

**WEST VIRGINIA COMBINED CORPORATE INCOME/
FRANCHISE TAX RETURN**

GENERAL INFORMATION

The West Virginia State Tax Department provides personalized forms to taxpayers who may have to pay estimated corporate income and/or business franchise tax. These forms are scanned by a computer. This saves data entry time, speeds the posting of your account and reduces errors. If you received personalized forms in the mail, you can help ensure the accuracy of your account by using them. If you use a tax practitioner, take your personalized forms to your practitioner.

COMBINED FORMS

For taxable years beginning on or after January 1, 2003, the West Virginia State Tax Department is combining into one return, the West Virginia Corporate Income Tax Return and the Business Franchise Tax Return. This will allow you to satisfy both filing requirements through the filing of one return. The enclosed estimated payment vouchers can be used to submit estimated payment for either the corporate income tax or the business franchise tax or both.

DO NOT DUPLICATE THESE FORMS OR USE A FORM THAT HAS SOMEONE ELSE'S NAME ON IT. Your payment could be credited to someone else's account if you file on a photocopied form.

BUSINESS FRANCHISE TAX

The Business Franchise Tax, imposed upon C corporations, S corporations, and partnerships, is a tax on the privilege of doing business in West Virginia. Any domestic corporation, any corporation that has its commercial domicile in West Virginia and every corporation and partnership that owns or leases real or tangible personal property in West Virginia or doing business in West Virginia is subject to the Business Franchise Tax.

The term "doing business" means any activity of a corporation or partnership which enjoys the benefits and protection of the government and laws of this state. Doing business does not include those engaged in the activity of agriculture or farming.

The term "corporation" includes any corporation, S corporation, joint stock company, and any association or other organization which is taxable as a corporation under federal income tax laws or the income tax laws of this state. The term "partnership" includes a syndicate, group, pool, joint venture, limited liability company or other unincorporated organization by means of which any business, financial operation or venture is carried on, and which is not a trust or estate, a corporation, or a sole proprietorship.

For corporations, the measure of the tax is the capital of the corporation and is defined as the average of the beginning and ending balances of: 1) the value of common and preferred stock, 2) plus paid in or capital surplus, 3) plus retained earnings, 4) less treasury stock. S corporations will also include the average of the accumulated adjustment account, other adjustment account, and shareholders undistributed taxable income. For partnerships, the capital is the average of the beginning and ending balances of the partner's capital accounts. These items of capital are taken from the balance sheet of the taxpayer's federal income tax return as filed with the Internal Revenue Service. Multi-state businesses will apportion their capital to West Virginia using a four factor formula consisting of payroll, property and double weighted sales factors.

The tax rate is 70¢ per \$100 of taxable capital with a minimum tax of \$50. As of January 1, 2007 the tax rate is 55¢ per \$100 of taxable capital with a minimum tax of \$50.

CORPORATE INCOME TAX

The Corporation Net Income Tax is a tax on the West Virginia taxable income of every domestic or foreign corporation which enjoys the benefits and protection of the government and laws in the State of West Virginia or derives income from property, activity or other sources in West Virginia. The term "corporation" includes a joint-stock company and any association or other organization which is taxable as a corporation under federal income tax laws.

This is a federal conformity tax in that the starting point in computing West Virginia taxable income is the federal taxable income of the corporation. Certain increasing and decreasing adjustments, as required by WV Code §11-24-6, must be made to federal taxable income to arrive at West Virginia taxable income. Multi-state corporations must take one further step to determine West Virginia taxable income. They are required to allocate certain types of nonbusiness income to West Virginia and apportion their remaining income based on a four factor formula consisting of payroll, property and double weighted sales factors.

The Corporation Net Income Tax rate as of July 1, 2002 is 9.0%. The Corporation Net Income Tax rate as of January 1, 2007 is 8.75%.

EXEMPT ORGANIZATIONS

Any corporation or partnership exempt from federal income tax is also exempt from West Virginia Corporation Net Income Tax and Business Franchise Tax. In addition, certain insurance companies, certain production credit associations, trusts established under 29 U.S.C 186, and other organizations specifically exempt under the laws of West Virginia are also exempt.

S CORPORATIONS. Corporations that have filed a valid federal election to be taxed as an S corporation must file Form WV/CNT-112S, West Virginia S Corporation Return and Form WV/CNF-120, West Virginia Corporate Combined Income/Franchise Tax Return.

UNRELATED BUSINESS INCOME. If you are a tax exempt organization with unrelated business income that is subject to federal tax, you must pay the West Virginia Corporation Net Income Tax on that unrelated income attributable to West Virginia. Also, that portion of your capital that is used, directly or indirectly, in the generation of the unrelated business income is subject to the West Virginia Business Franchise Tax.

ANSWERS TO COMMONLY ASKED QUESTIONS

WHAT IS ESTIMATED TAX? Estimated tax is the tax that you expect to owe for the taxable year less the amount of any tax credits that you expect to receive. Income tax withheld from any of your income is treated as estimated tax for purposes of determining your estimated tax. Prior year overpayments that you have elected to credit to the current year are also treated as estimated tax for the year to which you requested that they be credited.

WHO MUST MAKE ESTIMATED PAYMENTS?

CORPORATE INCOME - If you expect your West Virginia taxable income to be at least \$10,000 when you file your annual income tax return, you are required to make estimated payments of your corporate income tax liability.

BUSINESS FRANCHISE - If you expect to owe at least \$12,000 in business franchise tax when you file your annual franchise tax return, you are required to make estimated payments of your business franchise tax liability. Your average taxable capital base would be at least \$1,714,286 for you to have a business franchise tax liability of \$12,000.

HOW MUCH ESTIMATED TAX MUST I PAY? Use the Estimated Tax Worksheets that are part of these instructions to calculate your estimated tax liability. Generally, if you are required to make estimated tax payments, you must pay in at least ninety percent (90%) of your tax liability to avoid additions to tax for underpayment of estimated tax.

WHAT IF I DON'T PAY ENOUGH ESTIMATED TAX? If you have not prepaid at least ninety percent (90%) of your estimated tax by the due date of the fourth installment (15th day of the twelfth month of your taxable year), additions to tax (penalty) will be added to your tax liability unless you qualify for one of the exceptions. The penalty is calculated using Form WV/CNF-120U for the tax you have underpaid. The penalty is equal to the amount determined by applying the current interest rate for tax underpayments to the underpayment for the period of time the underpayment exists. The annual interest rate for tax underpayments is determined by the State Tax Commissioner at six month intervals, but cannot be less than eight percent (8%).

WHAT ARE THE EXCEPTIONS TO THE PENALTY? Under certain criteria, you may not be subject to the penalty for underpayment of estimated tax. The exceptions are:

- (1) If you prepay, through estimated tax payments, one hundred percent of the tax shown on your return for the preceding taxable year. The preceding taxable year must be a full twelve months long and your return for the preceding year must actually reflect a tax liability. This exception is determined on an installment by installment basis. For example, a taxpayer must prepay twenty-five percent (100% times one-fourth) of the prior year tax by the due date of the first installment to meet the exception for that installment period.
- (2) If you prepay, through estimated tax payments, the portion of the tax which would be due if you annualized your income (capital for purposes of the business franchise tax) earned so far this year. This exception is also determined on an installment by installment basis. Many taxpayer's who have varying levels of income (capital) throughout the year may qualify for this exception.

HOW DO I AMEND MY ESTIMATES? If, after making payments, you find that your income or capital has changed, you should recompute your estimated tax liability and adjust your payments when the next payment is due. Even if you had not been required to make previous payments, a dramatic rise in income, or capital, may require you to make future payments.

WHEN ARE MY ESTIMATED PAYMENTS DUE? Estimated tax payments are due on the fifteenth day of the fourth, sixth, ninth, and twelfth months of your taxable year. If the due date falls on Saturday, Sunday, or a legal holiday, the payment is due the next business day. A payment placed in the mail, with postage paid, on or before the due date, is considered timely paid. See the chart in this booklet for time, amount, and due dates of installments.

HOW DO I RECEIVE CREDIT FOR MY ESTIMATED PAYMENTS? Show the total of any estimated payments on the estimated payments line of your annual tax returns to receive full credit. Be sure that your correct West Virginia Account Identification number is shown on each payment voucher to ensure proper processing of your payment.

WHAT IF MY TAXABLE YEAR IS A SHORT TAXABLE YEAR? If your short taxable year is less than four months long, there are no requirements to make estimated payments of your liability. You must submit any tax due on or before the 15th day of the third month following the close of the taxable year.

If your short taxable year is longer than four months but less than twelve months, you must make estimated payments on the 15th day of the fourth, sixth, and ninth month of the short taxable year, depending upon the length of your taxable year. For example, a taxpayer having a short taxable year of seven months, would be required to pay in ninety percent (90%) of their liability in two equal installments, one on the 15th day of the fourth month and one on the 15th day of the sixth month. Another example is, a taxpayer having a short taxable year of five months would be required to pay in ninety percent (90%) of their liability in one installment which would be due on the 15th day of the fourth month of their short taxable year.

DUE DATES OF ESTIMATED PAYMENTS				
YEAR ENDED	1st PAYMENT	2nd PAYMENT	3rd PAYMENT	4th PAYMENT
December 31,	15-Apr	15-Jun	15-Sep	15-Dec
January 31,	15-May	15-Jul	15-Oct	15-Jan
February 28 or 29,	15-Jun	15-Aug	15-Nov	15-Feb
March 31,	15-Jul	15-Sep	15-Dec	15-Mar
April 30,	15-Aug	15-Oct	15-Jan	15-Apr
May 31,	15-Sep	15-Nov	15-Feb	15-May
June 30,	15-Oct	15-Dec	15-Mar	15-Jun
July 31,	15-Nov	15-Jan	15-Apr	15-Jul
August 31,	15-Dec	15-Feb	15-May	15-Aug
September 30,	15-Jan	15-Mar	15-Jun	15-Sep
October 31,	15-Feb	15-Apr	15-Jul	15-Oct
November 30,	15-Mar	15-May	15-Aug	15-Nov

**INSTRUCTIONS FOR COMPLETING THE
WEST VIRGINIA ESTIMATED CORPORATE
INCOME TAX WORKSHEET**

For more detailed information about the West Virginia Corporation Income Tax refer to WV Code §11-24-1, et seq.

WHO COMPLETES? All C corporations, and tax exempt corporations with unrelated business taxable income, must complete this worksheet to estimate their West Virginia Corporate Income Tax liability and determine if they must make estimated payments of their liability.

Line 1. Enter the federal taxable income that you expect to report on your federal income tax return.

Line 2. Enter the adjustments increasing federal taxable income that you expect to report on your federal income tax return. These include tax exempt interest, federal net operating loss deduction, unrelated business taxable income of a corporation exempt from federal tax, income taxes, foreign taxes and losses, and depreciation on West Virginia water/air pollution control facilities. See WV Code §11-24-6 for complete information.

Line 3. Enter the adjustments decreasing federal taxable income that you expect to report on your federal income tax return. These include net foreign source income, Subpart F income, foreign dividend gross-up, federal jobs credit, disallowed interest expense, refund of income taxes, gain on sale of property acquired prior to July 1, 1967, cost of West Virginia water/air pollution control facilities, employer contributions to WV medical savings accounts, and an adjustment for governmental obligations and obligations secured by certain residential property. See WV Code §11-24-6 for more information.

Line 5. Corporation's taxable both within and without West Virginia may allocate the following types of net income if it can be classified as nonbusiness income: rents, royalties, capital gains/losses, interest, dividends, patent/copyright royalties and IRC §631(a) and (b) gain on sale of certain natural resources. Partnership distributions are also directly allocated. See WV Code §11-24-7 for additional information.

Line 7. Generally, corporations subject to tax both within and without West Virginia apportion business income using an apportionment factor consisting of payroll, property, and a double weighted sales factor. (See WV Code §11-24-7) Motor carriers apportion using a single vehicle miles factor. (See WV Code §11-24-7a) Financial organizations not commercially domiciled in West Virginia apportion using a single gross receipts factor. (See WV Code §11-24-7b).

Line 12. If your adjusted West Virginia taxable income on this line is greater than \$10,000, you are required to make estimated payments of your West Virginia Corporate Income Tax liability. Complete lines 13 through 19 to determine the amount of each installment payment. Payments are generally due in four equal installments.

**West Virginia Estimated Corporate
Income Tax Worksheet**

1	Federal taxable income (line 30 of Federal Form 1120).....	1
2	Adjustment increasing federal taxable income (Code 11-24-6).....	2
3	Adjustments decreasing federal taxable income (Code 11-24-6).....	3
4	Adjusted federal taxable income (line 1 plus line 2 minus line 3).....	4
5	Net nonbusiness income/loss everywhere (Code 11-24-7).....	5
6	Income subject to apportionment (sum of lines 4 and 5).....	6
7	West Virginia apportionment factor (Code 11-24-7, 7a, or 7b).....	7
8	West Virginia apportioned income (line 6 X line 7).....	8
9	Nonbusiness income/loss allocated to WV (11-24-7).....	9
10	West Virginia taxable income (sum of line 8 and 9).....	10
11	West Virginia net operating loss deduction (Code 11-24-6(d)).....	11
12	Adjusted West Virginia taxable income (line 10 minus line 11).....	12
13	Tax due (line 12 X 9.00%; if tax year begins on or after 1/1/07 Line 12 X 8.75%)	13
14	West Virginia tax credits (See Publication TSD-110).....	14
15	Total tax due (line 13 minus line 14).....	15
16	Estimated tax required to be prepaid (line 15 X 90%).....	16
17	Prior year overpayment credited to current taxable year.....	17
18	Tax to be prepaid (line 16 minus line 17. If zero or less, enter -0-)....	18
19	Installment payment due with each voucher (25% of line 18).....	19

**INSTRUCTIONS FOR COMPLETING THE
WEST VIRGINIA ESTIMATED BUSINESS FRANCHISE TAX WORKSHEET**

For more detailed information about the West Virginia Business Franchise Tax refer to WV Code §11-23-1, et seq.

WHO COMPLETES? All C corporations, S corporations, partnerships, and tax exempt corporations and organizations with unrelated business taxable income.

Line 1A through 1J. Enter the average dollar amounts of the beginning and ending capital account balances that you expect to report on Schedule L of your federal tax return. The Schedule L must have been prepared following generally accepted accounting principles.

- C corporations — Complete lines 1A through 1E and 1I.
- S corporations — Complete lines 1A through 1I.
- Partnerships — Complete line 1J.

Line 3. A special adjustment to capital is available for taxpayers having investments in federal obligations, obligations of West Virginia and its political subdivisions, and investments in certain residential property located in West Virginia. [See WV Code §11-23-3(b)(2)(e)]

Line 5. Generally, multi-state corporations apportion their capital using an apportionment factor consisting of payroll, property, and a double weighted sales factor. (See WV Code §11-23-5) Financial organizations not commercially domiciled in West Virginia apportion using a single gross receipts factor. (See WV Code §11-23-5a) Motor carriers must use the regular apportionment factor for business franchise tax.

Line 8. For tax years that begin on or after July 1, 1997, the business franchise tax is calculated at 0.7% of the tax base, or \$50.00, whichever is greater. For tax years that begin on or after January 1, 2007, the Business Franchise Tax is calculated at 0.55% of the tax base, or \$50.00, whichever is greater.

Line 10. If your total tax due on this line is greater than \$12,000, you are required to make estimated payments of your West Virginia Business Franchise Tax liability. Complete lines 11 through 14 to determine the amount of each installment payment. Payments are due in four equal installments.

West Virginia Estimated Business Franchise Tax Worksheet

C O M P U T A T I O N O F C A P I T A L	1A	Average dollar amount of Common stock.....	1A	
	1B	Average dollar amount of preferred stock.....	1B	
	1C	Average paid-in or capital surplus.....	1C	
	1D	Average retained earnings appropriated.....	1D	
	1E	Average retained earnings unappropriated.....	1E	
	1F	Average shareholders undistributed taxable income.	1F	
	1G	Average accumulated adjustment account.....	1G	
	1H	Average other adjustment account.....	1H	
	1I	Less: Average cost of treasury stock.....	1I	
	1J	Average dollar amount of partner's capital account	1J	
	2	CAPITAL (sum of lines 1A through 1J).....	2	
3		Adjustment for government obligations/investments.....	3	
4		Adjusted capital (line 2 minus line 3).....	4	
5		West Virginia apportionment factor (Code 11-23-5 or 5a	5	
6		Tax base (line 4 multiplied by line 5).....	6	
7		Tax rate (If tax year begins after 7/1/97, enter .007; if tax year begins on or after 1/1/07, enter .0055)	7	
8		Tax (line 6 multiplied by line 7, but not less than \$50.00).....	8	
9		Tax credits (see Publication TSD-110).....	9	
10		Total tax due (line 8 minus line 9).....	10	
11		Estimated tax to be prepaid (line 10 multiplied by 90%).....	11	
12		Prior year overpayment credited to current taxable year.....	12	
13		Tax to be prepaid (line 11 minus line 12. If zero or less, enter 0).....	13	
14		Installment payment due with each voucher (25% of line 13).....	14	

RECORD OF ESTIMATED PAYMENTS

For tax year beginning _____ and ending _____

Estimated Payments (enter due dates from chart located within instruction pages)

	Due Date	Date Paid	Check Number	Amount Paid
1 st				
2 nd				
3 rd				
4 th				