

WEST VIRGINIA LEGISLATURE

2019 REGULAR SESSION

Committee Substitute

for

House Bill 2579

BY DELEGATES NELSON AND CRISS

[Originating in the Committee on the Judiciary,

February 6, 2019.]

1 A BILL to amend and reenact §11-10-11 of the Code of West Virginia, 1931, as amended; and to
2 amend and reenact §11-15-18a of said code, all relating to the collection of tax and the
3 priority of distribution of an estate or property in receivership and the liability of the
4 fiduciary.

Be it enacted by the Legislature of West Virginia:

ARTICLE 10. WEST VIRGINIA TAX PROCEDURE AND ADMINISTRATION ACT.

§11-10-11. Collection of tax.

1 (a) *General.* — The Tax Commissioner shall collect the taxes, additions to tax, penalties
2 and interest imposed by this article or any of the other articles of this chapter to which this article
3 is applicable. In addition to all other remedies available for the collection of debts due this state,
4 the Tax Commissioner may proceed by foreclosure of the lien provided in §11-10-12 of this code,
5 or by levy and distraint under §11-10-13 of this code.

6 (b) *Prerequisite to final settlement of contracts with nonresident contractor; user personally*
7 *liable.* —

8 (1) Any person contracting with a nonresident contractor subject to the taxes imposed by
9 §11-13-1 *et seq.*, §11-21-1 *et seq.*, and §11-24-1 *et seq.* of this code, shall withhold payment, in
10 the final settlement of the contract, of a sufficient amount, not exceeding six percent of the contract
11 price, as will in the person's opinion be sufficient to cover the taxes, until the receipt of a certificate
12 from the Tax Commissioner to the effect that the above referenced taxes imposed against the
13 nonresident contractor have been paid or provided for.

14 (2) If any person shall fail to withhold as provided in subdivision (1) of this subsection, that
15 person is personally liable for the payment of all taxes attributable to the contract, not to exceed
16 six percent of the contract price. The taxes attributable shall be recoverable by the Tax
17 Commissioner by appropriate legal proceedings, which may include issuance of an assessment
18 under this article.

19 (c) *Prerequisite for issuance of certificate of dissolution or withdrawal of corporation.* —
20 The Secretary of State shall withhold the issuance of any certificate of dissolution or withdrawal
21 in the case of any corporation organized under the laws of this state, or organized under the laws
22 of another state and admitted to do business in this state, until the receipt of a certificate from the
23 Tax Commissioner to the effect that every tax administered under this article imposed against any
24 corporation has been paid or provided for, or that the applicant is not liable for any tax
25 administered under this article.

26 (d) *Prerequisite to final settlement of contract with this state or political subdivision;*
27 *penalty.* — All state, county, district and municipal officers and agents making contracts on behalf
28 of this state or any political subdivision thereof shall withhold payment, in the final settlement of
29 any contract, until the receipt of a certificate from the Tax Commissioner to the effect that the
30 taxes imposed by §11-13-1 *et seq.*, §11-21-1 *et seq.*, and §11-24-1 *et seq.* of this code against
31 the contractor have been paid or provided for. If the transaction embodied in the contract or the
32 subject matter of the contract is subject to county or municipal business and occupation tax, then
33 the payment shall also be withheld until receipt of a release from the county or municipality to the
34 effect that all county or municipal business and occupation taxes levied or accrued against the
35 contractor have been paid. Any official violating this section is subject to a civil penalty of \$1,000,
36 recoverable as a debt in a civil action brought by the Tax Commissioner.

37 (e) *Limited effect of Tax Commissioner's certificates.* — The certificates of the Tax
38 Commissioner provided in subsections (b), (c) and (d) of this section shall not bar subsequent
39 investigations, assessments, refunds and credits with respect to the taxpayer.

40 (f) *Payment when person sells out or quits business; liability of successor; lien.* —

41 (1) If any person subject to any tax administered under this article sells out his, her or its
42 business or stock of goods, or ceases doing business, any tax, additions to tax, penalties and
43 interest imposed by this article or any of the other articles of this chapter to which this article is
44 applicable shall become due and payable immediately and that person shall, within 30 days after

45 selling out his, her or its business or stock of goods or ceasing to do business, make a final return
46 or returns and pay any tax or taxes which are due. The unpaid amount of any tax is a lien upon
47 the property of that person.

48 (2) The successor in business of any person who sells out his, her or its business or stock
49 of goods, or ceases doing business, is personally liable for the payments of tax, additions to tax,
50 penalties and interest unpaid after expiration of the 30-day period allowed for payment: *Provided*,
51 That if the business is purchased in an arms-length transaction, and if the purchaser withholds so
52 much of the consideration for the purchase as will satisfy any tax, additions to tax, penalties and
53 interest which may be due until the seller produces a receipt from the Tax Commissioner
54 evidencing the payment thereof, the purchaser is not personally liable for any taxes attributable
55 to the former owner of the business unless the contract of sale provides for the purchaser to be
56 liable for some or all of the taxes. The amount of tax, additions to tax, penalties and interest for
57 which the successor is liable is a lien on the property of the successor, which shall be enforced
58 by the Tax Commissioner as provided in this article.

59 (g) *Priority in distribution of estate or property in receivership. ~~personal liability of fiduciary~~*
60 — All taxes due and unpaid under this article shall be paid from the first money available for
61 distribution, voluntary or compulsory, in receivership, bankruptcy or otherwise, of the estate of
62 any person, firm or corporation entity, subject to §38-10C-1 et seq. of this code and subject to the
63 priority of in priority to all claims, except taxes and debts due the United States which under federal
64 law are given priority over the debts and liens created by this article. Any person responsible for
65 the administration of an estate of a decedent, who violates the provisions of this section is
66 personally liable for any taxes accrued and unpaid under this article, which are chargeable against
67 the person, firm or corporation whose estate is in administration. ~~Any trustee, receiver,~~
68 ~~administrator, executor or person charged with the administration of an estate who violates the~~
69 ~~provisions of this section is personally liable for any taxes accrued and unpaid under this article,~~
70 ~~which are chargeable against the person, firm or corporation whose estate is in administration~~

71 (h) *Injunction.* — If the taxpayer fails for a period of more than 60 days to fully comply with
72 any of the provisions of this article or of any other article of this chapter to which this article is
73 applicable, the Tax Commissioner may institute a proceeding to secure an injunction to restrain
74 the taxpayer from doing business in this state until the taxpayer fully complies with the provisions
75 of this article or any other articles. No bond is required of the Tax Commissioner in any action
76 instituted under this subsection.

77 (i) *Costs.* — In any proceeding under this section, upon judgment or decree for the Tax
78 Commissioner, he or she shall be awarded his or her costs.

79 (j) *Refunds; credits; right to offset.* —

80 (1) Whenever a taxpayer has a refund or credit due it for an overpayment of any tax
81 administered under this article, the Tax Commissioner may reduce the amount of the refund or
82 credit by the amount of any tax administered under this article, whether it be the same tax or any
83 other tax, which is owed by the same taxpayer and collectible as provided in subsection (a) of this
84 section.

85 (2) The Tax Commissioner may enter into agreements with the Internal Revenue Service
86 that provide for offsetting state tax refunds against federal tax liabilities; offsetting federal tax
87 refunds against state tax liabilities; and establishing the amount of the offset fee per transaction
88 which both agencies may charge each other: *Provided*, That offsets under subdivision (1) of this
89 subsection shall occur prior to offset under this subdivision. At the times moneys are received as
90 a result of an offset of a taxpayer's federal tax refund under the provisions of section 6402(e) of
91 the Internal Revenue Code, the taxpayer is given credit against state tax liability for the amount
92 of the offset less a deduction for the offset fee imposed by the Internal Revenue Service: *Provided*,
93 *however*, That the amount of the offset fee imposed by the Internal Revenue Service shall be
94 added to the taxes, interest and penalties owed by the taxpayer to this state: *Provided, further*,
95 That the amount of the offset fee imposed by the Tax Commissioner shall be deducted from the
96 moneys retained from the taxpayer's state tax refund and then deposited in the special revolving

97 fund which is hereby created and established in the state Treasury and designated as the Tax
98 Offset Fee Administration Fund: *And provided further*, That the fees deposited in the Tax Offset
99 Fee Administration Fund may be expended by the Tax Commissioner for the general
100 administration of the taxes administered under the authority of this article.

101 (k) *Spouse relieved of liability in certain cases.* —

102 (1) *In general.* — Under regulations prescribed by the Tax Commissioner, if:

103 (A) A joint personal income tax return has been made for a taxable year;

104 (B) On the return there is a substantial understatement of tax attributable to grossly
105 erroneous items of one spouse;

106 (C) The other spouse establishes that in signing the return he or she did not know, and
107 had no reason to know, that there was a substantial understatement; and

108 (D) Taking into account all the facts and circumstances, it is inequitable to hold the other
109 spouse liable for the deficiency in tax for the taxable year attributable to the substantial
110 understatement, then the other spouse is relieved of any liability for tax, including interest,
111 additions to tax, and other amounts for the taxable year to the extent the liability is attributable to
112 the substantial understatement.

113 (2) *Grossly erroneous items.* — For purposes of this subsection, the term “grossly
114 erroneous items” means, with respect to any spouse:

115 (A) Any item of gross income attributable to a spouse which is omitted from gross income;
116 and

117 (B) Any claim of a deduction, credit or basis by a spouse in an amount for which there is
118 no basis in fact or law.

119 (3) *Substantial understatement.* — For purposes of this subsection, the term “substantial
120 understatement” means any understatement, as defined in regulations prescribed by the Tax
121 Commissioner which exceed \$500.

122 (4) Understatement must exceed specified percentage of spouse’s income.

123 (A) *Adjusted gross income of \$20,000 or less.* — If the spouse’s adjusted gross income
124 for the readjustment year is \$20,000 or less, this subsection applies only if the liability described
125 in paragraph (1) of this subsection is greater than 10 percent of the adjusted gross income.

126 (B) *Adjusted gross income of more than \$20,000.* — If the spouse’s adjusted gross income
127 for the readjustment year is more than \$20,000, subparagraph (A) of this subdivision is applied
128 by substituting “25 percent” for “10 percent”.

129 (C) *Readjustment year.* — For purposes of this paragraph, the term “readjustment year”
130 means the most recent taxable year of the spouse ending before the date the deficiency notice is
131 mailed.

132 (D) *Computation of spouse’s adjusted gross income.* — If the spouse is married to another
133 spouse at the close of the readjustment year, the spouse’s adjusted gross income shall include
134 the income of the new spouse whether or not they file a joint return.

135 (E) *Exception for omissions from gross income.* — This paragraph shall not apply to any
136 liability attributable to the omission of an item from gross income.

137 (5) *Adjusted gross income.* — For purposes of this subsection, the term “adjusted gross
138 income” means the West Virginia adjusted gross income of the taxpayer, determined under §11-
139 21-1 *et seq.* of this code.

ARTICLE 15. CONSUMERS SALES AND SERVICE TAX.

§11-15-18a. Receivership; bankruptcy; priority of tax.

1 All taxes due and unpaid under this article shall be paid from the first money available for
2 distribution, voluntary or compulsory, in receivership, bankruptcy or otherwise, of the estate of
3 any person, or entity, subject to §38-10C-1 *et seq.* of this code and subject to the priority of taxes
4 and debts due the United States which under federal law are given priority over the debts and
5 liens created by this article. Any person responsible for the administration of an estate of a
6 decendent, who violates the provisions of this section is personally liable for any taxes accrued
7 and unpaid under this article, which are chargeable against the person, firm or corporation whose

8 estate is in administration.~~In the distribution, voluntary or compulsory, in receivership, bankruptcy~~
9 ~~or otherwise, of the property or estate of any person, all taxes due and unpaid under this article~~
10 ~~shall be paid from the first money available for distribution in priority to all claims and liens except~~
11 ~~taxes and debts due the United States which under federal law are given priority over the debts~~
12 ~~and liens created by this article. Any person charged with the administration or distribution of any~~
13 ~~such property or estate who shall violate the provisions of this section shall be personally liable~~
14 ~~for any taxes accrued and unpaid under this article which are chargeable against the person~~
15 ~~whose property or estate is in administration or distribution~~

NOTE: The purpose of this bill is to clarify conflicts within the code and create uniformity relating to the collection of taxes, the priority of distribution of an estate and to limit the liability of a fiduciary charged with distribution of the estate.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.