



STATE OF WEST VIRGINIA

Department of Revenue
State Tax Department

Jim Justice
Governor

Dale W. Steager
State Tax Commissioner

ADMINISTRATIVE NOTICE 2018-01

FILED
2018 JAN 30 A 10:
OFFICE WEST VIRGINIA
SECRETARY OF STATE

PROPERTY TAX
STATE TAX COMMISSIONER'S STATEMENT
FOR THE DETERMINATION OF ROYALTY RATES FOR PRODUCING
COAL AND OTHER NATURAL RESOURCES FOR AD VALOREM PROPERTY TAX
PURPOSES FOR TAX YEAR 2018, PURSUANT TO §§110 CSR 11-4.1.6 AND 1K-4.1.6

On August 31, 2017, the State Tax Department filed valuation variables to be used in conjunction with legislative regulations for the appraisal of natural resource properties. (See: §§ 110 CSR 1-H, 1-I, 1-J and 1-K). This notice will address one of the variables, royalty rate(s), setting forth the procedures used in developing the rate(s) for producing coal and other natural resources exclusive of oil and natural gas for Tax Year 2018.

DISCUSSION

In West Virginia, natural resources royalty rates are generally negotiated at a stated price per ton or as a percent of the selling price per ton of the resource produced. As most leases are negotiated as a percentage of selling price, it is necessary to obtain lease and sales information and to analyze this information in order to develop leasing and sales price patterns typical of the industry.

The Department's review of coal industry leasing patterns during the previous eight (8) years reveals that leases for surface mining operations (6.68%) are typically higher than for deep mining operations (5.63%). Review of sales prices reported in Coal Week, the Tax Year 2017 returns and other sources, further reveal a difference in typical selling prices of steam coal (\$53.42 per ton) and metallurgical coal (\$77.12 per ton).

Thus, royalty rates typically negotiated by the coal industry have been as follows:

Table with 4 columns: Resource Type, Price per ton, Rate, and Resulting Royalty per ton. Rows include Steam Coal/Deep Mine, Metallurgical Coal/Deep Mine, Steam Coal/Surface Mine, and Metallurgical Coal/Surface Mine.

Similar research of royalty rates for other natural resources revealed the following:

| | |
|-------------------|-------------|
| Limestone/Deep | 22¢ per ton |
| Limestone/Surface | 22¢ per ton |
| Sandstone | 30¢ per ton |
| Clay/Shale | 11¢ per ton |
| Sand/Gravel | 40¢ per ton |
| Salt | 10¢ per ton |

For more information concerning natural resource properties' royalty rate(s), contact the State Tax Department at (304) 558-3940.

Notice of this determination will be filed in the West Virginia Register.

Issued: January 30, 2018



Dale W. Steager
State Tax Commissioner

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