



# STATE OF WEST VIRGINIA

Department of Revenue

State Tax Department

Earl Ray Tomblin  
Governor

Mark W. Matkovich  
State Tax Commissioner

December 1, 2015

Nancy Briscoe, Vice President  
Eastern Panhandle Organization of Homeowners' Associations  
P.O. Box 911  
Charles Town, W. Va. 25414

**RE: TAXABILITY OF COMMON AREAS IN COMMON INTEREST COMMUNITIES  
UNDER THE UNIFORM COMMON INTEREST OWNERSHIP ACT  
Legal Log No. 15-309ds**

Dear Ms. Briscoe:

This is in response to your November 18, 2015 letter to the State Tax Commissioner concerning the possible misapplication of the Uniform Common Interest Ownership Act (UCIOA) by West Virginia assessors. In your letter you state that,

Currently, in opposition to the law, common areas are separately assessed and HOAs are required to pay tax yet a second time to privately maintain their common areas, including roads, sidewalks, flood plains, recreational facilities, and clubhouses.

You request that the Tax Commissioner "alert all WV county assessors to comply with the law."

The State Tax Department has previously addressed this issue, in several ways. The tax treatment of the common areas of communities created under the UCIOA was the subject of a presentation at the County Assessors' annual in-service training conference conducted by the State Tax Department in May 2012. The information presented to the assessors at the conference was congruent with the current law as you stated it in your letter.

To follow up this training, in July 2012 the Property Tax Division sent a Notice to all county assessors, memorializing the information that had been presented at the conference.

In addition, Publication TSD-318, placed on the Tax Department's website earlier this year, provides a concise summary of current State law dealing with the taxation of homeowners' associations and common interest communities:

[<http://tax.wv.gov/TaxProfessionals/GuidanceAndPublications/Pages/TaxProfessionalsGuidanceAndPublications.aspx>]

We invite you and your clients to review Publication TSD-318, and would be happy to entertain any suggestions you might have on how this publication could be improved.

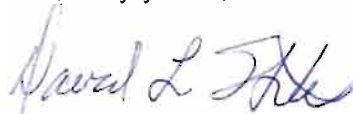
It was suggested in the information that you sent to the Tax Commissioner that the solution to the perceived problem of assessors' failure to follow the law would be to apply to the circuit court for a writ of mandamus that would compel the errant assessor's acquiescence.

In fact, a statutory remedy already exists under W. Va. Code § 11-3-24a: if any person believes that property is being improperly taxed, that person should first file a written protest with the Assessor. If the protest is denied, the property owner or taxpayer may then request, in writing, that the question be certified to the State Tax Commissioner for a ruling which will be binding on both parties. If either party is dissatisfied with the Tax Commissioner's ruling, the question may then be appealed to the circuit court. The initial protest may be filed any time after the assessment date of July 1; the question should be certified to the State Tax Commissioner allowing sufficient time for the Commissioner to issue a ruling by February 28 of the tax year. The Tax Commissioner's ruling may be appealed to the circuit court within thirty days after it is received.

In the past five years, the Tax Commissioner has received just four requests for rulings on the question of the taxability of common areas in common interest communities; none since 2011. We are, therefore, unaware that the problem is endemic among the fifty-five counties, as your letter suggests. However, as you requested, our Property Tax Division is sending a reminder to all county assessors, a copy of which is enclosed, and the Department will again address the issue at next spring's County Assessor In-service training.

In the meantime, whenever you have specific information that any county is not following the law, please bring it to our attention, so that we may contact that county's assessor directly with a reminder.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "David L. Stiles".

David Stiles, staff attorney

Encl.: November 30, 2015 letter to county assessors



STATE OF WEST VIRGINIA

Department of Revenue  
State Tax Department

Earl Ray Tomblin  
Governor

Mark W. Matkovich  
State Tax Commissioner

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November 30, 2015

TO ALL COUNTY ASSESSORS  
STATE OF WEST VIRGINIA

Dear Assessors:

Re: Common Interest Communities

The West Virginia Legislature adopted the Uniform Common Interest Ownership Act into law in 1980. Recently, I have received some inquiries regarding the property tax provisions of the Act. Attached for your review are 1) a letter regarding this issue that was provided to your office in July 2012 and 2) guidelines on the taxation of such interests provided to me by the Tax Department's Legal Division.

Should you have questions or need additional information concerning this matter, please feel free to contact David Stiles, of the Legal Division, at 304-558-5330.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey A. Amburgey".

Jeffrey A. Amburgey  
Director  
Property Tax Division

JAA/aj

Attachment

cc: David Stiles  
Legal Division



STATE OF WEST VIRGINIA

Department of Revenue  
State Tax Department

Earl Ray Tomblin  
Governor

Craig A. Griffith  
State Tax Commissioner

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July 11, 2012

TO ALL COUNTY ASSESSORS  
STATE OF WEST VIRGINIA

Dear Assessors:

Re: Common Interest Communities

The West Virginia Legislature adopted the Uniform Common Interest Ownership Act into law in 1980. Recently I have received some inquiries regarding the property tax provisions of the Act. Attached for your review are guidelines on the taxation of such interests provided to me by the Tax Department's Legal Division.

Should you have questions or need additional information concerning this matter, please feel free to contact David Stiles, of the Legal Division, at 304-558-5330.

Sincerely,

A handwritten signature in black ink, appearing to read "JA Amburgey".

Jeffrey A. Amburgey  
Director  
Property Tax Division

JAA/aj

Attachment

cc: David Stiles  
Legal Division

**GUIDELINES FOR ASSESSORS  
ON THE TAXATION OF COMMON ELEMENTS  
OF COMMON INTEREST COMMUNITIES  
UNDER THE  
UNIFORM COMMON INTEREST OWNERSHIP ACT (UCIOA)**

In 1980 the West Virginia Legislature adopted the Uniform Common Interest Ownership Act (UCIOA) into law as Chapter 36B of the West Virginia Code. The purpose of this notice is to clarify (1) how the common elements of a planned or common interest community are to be taxed, and (2) who is liable for the property taxes on the common areas of a planned or common interest community.

**A. What is a common interest community?**

"Common interest community" means real estate with respect to which a person, by virtue of his ownership of a unit, is obligated to pay for real estate taxes, insurance premiums, maintenance, or improvement of other real estate described in a declaration. "Ownership of a unit" does not include holding a leasehold interest of less than twenty years in a unit, including renewal options.

W. Va. Code §36B-1-103 (7)

A common interest community typically takes the form of a condominium, cooperative, leasehold common interest community, or planned community. It also includes a Homeowners' Association (HOA).

**B. How is a common interest community created?**

The UCIOA states that,

A common interest community may be created ... only by recording a declaration executed in the same manner as a deed ... The declaration must be recorded in every county in which any portion of the common interest community is located and must be indexed on the grantee's index in the name of the common interest community and the association and in the grantor's index in the name of each person executing the declaration.

...  
W. Va. Code §36B-2-101.

The declaration must contain certain information, including:

(3) A legally sufficient description of the real estate included in the common interest community;

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(5) ... a description of the boundaries of each unit created by the declaration ...

(6) A description of any limited common elements ... and, in a planned community, any real estate that is or must become common elements;

(7) A description of any real estate ... that may be allocated subsequently as limited common elements ...

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(11) An allocation to each unit of the allocated interests in the manner described in section 2-107.

W. Va. Code §36B-2-105.

**C. How are preexisting common interest community treated under the UCIOA?**

The UCIOA provides that W. Va. Code §36B-1-105, pertaining to taxation, applies to all preexisting common interest communities. See W. Va. Code §§36B-1-204 and 205.

**D. What are the “common elements” of a common interest community?**

After the units are identified, the bulk of the real estate in the common interest community constitutes the common elements:

“Common elements” means (i) in a condominium or cooperative, all portions of the common interest community other than the units; and (ii) in a planned community, any real estate within a planned community owned or leased by the association, other than a unit.

W. Va. Code §36B-1-103 (4).

Certain common elements may be designated in the declaration as “limited common elements.” According to the UCIOA:

“Limited common element” means a portion of the common elements allocated by the declaration or by section 2-102(2) or (4) for the exclusive use or one or more but fewer than all of the units.

W. Va. Code §36B-1-103 (19).

**E. How are the common elements taxed?**

With respect to property taxes, W. Va. Code §36B-1-105 provides that:

In a condominium or planned community:

If there is any unit owner other than a declarant, each unit must be separately taxed and assessed, and no separate tax or assessment may be rendered against any common elements for which a declarant has reserved no development rights.

In the jargon of the UCIOA, a "unit owner" is an owner of a physical portion of the common interest community. The "declarant" is the person or group that created the common interest community. Thus, in plain English, the statute says that, until a unit of the condominium or planned community is sold, the property is taxed as a whole; the "declarant," that is, the developer, is responsible for taxes on the property. As soon as one unit of the condominium or planned community is sold, the units making up the condominium or planned community must be taxed and assessed separately, and the common elements may not be taxed and assessed separately.

Note that this statute does not say that the common elements are not to be taxed; it merely states that they are not to be taxed separately. The definition of "common interest community" in the UCIOA presumes that the common areas will be taxed:

"Common interest community" means real estate with respect to which a person, by virtue of his ownership of a unit, is obligated to pay for real estate taxes, insurance premiums, maintenance, or improvement of other real estate described in a declaration.

This definition presupposes that the owners of units in a common interest community are obligated to pay real estate taxes for real estate other than their own units.

#### **F. How are property taxes on the common elements allocated?**

The question then becomes, if the common elements may not be taxed or assessed separately, how they are to be assessed?

Under the UCIOA, the answer to this question should be specified in the declaration, that is, the document or instrument that creates the common interest community. According to §36B-2-107:

- (a) The declaration must allocate to each unit:
  - (i) In a condominium, a fraction or percentage of undivided interests in the common elements and in the common expenses of the association.
  - (ii) In a cooperative, an ownership interest in the association, a fraction or percentage of the common expenses of the association and a portion of the votes in the association; and
  - (iii) In a planned community, a fraction or percentage of the common expenses of the association and a portion of the votes in the association.
  
- (b) The declaration must state the formulas used to establish allocations of interests. ...

The assessor appraises the value of the common elements, and the fraction or percentage, as set forth in the declaration, is then allocated to each individual unit owner as that owner's share of the tax liability on the common elements.

In the case of limited common elements, that is, common elements that benefit at least one, but not all, members of the community, the allocation is among those that share the benefit, rather than to all. Again, the declaration should specify the limited common elements, if any, and allocate them properly. See, W. Va. Code §36B-2-108.

Code §36B-1-204 provides that the above rule applies to preexisting common interest communities. As with any special property tax treatment, it is incumbent on the taxpayer to provide the assessor with sufficient information to properly tax and assess the property. Barring that, the value of the common elements should be allocated equally among the unit owners of the common interest community.

**EXAMPLE 1:** Assume a common interest community, created under the UCIOA, consisting of ten units, each having an appraised value of \$250,000. The golf course and lake comprising the common elements of the common interest community have a value of \$5 million. Assume that the allocation percentage in the declaration is 10% for each unit. Ten percent of the appraised value of the common elements would then be added to the appraised value of the individual units, raising their appraised value to \$750,000 each. The assessment for ad valorem tax purposes would then be based on that appraised value, thus ensuring that the value of the common elements would not elude taxation. See *Lake Monticello Owners' Association v. Ritter*, 229 Va. 205; 327 S.E.2d 117 (1985).

**EXAMPLE 2:** Assume that, in the common interest community in Example 1, five of the ten units have lakefront access. In the declaration, the lakefront access is considered a "limited common element," and, accordingly, is allocated to only the five beneficiary unit owners, that is, those units with access. The additional value would then be added to the appraisal of those five units only. See *Black v. Municipality of Anchorage*, 187 P.3d 1096 (Alaska, 2008).

**EXAMPLE 3:** Assume the same common interest community as in Example 1, except that it is a preexisting common interest community, that is, it predates the adoption of the UCIOA in West Virginia. Therefore, it has no recorded declaration setting forth an allocation formula. Barring any other evidence, the value of the common elements should be allocated equally among all unit owners. The final result will be the same as in Example 1.



West Virginia State Tax Department  
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RETURN SERVICE  
REQUESTED

PRESORTED  
FIRST CLASS



Nancy Briscoe, Vice President  
**EASTERN PANHANDLE ORGANIZATION OF  
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