

ADMINISTRATIVE NOTICE 95-10

SUBJECT: Property Tax -- State Tax Commissioner's Policy Statement for Sales Analysis of Reserve Coal Properties Pursuant to CSR § 110-1I-4.1.9.2.

On July 26, 1992 the Department of Tax and Revenue filed Legislative Regulation CSR § 110-1I-1 et seq., relating to the appraisal of producing and reserve coal properties. This notice will address the sales analysis for reserve coal properties conducted by the State Tax Commissioner pursuant to CSR § 110-1I-4.1.9.2.

DISCUSSION

Legislative Regulation CSR § 110-1I-4.1.9.2 requires reserve coal properties to be valued considering a review of sales reflecting arms-length, willing buyer-willing seller transactions and the market conditions in the region wherein the property is located. The regulations further require coal reserve values to be established as the product of the reserve acres multiplied by the regional reserve value per acre for the region in which the property is located. The regional value per acre for reserves is required to be established annually by the Tax Commissioner after review of recorded willing buyer-willing seller arms-length coal property sales. The following is a brief discussion of the sales analysis conducted by the Tax Commissioner and the resulting regional values per acre used in appraising reserve coal properties for Tax Year 1995.

RESERVE REGIONS

Legislative Regulation CSR § 110-1I-4.1.9.2.c requires that counties containing mineable coal seams shall be grouped into five (5) regions based on type of coal seams, location, ownership patterns, mining activity, and sales prices of reserves. The counties contained in each region are listed in CSR §§ 110-1I-4.1.9.2.c.1 through 4.1.9.2.c.5.

SALES ANALYSIS BY REGION

Legislative Regulations require that the source of information for sales analysis is to be "... recorded willing buyer-willing seller arms-length coal property sales ..." (see CSR § 110-1I-4.1.9.2.b). To this end the Department receives and reviews sales listing forms or such other alternative forms required to be filed with the Department under provisions of West Virginia Code § 11-22-6 (see Exhibit I attached). Coal sales listed on these forms are inspected by reviewing a copy of the deed. The sales are entered to a sales listing system and a report is generated. The sales report thus generated is reviewed for the following:

1. Date of Sale
 - a. Date of transaction
 - b. Sale records

2. Components of Sale
 - a. Multiple seams
 - b. Other minerals
 - c. Surface
 - d. Improvements
3. Buyer/Seller Relationship
 - a. Parent/subsidiary
 - b. Family relations (father, son etc.)
 - c. Leaseholder/owner
4. Location
 - a. Near active property
 - b. Gas well locations or storage
 - c. Geology (faults or other geological problems)
5. Market
 - a. Purchaser only party in area (no competition)
 - b. Activity in area (leasing, mining, prospecting)
6. Miscellaneous

Once the sales have been subjected to the above validity tests, sales that appear to be arms-length are used to generate measures of central tendency. In this regard, different measures are developed to provide guidance in selecting the price per acre that best typifies the most probable selling price per acre for each region. First the Department develops a weighted arithmetic mean of sales--giving the more recent sales greater weighting. Second, an arithmetic mean of the sales is developed by dividing the aggregate of the sale prices by the aggregate acres transferred. Third, a straight average of the annual arithmetic means is developed. These measures of central tendency are published by region in the Department's preliminary variables report required under provisions of CSR § 110-II-4.1.9.2.b and after a fifteen (15) day public comment period the regional values per acre are filed in final form on or before July 1 of each year. Attached as Exhibit II are the final variables for Tax Year 1995, which involves the January 6, 1995 filing of amended valuation variables.

For more information concerning the regional per acre values for reserve coal properties consult CSR § 110-II-1 et seq. or contact the Department of Tax and Revenue at telephone number (304) 558-3940.

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