modification relating to gains on sale or other disposition of property acquired before January 1, 1961. In determining the West Virginia taxable income of a resident estate or trust, federal taxable income is reduced by the amount of the modification described in subsection 1.12 (c) (3) of these regulations. This modification applies to most capital gains of the estate or trust, since such gains are rarely included in federal distributable net income. Unless the gains are includible in the federal distributable net income, the total amount of the modification is applied against the federal taxable income of the estate or trust to determine the West Virginia taxable income. The modification provided by subsection 1.12 (c) (3) reduces the gains reported by the estate or trust for federal tax purposes from the sale of property having a higher fair market value on January 1, 1961, than the federal adjusted basis at said date. (See subsection 1.12 (c) (3) for a general discussion of this modification).

(3) Fiduciary adjustment. The applicable modifications (described in sections 1.12 (b) and 1.12 (c), excluding the modification described in section 1.12 (c) (3)) relating to items of income, gain or deduction may be applicable against the federal taxable income of the

estate or trust in computing its West Virginia taxable income. These modifications shall be first combined in a single net amount. This amount, which may be a plus or minus, is termed the fiduciary adjustment. After this amount is computed, it is then allocated in the manner described in section 1.19. The amount, which is allocable to the fiduciary, is added to or subtracted from the federal taxable income of the estate or trust (depending on whether it is a plus or minus figure) to arrive at its West Virginia taxable income.

IT. §1.19 Share of resident estate, trust or beneficiary in West Virginia fiduciary adjustment. (a) General. Whenever a resident estate or trust realizes items of income or gain or incurs items of loss or deductions which give rise to one or more of the modifications described in subsections 1.12 (b), 1.12 (c) and 1.15 (c), an adjustment must be made to determine the West Virginia taxable income of a resident estate or trust. Also, an adjustment must be made to determine the West Virginia adjusted gross income of a resident beneficiary of any estate or trust in the amount of the share of each in the West Virginia fiduciary adjustment. For example, where an estate or trust receives interest on obligations of the United States, such interest is includible in federal gross income but is not subject to West Virginia income tax by reason of the modification provided in section 12 (c) (1) of the West Virginia Income Tax Act. Where such modification is made, it becomes necessary to determine how much of the modification is to be taken into account in determining the West Virginia taxable income of the estate or trust taxable to the fiduciary and how much of the modification is to be allocated to the resident beneficiaries.

This section prescribes the methods to be employed in dividing among the fiduciary and the beneficiaries, on an equitable basis, the particular items of income, gain, loss and deduction which give rise to modifications for West Virginia income tax purposes.

These modifications are combined into a single net figure. This figure, which may be a plus or minus, is termed the "West Virginia Fiduciary Adjustment". After this figure is computed, it is then divided among the fiduciary and the beneficiaries in the manner described in subsection 1.19 (c).

The share of a resident estate or trust in the West Virginia fiduciary adjustment is then added to or subtracted from the federal taxable income of the estate or trust in arriving at its West Virginia taxable income. Similarly, the share of a resident beneficiary in the West Virginia fiduciary adjustment is then added to or subtracted from his federal adjusted gross income in arriving at his West Virginia adjusted gross income.

A nonresident trust, estate or beneficiary must compute West Virginia taxable income in accordance with the provisions of section 1.39.

(b) Definition of West Virginia Fiduciary Adjustment. The West Virginia fiduciary adjustment is the net amount of the modifications described in subsections 1.12 (b), 1.12 (c) and 1.15 (c) which relate to items of income, gain, loss or deduction of the estate or trust. However, if any of these modifications relate to the gains from the sale or other disposition of property as described in subsection 1.12 (c) (3), and such gains are allocated to corpus; then this modification is not included in the West Virginia fiduciary adjustment. If the gains modification under 1.12 (c) (3) is included in federal distributable net income for federal income tax purposes, then this type of modification will be included in determining the West Virginia fiduciary adjustment. However, federal distributable net income will rarely include these gains, for the gains from the sale or disposition of property are usually required to be poured over into the corpus of the trust.

Example: A resident trust had the following modifications for 1962:

<u>Additions</u>

(a)	Interest income received on bonds of the State of California. (See section 1.12 (b) (1))	$1,500-	
(b)	West Virginia income tax paid in 1962. (See section 1.15 (c) (1))	$ 300-	
Total addition modifications			$ 1,800-

<u>Subtractions</u>

(a)	Interest income received on United States government bonds. (See section 1.12 (c) (1)	$ 500-	
(b)	Dividends received on National Bank stock. (See section 1.12 (c) (2))	$ 200-	
Total subtraction modifications			$ 700-
West Virginia fiduciary adjustment			$ 1,100-

Since the additions are in excess of the subtractions, the West Virginia fiduciary adjustment is a "plus" figure and is allocated among the trust and its beneficiaries as provided in subsections 1.19 (c) (1) or (2), or (d).

If, in the above example, the subtractions had exceeded the additions, the West Virginia fiduciary adjustment would be a minus figure and would be similarly allocated.

(c) Allocation of West Virginia fiduciary adjustment between the trust and the beneficiaries. In general, the percentage share of each beneficiary and of a fiduciary of an estate or trust in the West Virginia fiduciary adjustment is equal to the percentage share of the beneficiary of the fiduciary in the federal distributable net income of the estate or trust. For exceptions to this general rule, see subsections 1.19 (c) (2) and 1.19 (d).

Example: The West Virginia fiduciary adjustment with respect to an estate is a "plus" figure of $1,000. The estate has federal distributable net income of $5,000 and makes distributions of $3,000 to A and $1,500 to B, both of whom are resident beneficiaries. The foregoing distributions are considered to be made from distributable net income for federal income tax purposes. The estate makes no other distributions during the taxable year. Since the distributions to A represent 60% of federal distributable net income, A is required to report 60% of the West Virginia fiduciary adjustment of the estate, or $600 in his West Virginia personal income tax return. Similarly, B is required to report 30% of the West Virginia fiduciary adjustment, or $300, in his West Virginia return. The remaining 10% of the West Virginia fiduciary adjustment, or $100, is required to be reported by the fiduciary in the West Virginia fiduciary income tax return of the estate.

If, in the foregoing example, B were a nonresident beneficiary, the computation of the shares of the resident beneficiary A and of the fiduciary in the West Virginia fiduciary adjustment would remain the same, but the 30% allocated to B would be reported by him only to the extent provided by section 1.39 of these regulations.

Where the separate shares of beneficiaries of a trust are to be treated, for federal income tax purposes, as separate trusts for the purpose of determining the amount of federal distributable net income allocable to the beneficiary and to the fiduciary, such separate shares of federal distributable net income shall determine the percentage shares of the beneficiaries and of the fiduciary in the West Virginia fiduciary adjustment.

(2) Special rule where an estate or trust has no federal distributable net income. If the federal distributable net income of the estate or trust for the taxable year is zero or a negative figure, the share of each beneficiary in the West Virginia fiduciary adjustment is in proportion to his share of the income of the estate or trust for the taxable year, determined under local law or the governing instrument. The beneficiarie's share of such income consists of the amount thereof

which is required to be distributed to him during the taxable year, or which is distributed to him during the taxable year although not required to be distributed currently. Any balance of the West Virginia fiduciary adjustment not so allocable to the beneficiary is allocable to the estate or trust.

Example 1. A trust has income for trust accounting purposes of $10,000. The West Virginia fiduciary adjustment with respect to the trust is a "plus" figure of $5,000. The trust pays trustee's commissions and other expenses of a formal accounting chargeable to principal which, for the purposes of this example, are deductible for federal and West Virginia income tax purposes and have the effect of reducing federal distributable net income exactly to zero.

Under the trust instrument, $4,000 of income is required to be distributed to A. An additional $3,000 is paid to A, pursuant to the discretionary authority of the trustee out of the balance of the total income of $10,000, and the remaining $3,000 is accumulated by the trust. A's $7,000 share is therefore 70% of the income for trust accounting purposes. Accordingly, A is required to add 70% of the West Virginia fiduciary adjustment of $5,000, or $3,500, to his federal adjusted gross income in determining his West Virginia adjusted gross income, as provided in section 1.12 (d). The remaining $1,500 is the trust's share in the West Virginia fiduciary adjustment, which is required to be added to the federal taxable income of the trust in determining its West Virginia taxable income, as provided in section 1.18 (3).

Example 2. The facts are the same as in Example 1 except that the West Virginia fiduciary adjustment is a "minus" figure of $5,000. In computing his West Virginia adjusted gross income, the beneficiary is therefore permitted to subtract $3,500, his share in the West Virginia fiduciary adjustment, from his federal adjusted gross income. The trust is permitted to subtract $1,500, its share in the West Virginia fiduciary adjustment, from its federal taxable income. In this particular case, the trust will derive no West Virginia taxable benefit from this subtraction except in a case where it has nondistributable capital gains or extraordinary dividends allocated to principal.

(d) Alternative apportionment of the West Virginia fiduciary adjustment among the estate or trust and the beneficiaries. Where the methods provided in subsection 1.19 (c) do not result in a fair and equitable apportionment of the West Virginia fiduciary adjustment, the fiduciary may, on application, adopt and use on a return for the taxable year of the estate or trust, any other method which is equitable, subject to such terms and conditions as the State Tax Commissioner may require.

However, no alternative method will be approved which results in the inclusion in the West Virginia adjusted gross income of the beneficiary of an amount greater than the amount of the trust income paid, credited, or required to be distributed to such beneficiary for the taxable year.

Any fiduciary whose alternative method of apportionment under this subsection is approved, must attach to the fiduciary return for the particular year a signed statement containing a summary of the facts relied upon and used to support the position that the alternative allocation, rather than the allocation prescribed in subsection 1.19 (c), is fair and equitable.

IT. §1.20 Credit for income tax of another state. (a) General. A West Virginia resident may be allowed a credit against his West Virginia income tax for any income tax imposed for the taxable year by another state or the District of Columbia, upon income derived from sources within the other state. Where a resident estate or trust receives income from another state or the District of Columbia, then the estate or trust is entitled to a similar credit, computed in the same way and subject to the same exceptions and limitations as in the case of a resident individual. However, no credit is allowed for income taxes imposed by a county, municipality, borough, township or any other political subdivision of a state.

(b) Limitations. The amount of the credit allowed to a resident individual is subject to the following limitations:

(1) The credit allowed shall not exceed the amount of tax actually payable to the other state on income also subject to West Virginia tax.

(2) The credit shall not exceed the percentage of the West Virginia tax determined by dividing the portion of the taxpayer's West Virginia income subject to taxation in such other state by the total amount of the taxpayer's West Virginia income. For example, if the total income of a resident was $5,000, and $2,000 thereof was subject to tax by the State of New York, the amount of the West Virginia tax credit would be limited to 40% ($2,000 divided by $5,000) of the West Virginia tax.

(3) The credit shall not reduce the West Virginia tax otherwise due to an amount less than would have been due if the income subject to taxation by the other state were excluded from the taxpayer's West Virginia income. If in the example above, the West Virginia tax would have been $20 less by eliminating the New York income from the income subject to West Virginia tax, the credit could not exceed $20.

Example: John Doe, a resident individual, earns $4,000 in New York during the year 1962. He also earned $8,000 in West Virginia during the year 1962. New York is a state which does not allow nonresidents a credit for income taxes imposed by the state of residence; therefore, the taxpayer must look to West Virginia for the applicable credit and must claim the credit on his 1962 West Virginia Personal Income Tax Return. (See subsection (c) below).

Assuming the taxpayer elects the standard deduction and has five exemptions, the applicable credit allowable to the taxpayer would be computed on his resident return as follows:

On his nonresident New York return, the taxpayer computed his New York income tax on the $4,000 income derived from sources within New York to be $25.00.

On his resident West Virginia return, the taxpayer computes his West Virginia income tax on the entire $12,000 income earned to be $100.00. This amount ($100.00) is the figure derived before the subtraction of any applicable credits; such as, withholding tax credits, estimated tax payments, etc. After arriving at the amount of West Virginia income tax before any applicable credits, the taxpayer must then compute his credit for income taxes imposed by another state on the appropriate schedule provided on the West Virginia form.

The taxpayer's schedule for income tax imposed by another state would be computed as follows:

Adm. Reg. 11-21
Series V

IT-140

State Tax Department
Income Tax Division

WEST VIRGINIA RESIDENT INCOME TAX RETURN—1963

Or other taxable year beginning.........................., 19....... Ending.........................., 19.......

Your Social Security Number

PLEASE PRINT OR TYPE

First name and middle initial | Last name

If this is a joint return of husband and wife, use first names and middle initials of both

Occupation

Home Address...
Number and street or rural route

Wife's Social Security Number

Occupation

City, town or post office | County | State

1. Total income (from line 15, Schedule A)		$ 12,000 00
2. Interest income on state and local bonds other than West Virginia		
3. Other additions (Specify)........................		
4. Sum of lines 1-3		$
5. Interest income on United States obligations	$	
6. Modification for the sale of property (Schedule E)		
7. Other subtractions (Specify)........................		
8. Sum of lines 5-7		
9. Line 4 less line 8 (Total West Virginia income) ●		$ 12,000 00
10. Standard deduction: 10% of amount on line 9, but not in excess of $1,000		$ 1,000 00
11. Total itemized deductions (from line 7, Schedule B)	$	
12. West Virginia and other income taxes itemized on federal return		
13. Line 11 less line 12	$	
14. Interest paid to carry bonds exempt from West Virginia income tax		
15. Line 13 less line 14 (West Virginia itemized deductions) ●		$
16. Line 9 less line 10 or line 15		$ 11,000 00
17. Exemptions: Enter number claimed on federal return 5 x$600. Total		3,000 00
18. Line 16 less line 17 (West Virginia taxable income)		$ 8,000 00
19. West Virginia income tax (Calculated from rate schedule on page 4) ♦		$ 100 00
20. West Virginia tax withheld (If joint return, enter combined total for both husband and wife. Attach IT-102(s) for total salaries or wages and the total amounts withheld.) ●	$ 53 00	
21. Estimated tax payments ●		
22. B&O or TP tax credits (line 6, Schedule C) ●	25 00	
23. Income taxes paid other states (line 11, Schedule D) ●		
24. Total payment and credits (line 20 plus 21, 22 and 23)		$ 78 00
25. If line 19 is larger than line 24, enter the difference as **BALANCE DUE** ♦ (Attach remittance for full balance due payable to State Tax Commissioner)		$ 22 00
26. If line 24 is larger than line 19, enter the difference as **OVERPAYMENT** ● (Overpayment of $1 or less is refundable only upon written request attached to return)		$
27. Amount on line 26 is to be credited on 1964 Estimated Tax ☐		
28. Amount on line 26 is to be refunded ☐		

NOTE: IF NO ENTRIES ARE REQUIRED ON LINES 2-8, ENTER AMOUNT ON LINE 1 ON LINE 9.

Do Not Use Space Below

A. Were you a West Virginia resident during the entire year?
☐ Yes ☐ No.
If "No" give period of West Virginia residency.
From: (mo., day, yr.) ....
To: (mo., day, yr.) ....

B. Did you file a return last year? ☐ Yes ☐ No
If yes—did you file West Virginia Short Form ☐
or Long Form ☐

C. ☐ Single ☐ Joint
If you file your federal return as "Head of Household," you must file your West Virginia return as a single individual and use the rates in Schedule I, West Virginia Rate Schedule to compute your tax. If you file your federal return as "Surviving Spouse," you may file your West Virginia return as "Surviving Spouse" and use the rates in Schedule II, West Virginia Rate Schedule to compute your tax.
☐ Married filing separate returns. List Social Security number of wife (husband) ....
If name or address on this year's return is different from last year, enter name and address used last year.

I certify that this is a correct return. If prepared by a person other than taxpayer, his certification is based on all information of which he has any knowledge.

Taxpayer's signature and date (If a joint return, BOTH HUSBAND AND WIFE MUST SIGN) Wife's signature and date

Signature of preparer other than taxpayer address date

Reg. §1.20

SCHEDULE A INCOME FROM FEDERAL RETURN (Enter total amount of each item)

1. Wages, salaries, tips, and other compensation.

Employer's Name	Where Employed	West Virginia Tax Withheld		Gross Wages	
AB Corporation	New York, New York	$ -0-		$ 4,000	
XY Corporation	Charleston, W. Va.	53	00	8,000	
	Enter totals here →	$ 53	00	$ 12,000	00

2. Sick pay and employee business expense as shown on federal return		
3. Taxable compensation (Total wages or salaries, etc., less line 2)	$	
4. Business profit or loss		
5. Farming profit or loss		
6. Dividend income (less federal exclusions)		
7. Interest income		
8. Capital asset gains and losses		
9. Non-capital asset gains and losses		
10. Pension and annuity income		
11. Rent and royalty income		
12. Partnership(s) income and loss		
13. Estate or trust income		
14. Other income or loss (state nature)		
15. Total of lines 3 through 14	$ 12,000	00

SCHEDULE B ITEMIZED DEDUCTIONS FROM FEDERAL RETURN (Enter total amount of each deduction)

1. Contributions	$	
2. Interest		
3. Taxes		
4. Medical and dental expenses		
5. Casualty losses (month and year of loss.........., 19......)		
6. Other deductions		
7. Total of lines 1 through 6	$	

SCHEDULE C COMPUTATION OF CREDIT FOR BUSINESS AND OCCUPATION OR TRANSPORTATION PRIVILEGE TAX PAYABLE

1. Business and occupation or transportation privilege tax payable for the taxable year			$	
Business Name(s) — Account Identification Number(s)				
2. West Virginia income tax (line 19, page 1)				
3. Allowable income from above business(es) included in Schedule A (See instructions)	$			
4. West Virginia total income (line 9, page 1)	$			
5. Limitation of credit (line 2 multiplied by line 3 and divided by line 4)				
6. Total credit (the smallest of lines 1, 2 or 5)			$	

SCHEDULE D COMPUTATION OF CREDIT FOR INCOME TAX IMPOSED BY ANOTHER STATE

1. Income tax imposed by the State of New York for the taxable year 1963	$ 25	00
2. West Virginia income tax (line 19, page 1)	100	00
3. Net income derived from above state included in West Virginia total income	4,000	00
4. West Virginia total income (line 9, page 1)	12,000	00
5. Limitation of credit (line 2 multiplied by line 3 and divided by line 4)	33	33
6. West Virginia taxable income (line 18, page 1)	8,000	00
7. Alternative West Virginia taxable income (line 6 minus line 3)	4,000	00
8. Alternative West Virginia income tax (West Virginia rate schedule applied to amount shown on line 7)	48	00
9. Limitation of credit (line 2 minus line 8)	52	00
10. Maximum credit (line 2 minus line 6 of schedule C above)	100	00
11. Total credit (the smallest of lines 1, 2, 5, 9 or 10)	$ 25	00

SCHEDULE E MODIFICATION FOR GAINS FROM SALE OR EXCHANGE OF PROPERTY ACQUIRED PRIOR TO JANUARY 1, 1961

Kind of Property	1. Date Acquired	2. Date Sold	3. Profit Per Federal Return	4. Market Value 1/1/61	5. Depreciation etc., to 1/1/61	6. Original Cost or Other Federal Basis	7. Total of Col. 4, plus Col. 5, Minus Col. 6	8. Modification (see instructions)

After arriving at the amount at line 11 of the above schedule, the taxpayer subtracts this amount plus any other credits to which he may be entitled from his West Virginia tax before credits (line 2 above) to arrive at the amount of balance due the State of West Virginia or the amount of refund due to him, whichever the situation may be.

(c) Exceptions to the allowance of the out-of-state tax credit. No credit shall be allowed for a tax levied by a state which allows residents of this state a credit (for the West Virginia tax) against the income tax such other state imposes. In other words, the resident credit is not allowable with respect to taxes paid to a state which allows a nonresident credit similar to that allowable by West Virginia. (See section 1.40). For example, the State of Maryland allows nonresidents (West Virginians) a credit for income tax imposed by their state of residence (West Virginia) on income earned in Maryland; therefore, a resident who is granted such credit by Maryland on his nonresident return is not allowed a credit by West Virginia for income tax imposed by Maryland.

(1) Certain states do not allow West Virginia residents credit for income taxes paid their state of residence (West Virginia); therefore, West Virginia will grant the applicable credit. For a listing of the states which do not allow West Virginia residents a credit, contact the Income Tax Division.

(d) Definition. For purposes of this section, West Virginia income means:

(1) The West Virginia adjusted gross income of an individual, or

(2) The amount of the income of an estate or trust, determined as if the estate or trust were an individual computing his West Virginia adjusted gross income as described in section 12.

(3) West Virginia tax means the total tax payable on the West Virginia taxable income of the resident at the rate set forth in section 1.4 and 1.4(a) of these regulations. The West Virginia tax for the purposes of this section does not include any amounts representing interest or penalties.

(4) The tax of the other jurisdiction means the total tax imposed for the taxable year, exclusive of any interest or penalty.

(5) The term "income derived from sources within" means compensation for personal services performed in the other jurisdiction, income from a business, trade or profession carried on in the other jurisdiction and income from the ownership of real or tangible personal property situated in the other jurisdiction but not income from intangibles, except where such income is from property employed in a business, trade or profession carried on in the other jurisdiction.

PART III Nonresidents

IT. §1.31 West Virginia taxable income of a nonresident individual. (a) General. The West Virginia taxable income of a nonresident individual shall be his West Virginia adjusted gross income less his (1) West Virginia deduction and (2) West Virginia exemptions. The West Virginia taxable income of a nonresident individual includes those items of income, gain, loss and deduction included in his federal adjusted gross income, derived from or connected with West Virginia sources.

The same tax rates are applied against a nonresident's West Virginia taxable income as are applied against a resident's taxable income.

(b) Husband and wife. (1) Where a husband and wife (both of whom are nonresidents) compute their federal taxable incomes separately on separate federal returns, they must also file separate West Virginia returns and compute their West Virginia taxable incomes separately for such year.

(2) Where a husband and wife (both of whom are nonresidents) compute their federal taxable income on a joint federal return, or if neither files a federal return, they may either (A) determine their West Virginia taxable income jointly or (B) determine their West Virginia taxable incomes separately.

(3) Different resident status of husband and wife. If either the husband or the wife is a resident of West Virginia and the other is a nonresident, the West Virginia taxable income of each spouse must be separately computed and stated. However, in such a case where one spouse is a resident and the other is a nonresident, they may compute a joint West Virginia taxable income by filing a joint West Virginia return, provided (1) they compute their federal taxable income on a joint federal return and (2) they elect to compute their joint combined West Virginia taxable income as if both the husband and wife were residents of West Virginia. The provisions of this subsection do not apply in those cases where either the husband or the wife separately changed his or her residence during the taxable year. Stated in another manner, this subsection applies only to those cases where one spouse was a resident of West Virginia for the full taxable year and the other spouse was a nonresident for such full taxable year.

IT. §1.32 West Virginia adjusted gross income of a nonresident individual. (a) General. The computation of the West Virginia adjusted gross income of a nonresident requires a separate determination of those items of income, gain, loss and deduction entering into his federal adjusted gross income which are derived from or connected with West Virginia sources. The items thus determined are subject to the same modifications as are applicable for a resident individual under section 1.12 (b) and (c) of these regulations.

(1) Items included in West Virginia adjusted gross income. The West Virginia adjusted gross income of a nonresident individual includes the net amount of income, gain, loss and deduction which enter into his federal adjusted gross income, but limited to the portions of such items derived from or connected with West Virginia sources as determined under subsection 1.32 (b) below. In addition to the items which are received or accrued by him directly, a nonresident individual's West Virginia adjusted gross income includes (i) his distributive share of partnership income, gain, loss and deduction described under section 1.37, and (ii) his share of estate or trust income, gain, loss and deduction described under section 1.39.

Example 1. A, a nonresident, received during 1962 the following items of income:

1. Income from salary paid in West Virginia $10,000.00

   During 1962, 80% of A's working days were required to be worked inside West Virginia

2. Distributive share of income from a partnership carrying on business both within and without West Virginia $35,000.00

   70% of the partnership income is properly allocated to West Virginia

3. Net rental income from an apartment house located in Ohio . . . . $ 3,000.00

4. A's share as a beneficiary under a testamentary trust. The trustee is Wheeling National Bank and all trust corpus is located within West Virginia. Income of the trust includes:

   Net rentals from medical office building located in Wheeling. . . . $10,000.00
   A's share as 50% beneficiary. . . . . $ 5,000.00

5. Dividends from stock of a West Virginia corporation. $ 6,000.00

The net amount of A's items of income and gain entering into his federal adjusted gross income derived from or connected with West Virginia sources is determined as follows:

1.	Salaries (determined with regard to days worked in West Virginia but not where payment was made)(80% x \$10,000.00 = \$8,000.00)	\$ 8,000.00
2.	Partnership income (determined on the basis of the partnership's allocation)(70% x \$35,000.00 = \$24,500.00)	\$24,500.00
3.	Income from an apartment house (entirely excluded, for it is Ohio rental property)	\$ -0-
4.	Income from trust (limited to income from real or tangible personal property, see §1.32(b)(1)(A))	\$ 5,000.00
5.	Dividend from stock of a West Virginia corporation (entirely excluded, see §1.32 (b)(2))	\$ -0-
	Total	\$37,500.00

(2) Modifications. The modifications of federal adjusted gross income described in subsections (b) and (c) of section 1.12 which are made by a resident individual in determining his West Virginia adjusted gross income are also made by a nonresident individual when the modifications relate to income or gain derived from West Virginia sources. Modifications of a nonresident individual relating to income or gain from West Virginia sources include modifications which relate to his share of partnership income derived from or connected with West Virginia sources.

Example 1. In 1961, A, a resident of Ohio, earned a salary of $25,000 entirely in West Virginia. In addition, just after the first of the year, A sold for $100,000 land in West Virginia which he had purchased in 1955 at a cost of $52,000. The fair market value of the property on January 1, 1961, was $76,000. A also received $3,000 from an Ohio partnership. The partnership transacted no business within West Virginia.

A's West Virginia adjusted gross income is determined as follows:

Salary.		$ 25,000.00
Long-term capital gain on sale of land	$ 24,000	
Less		
Modification based upon section 1.12(c)(3), reflecting 50% of the difference between A's federal basis ($52,000) and the fair market value ($76,000) of the property on January 1, 1961	($ 12,000)	$ 12,000.00
A's West Virginia adjusted gross income		$ 37,000.00

The gain from the partnership is disregarded because it is not connected with West Virginia sources.

(b) Income and deductions from West Virginia sources.

(1) General. A nonresident individual's items of income, gain, loss and deduction derived from or connected with West Virginia sources are the items attributable to: (A) the ownership of any interest in real or tangible personal property in this State; or (B) a business, trade,

profession or occupation carried on in this State; or (C) personal services performed in this State. The determination as to whether items of income, gain, loss and deduction are derived or connected with West Virginia sources is made in accordance with subparagraphs (A) and (B) below.

(A) Items attributable to real or tangible personal property in this State. The West Virginia adjusted gross income of a nonresident individual includes items of income, gain, loss and deduction entering into his federal adjusted gross income which are attributable to the ownership of any interest in real or tangible personal property in this State. Thus, West Virginia adjusted gross income includes rental income from real or tangible personal property in this State after deducting ordinary and necessary expenses attributable to the ownership, operation or maintenance of such property. Income and deductions attributable to a lease-hold interest in property in this State are included, as well as income and deductions attributable to ownership in fee. The West Virginia adjusted gross income of a nonresident individual does not include items of income, gain, loss and deduction attributable to the ownership of any interest in real or tangible personal property located outside this State, even though rental payments in respect of the property may be made from a point within this State by a resident individual, partnership or a corporation.

(B) Business, trade, profession or occupation carried on in this State. The West Virginia adjusted gross income of a nonresident individual includes items of income, gain, loss and deduction entering into his federal adjusted gross income which are attributable to a business, trade, profession or occupation carried on in this State.

(i) The West Virginia adjusted gross income of a nonresident individual rendering services as an employee includes the compensation for services entering into his federal adjusted gross income, but only if, and to the extent that, his services were rendered within this State. Compensation for services rendered by a nonresident individual wholly without the State is not included in his West Virginia adjusted gross income, regardless of the fact that payment may be made from a point within the State or that the employer is a resident individual, partnership or corporation.

(ii) The West Virginia adjusted gross income of a nonresident individual includes the income of a West Virginia corporation which is an electing small business corporation for federal income tax purposes.

(iii) If services are performed within West Virginia whether or not as an employee, the compensation for such services includible in federal adjusted gross income constitutes income from West Virginia sources.

(iv) Prizes, awards, and similar payments are derived from or connected with West Virginia sources as long as such gains are incident to the nonresident's presence or other activities within West Virginia.

(v) If services were performed in part within West Virginia and in part without West Virginia, the portion of the compensation attributable to the services performed within West Virginia is determined in accordance with the ratio of days worked within West Virginia to the total days worked over the period during which the compensation was earned.

Example: X, a nonresident individual, is a salaried employee of a Pennsylvania construction company. X works partly within West Virginia and partly within Pennsylvania. X earns $9,600.00 during the taxable year 1963. The amount allocable to West Virginia sources is that portion of X's salary income which the number of days worked in West Virginia bears to the total days worked during the year (excluding non-working days; such as, Saturdays, Sundays, holidays, vacations, sick leave, etc.) both within and without West Virginia. Out of a total of 280 working days, X worked 70 days within West Virginia. X determines his West Virginia income in the following manner.

Days actually worked during year in West Virginia	70
Total days worked during the year	280

Since the number of days worked within West Virginia amounts to

25% of X's total working days, X multiplies his total salary by 25% to arrive at the amount of his West Virginia income. His West Virginia income is $2,400.00 (25% x $9,600.00 = $2,400.00).

(vi) Pensions and retirement pay which are eligible for federal tax treatment under section 72 of the Internal Revenue Code as "amounts received as an annuity" under an annuity, endowment or life insurance contract shall be considered to be income from annuities and not taxable to nonresidents.

(2) Income from intangible personal property. Items of income, gain, loss and deduction attributable to intangible personal property of a nonresident individual, including annuities, dividends, interest, and gains and losses from the disposition of intangible personal property, do not constitute items of income, gain, loss and deduction derived from or connected with West Virginia sources except to the extent attributable to property employed in a business, trade, profession, or occupation carried on in this State. For a nonresident individual who is a shareholder of a corporation which is an electing small business corporation for federal income tax purposes, undistributed taxable income of such corporation does constitute income or gain derived from West Virginia sources and a net operating loss of such corporation does constitute a loss or deduction derived from or connected with West Virginia sources.

(3) Deductions with respect to capital losses, net long-term capital gains and net operating losses. The deductions entering

into federal adjusted gross income of a nonresident individual with respect to (i) capital losses, (ii) 50% of the excess of the net long-term capital gains over net short-term capital losses, and (iii) net operating losses, are included in his West Virginia adjusted gross income only to the extent that such deductions relate to items of income, gain, loss and deduction derived from or connected with West Virginia sources.

Example: X, a nonresident individual, has a capital gain of $10,000 from without West Virginia and a capital loss of $5,000 from within West Virginia. Federally, X has a net capital gain of $5,000. But for West Virginia purposes X has a net capital loss of $5,000 which is subject to the $1,000 federal net capital loss limitation. The unused $4,000 West Virginia net capital loss cannot be carried over to a subsequent year since it is not deductible as a net capital loss carryover in computing federal adjusted gross income, the starting point in the computation of West Virginia adjusted gross income of the taxpayer.

(c) Income and deductions partly from West Virginia sources. Since the West Virginia adjusted gross income of a nonresident individual takes into account only items of income, gain, loss and deduction derived from or connected with West Virginia sources, an apportionment and allocation of items of income, gain, loss and deduction are required when a nonresident individual carries on a business, trade, profession or occupation partly within and partly without the State.

(1) Record keeping. If the taxpayer does not maintain books and records which clearly and accurately reflect the amount of business conducted within West Virginia, he may employ any method which is fair and equitable; however, the taxpayer must make a full disclosure and explanation of such method when filing his return. If the tax commissioner deems such method of allocation and apportionment to be inequitable, the tax commissioner may prescribe any method which accurately and clearly reflects the proportion of the net amount of the items of income, gain, loss and deduction attributable to the activities of the business carried on in West Virginia.

(d) Purchase and sale for own account. A nonresident individual, other than a dealer holding property primarily for sale to customers in the ordinary course of his trade or business, is not deemed to be carrying on a business, trade, profession or occupation in this State solely by reason of the purchase and sale of property for his own account.

(e) Husband and wife. If a husband and wife determine their federal income tax on a joint return but determine their West Virginia taxes separately, their West Virginia adjusted gross incomes are determined separately, as if they had filed separate federal income tax returns and their federal adjusted gross incomes had been determined separately.

(f) Military pay. Compensation paid for services in the Armed Forces of the United States, performed during active duty by an individual not domiciled in this State, shall not constitute income derived from West Virginia sources. Accordingly, if an individual not domiciled in this State is a member of the Armed Forces of the United States during active duty, such compensation received by him does not constitute income derived from West Virginia sources even though the service is performed in whole or in part within this State.

IT. §1.33 <u>West Virginia deduction of a nonresident individual</u>. After computing the West Virginia adjusted gross income, of a nonresident individual, there are subtracted (1) either the West Virginia standard deduction or the West Virginia itemized deductions and (2) the taxpayer's personal exemptions and the resulting balance is his West Virginia taxable income.

The West Virginia deduction of a nonresident individual is the West Virginia standard deduction, as described in section 1.34; however, if he itemizes deductions on his federal income tax return for the taxable year, he may elect to claim in lieu of the standard deduction, the West Virginia itemized deduction, as described in section 1.35.

IT. §1.34 West Virginia standard deduction of a nonresident individual. A nonresident individual may use the West Virginia standard deduction, as determined under the rules in section 1.14 on his West Virginia return, regardless of whether he uses the standard deduction or claims itemized deductions for the same year on his federal income tax return. However, if he uses the standard deduction on his federal income tax return for the taxable year, he is required to use the West Virginia standard deduction on his State return. The West Virginia standard deduction of a nonresident husband or wife shall be determined under the rules in section 1.14 applicable to a resident husband or wife. The West Virginia standard deduction of a nonresident individual shall be 10% of his West Virginia adjusted gross income, or $1,000.00 whichever is less.

IT. §1.35 West Virginia itemized deductions of a nonresident individual. (a) General. If a nonresident individual determines his federal taxable income by deducting itemized deductions from his federal adjusted gross income, he may either deduct his West Virginia itemized deduction or his West Virginia standard deduction from his West Virginia adjusted gross income to arrive at his West Virginia taxable income. In other words, a nonresident individual may elect to use itemized deductions in computing his West Virginia taxable income only if he claimed itemized deductions for the same year in computing his federal taxable income.

Itemized deductions claimed by a nonresident individual are allowable only to the extent such deductions are attributed to or connected with West Virginia.

The West Virginia itemized deduction of a nonresident individual shall be the same as the total amount of the following of his deductions from federal adjusted gross income:

(1) Contributions to this State or to any political subdivision thereof, or to any corporation, community chest, etc., organized under the laws of this State;

(2) Payments for alimony which are includible in the West Virginia adjusted gross income of the recipient;

(3) Casualty losses of realty or personalty having an actual situs within this State;

(4) Deductions, with respect to realty or personalty having an actual situs within this State, for losses incurred in any transaction entered into for profit but not connected with the taxpayer's business; and

(5) Any expense which is an allowable itemized deduction federally; such as, interest payments, medical payments, etc., and which is directly incurred within West Virginia (except deductions for income taxes imposed by West Virginia or any other taxing jurisdiction) is an allowable itemized deduction for West Virginia purposes.

(A) The total amount of the federal itemized deduction is to be reduced by the amount of the federal itemized deduction for income taxes imposed by this or any other state, or by any other taxing jurisdiction. This modification eliminates from itemized deductions for West Virginia purposes, the amount of any income taxes in the nonresident's federal deductions, regardless of the identity of the taxing jurisdiction, for the West Virginia Income Tax Act does not permit the deduction of income taxes.

(B) The total amount of the federal itemized deduction is to be reduced by the amount of any federal itemized deduction for interest on indebtedness incurred to purchase securities or obligations the income from which is exempt from West Virginia income tax.

(b) Requirements. An itemized deduction of a nonresident individual must fulfill two requirements before the same is an allowable itemized deduction for West Virginia income tax purposes: (1) The itemized deduction must be allowable for federal income tax purposes, and (2) the itemized deduction must be attributed to or connected with West Virginia.

Example 1. Mr. X, a nonresident individual, contributes $300.00 to an Ohio church and $400.00 to a West Virginia church. The full amount of the contribution ($700.00) is an allowable itemized deduction for federal income tax purposes; however, only $400.00 is an allowable itemized deduction for West Virginia income tax purposes, for only $400.00 of the nonresident's charitable contribution is directly attributed to or connected with West Virginia.

Example 2. Mr. Y, a nonresident individual reported the following itemized deductions on his 1962 federal income tax return.

Contributions:		
Wheeling Baptist Church	$ 300.00	
Belpre, Ohio Church	150.00	
Wheeling Community Chest	50.00	$ 500.00
Interest:		
Bank of Wheeling	$ 150.00	
Bank of Belpre, Ohio	30.00	$ 180.00
Taxes:		
Ohio property, sales taxes, etc.	$ 420.00	
West Virginia sales tax, etc.	40.00	
West Virginia income tax	70.00	$ 530.00
Casualty loss:		
Flood damage to Ohio residence	$ 190.00	
Storm damage to Ohio camp	100.00	$ 290.00
Medical:		
Wheeling General Hospital	$ 125.00	
Belpre, Ohio Hospital	75.00	$ 200.00
Total Itemized Deductions		$1700.00

On Mr. Y's 1962 West Virginia Nonresident Income Tax Return, he will not be allowed the full amount of his federal itemized deductions. Mr. Y will only be allowed an itemized deduction of $665.00 for West Virginia purposes, for only this amount ($665.00) was incurred within West Virginia. Mr. Y's allowable West Virginia itemized deductions are:

Contributions:		
Wheeling Baptist Church	$300.00	
Wheeling Community Chest	50.00	$350.00
Interest:		
Bank of Wheeling	$150.00	$150.00
Taxes:		
West Virginia sales tax	$ 40.00	
West Virginia income tax	70.00	$110.00
Medical:		
Wheeling General Hospital	$125.00	$125.00
Total West Virginia Itemized Deduction		$735.00
Less: West Virginia income tax as a modification described in subsection (5) (A) of this regulation.		$ 70.00
TOTAL ALLOWABLE WEST VIRGINIA ITEMIZED DEDUCTION		$665.00

The requirement that an itemized deduction must have been incurred within West Virginia before it is allowable applies to nonresidents only. A nonresident individual who pays his Ohio property tax through a West Virginia banking institution does not incur the expense within West Virginia, nor is the expense attributed to West Virginia.

(c) Husband and wife. (1) A husband and wife, both of whom are required to file West Virginia returns, may claim the West

Virginia itemized deduction only if:

(A) Both claimed itemized deductions in their federal returns for the same year, and,

(B) Both elect to use the West Virginia itemized deduction. If either spouse is required to use, or elects to use the West Virginia standard deduction, the other must also use it.

(2) If a husband and wife, both of whom are required to file West Virginia returns, file separate federal returns for any year, they must also file separate West Virginia returns, and in this case the West Virginia itemized deduction is based upon those itemized deductions in his or her separate federal return. If a husband and wife, both of whom are required to file West Virginia returns, file a joint federal return using itemized deductions, but file separate West Virginia returns, then the West Virginia itemized deduction is based upon those itemized deductions in their joint federal return which are connected with West Virginia, but such deduction may be taken by either or divided between them in any manner they may elect. This election to divide itemized deductions in any manner they elect, may be made only if they filed a joint federal return.

IT. §1.36 West Virginia personal exemptions of a nonresident individual. (a) General. A nonresident individual is allowed the same personal exemptions for state tax purposes as for federal tax purposes. He is allowed one West Virginia exemption of $600 for each exemption properly allowable to him for the taxable year for federal income tax purposes.

(b) Husband and wife (both nonresidents). Where a husband and wife file a joint federal return and also a joint state return, the same personal exemptions are allowed on the joint state nonresident return as on the joint federal return. Similarly, where a husband and wife file separate federal returns, the same personal exemptions are allowed on the separate state nonresident returns of each spouse as on the respective separate federal returns. However, if a husband and wife file a joint federal return but separate state returns, each of them is entitled to a West Virginia exemption of $600 for each federal exemption to which he or she would be separately entitled if they had filed separate federal returns.

IT. §1.37 Nonresident partners. (a) Partnership income and deductions derived from West Virginia sources. The West Virginia adjusted gross income of a nonresident partner of any partnership shall include his distributive share of all partnership items of income, gain, loss and deduction which enter into his federal adjusted gross income, to the extent that the amount of such items is derived from or connected with West Virginia sources; that is, from real or tangible personal property having an actual situs in West Virginia or from a business, trade, profession, or occupation carried on in this state, as determined under subsection 1.32 (b) of these regulations.

Where a nonresident partner elects to use itemized deductions in determining his West Virginia taxable income, there shall be attributable to him his distributable share of partnership items of deduction which, as itemized deductions, would be allowable to him under section 1.35 of these regulations. In computing the West Virginia itemized deduction under such section, the nonresident partner should consider not only the itemized deductions attributable to his distributive share of partnership items of deduction but also any nonpartnership itemized deductions to which he may be entitled.

(b) Special rules as to West Virginia sources. In determining the sources of a nonresident partner's share of partnership income, as either within or without West Virginia:

(1) No recognition or tax effect shall be given to a provision in the partnership agreement which characterizes payments to the partner as being employee compensation or other consideration paid or distributable for services rendered to the partnership by the partner, or as being interest or other consideration paid or distributable for the use of capital of a partner.

(2) Similarly, no tax effect shall be given to a provision in the partnership agreement which allocates to the nonresident partner, as income or gain from sources outside West Virginia, a greater proportion of his distributive share of partnership income or gain than the ratio of partnership income or gain from sources outside West Virginia to partnership income or gain from all sources.

Example A is a nonresident partner of a partnership located in West Virginia, 60% of the business of which is from West Virginia sources. A's total distributive share of partnership income from all sources is $5,000. A is required to report on his West Virginia nonresident return $3,000 (60% of $5,000) as his partnership distributive share, even though, under special provisions of the partnership agreement, his share of the total West Virginia income of the partnership may have been fixed at less than $3,000. See, however, subsection (d) of this regulation for an exception.

(3) Similarly, no tax effect shall be given to a pro-

vision in the partnership agreement which allocates to the nonresident partner a greater proportion of a particular partnership item of loss or deduction connected with West Virginia sources than his proportionate share for federal income tax purposes of partnership loss or deduction generally. If, for example, the proportionate share of a nonresident partner of partnership losses is generally 50% for federal income tax purposes, he is not permitted to deduct on his West Virginia income tax return more than 50% of any particular partnership loss or deduction connected with West Virginia sources, irrespective of any special provision of the partnership agreement assigning a larger percentage of the specific loss or deduction to him. See, however, subsection (d) of these regulations for an exception.

(c) Partner's modifications. In determining the West Virginia adjusted gross income of a nonresident partner, any modification described in subsections 1.12 (b) or (c) which relates to a partnership item shall be made with respect to the distributive share of the partner for federal income tax purposes of the related item, except as otherwise permitted under subsection (d) of this section. The modifications covered by this section do not apply to any item a nonresident himself receives or incurs directly, and this section does not apply to any item which, for federal income tax purposes, is not treated as a partnership item.

The total applicable modification of any partnership item of income, gain, loss, or deduction shall be set forth on the partnership return, together with the respective portion thereof distributable to each partner. Where any particular modification pertains to a item includible in federal adjusted gross income, the partnership return shall show each nonresident's portion thereof derived from or connected with West Virginia sources.

(d) Alternate methods. On application, the Tax Commissioner may authorize the use of such other methods of determining a nonresident partner's portion of partnership items derived from or connected with West Virginia sources as he finds are appropriate and equitable. Whenever a nonresident partner's distributive share of partnership items of income, gain, loss or deduction are so determined, any of the modifications relating thereto (see subsection (c)) shall be similarly determined.

(e) Cross reference. (1) For a partner's distributive share of partnership items, see subsections (b) and (c) of section 1.17.

(2) For the character of partnership items of a partner, see subsection (d) of section 1.17.

(3) For the effect of a special provision in a partnership agreement (other than a provision referred to in subsection (b) of this section) having the principal purpose of avoidance or evasion of tax, see subsection (e) of section 1.17.

IT. §1.38 West Virginia taxable income of a nonresident estate or trust. (a) General. Taxable income of a nonresident estate or trust (like the taxable income of a nonresident individual) is subject to the West Virginia personal income tax. Nonresident estates and trusts are defined in subsection 1.7 of these regulations. The rates prescribed in section 1.4 and 1.4(a) of these regulations are applied against the taxable income of the estate or trust. The taxable income of a nonresident estate or trust does not include the amount distributable or properly paid or credited to the beneficiaries; the latter are taxed on their distributive shares and the estate or trust is taxed on the remaining balance of the income not distributed. An estate or trust is not allowed to use the West Virginia standard deduction.

The West Virginia taxable income of a nonresident estate or trust is its federal taxable income to the extent derived from or connected with West Virginia sources subject to the applicable West Virginia modifications and West Virginia exemption. Thus, subject to the applicable West Virginia modifications and West Virginia exemption, the West Virginia taxable income of a nonresident estate or trust includes its share of federal distributable income and, in addition thereto, any other items of income, gain, loss or deduction of the estate or trust recognized for federal income tax purposes but not included in federal distributable net income to the extent that such share and other items are derived from or connected with West Virginia sources.

(1) Items in distributable net income. The share of a nonresident estate or trust in the items of income, gain, loss and deduction, derived from or connected with West Virginia sources, which enter into the federal definition of distributable net income is the amount, if any, by which such items exceed the aggregate of all the beneficiaries shares therein. The share of the nonresident estate or trust is determined in accordance with section 1.39 of these regulations.

(2) Items not in distributable net income. The amount of any West Virginia connected items of income, gain, loss and deduction recognized for federal income tax purposes but excluded from the federal definition of distributable net income, must be added to or subtracted from, as the case may be, the estate's or trust's share of items reflected in distributable net income. The determination of the source of such items is made in accordance with the applicable rules of sections 1.32 and 1.35 of these regulations.

(3) Modifications. In determining the West Virginia taxable income of a nonresident estate or trust, the total amount of the inclusions described in paragraphs (1) and (2) of this subsection

is reduced by the amount, if any, of the modification described in subsection 1.12(c) (3) of these regulations, but only, however, with respect to gains from the sale or other disposition of West Virginia connected property which are excluded from the federal distributable net income of the estate or trust. This modification applies to most capital gains of the estate or trust, since such gains are rarely included in federal distributable net income.

(4) Exemption. Each estate or trust is allowed a West Virginia exemption of $600, regardless of the amount of the federal exemption. An estate or trust is not allowed any exemption for dependents. The West Virginia exemption of $600 is allowed an estate or trust even though the particular return filed may be for a taxable period of less than 12 calendar months where the election is allowable federally.

(b) West Virginia source rules. For the purposes of this section, an item of income, gain, loss or deduction is considered derived from or connected with West Virginia sources when any such item is attributable to the ownership by the estate or trust of any interest in real or tangible personal property in this state or when the item is attributable to a business, trade, profession or occupation carried on in this state by the estate or trust, in accordance with the applicable rules set forth in sections 1.32 and 1.35(d) of these regulations pertaining to nonresident individuals. Deductions with respect to capital losses, net long-term capital gains, and net operating losses shall be based solely on income, gains, losses and deductions derived from or connected with West Virginia sources, but such West Virginia items shall otherwise be computed or determined in the same manner as the corresponding federal items.

IT. §1.39 Share of a nonresident estate, trust or beneficiary in income from West Virginia sources. (a) General. The share of a nonresident estate or trust and the share of a nonresident beneficiary of any estate or trust, in estate or trust income, gain, loss and deduction from West Virginia sources shall be determined as follows:

(1) Items of distributable net income from West Virginia sources. There shall be determined the items of income, gain, loss and deduction derived from or connected with West Virginia sources which enter into the definition of federal distributable net income of the estate or trust for the taxable year (including such items from another estate or trust of which the first estate or trust is a beneficiary). Items of federal distributable net income from West Virginia sources represent items of income, gain, loss and deduction which are either attributable to the ownership by the estate or trust of any interest in real or tangible personal property in this state or attributable to a business, trade, profession or occupation carried on in this state by the estate or trust. Such determination of items from West Virginia sources shall be made in accordance with the rules prescribed in sections 1.32 and 1.35 of these regulations.

(2) Modifications. The applicable modifications, described in subsections 1.12(b) and (c) of these regulations, pertaining

to items from West Virginia sources shall be first combined into a single net figure. This figure, which of course may be a plus or minus figure, is termed the net modification. After this figure is computed, it is then allocated in the manner prescribed in subsection (3) of this regulation for allocating distributable net income from West Virginia sources. However, when a West Virginia item, which would be treated as a modification, is already included in federal distributable net income, no modification which in effect would duplicate the item shall be made.

(3) Allocation among estate or trust and beneficiaries. (A) The distributable net income of an estate or trust from West Virginia sources shall be allocated among the nonresident estate or trust and its nonresident beneficiaries in proportion to their respective shares of federal distributable net income, including, solely for the purpose of this allocation, any share of resident beneficiaries. The share of the estate or trust in federal distributable net income is the amount, if any, by which the federal distributable net income exceeds the aggregate of the shares therein of all its beneficiaries.

(B) Character of items. Each of the estate or trust items of income, gain, loss or deduction shall have the same character for West Virginia purposes as for federal income tax purposes. Where such an item is not characterized for federal income tax purposes, the item shall have the same character as if realized directly from the source from which realized by the estate or trust, or incurred in the same manner as incurred by the estate or trust. The same is true if an estate or trust item is not required to be taken into account for federal tax purposes (such as; interest on bonds of the State of California).

(b) Alternate methods of determining shares. (1) If the estate or trust has no federal distributable net income for the taxable year, the share of each beneficiary (including, solely for the purpose of this allocation, resident beneficiaries) in the net amounts determined under subsections (1) and (2) of section (a) of this regulation (distributable net income and net modification) shall be in proportion to his share of the estate or trust income for such year, under local law or the governing instrument, which is required to be distributed currently and any other amounts of such income distributed in such year. Any balance of such net amounts shall be allocated to the estate or trust.

(2) The tax commissioner may allow the use of other methods of determining the respective shares of the beneficiaries and of the estate or trust in its income derived from West Virginia sources, and the modifications related thereto, if such other methods are fair and equitable to all parties concerned, and if a full disclosure of the adopted method is made to the tax commissioner.

IT. §1.40 Credit for income tax of state of residence.

(a) General. A nonresident individual, who has income derived from West Virginia sources, shall be allowed a credit against his West Virginia income tax for any income tax imposed on his West Virginia income by another state of the United States or by the District of Columbia, of which the taxpayer is a resident. Where a nonresident estate or trust is in receipt of income derived from West Virginia sources, then the estate or trust is entitled to a similar credit, computed in the same way and subject to the same limitations and exceptions as in the case of a nonresident individual.

However, no credit is allowable for income taxes imposed by a county, municipality, borough, township or any other political subdivision of a state.

(b) Limitations. The amount of the credit for any taxable year is subject to the following limitations:

(1) The credit is limited to that portion of the West Virginia income tax attributable to the income also subjected to tax by the taxpayer's state of residence.

(2) The credit shall not exceed the percentage of the other tax determined by dividing the portion of the taxpayer's West Virginia income subject to taxation in such other state by the total amount of the taxpayer's income subject to such other tax. For

example: If the total income subject to such other tax was $5,000, and $2,000 thereof was derived from West Virginia sources, the amount of the credit would be limited to 40% ($2,000 divided by $5,000 of such other states tax.

(3) The credit shall not exceed the percentage of the West Virginia tax otherwise due, determined by dividing the portion of the taxpayer's West Virginia income subject to taxation in such other state by the total amount of the taxpayer's income subject to West Virginia tax. For example: If the portion of the taxpayer's West Virginia income subject to such other tax was $1,800 and the total amount of the taxpayer's income subject to West Virginia tax was $2,000, the amount of the West Virginia credit would be limited to 90% ($1,800 divided by $2,000) of the West Virginia tax.

(c) Exceptions to the allowance of the nonresident credit. The credit provided by this section against the tax imposed by West Virginia shall be allowed nonresidents only if the state of which the taxpayer is a resident either:

(1) Grants a substantially similar credit to that described by this section to residents of West Virginia, or

(2) Imposes an income tax on its own residents with respect to income derived from West Virginia, and exempts the income of West Virginia residents from its income tax.

(d) The following definitions apply for the purposes of this section:

(1) West Virginia income.

(A) In the case of a nonresident individual, West Virginia income means his West Virginia adjusted gross income. (See section 1.32).

(B) In the case of a nonresident estate or trust, West Virginia income means the amount of income thereof determined as if the estate or trust were a nonresident individual computing his West Virginia income under section 1.32.

(2) West Virginia tax means the total tax payable on the West Virginia taxable income of the nonresident at the rate set forth in section 1.4 and 1.4(a) of these regulations. The West Virginia tax for the purpose of this section does not include any amounts representing interest or penalties.

(3) The tax of the other state means the total tax imposed for the taxable year, exclusive of any interest or penalty.

(4) The term "income derived from sources within this state" means compensation for services performed in West Virginia, income from a business, trade or profession carried on within this state and income from the ownership of real or tangible personal property situated here but not income from intangibles, except where such income is from property employed in a business, trade or

profession carried on in this state.

(e) Nonresidents to which section 40 applies. If a resident individual of Virginia, Maryland, or Kentucky earns income within West Virginia which is subject to taxation by his state of residence, West Virginia will grant a credit to the nonresident individual for income taxes imposed by his state of residence. For a more complete listing, contact the Income Tax Division.

PART IV

Returns, Declarations and Payment of Tax

IT. §1.51 Returns and liabilities. (a) When the return is due. A West Virginia income tax return shall be filed on or before the fifteenth (15th) day of the fourth month following the close of the taxable year by or for the following:

(1) Every resident individual required to file a federal income tax return for the taxable year, or if the West Virginia adjusted gross income of such individual for the taxable year exceeds the sum of his West Virginia personal exemptions;

(2) Every resident estate or trust required to file a federal income tax return for the taxable year, or having any West Virginia taxable income for the taxable year;

(3) Every nonresident individual having West Virginia adjusted gross income for the taxable year in excess of the sum of his West Virginia personal exemptions;

(4) Every nonresident estate or trust having items of income or gain derived from West Virginia sources in excess of its West Virginia exemption;

(5) Every resident or nonresident individual who is entitled to and claims an overpayment for the taxable year even though he would not otherwise be required to file a return under the

rules set forth in the preceding paragraphs of this subsection. For example, a taxpayer who has had West Virginia income tax withheld from his wages or has paid estimated tax during the taxable year but whose West Virginia adjusted gross income for such taxable year does not exceed his exemptions, must file a West Virginia return to obtain a refund.

A taxpayer who meets any of the requirements specified in this subsection for filing a West Virginia income tax return must file a return even if such return, after deductions, exemptions and credits, shows no tax liability.

(b) <u>Returns of husband and wife</u>. (1) <u>Separate federal returns</u>. If a husband or wife files and determines their tax liability on separate federal returns, they must file separate West Virginia income tax returns.

(2) <u>Joint federal returns</u>. If a husband and wife, other than a husband and wife described in paragraph (3) of this subsection, file and determine their tax liability on a joint federal return, or if neither spouse files a federal return, they may either:

(A) File a joint West Virginia income tax return in which event their tax liabilities shall be joint and several and each is liable for the entire tax on such joint return, even though one spouse has no income, or

(B) File separate West Virginia income tax returns. In this event, their tax liabilities shall be separate.

(3) If either the husband or wife is a resident and the other is a nonresident of West Virginia, they shall file separate West Virginia income tax returns regardless of the method of filing for federal tax purposes, in which event their West Virginia tax liabilities shall be separate. However, in accordance with sections 1.11 and 1.31 of these regulations, a West Virginia joint resident return may be filed by the husband and wife provided they meet all three of the following requirements:

(i) They are otherwise entitled to file a joint return.

(ii) Each spouse maintained his or her status as a resident or nonresident during the entire taxable year, and

(iii) They elect to determine their West Virginia taxable income on a joint return as if both were residents for the entire taxable year.

In the event the husband and wife qualify under the above requirements and file a joint resident return, their tax liabilities shall be joint and several.

(c) Returns for decedents. In general, the rules described in this section for filing returns apply to decedents as well as other taxpayers.

(1) The executor or administrator of the estate of a taxpayer who died during the taxable year or other person charged with the property of a decedent shall make and file the return of income required in respect of such decedent on the form which would have been appropriate had such taxpayer lived. For a decedent's taxable year which ends with the date of his death, the return shall cover the period during which he was alive. For purposes of this subparagraph, the term "executor or administrator" means the person who is actually appointed to and qualifies for such office and not a person who is merely in charge of the property of the decedent.

(2) Joint return after death. Where one or both spouses die during the year, a joint West Virginia income tax return may be made if (i) a joint federal return was made for the taxable year, (ii) the taxable year of both decedents or of the decedent and the surviving spouse, as the case may be, began on the same day and ended on different days only because of the death of either or both, (iii) neither taxpayer was reporting for a fractional part of a year as a result of a change in accounting, and (iv) the surviving spouse had not remarried before the end of the taxable year.

(d) Individuals under a disability. The return required for an individual who is unable to make a return by reason of minority, insanity or other disability shall be made and filed by his guardian, committee, fiduciary or other person charged with the care of his person or property (other than a receiver in possession of only a part of his property), or by his duly authorized agent. In such case, the fiduciary or other person charged with the care of his person or property shall be liable for the tax.

(e) Estates and trusts. The return for an estate or trust shall be made and filed by the fiduciary.

(f) Joint fiduciaries. If two or more fiduciaries are acting jointly, the return may be made by any one of them. When the fiduciary is a trustee of two or more trusts, he must make a separate return for each trust, even though such trusts were created by the same grantor for the same beneficiary or beneficiaries.

(g) Tax a debt. Any tax imposed by the West Virginia Personal Income Tax Act, and any increase, interest or penalty thereon, shall, from the time it is due and payable be a personal debt of the person or persons (including fiduciaries of estates or trusts) liable to pay the same, to the State of West Virginia.

(h) Cross reference. For provisions as to information returns by partnerships, employers and other persons, see section 1.58 of these regulations.

IT. §1.52 Time and place for filing returns and paying tax. (a) Time for filing returns. (1) General rule. The returns of individuals, trusts, estates or partnerships required to be made under these regulations shall be filed on or before the 15th day of the fourth month following the close of the taxable year (April 15th in the case of a calendar year taxpayer), except that where a later due date has been fixed for filing the federal return (without regard to any extension of time granted for this purpose), such later date shall apply for West Virginia tax purposes. However, in the last instance, a statement must be attached to the West Virginia return setting forth the circumstances and the authority under which the federal return was permitted to be filed on a date other than the 15th day of the fourth month following the close of the taxable year. The words "close of the taxable year" refer to and shall have the same meaning for West Virginia tax purposes as when used for federal tax purposes.

(2) Last day on a Sunday, or legal holiday. When the last day prescribed in these regulations, determined with regard to an extension of time, for filing a return, making a tax payment, or performing any act, falls on Saturday, Sunday, or a day which is a legal holiday in the State of West Virginia, the performance of such act shall be considered timely if it is performed on the next succeeding day which is not a legal holiday, or Sunday.

(3) Mailing of returns. If a return is placed in the mail, it must be postmarked on or before the 16th day of the fourth month following the close of the taxable year (April 16th in the case of a calendar year taxpayer) to be timely filed.

(4) Return of a decedent. The West Virginia income tax return of a decedent for a fractional part of a year shall be due on or before April 15th, following the close of the year which began with the first day of such fractional part of the year. The due date is the same as if the decedent had lived until the end of his normal taxable year.

(b) Place for filing returns or other documents. (1) The personal income tax return or declaration of estimated income tax for resident and nonresident individuals, partnerships, resident and nonresident estates and trusts, must be delivered or mailed to the State Tax Commissioner, Income Tax Division, Charleston, West Virginia. 25305.

(c) Payment of taxes. (1) Any tax under the West Virginia Personal Income Tax Act becomes due and payable on the day immediately following the close of the persons taxable year, whether the latter be the fiscal or calendar year, but remains due and payable unless paid on or before the due date fixed for filing the return thereof. Except as otherwise provided herein, a person required to make and file a return under the provisions of the West Virginia Income Tax Act shall, without assessment, notice or demand, pay in full the tax due thereon to the State Tax Commissioner on or before the due date fixed for filing such return.

(2) Method of paying tax due. The remittance (check or money order) for the balance of the tax due on the return must be made payable to the State Tax Commissioner. Postage stamps will not be accepted in payment of the tax. A cash register receipt will be issued for any payment of tax in cash which is presented in person at the Cashier Division, office of the State Tax Commissioner, if so requested. In the case of payment made by check or money order, the cancelled remittance is usually a sufficient receipt, and an official receipt will be issued only upon request. Uncertified checks or drafts in payment of income taxes are acceptable subject to the condition that such checks or drafts may be presented for payment in accordance with the practice of the State Tax Commissioner, the State Treasury Department, and the collecting bank or banks, and provided further that the payment will not be deemed to have been made if the full amount of such check or draft is not received by the State Treasury Department. The date on which the remittance is received will be considered the date of payment so far as the taxpayer is concerned unless the check is returned because dishonored upon presentment, except when dishonored because of death of taxpayer.

IT. §1.53 Signing of returns and other documents. (a) General. Each individual, including a fiduciary, shall sign any return, declaration, statement or other document which he is making or filing pursuant to requirements stated in these regulations, except that the return, declaration, statement or other document may be signed for such individual by an agent who is duly authorized to act for such person. The fact that an individual's name is signed to a return, declaration, statement or other document shall be prima facie evidence for all purposes that the return, declaration, statement or other document was actually signed by him.

(1) Signature by agent. When by reason of illness, absence, minority, or otherwise, the person required to make or file any return, declaration, statement or other document is unable to do so, such return, declaration, statement or other document may be made and signed by an agent, or by a guardian or other person charged with the care of the person or property of such taxpayer. Such agent assumes responsibility for making and signing the return or other document, and incurs liability for the penalties provided for erroneous, false or fraudulent returns, declarations, statements or other documents.

(2) Husband and wife signatures. A return or declaration of a husband and wife (if not made by an agent) shall be signed

by both spouses. If signed by one spouse, individually and as agent for the other, authorization for such action must accompany the return or declaration. The spouse acting as agent for the other shall, with the principal, assume responsibility for making the return and declaration and incur liability for the penalties provided for erroneous, false or fraudulent returns or declarations. However, if the signature or authorization of either the husband or the wife cannot be obtained because of illness or absence, and no power of attorney or written authorization is available for the same reason, a return or declaration signed by one spouse and offered to the State Tax Commissioner for filing as a joint return or declaration may be accepted as such if all the evidence indicates that the taxpayers intended to file it as a joint return or declaration.

In the case of death of one or both spouses during the year, for which a joint return is made under the circumstances referred to in section 1.51 (c) (2) of these regulations, the signatures and evidence of authorization required under the United States Internal Revenue Code and applicable regulations for such purpose shall apply for West Virginia tax purposes.

(b) Partnerships. Any return, statement or other document required to be made or filed by a partnership shall be signed by one or more partners. The fact that a partner's name is signed to a return, statement, or other document shall be prima facie evidence for all purposes that such partner is authorized to sign on behalf of the partnership and that the signature is his.

(c) Certifications. The making or filing of any return, declaration, statement or other document or copy thereof required to be made or filed pursuant to these regulations, including a copy of a federal return, shall constitute a certification by the person making or filing such return, declaration, statement or other document or copy thereof that the statements contained therein are true and that any copy filed is a true copy.

(d) Signature of preparer. If a return is prepared for a taxpayer by another person or firm (other than the taxpayer's agent referred to in subsection (a) above) for compensation, such person or firm may sign such return. This signature is in addition to the required signature of the taxpayer or his agent. If the return is prepared by a firm, such return shall be signed by the person duly authorized to act on behalf of the firm, the name of which shall be stated in conjunction with such signature. This paragraph does not apply, however, to a return prepared for an employer by an employee who is regularly and continuously employed by such employer, as, for example, a clerk, secretary or bookkeeper, nor does this paragraph apply to a person who renders mere mechanical assistance in the preparation of a return, as, for example, a stenographer or typist.

IT. §1.54 Change of resident status during year. (a) General. A taxpayer who changes his resident either (1) from West Virginia to another place or, (2) from another place to West Virginia, during his taxable year is required to file two returns with the State of West Virginia: one return covering the period of residence, and one return covering the period of nonresidence.

If a change of residence occurred during the taxable year, and the taxpayer had no income derived from or connected with West Virginia sources during the period of nonresidence, a statement indicating he had no West Virginia income during such period may be attached to the required return in lieu of the nonresident return. This statement will serve as the return for the nonresident period only if the taxpayer had no West Virginia income during such period. For example: If an individual resided in Ohio for the first six (6) months of the taxable year and in West Virginia for the last six (6) months of the taxable year and had no West Virginia income while an Ohio resident but did have income while a West Virginia resident, a statement indicating that he had no West Virginia income while a nonresident, attached to his required resident return, will satisfy filing requirements for the nonresident portion of the year.

The provisions of the preceding paragraph are equally applicable if the taxpayer had West Virginia income while a nonresident but had no income while a resident.

(1) Husband and wife with different resident status. If a husband or wife changes his or her resident status during the taxable year, while the other spouse maintains his or her status as a resident or nonresident, as the case may be, during the entire taxable year, the spouse who changes his residence during the taxable year must, unless excused under subsection (a) of this regulation, file two returns for that year: one return for the portion of the year during which such spouse was a resident and, one return for the portion of the year during which such spouse was a nonresident. The spouse who did not change his or her residence during the taxable year must file a separate West Virginia return without regard to the change made by the other spouse.

Example: X, a West Virginia resident, marries Y, an Ohio resident, on November 1, 1963, and on the same date Y moves into West Virginia to live with X. Y earned income in West Virginia after she became a resident; therefore, Y is required to file two returns with the State of West Virginia for the taxable year 1963, and X must file a separate resident return for the taxable year 1963. Each must claim his own exemption. Neither spouse may file a joint return.

(b) West Virginia taxable income as resident and nonresident. The West Virginia taxable income for the portion of the year during which an individual was a resident shall be determined except for the special accruals in subsection (c) of this regulation, as if his taxable year for federal income tax purposes were limited to the period of his resident status. The West Virginia taxable income for the remaining portion of the taxable year during which he was a nonresident shall be determined, except for the special accruals in subsection (c) of this regulation, as if his taxable year for federal income tax purposes were limited to the period of his nonresident status.

For purposes of the preceding paragraph annual limitations with respect to specific items of income, gain, loss and deduction such as divided exclusions, capital losses, medical expenses and contributions, etc., allowable for federal income tax purposes are to be applied separately to the applicable federal items attributable to the separate periods covered by the West Virginia state resident and nonresident returns required under this regulation.

(c) Special accruals. (1) If an individual changes his status from resident to nonresident, he must, regardless of the method of accounting he normally employs, accrue and include in his West Virginia return for the portion of the year prior to such change, any items of income, gain, loss or deduction accruing prior to the change if not otherwise properly includible or allowable for West Virginia income tax purposes for such portion of the taxable year or for a prior taxable year. That is, in computing his West Virginia taxable income for that period, he must include all the items he would be required to include if he were filing a federal return for the same period on the accrual basis, together with any other accruals such as deferred gain on installment obligations which are not otherwise includible or deductible for federal or West Virginia income tax purposes either for such period or for a prior taxable period.

For example, if a taxpayer sells his business in West Virginia at a gain, under a contract whereby the purchase price is to be paid in installments, and later changes his status from resident to nonresident, he must accrue the entire amount of the gain remaining unpaid from such installment obligations, regardless of the method of accounting he normally uses in reporting his transactions. Likewise, where a beneficiary of an estate or trust changes his status during the taxable year from resident to nonresident, he must accrue on his West Virginia return for the resident period any estate or trust income credited, distributable, payable or required to be distributed to him as of the date of his change of residence.

However, gain which is not recognized for federal income tax purposes need not be accrued for West Virginia tax purposes solely because of the change of residence. For instance, a gain realized on sale of the taxpayer's principal residence, if it is not recognized for federal tax purposes by virtue of the provisions of the Internal Revenue Code relating to acquisition of a new residence, then it need not be accrued in the taxpayer's West Virginia return for the period prior to his change of residence.

The amount of the accrued items shall be determined with the applicable modifications described in sections 1.12 and 1.15 of these regulations as if such accrued items were includible or allowable for federal income tax purposes.

Example: On September 10, 1963, A, a cash basis calendar year taxpayer residing in West Virginia, terminates his employment in West Virginia and moves to Florida. His salary up to the termination amounted to $8,000. On September 1, 1963, his employer notifies him that under his employment contract he will receive on October 1, 1963, a bonus of $1,000, subject to no contingencies.

On August 15, 1963, the X Corporation declares a dividend of $600, payable to A on September 20, 1963, as a stockholder of record on August 15, 1963.

On June 1, 1963, A closed title with C on a tract of vacant land in Pennsylvania, taking from C a purchase money mortgage calling for annual payments on July 1 of each year. By reason of A's federal election of the installment method of accounting with respect to this transaction, A will realize a gain of $500 each year for five years ($2,500).

On November 1, 1963, the XYZ Realty Company sells A's West Virginia residence, and A realized a taxable gain of $3,000.

For 1963, A must file two West Virginia income tax returns: one as a resident, and one as a nonresident. On his 1963 income tax return for the portion of the year during which A was a resident, he includes in West Virginia adjusted gross income the following items:

Salary until termination	$8,000
Bonus - nonforfeitable	1,000
Dividends accrued (after exclusion)	550
Gain on sale of Pennsylvania property - accrued	2,500

On his 1963 nonresident income tax return, A includes in West Virginia adjusted gross income the following item which is derived from West Virginia sources.

Gain on sale of West Virginia residence	$3,000

The gain from the sale of the West Virginia residence was not accruable for the portion of the year A was a resident, for the sale was made and the gain realized after A became a nonresident. Because A reports the bonus payment on his West Virginia return for the resident portion of 1963, he need not take it into account on his nonresident return as an item of income derived from West Virginia sources even though he actually receives this item of income when he is a nonresident. See subsection (c) (3) of this regulation.

(2) If an individual changes his status from nonresident to resident, he shall make the same accruals as those set forth in subsection (c) (1) of this regulation, except that no accrual is required for items of income, gain, loss or deduction derived from or connected with West Virginia sources. The amounts of such accrued items shall be determined with the applicable modifications described in sections 1.12 and 1.15 of these regulations as if such accrued items were includible or allowable for federal income tax purposes.

(3) No item of income, gain, loss or deduction accrued under section (c) of this regulation for the portion of a taxable year prior to a change of resident status is taken into account in determining West Virginia adjusted gross income or the West Virginia itemized deduction of any subsequent taxable period.

Example: A, a cash-basis calendar year taxpayer residing in Kentucky, performs services in Kentucky in March, 1961, for which he is to be paid $10,000 in September, 1961, from the employer's West Virginia office. On August 10, 1961, A moves to West Virginia where on September 1, 1961, he receives the $10,000 salary. For 1961 A is required to file two West Virginia returns, one as a nonresident and one as a resident.

No part of the $10,000 salary is taken into account as this item was accrued as of the date of change of residence.

(4) The return for the period prior to a change from resident to nonresident status may be filed without the special accruals referred to herein if the taxpayer files with the Tax Commission a bond or other security acceptable to the Tax Commission, in an amount not less than the amount of additional income tax which would be payable if no such bond or security were filed. The additional tax which is considered in determining the amount of the bond or other security which the taxpayer will be required to furnish, is computed at the rates which he would have been obliged to pay if no bond or other security had been filed, taking into account all accrued items of income, gain, loss and deduction, and resolving against him all matters in dispute affecting the amount of tax.

(d) Minimum tax. If two returns for one taxable year are required because of a change of residence status, the tax due shall not be less than would be payable if the West Virginia taxable incomes reported on the two returns were included on a single return.

Example: X, a resident of Ohio, has West Virginia taxable income of $3,000 for the period from January 1, 1963, to April 1, 1963, on which date he becomes a resident of West Virginia. His West Virginia taxable income for the balance of 1963 is $5,000. The tax liability of X is determined as follows:

Tax as nonresident on taxable income of $3,000	$ 37.00
Tax as resident on taxable income of $5,000	66.00
Tentative tax	$103.00
Tax on combined West Virginia taxable incomes ($8,000)	$118.00 (Tax to be paid)

(e) Proration. In any case where there has been a change of residence, the personal exemption and standard deduction (when the election to itemize deductions has not been made) must be prorated between (i) the period before the change of residence and (ii) the period after the change of residence, to reflect the period of time covered by each transaction.

(1) Proration of personal exemptions. The West Virginia personal exemptions must be prorated between the two returns to reflect the portions of the entire taxable year during which the taxpayer was a resident and nonresident. The proration of personal exemptions is based solely on the fractional periods of time both as a resident and as a nonresident. In other words, $600 (the amount allowable per exemption) times the number of the personal exemptions multiplied by the fractional periods of time both within and without this State equals the amount of the personal exemption on each return.

Example 1: A taxpayer moves into West Virginia on May 1, 1963. He was a nonresident for four months and a resident for eight months during the taxable year 1963. The taxpayer has four personal exemptions.

Since the taxpayer is required to file two returns with West Virginia he must prorate his personal exemptions to reflect the portions of the year he was a resident and a nonresident. To find the amount of his personal exemption on his nonresident return, the taxpayer will multiply $600 (the amount allowable per exemption) times 4 (the number of his personal exemptions) times 4/12 (the fractional period of non-residence). Therefore, the amount of personal exemption on his non-resident return will be $800 ($600 x 4 x 4/12 = $800).

To find the amount of his personal exemption on his resident return, the taxpayer will use the same formula with the exception of the fractional period of time. The taxpayer will use his fractional period of residence (8/12) in place of his fractional period of non-residence (4/12) to arrive at the proper amount for the personal exemption on his resident return. Therefore, the amount of personal exemption on his resident return will be $1,600 ($600 x 4 x 8/12 = $1,600).

Example 2: A taxpayer leaves West Virginia with his family on August 5, 1963. He has three exemptions. Since he is required to file two returns to reflect the portions of the taxable year as a resident and nonresident, he must prorate the personal exemptions. For purposes of determining the fractional period of time, a fraction of a month amounting to half a month or more is counted as a full month, and a fraction of a month amounting to less than half a month is disregarded; therefore, the taxpayer's fractional period of residence is 7/12, and his fractional period of nonresidence is 5/12. To find the amount of his personal exemptions on his resident return, the taxpayer will multiply $600 (the amount allowable per exemption) times 3 (the number of personal exemptions) times 7/12 (the fractional period of residence). The result will be the amount of the taxpayer's personal exemption on his resident return. Therefore, the amount allowable will be $1,050 ($600 x 3 x 7/12 = $1,050). The amount of personal exemption on his nonresident return will be $750 ($600 x 3 x 5/12 = $750).

(2) Itemized deductions. If a taxpayer, who changes his residence from or to West Virginia during the taxable year, desires to itemize deductions in lieu of the standard deduction, he must itemize on both returns. However, itemized deductions are not computed on a fractional period basis as are personal exemptions.

Example 1: A taxpayer moves into West Virginia on July 1, 1963; therefore, he is required to file two returns for the taxable year, one return for the six month period of nonresidency and, one return for the six month period of residency. The taxpayer elects to itemize deductions in lieu of the standard deduction. The itemized deductions allowable to him on his nonresident return are only those itemized deductions which were incurred during his period of nonresidency and which were attributable to or connected with West Virginia. Stated another way, if the taxpayer borrowed money from a West Virginia bank while a nonresident and incurred an interest liability as a result thereof; the amount of such interest is allowable as an itemized deduction on his nonresident return only. If the taxpayer had incurred an interest liability to a bank outside of West Virginia while a nonresident, the interest liability would not be allowable as an itemized deduction on his nonresident return, for such itemized deduction would not be attributable to or connected with West Virginia; nor would such itemized deduction be allowable as a deduction on his resident return, for such itemized deduction was not incurred during his period of residency. See section 1.35 of these regulations. If the taxpayer incurred an interest liability to a West Virginia bank during his period of residency, such interest is allowable as an itemized deduction on his resident return only. The same itemized deduction cannot be included on both returns. The itemized deductions on the two West Virginia returns will not necessarily be the same as the federal itemized deductions.

(3) Proration of standard deduction. When a West Virginia taxpayer files a return for an entire taxable year, his standard deduction is either ten percent of West Virginia adjusted gross income or, $1,000, whichever is less. However, when two returns are required because of a change of residence, the standard deduction must be prorated between (1) the period before the change of residence and, (2) the period after the change of residence, to reflect the fractional period of time covered by each return based on the total income of the

two periods which is taxable by West Virginia. Under the method of proration, a taxpayer's standard deduction for each period of time is either ten percent of the income for that particular period or the standard deduction computed on an entire year basis multiplied by the fractional portion of the year, whichever is less.

Example 1: A taxpayer had $7,000 income while a resident of West Virginia for the first six months of the taxable year. While a nonresident of West Virginia during the last six months of the taxable year, the taxpayer had $4,000 income derived from West Virginia sources. When this taxpayer filed his federal return, he was entitled to a standard deduction of $1,000 (10% of adjusted gross income or $1,000, whichever is less). The taxpayer is allowed a standard deduction of $500 on his resident return, for the standard deduction on any one return cannot be more than the standard deduction for the entire year ($1,000) multiplied by the fractional period of time (6/12); nor can the standard deduction be more than 10% of the income of that particular period of residence or nonresidence. In other words, the taxpayer's standard deduction for each period of time is the lesser of the standard deduction for the entire year multiplied by the fractional period of time or, 10% of the income of that particular period of residence or nonresidence. On his nonresident return, the taxpayer is allowed a standard deduction of $400, for 10% of the income ($4,000) from that particular period is less than the standard deduction for the entire year ($1,000) multiplied by that fractional period of time (6/12) which relates to that return.

Example 2. A taxpayer had $3,000 of income while a West Virginia resident during the first nine months of the taxable year. While a nonresident of West Virginia during the last three months of the taxable year, the taxpayer had $600 of income derived from West Virginia sources. The combined income from both periods which is taxable by West Virginia is $3,600. The standard deduction (10% of West Virginia adjusted gross income or $1,000, whichever is less) on this amount for a taxpayer filing for an entire year is $360. However, on the taxpayer's resident return, his standard deduction is $270 (9/12, the fractional period of residency, times $360, the standard deduction on an entire year basis). The taxpayer is allowed a standard deduction of $60 on his nonresident return, for 10% of the income ($600) from that particular period is less than the standard deduction for the entire year ($360) multiplied by that fractional period of time (3/12) which relates to that return. In other words, a taxpayer's standard deduction for a particular period is either the standard deduction for the entire year multiplied by that particular fractional period of time or, 10% of the income of that particular period of residence or nonresidence, whichever is less. On the nonresident return in this example, the taxpayer's standard deduction is 10% of the income from that particular period. To arrive at the standard deduction allowable on the nonresident return in this example, the taxpayer will make two computations. He will multiply 10% times the income ($600) from that particular period and will arrive at $60. The taxpayer will then multiply that fractional period of time (3/12) by the standard deduction on the entire year basis ($360) and will arrive at $90. Since $60 is the lesser of the two, the taxpayer's standard deduction on the return for the nonresident portion of the year is $60.

Example 3. Assume the same facts as in example 2 except the taxpayer had no income attributable to West Virginia sources while a nonresident during the last three months of the taxable year. The standard deduction on his resident return will be $225 (9/12 x $300), for this amount is less than 10% times the income ($3,000) from that particular portion of the year.

The standard deduction, if used, must be used in computing the West Virginia taxable incomes for both the resident and nonresident periods.

IT. §1.55 Declarations of estimated tax. (a) Requirement of declaration. (1) If an individual's West Virginia adjusted gross income not subject to withholding can be reasonably expected to exceed four hundred dollars plus the sum of his personal exemptions, he shall make a declaration of estimated tax for the taxable year. The declaration of estimated tax shall be made whether the individual is a resident or nonresident.

Example 1. X, a taxpayer making his return on the calendar year basis, is married and has two dependent children. X is sole proprietor of a retail business which is his only source of income. X reasonably expects to realize $5,000 from the business, based on prior year's earnings. Therefore, X is required to make a declaration of estimated tax, for his income can be reasonably expected to exceed the sum of his personal exemptions plus four hundred dollars ($2,800).

Example 2. Y is a cash basis taxpayer with three exemptions including himself. Y is employed and expects to receive $3,000 subject to withholding. Also, Y expects to receive $2,000 income during the taxable year from the practice of a profession on his own account. Y is not required to file a West Virginia declaration of estimated tax, for Y's wages ($2,000) not subject to withholding do not exceed four hundred dollars plus the sum of his personal exemptions ($2,200).

For the purpose of determining whether a declaration of estimated income tax is required under the above provisions, a married taxpayer filing a separate declaration may not take into account the exemptions of his spouse, if his spouse has or is reasonably expected to have West Virginia adjusted gross income or is reasonably expected to be the dependent of another taxpayer, for the taxable year.

(2) Partnerships, trusts and estates. Partners and beneficiaries must file declarations of estimated income tax in their individual capacity, taking into consideration their estimated distributive shares of income from the partnerships, trusts or estates.

(3) Death of taxpayer. No declaration of estimated income tax is required to be filed for a decedent subsequent to the date of his death. See subsection 1.56(c) of these regulations relative to the making of an amended declaration by a surviving spouse if a joint declaration had been made before the death of the decedent.

(4) Fiscal year. The provisions of this regulation are equally applicable to fiscal year taxpayers.

(5) Contents of declaration. For the purpose of making the declaration, the amount of West Virginia adjusted gross income which the taxpayer can reasonably be expected to receive or accrue, depending upon the method of accounting upon which his taxable income is computed, and the sum of the estimated allowable deductions and credits to be taken into account in computing the amount of estimated income tax shall be determined upon the basis of the facts and cir-

cumstances existing as at the time prescribed for the filing of the declaration as well as those reasonably to be anticipated for the taxable year. If, therefore, the taxpayer is employed at the date prescribed for filing his declaration at a given wage or salary, it should, in the absence of circumstances indicating the contrary, be presumed by him for purposes of the declaration that such employment will continue to the end of the taxable year at the wage or salary received by him as of such date. In the case of income other than wages and salary, the expected regularity with regard to the payment of income, such as dividends, interest, rents, royalties, and estate and trust distributions, is to be taken into consideration. Thus, if the taxpayer owns shares of stock in a corporation and dividends have been paid regularly for several years upon such stock, the taxpayer in the preparation of his declaration should, in the absence of information indicating a change in the dividend policy, include the prospective dividends from the corporation for the taxable year as well as those actually received in such year prior to the filing of the declaration. In the case of a taxpayer engaged in a trade, business or profession on his own account, he may make an estimate of gross income, deductions and credits in the light of the best available information affecting the trade, business or profession.

(b) Definition of estimated tax. The term "estimated tax" means the amount which an individual estimates to be his West

Virginia income tax for the taxable year in accordance with subsection (a) of this regulation, less the amount which he estimates to be the sum of any credits allowable against the West Virginia income tax, including but not limited to the business and occupation tax credit (see section 1.8), credit for income taxes paid another state (see sections 1.20 and 1.40), and credit for West Virginia income taxes withheld from wages (see section 1.71).

<u>Example</u>: B is a taxpayer with two exemptions including himself. He is a salaried employee of a corporation at $6,000, and West Virginia income tax is withheld from his salary. B expects $50 to be withheld from his wages during the taxable year 1963. B is also a partner in the XY Partnership. B expects, based on prior years' earnings, that his distributive share of partnership profits will be $5,000. The business and occupation tax is imposed against the partnership; therefore, B can reasonably anticipate a business and occupation tax credit of $30.00 against his West Virginia income tax. B will complete a West Virginia declaration of estimated tax similar to that following:

1.	Estimated West Virginia income tax	$105.00
2.	West Virginia tax expected to be withheld. .	50.00
3.	Estimated credits against tax	30.00
4.	West Virginia estimated tax (line 1, less lines 2 and 3)	$ 25.00

(c) Joint declaration of husband and wife. A husband and wife may make a joint declaration of estimated income tax as if they are one taxpayer. A joint declaration may be made even though one spouse is expected to have no income during the taxable year. If a husband and wife make a joint declaration, their liability with respect to the estimated tax shall be joint and several.

However, no joint declaration of estimated income tax may be made if the husband and wife are separated under a decree of divorce or of separate maintenance, or if they have different taxable years. Also, no joint declaration of estimated tax may be filed if the husband and wife do not have the same resident status.

If a joint declaration of estimated income tax is made by a husband and wife but they elect to determine their West Virginia income taxes separately, the estimated tax for such year may be divided between them in any manner they may so elect, or one spouse may claim the entire amount of estimated tax paid during the year. If the husband and wife do file separate returns, the spouse claiming the estimated tax paid, or each spouse if each claims a portion of the estimated tax paid, must make a notation on his West Virginia income tax return to the effect that the estimated tax paid was by way of a joint declaration.

(d) Time for filing declaration. A declaration of estimated income tax of an individual other than a farmer shall be filed on or before April 15 of the taxable year, except that if the requirements of subsection (a) are first met (1) after April 1 and before June 2 of the taxable year, the declaration shall be filed on or before June 15, or (2) after June 1 and before September 2 of the taxable year, the declaration shall be filed on or before September 15, or (3) after September 1 of the taxable year, the declaration shall be filed on or before January 15 of the succeeding year.

(e) Declaration of estimated tax by a farmer. If an individual expects to derive at least two-thirds of his estimated West Virginia adjusted gross income from farming, he may file a declaration of estimated income tax at any time on or before January 15 of the succeeding year.

Income is attributable to farming if obtained from the cultivation of the soil, the raising or harvesting of any agricultural or horticultural commodities, the raising, etc., of livestock, bees, poultry, fur-bearing animals, or wildlife. In other words, the requisite percentage of West Virginia adjusted gross income must be derived from the operation of a stock, dairy, poultry, fruit or truck farm. If an individual receives for the use of his land income in the form of a share of the crops produced thereon, such income is from farming.

(f) Declaration of estimated tax of forty dollars or less. If an individual determines that his estimated income tax is $40.00 or less, he may file a declaration of estimated tax at any time on or before January 15 of the succeeding year.

(g) Amendments of declaration. (1) In making a declaration of estimated income tax, the taxpayer is required to take into account the then existing facts and circumstances as well as those reasonably to be anticipated relating to prospective West Virginia adjusted gross income, allowable deductions and credits for the taxable year. Amended or revised declarations may be made in any case in which the taxpayer estimates that his West Virginia adjusted gross income, deductions or credits will differ from the West Virginia adjusted gross income, deductions or credits reflected in the previous declaration. An amended declaration may also be made based upon a change in the number of exemptions to which the taxpayer may be entitled for the taxable year. However, an amended declaration may be made only as of an installment date and no further amendment may be made until a succeeding installment date. An amended declaration may be filed jointly by husband and wife even though separate declarations have previously been filed. No refund will be issued due to the filing of an amended declaration, as consideration will be given to a refund only in connection with a completed annual return filed by a taxpayer for the taxable year covered by his declaration, and/or amended declaration.

An amended declaration of estimated income tax may be filed only on an installment date prescribed for the taxable year. However, no amended declaration may be filed until after the original declaration has been filed.

(h) Return as declaration or amendment. If the taxpayer files his return for the calendar year on or before February 15th of the succeeding calendar year (or if the taxpayer is on a fiscal year basis, the date corresponding thereto) and pays therewith the full amount of the tax shown to be due on the return, then

(i) If the declaration is not required to be filed during the taxable year, but is required to be filed on or before January 15th of the succeeding year (or the date corresponding thereto in the case of a fiscal year), such return shall be considered as such declaration; or

(ii) If a declaration was filed during a taxable year, such return shall be considered as the amendment of the declaration permitted to be filed on or before January 15th of the succeeding year (or the date corresponding thereto in the case of a fiscal year), if the tax shown on the return is greater than the estimated income tax shown in the declaration.

Example: An individual taxpayer on the calendar year basis who, subsequent to September 1, 1962, first meets the requirements of section (a) of these regulations for filing a declaration for 1962, may satisfy such requirements by filing his return for 1962 on or before February 15, 1963, and paying in full at the time of such filing the tax shown thereon to be payable. Similarly, if a taxpayer files on or before September 15, 1962, a timely declaration for such year and on or before February 15, 1963, files a 1962 return on which the tax shown is greater than the estimated income tax shown on such declaration, and pays at the time of such filing the tax shown by the return to be payable, such return shall be treated as the amended declaration permitted to be filed on or before January 15, 1963. See also sections (e) and (f) of these regulations regarding the time for filing a declaration of estimated tax by a farmer and by an individual having total West Virginia estimated income tax of $40 or less.

(i) Fiscal year. In the case of individuals on a fiscal year basis, other than those referred to in sections (e) and (f) of this regulation, the declaration must be filed on or before the 15th day of the fourth month of the taxable year. The provisions of this section and of section 1.56 of these regulations shall apply to a taxable year other than a calendar year by the substitution of the corresponding fiscal year months for the calendar year months referred to in this section.

(j) Short taxable periods. If a taxpayer is required to make a declaration of estimated income tax pursuant to section

(a) of this regulation, and a short taxable year is involved, a separate declaration for such fractional part of the year is required, except as hereinafter noted.

Example: A taxpayer changes from a calendar year to a fiscal year basis beginning July 1. The taxpayer will have a short taxable year beginning January 1, and ending June 30. The anticipated West Virginia adjusted gross income (excluding wages on which tax is withheld) for such short taxable year is $3,000, His West Virginia adjusted gross income for the purpose of determining whether a declaration is required is $6,000, which is the amount obtained by placing the anticipated income of $3,000 upon an annual basis ($3,000 multiplied by 12 and divided by 6).

No declaration is required if the short taxable year is a period of less than six months. In the case of a short taxable year, the declaration shall be filed by individuals (other than those referred to in sections (e) and (f) of this regulation) on or before the 15th day of the fourth month of such taxable year. If the requirements prescribed in section (a) of this regulation are first met after the first day of the fourth month but before the second day of the sixth month, the declaration must be filed on or before the 15th day of the sixth month. If such requirements are first met after the first day of the sixth month but before second day of the ninth month, the declaration must be filed on or before the 15th day of the ninth month. If, however, the period for which the declaration is filed is (i) at least six months but less than nine months and the requirements of section (a) of this regulation are not met until after the first day of the fourth month, or (ii) is for nine months or more and such requirements are not met until after the first day of the sixth month, the declaration may be filed on or before the 15th day of the succeeding taxable year.

(k) Declaration for individual under a disability. The declaration of estimated tax for an individual who is unable to make a declaration by reason of minority, or other disability shall be made and filed by his guardian, committee, fiduciary or other person charged with the care of his person or property, (other than a receiver in possession of only a part of his property), or by his duly authorized agent.

IT. §1.56 Payment of estimated tax. (a) General. The amount of estimated income tax due as shown on a declaration of estimated income tax may be paid in installments or, at the election of the taxpayer, may be paid in full at the time of filing the declaration. If the estimated income tax is paid in installments, the first payment must accompany the declaration. In the case of a declaration of estimated income tax for a calendar year, the initial payment and the subsequent installment payments required are:

Date of Filing Declaration	Dates of Installment Payments
(1) On or before April 15th	In four equal installments - one at time of filing declaration (on or before April 15), one on or before June 15, one on or before September 15, and one on or before January 15 of the succeeding taxable year.
(2) After April 15 and before June 15, if not required to be filed on or before April 15	In three equal installments - one at time of filing declaration, one on or before September 15, and one on or before January 15 of the succeeding taxable year.
(3) After June 15 and before September 15, if not required to be filed on or before June 15	In two equal installments - one at time of filing declaration, and the other on or before January 15 of the succeeding taxable year.
(4) After September 15, if not required to be filed on or before September 5	In full at time of filing declaration.

(5) If a declaration is filed after the time prescribed in section

1.55 of these regulations, without consideration to any extension of time, paragraphs (2), (3) and (4) of this subsection shall not apply, and there shall be paid at such time all installments of the estimated tax which would have been payable on or before such date of filing if the declaration had been timely filed. The remaining installment shall be paid at the time and in the amounts in which they would have been payable if the declaration had been timely filed. Thus, for example, B, required to file a declaration of estimated income tax on or before April 15, 1962, files his declaration for 1962 on September 18, 1962. In such case, at the time of filing his declaration, B was delinquent in the payment of three installments of his estimated income tax for the taxable year of 1962. Hence, upon filing the declaration on September 18, 1962, three-fourths of the estimated tax shown thereon must be paid.

(b) Estimated income tax payments by a farmer. Special provisions are made with respect to the filing of the declaration and the payment of the tax by an individual whose estimated West Virginia adjusted gross income for the taxable year is at least two-thirds from farming. (See section 1.55(e) of these regulations). The declaration of such an individual may be filed on or before January 15 of the succeeding taxable year, in lieu of the time prescribed for taxpayers generally. Where such an individual makes a declaration of estimated income tax after September 15 of the taxable year, the estimated income tax shall be paid in full at the time of the filing of the declaration.

(c) Amendments of declaration. If any amendment of a declaration is filed, the remaining installments, if any, shall be rateably increased or decreased, as the case may be, to reflect the increase or decrease in the estimated income tax by reason of the amendment. If any amendment is made after September 15 of the taxable year, any increase in the estimated income tax by reason thereof shall be paid in full at that time.

(d) Short taxable years. In the case of a short taxable year of an individual for whom a declaration is required to be filed, the estimated income tax may be paid in equal installments, one at the time of filing the declaration, one on the 15th day of the sixth month of the taxable year and another on the 15th day of the ninth month of such year (unless the short taxable year closed prior to such sixth or ninth month, in which case the respective installment will be eliminated) and one on the 15th day of the first month of the succeeding taxable year. For example, if the short taxable year is the period of ten months from January 1, 1962 to October 31, 1962 and the declaration is required to be filed on or before April 15, 1962, the estimated income tax is payable four equal installments: one on the date of filing the declaration, and one each on June 15, September 15 and November 15, 1962. If, in such case, the declaration is required to be filed after April 15 but on or before June 15, the tax will be payable in three equal installments, one on the date of filing the declaration, and one on each September 15 and November 15, 1962.

(e) Fiscal year. In the case of individuals on a fiscal year basis, other than those referred to in sections (e) and (f) of regulation 1.55, the declaration must be filed on or before the 15th day of the fourth month of the taxable year. The provisions of this section and of section 1.55 of these regulations shall apply to a taxable year other than a calendar year by the substitution of the corresponding fiscal year months for the calendar year months referred to in this section.

(f) Installments paid in advance. At the election of the taxpayer, any installment of the estimated income tax may be paid prior to the date prescribed for its payment.

(g) Death of taxpayer. In the case of a decedent, payments of estimated income tax are not required subsequent to the death. However, see subsection 1.55 (c) (3) relating to the making of an amended declaration by a surviving spouse if a joint declaration had been made before the death of the decedent.

(h) Application of installment payments. The payment of any installment of estimated income tax shall be considered payment on account of the income tax for the taxable year for which the declaration is made. The aggregate amount of the payments of estimated income tax should be entered upon the income tax return for such taxable year as payments to be applied against the tax shown on such return.

IT. §1.57 Extensions of time. (a) General. The tax commissioner may grant an extension of time for filing any return or any document required to be filed under the West Virginia Income Tax Act or for the payment of any tax due under the Act. Except for taxpayers who are outside the United States, no extension shall exceed six months.

If a taxpayer feels that an extension of time is necessary, he should not make his request for an extension of time to the West Virginia Income Tax Division except in rare cases. In order to obtain an extension of time to file a West Virginia annual return, a taxpayer must only obtain an extension of time from the District Director of the Internal Revenue Service.

If the taxpayer obtains an extension of time federally, he must make a notation on his West Virginia return of the date to which the extension was issued and by what District Director's office the extension was granted. Most West Virginia taxpayers would obtain an extension from the District Director, Parkersburg, West Virginia. For example, a taxpayer needed an extension for 30 days. The taxpayer applied to the District Director for the extension and it was granted. The taxpayer then has an automatic extension with the State Income Tax Division and need only note in a conspicuous manner on his West Virginia return that an extension was granted to May 15 by the District Director, Parkersburg, West Virginia

Should the District Director deny an extension request and require the taxpayer to file his return in a certain number of days, this should also be noted conspicuously on the return.

(1) West Virginia extensions of time. In rare cases, where an extension of time is not needed federally, but is felt, by the taxpayer, that it is needed for West Virginia income tax purposes, a specific request should be made to the Income Tax Division. This type of request will be considered and a prompt reply made to the taxpayer. Generally, an extension of time to file a return on an original application will be limited to a period of time not in excess of sixty (60) days. Longer periods of time will not be granted by the tax commissioner unless sufficient need for such extended period is clearly shown. In no event will an extension of time to file a West Virginia return be granted in excess of six months for taxpayers within the United States.

If an additional extension of time is required by a taxpayer, a copy of the last extension granted to him must be attached to the new request in every instance.

(2) Prescribed form of application for West Virginia extension. A taxpayer, who desires an extension of time for West Virginia purposes but not for federal purposes, including an estate, a trust or partnership, must make such request by a written applica-

tion setting forth all reasons and pertinent data therefor. The application must be submitted in sufficient time to enable the Income Tax Division to consider action on the application before the regular due date of the return.

(3) Automatic extensions. Although the due date for filing income tax returns is the 15th day of the fourth month following the close of the taxable year, an automatic extension of time for filing income tax returns will be granted to taxpayers residing or traveling abroad. The automatic extension is granted up to and including the 15th day of the sixth month following the close of the taxable year (June 15 for a calendar year taxpayer).

For these automatic extensions of time, a statement must be attached to the West Virginia return showing that the taxpayer was residing or traveling abroad outside the United States on the due date (April 15, for calendar year taxpayers) of the return, and he must pay interest at the rate of six (6) percent per annum on the unpaid tax, if any, from the original due date of the return until paid.

The term "United States" does not include the State of Alaska; therefore, a West Virginia taxpayer residing or traveling in Alaska on the due date of the return qualifies for the automatic extension.

(4) Members of the Armed Forces. A member of the Armed

Forces of the United States is required to file his West Virginia income tax return at the same time as prescribed for any other taxpayer. However, if such a person is abroad or in Alaska on the due date of his return, he is granted an automatic extension of two months as stated in paragraph (3) above. Also, in the case of a taxpayer serving in the Armed Forces of the United States in an area designated by the President of the United States as a "combat zone", at any time during the period designated by the President as the period of combatant activities in such zone, or hospitalized outside the state as a result of injuries received while serving in such area during such time, the period of service in such area, plus the period of continuous hospitalization outside the state attributable to such injuries, and the next six months thereafter, shall be disregarded in determining whether the taxpayer has filed his return within the prescribed time.

(b) Amount determined as deficiency. An extension of time for filing the return automatically extends the time for payment of the tax. In addition, the Tax Commissioner may separately grant an extension up to eighteen months for the payment of the tax, upon a written request from the taxpayer setting forth complete information as to the reasons for his inability to make payment of the tax due on his return. If the taxpayer feels he cannot make payment of the tax due within the prescribed period of extension, he may make a request for further extension to the tax commissioner. Such further extension may not exceed twelve months and may be granted only if it is established to the satisfaction of the tax commissioner that exceptional circumstances exist and that to require payment within the time prescribed by the first extension would work an undue hardship on the taxpayer.

No extension for payment of taxes will be granted if any part of the deficiency is due to a disregard of rules and regulations or to fraud.

Except where specifically provided otherwise, if the time for payment of tax is extended, interest at the rate of six per centum per annum from the original due date of the return until paid shall be added to such tax. The preceding sentence also applies to the automatic extensions referred to in subsection (a) (3) of this regulation.

(c) Claims in bankruptcy or receivership proceedings. Extension of time for payment of any portion of a claim for tax allowed in bankruptcy, receivership or similar proceedings, which is unpaid, may be granted subject to the same provisions and limitations as in the case of a deficiency in such tax. See subsection (b) of this regulation.

(d) Furnishing of security. As a prerequisite to granting an extension of time for payment of any tax or deficiency, the tax commissioner may require the taxpayer to furnish a bond or other security. Such bond or other security shall be in an amount not exceeding twice the amount for which the extension of time for payment is granted.

IT. §1.58 Requirement concerning returns, notices, records and statements. (a) General. Every person subject to tax under the West Virginia Income Tax Act or for the collection of such tax, and any person required to file a return of information with respect to income, shall keep such permanent books of account or records as are sufficient to establish the amount of gross income, deductions, credits or other matters required to be shown by such person in any return of such tax or information. The tax commissioner is authorized to prescribe the content and form of returns and statements and may require the inclusion in a return, document, or statement of any information he deems necessary for the proper enforcement of the West Virginia Personal Income Tax Act. For purposes of this section the word "person" includes but is not limited to any individual, partnership, association or corporation, estate or trust.

If no method of accounting has been regularly used by the taxpayer, or if the method used does not clearly reflect income, then the computation of taxable income is made under such a method as, in the opinion of the tax commissioner, does clearly reflect income.

Bookkeeping entries of themselves are not conclusive of the amount of income. The actual facts rather than the book entries control. Also, entries on another individuals books are not conclusive against a taxpayer.

(1) Retention of records. The books or records required by this section shall be kept at all times available for inspection by authorized representatives of the tax commissioner.

(2) Farmers and wage earners. Individuals deriving gross income from the business of farming, and individuals whose gross income includes salaries, wages or similar compensation for personal services rendered, are required with respect to such income to keep such records (including duplicate copies of the wage and tax deduction statements furnished by their employers) as will enable the tax commissioner to determine the correct amount of income subject to tax.

(3) Form of records. The records required in this regulation shall be kept accurately, but no particular form is required for keeping the records. Such methods of accounting shall be used as will enable the tax commissioner to ascertain whether liability for tax has been incurred, and, if so, the correctness of the amounts required to be reported in any return of tax or information.

(4) Employer's records. Every employer or withholding agent, as defined for federal withholding tax purposes, required under the West Virginia Income Tax Act to deduct and withhold state income taxes upon the wages of employees, and every person, firm, organization or corporation required to file information returns as described below in subsection 1.58(c), shall keep all records pertinent to these taxes and information reports available for examination and inspection by the tax commissioner, or his authorized representatives. Such records

shall be retained and preserved for a period of four years following the close of the calendar year to which they relate.

No particular form is prescribed for such records, but the records shall include the amounts and dates of all wage payments subject to West Virginia income tax, the names, addresses and occupations of employees receiving such payments, the periods of their employment, the periods for which they are paid by the employer while absent due to sickness or personal injuries and the amount and weekly rate of such payments, their social security account numbers, their income tax withholding exemption certificates, the employer's identification number, records of monthly or quarterly and annual withholding returns and reports filed, and the dates and amounts of withholding tax payments made.

For nonresidents, performing services partly within and partly without the state, a record of the allocation used for withholding purposes must be kept.

(5) Notice by Tax Commissioner requiring returns, statements, or the keeping of records. The tax commissioner may require any person, by notice served upon him, to make such returns, render such statements, furnish such copies of federal income tax returns and of federal audit determinations, or keep such specific records as the tax commissioner may deem necessary to verify whether or not such person is complying or has complied with applicable provisions of the

West Virginia Personal Income Tax Act.

(6) Copies of returns, schedules and statements. Every person who is required in these regulations or by instructions applicable to any form prescribed thereunder to keep a copy of any return, schedule, statement or other document, shall keep such copy as a part of his record.

(7) Place for keeping records. All records prescribed by these regulations shall be kept, by the person required to keep them at one or more convenient safe locations accessible to the authorized representatives of the tax commissioner, and shall at all times be available for inspection by such representatives.

(b) Partnerships. Every partnership having a resident partner or having any income derived from West Virginia sources shall file a partnership return for the taxable year. The partnership shall file a return regardless of the amount of its income and regardless of the taxable years of the partners. Such partnership return shall set forth all items of income, gain, loss and deduction. The return shall also set forth the names, addresses, social security numbers, and amount of distributive shares of income deduction of all partners, and such other information or schedules which the tax commissioner may prescribe on income tax forms and instructions.

Under certain prescribed circumstances, the Internal Revenue Service does not require the execution and filing of a federal partnership return of information. Where a federal partnership return is not required for a taxable year, a West Virginia partnership return is not required for such taxable year.

(c) Information at source. See section 1.72 of these regulations.

(d) Notice of qualification as receiver etc. Every receiver, trustee in bankruptcy, assignee for benefit of creditors, or other like fiduciary required under the Internal Revenue Code of 1954 and its applicable regulations to give notice of his qualification to act in such capacity shall give like written notice to the State Tax Commissioner, Charleston, West Virginia 25305.

(e) Employers with nonresident employees working both within and without the state. If an employer has nonresident individuals as employees and these individuals work both within and without West Virginia, the employer is required to keep records which clearly reflect the amount of income earned within West Virginia and the number of days worked therein.

IT. §1.59 Report of change in federal taxable income. (a) General. If the amount of a taxpayer's federal taxable income reported on his federal income tax return for any taxable year is changed or corrected by the United States Internal Revenue Service or other competent authority or as the result of a renegotiation of a contract or subcontract with the United States, the taxpayer shall report such change or correction in federal taxable income within ninety days after the final determination of such change, correction, or renegotiation, or as otherwise required by the tax commissioner, and shall concede the accuracy of such determination or state wherein it is erroneous. When making such report, the taxpayer shall disclose to the tax commissioner the full particulars of such federal tax change or correction.

Any taxpayer who files an amended federal income tax return must also file within ninety days thereafter an amended West Virginia income tax return, and shall in addition provide the tax commissioner such further information as he may require.

IT. §1.60 Change of election. (a) General. Unless otherwise provided herein, any change of election made by a taxpayer for federal income tax purposes pursuant to the provisions of the Internal Revenue Code and its applicable regulations, which increases or decreases his federal taxable income for a taxable year, must be made similarly for West Virginia income tax purposes, except to the extent that such federal provisions are inconsistent with the West Virginia Personal Income Tax Act. A taxpayer making such a change of election for federal income tax purposes shall file an amended West Virginia return within ninety days thereafter. Any change of election shall be subject to the approval of the tax commissioner and, for this purpose, he may require such information, records or evidence that he deems necessary and may attach such conditions or limitations to his approval of such a change of election as he may consider advisable.

(b) Husband and wife. (1) Change from separate to joint return. A husband and wife can file separate West Virginia returns, and then after the time for filing returns (April 15, for calendar year taxpayers) has passed they may elect to file a joint West Virginia return. This election may be made within three years after the date the original return was first due, without regard to any extension of time. However, this election to change from separate to joint may be made only if the taxpayer has made the same election federally. See section 1.11 of these regulations.

If a husband and wife determine their federal taxable income on a joint federal return, they may elect to determine their West Virginia taxable income on a joint West Virginia return. If the taxpayers elect to change from a joint return to separate returns federally, within the prescribed time period, the taxpayers must also make the same election for West Virginia purposes. See section 1.11 of these regulations. An election to file a joint West Virginia return is binding and may not be changed after the due date of the original West Virginia return. A different election may be made each year.

(2) Husband and wife with different resident status. Sections 1.11 and 1.31 of these regulations provide that, where either husband or wife is a resident and the other is a nonresident, they shall file separate returns unless they were otherwise entitled to file a joint federal return and both elect to file a joint West Virginia return for the taxable year as if both were residents. A husband and wife may elect to file a joint West Virginia return only if one spouse was a resident for the entire taxable year and the other spouse was a nonresident for the entire taxable year. If they exercise such election they will be permitted to change their original election to file separate state returns and to make, instead, a joint return as if both were residents in accordance with section (a) above, provided that the tax due on such joint return is paid in full at the time it is filed.

(3) Approval for change of election. Elections to make the changes as hereinbefore described and to file amended returns shall be subject to the tax commissioner's approval and discretion. No amended return filed with the tax commissioner shall be valid unless the amount of tax due on such amended return is or has been paid in full at the time of the filing of the amended return.

(c) Use of standard or itemized deduction. Where the taxable income of an individual taxpayer is determined by itemizing deductions from his federal adjusted gross income, he may elect to deduct the West Virginia itemized deduction in lieu of the West Virginia standard deduction. Such election may be changed in accordance with subsection (a) above.

(d) Penalties and interest. The filing or acceptance of an amended return pursuant to this regulation shall not prevent the assessment of any penalty, additions to tax or interest to which the taxpayer may be subject prior to the filing of such amended return, except that the amount thereof shall be computed upon the amount of tax due after giving effect to any change of election made in such amended return.

PART V

Withholding of Tax

IT. §1.71 Requirements of withholding tax from wages. (a) General. Every employer maintaining an office or transacting business within West Virginia and making payment of any wages taxable under the West Virginia Income Tax Act to a resident or nonresident individual shall deduct and withhold from such wages for each payroll period such amount of tax as will result in withholding from the employee's wages during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due as the result of the inclusion in the employee's West Virginia adjusted gross income of his wages received during such calendar year. For this purpose, the provisions of the Federal Internal Revenue Code and its applicable regulations, with respect to deducting and withholding of federal income tax by employers from wages, including the meaning of the various federal terms (such as "employer", "employee", "wages", "payroll period","withholding exemptions") shall apply for West Virginia income tax purposes except as otherwise specifically provided herein or where such federal rules and definitions are clearly inconsistent with and inapplicable to the provisions of this part.

(1) Employer. The term employer means any person for whom an individual performs or performed any service, of whatever nature, as the employee of such person. An employer may be an individual, a corporation, a partnership, a trust, an estate, a joint-stock company, an association, or a syndicate, group, pool, joint venture, or other unincorporated organization, group or entity. A trust or estate, rather than the fiduciary acting on behalf of the trust or estate, is generally the employer.

The term employer embraces not only individuals and organizations engaged in trade or business, but organizations exempt from income tax; such as, charitable organizations and educational institutions.

The term employer shall also mean any person or organization qualifying as an employer for federal income tax withholding purposes and maintaining an office or transacting business within West Virginia, whether or not a paying agency is maintained within this state.

(2) Wages. Payments which are considered wages for federal income tax withholding purposes are also considered wages for purposes of West Virginia income tax withholding. However, the term wages in respect to withholding for West Virginia income tax shall not include: (i) payments made to members of the Armed Forces of the United States, including Reserve and National Guard components, and (ii) payments made to seamen who are members of the crew on a vessel engaged in foreign,

coastwise, intercoastal, interstate or noncontiguous trade.

(3) Employer relieved from withholding. A determination by the Internal Revenue Service which relieves an employer from withholding responsibility with respect to payments to an employee shall also apply for West Virginia income tax withholding purposes; however, the employer who is granted such relief by the Internal Revenue Service must notify and provide the tax commissioner with all particulars concerning the granting of such relief by the Internal Revenue Service.

Where an employer is required to reinstate withholding of federal income tax with respect to an employee, such reinstatement is equally applicable for West Virginia withholding purposes.

(b) Withholding exemptions. (1) An employee shall be entitled to the same number of West Virginia withholding exemptions as the number of withholding exemptions to which he is entitled for federal income tax withholding purposes.

(2) Notwithstanding the foregoing, in determining the proper tax to be deducted and withheld from an employee's wages, the employer shall allow the number of exemptions claimed by the employee on his withholding exemption certificate. However, since the number of exemptions for federal and West Virginia income withholding purposes is generally the same, the employer may accept the federal form W-4 filed by the employee, unless such employee elects to file a West

Virginia withholding exemption certificate. Once filed with the employer, a withholding exemption certificate will remain in effect until an amended certificate is furnished.

The "withholding exemptions", in general, correspond with the exemptions to be allowed the employee in computing his income tax on his West Virginia annual return. The employer is not required to determine whether the employee has claimed the correct number of exemptions. However, if it is believed that the employee has claimed an excessive number of exemptions, the West Virginia Income Tax Division should be so advised.

(2) The amount of each West Virginia exemption shall be six hundred dollars whether the individual is a resident or a nonresident.

(c) Exemption for certain nonresidents. Normally every employer maintaining an office or transacting business in this state and making payment of wages taxable in West Virginia shall withhold from such wages in accordance with the state tax commissioner's regulations. Certain nonresidents of this state whose income from salaries and wages earned in this state would otherwise be subject to withholding are excepted from this requirement. If such employees are residents of another state of the United States having an income tax law, the credit provisions of which result in its residents being allowed a credit against the West Virginia tax sufficient to offset all taxes required to be withheld, the employer of such employee is relieved from the withholding requirements of the West Virginia Personal Income Tax Act in accordance with the following paragraph.

Employers of resident individuals of Maryland and Virginia who are nonresident employees of West Virginia firms, need not withhold from wages and salaries of said individual, even though such nonresident employees are required to file annual returns for the taxable year with this state. The preceding sentence shall apply only if the nonresident employee properly executes and files a West Virginia exemption certificate with his employer.

(d) Wages paid to a nonresident. (1) General. An employer shall deduct and withhold on all wages paid to a nonresident employee for services performed in West Virginia. For an exception, see the preceding subsection (c) of this regulation. If such services are performed entirely within West Virginia, the employer shall withhold the tax from all wages paid to such employee.

The compensation paid to a nonresident employee for services rendered entirely without the state is not considered West Virginia wages and therefore is not subject to West Virginia withholding, whether payment is made from within or without the state.

(2) Wages of a nonresident for services performed partly within and partly without the State. If a nonresident employee performs

services for his employer partly within and partly without West Virginia, the employer may require him to execute an employee's certificate of nonresidense for the purposes indicated below.

The employer may withhold on the basis of the apportionment shown by the nonresident employee on the above certificate but must nevertheless make necessary adjustments during the year so that the proper amount of tax is withheld from the employee's wages. For the purpose of making these adjustments, the proportion of remuneration which is paid for services rendered within West Virginia is determined as follows:

(i) If the services are rendered by a traveling salesman, agent or other employee whose compensation on the basis of commissions depends directly on the volume of business transacted by him, the amount attributable to services in West Virginia is that proportion of the compensation received which the volume of business transacted by the employee within the State of West Virginia bears to the volume of business transacted by him both within and without the State of West Virginia.

(ii) With respect to all other employees, the amount of wages attributable to services within West Virginia is that proportion of the total compensation which the total number of working days employed within West Virginia bears to the total number of working days employed both within and without West Virginia, exclusive of nonworking days, such as Saturdays, Sundays, holidays, and days of absence because of illness, personal injury, vacation or leave with or without pay.

The portion of wages allocable to West Virginia may be determined by the employer on the basis of the preceding year's experience, except that the employer shall make any necessary adjustments during the year to insure that the required tax is withheld for the current year. If the employee reasonably expects that the preceding year's experience will not be applicable to the current year, he may furnish to his employer a statement estimating the proportion of his wages allocable to West Virginia, or the employer himself may make such estimate and may then withhold on the basis thereof; in either case, however, the employer is required to make the necessary adjustments during the year so that the proper amount is withheld from the employee's salary for the current year.

Where a nonresident employee will work only a short period of time within West Virginia and it is reasonably expected that the total wages of such nonresident employee for services rendered within West Virginia will not exceed his personal exemptions, the employer need not withhold or deduct any amount from his wages until the aggregate amount paid to him exceeds his exemptions.

An employer is required to withhold on all wages paid to a non-resident who works partly within and partly without West Virginia unless there is filed with him the statement referred to above or unless the employer maintains adequate current records to determine accurately the amount of wages from West Virginia sources. As to maintaining records, see section 1.58 (e) of these regulations. The mere filing of such form does not, however, relieve the employer from the duty of withholding the proper amount of tax from wages paid to an employee. The form is to be retained by the employer but is to be available for inspection by representatives of the tax commissioner.

(e) Wages paid to a resident. Wages paid to a resident of West Virginia are fully subject to withholding even though some or all of the services may have been rendered without West Virginia, for a resident's wages are taxable under the West Virginia Income Tax Act regardless of where earned.

(f) Determining tax to be withheld. The West Virginia income tax to be withheld by an employer must be determined in accordance with one of the following income tax withholding methods:

Method I Wage Bracket Method

Method II Percentage Method

Method III Computer Method

In cases of special situations, an employer may apply to the tax commissioner for permission to use another method. The methods set out above are obtainable in booklet form and may be obtained by requesting same from the Income Tax Division.

IT. §1.72 Information statement for employees. (a) General. Every employer required to deduct and withhold tax under the West Virginia Income Tax Act from the wages of an employee shall furnish to each such employee on or before February 15 of the year succeeding the taxable year a West Virginia withholding tax statement. If such individual's employment is terminated before the close of the taxable year, the employer is required to furnish such employee a West Virginia withholding statement on the date of the last payment of wages to such employee.

(b) Information required on withholding statement. The West Virginia withholding tax statement must contain the following information:

1. The employer's name, address, and identification number.

2. The employee's name, complete address and social security account number.

3. The employee's total West Virginia wages before payroll deductions, i.e., all wages paid residents, or all wages earned in West Virginia by nonresidents.

4. The total amount of West Virginia income tax withheld, if any, from the employee's wages.

5. The employee's total wages for federal tax purposes, if different from wages for West Virginia tax purposes.

6. The total amount of federal income tax withheld, if any, from the employee's wages.

IT. §1.73 Credit for tax withheld. (a) General. The West Virginia income tax deducted and withheld from an individual's wages in any calendar year shall be allowed as a credit against the West Virginia income tax imposed on such individual. If the tax has actually been withheld by the employer, such credit shall be allowed to the person from whose wages the tax was withheld, even though such tax has not been paid over to the tax commissioner. However, the taxpayer will not be granted credit for West Virginia income taxes withheld from wages unless the taxpayer attaches a withholding tax statement to his annual return to substantiate such claimed credit.

(b) Year of credit. The tax withheld during any calendar year shall be allowed as a credit in accordance with the above paragraph against the tax imposed for the taxable year which begins in such calendar year. Since most employees file returns on the calendar year basis, they receive credit for the tax withheld during their entire reporting year. However, in the case of a taxpayer who files his returns on a fiscal year basis and who is required to include in a return for such fiscal year the income from wages received during such fiscal year (cash basis taxpayer), credit must be calimed for the entire tax withheld in the calendar year during which such fiscal year began. This is true even though the withholding tax statement furnished by the employer shows wages paid and tax withheld for the calendar year.

Example: A files on a fiscal year basis beginning June 1, 1962, and ending May 31, 1963. The full amount of tax withheld during the calendar year 1962 must be claimed as a credit on such fiscal year return and it may not be prorated to reflect the portion withheld from June 1 to December 31, 1962. The withholding tax statement for 1962 must be attached to the return filed for such fiscal year ending May 31, 1963.

IT. §1.74 Employer's return and payment of withheld taxes.

(a) General. Every employer required to deduct and withhold West Virginia income tax shall, on or before the last day of the month following the close of each calendar quarter, file with the Income Tax Division, State Tax Commissioner, Charleston, West Virginia 25305, an employer's return of personal income tax withheld and remit with such return the full amount of taxes withheld during such calendar quarter. The due dates of the four quarterly returns are as follows:

Period	Due Date
January 1 to March 31	April 30
April 1 to June 30	July 31
July 1 to September 30	October 31
October 1 to December 31	January 31

Returns and payments must be made quarterly as stated above. Once a quarterly return is required to be filed, an employer must continue to file quarterly returns thereafter until he has permanently ceased to pay wages under his current identification number. For exceptions to the preceding sentence, see subsections (1) and (2) below. Accordingly, such quarterly returns are required to be filed even though, in a specific quarter, no wages are paid or tax withheld. On such returns, the employer should state the reason why no West Virginia income tax was withheld on the quarterly return.

(1) Annual returns. Where the aggregate amount of West Virginia income tax withheld by the employer is less than $25.00 in a calendar quarter and the total amount can reasonably be expected to be less than $100.00 for the entire calendar year, the employer may be granted permission to file his withholding returns annually instead of quarterly. However, an employer may not withhold on an annual basis unless he has obtained permission to do so from the Income Tax Division.

(2) Monthly returns. If in the discretion of the tax commissioner it is deemed advisable, monthly payments may be required to be made to the tax commissioner, or to a designated depository, by employers withholding amounts in excess of $100.00 in any month.

If an employer's withholding account is delinquent, he may be required to withhold on a monthly basis at the discretion of the tax commissioner.

(3) Correcting mistakes. Any mistakes in withholding shall be corrected in the same manner as provided for federal withholding tax purposes. However, if a mistake in income tax withholding cannot be adjusted on a return for a subsequent return period of the same calendar year, the Income Tax Division must be consulted as to the proper method of correction.

Where an overpayment results solely from computation errors made by an employer in the preparation of the return or remittance, such employer may apply for a refund of such overpayment.

(4) Annual reconciliation of tax withheld. The annual reconciliation of West Virginia income tax withheld must be submitted by the employer on or before February 28 following the close of the calendar year, together with the Income Tax Division's copies of all withholding tax statements for the year. These forms must be accompanied by a list, preferably in the form of an adding machine tape or accounting machine listing of the amounts of income tax withheld. These forms are to be submitted separately from the employer's quarterly return.

Where the number of withholding statements is substantial, they may be forwarded to the Income Tax Division in packages of convenient size. When this procedure is followed, the packages should be identified with the name and account number of the employer and consecutively numbered and the annual reconciliation placed in package number one. The number of packages should be indicated on the annual reconciliation.

If an employer's total payroll consists of a number of separate establishments, the withholding statements may be assembled accordingly and a separate list submitted for each establishment. In such case, a summary list should be submitted, the total of which must agree with the corresponding entry made on the annual reconciliation.

(5) Termination of business. If an employer permanently discontinues or sells his business or permanently ceases to pay wages under his current identification number, withholding returns shall

be filed simultaneously with or within 30 days after the filing of the final quarterly return and shall be accompanied by the adding machine tape or accounting machine listing referred to above. Such last return must be marked "Final Return".

(6) Use of pre-addressed forms. If pre-addressed forms are mailed to the employer by the Income Tax Division for use in filing the employer's withholding returns, such pre-addressed forms shall be used by the employer in filing these reports. Where use of such forms is impracticable, the employer must exercise extreme care to show the employer's name and identification number exactly as such appear on previously filed returns.

(7) West Virginia employer's identification number. Each employer will be identified by a West Virginia employer's identification number. This identification number will be the same as the federal identification number in every case where the employer has been assigned such a number by the District Director of Internal Revenue.

In any instance where an employer has not been assigned an identification number for federal purposes and is not required to obtain such a federal number, the employer must notify the Income Tax Division which will assign a West Virginia number for his use. If an employer has been assigned an identification number by the Income Tax Division and later obtains a federal number, he must notify the

Income Tax Division of the federal number and he will be notified to discontinue using the West Virginia identification number.

Each employer must have only one identification number. If an employer has been assigned more than one federal number and has not been advised which one to use, he should notify the District Director of Internal Revenue of the numbers he has, the name and address to which each number was assigned and the address of his principal place of business. The District Director will then advise him which number to use.

An employer who has acquired the business of another employer must not use any identification number assigned to the original employer, but must obtain a new identification number in accordance with this regulation.

(b) Deposit in trust for tax commissioner. Whenever any employer fails to collect, truthfully account for, pay over the tax, or make returns of the tax as required by the West Virginia Income Tax Act, the tax commissioner may serve a notice requiring such employer to collect the taxes which become collectible after service of such notice, to deposit such taxes within the time specified in such notice in a bank approved by the tax commissioner, in a separate account in trust for and payable to the tax commissioner, and to keep the amount of such tax in such account until payment over to the tax commissioner. Such notice shall remain in effect until a notice of cancellation is served by the tax commissioner. Any employer, who, after service of such notice by the tax commissioner, fails to comply with the instructions contained therein shall be liable for criminal and civil penalties.

In lieu of the requirement referred to in the preceding paragraph to deposit the taxes on a separate bank account and trust for and payable to the tax commissioner, the notice may require the employer to remit such taxes to a designated officer or employee of the State Tax Commissioner.

IT. §1.75 Employer's liability for withheld taxes. Every employer required to deduct and withhold West Virginia income tax from wages of an employee is liable for the payment of such tax, whether or not it is collected from the employee by the employer. If, for example, the employer deducts less than the correct amount of tax, or if he fails to deduct any part of the tax, he is nevertheless liable for the correct amount of tax. See, however, section 1.76. The employer is relieved of liability to any other person for the amount of any such tax withheld and paid over to the tax commissioner, and no employee shall have any right of action against his employer in respect to any monies deducted and withheld from his wages and paid over to the tax commissioner in compliance or in intended compliance with the West Virginia Income Tax Act.

Any amount of tax withheld shall, with respect to the recipient of the wages, be deemed to have been paid by him and shall, in the hands of the employer or withholding agent, constitute a special fund in trust for the tax commissioner.

All the provisions of sections 80 through 93 of the West Virginia Income Tax Act, relating to assessment and collection of taxes, and to penalties, additions to tax, interest and crimes in respect thereto, shall apply toevery employer required to withhold West Virginia Income Tax.

IT. §1.76 Employer's failure to withhold. (a) General. If an employer fails to deduct and withhold tax as required, and thereafter the income tax against which such tax may be credited is paid by the employee, the tax required to be deducted and withheld shall not be collected from the employer. However, the preceding sentence shall not relieve the employer from any liability for any penalties, interest, additions to tax, or crimes otherwise applicable in respect of such failure to deduct and withhold.

Example: An employer fails to deduct and withhold West Virginia income tax from an employee's wages (on whose wages he is required to withhold). Thereafter, the employee files his West Virginia Personal Income Tax Return and pays the income tax shown on the return to be due. Since the tax was paid by the employee, the Income Tax Division is precluded from collecting the tax which the employer should have withheld from the employee; however, the payment of the tax by the employee does not relieve the employer from penalties, interest, additions to tax and crimes in respect to his failure to withhold.