

# Severance Taxes

## Tax Data, Fiscal Years 2015-2023

Severance taxes are taxes generally imposed on the privilege of mining minerals such as coal, oil, natural gas, limestone, and sandstone among others. Most taxes either apply to the gross receipts related to mining activity or to units of mining production. West Virginia severance taxes on mining date back to a gross sales tax first imposed at a rate of 0.4% as of July 1, 1921. The name of the tax changed to Business and Occupation Tax in 1925 and to Severance Tax in 1987. The State currently imposes a severance tax of 5% on gross receipts at the well-head attributable to the production of oil and natural gas. A 5% gross receipts tax also applies to extraction of sand, gravel, limestone, sandstone and any other mineral extracted with the exception of coal, waste coal and timber. A 4.65% state severance tax applies to the value of coal production and coal processing along with an additional 0.35% local coal severance tax. Coal mined from qualified new underground thin-seam mines first placed in service on or after April 11, 1997 is subject to a lower state severance tax rate of 0.65% for seams with average thickness of less than 37" and 1.65% for seams with average thickness between 37" and 45". Effective July 1, 2019, the state tax rate on steam coal sold directly to electric power generators is 3.95%. The state tax rate on qualified steam coal further decreases to 3.35% effective July 1, 2020 and to 2.65% effective July 1, 2021. A 2.5% state severance tax is imposed on the reclamation of coal from coal waste ponds and coal gob piles. Prior to 2007, the tax on timber extraction was imposed at a rate of 3.22% on gross receipts at the point of extraction. The tax rate was subsequently reduced to 1.22% as of January 1, 2007 and to 0% as of January 1, 2010. For the period between July 1, 2016 and June 30, 2019, the tax rate on timber extraction is 1.50%. There is no tax on timber, limestone or sandstone effective on or after July 1, 2019. For tax years beginning on or after January 1, 2020, the tax rate on vertical oil wells with average daily production between 0.5 barrels and 10 barrels and vertical natural gas wells with average daily production between 5,000 cubic feet and 60,000 cubic feet is 2.5%. A special Oil and Gas Abandoned Well Plugging Fund receives net proceeds from the lower tax rate less any required local government tax distribution share.

Ten percent of the net proceeds of tax from oil and natural gas are dedicated for local government use. Under current law, 100% of the proceeds from the regular severance tax on natural gas production from coal-bed methane wells and 100% of the proceeds from the regular severance tax on reclamation of waste coal are dedicated to local governments. In addition to the local 0.35% coal severance tax, the State also began sharing a portion of state coal severance tax collections with producing counties in Fiscal Year 2012-2013. The share increases from 1% in Fiscal Year 2012-2013 to 2%, 3%, 4% and 5% in FY2013-2014, Fiscal Year 2014-2015, Fiscal Year 2015-2016 and Fiscal Year 2016-2017, respectively. The 5% share remains in effect in Fiscal Year 2017-2018 and each year thereafter.

The Tax Department annually receives \$35,000 in regular coal severance tax receipts and \$35,000 in regular oil and natural gas severance tax receipts to help defray the costs associated with the administration of the various local government severance tax distribution programs. In addition, beginning in Fiscal Year 2018, the Tax Department receives an administrative fee of 1.0 percent to cover its costs of administering the local coal-bed methane tax, the local waste coal severance tax and the 5 percent coal sharing severance tax allocation to producing counties. These receipts are not reflected in the net severance tax collection table.

Temporary additional severance taxes on coal, natural gas and timber went into effect on December 1, 2005. These additional privilege taxes included a 56 cent per ton tax on coal production, a 4.7 cent per thousand cubic foot tax on natural gas production and a 2.78% gross receipts tax on timber extraction. Proceeds from these temporary taxes were dedicated to the Workers' Compensation Debt Reduction Fund (Old Fund) to aid in the retirement of old debts associated with the state-run workers' compensation system that was operational prior to the privatization of such system in 2006. These additional temporary taxes were originally scheduled to expire at the beginning of the month following a day when an independent certified actuary determined that the unfunded liability of the Old Fund "has been paid or provided for in its entirety." However, legislation enacted in early 2016 terminated these taxes effective July 1, 2016 and redirected revenues from these taxes collected between March 1, 2016 and June 30, 2016 to the State's General Revenue Fund.

Table SEV-1 shows fiscal year tax collection data by type of natural resource, type of tax and use of funds. The regular State severance tax is dedicated toward funding the State's Infrastructure Bond Fund (varies each year according to debt service needs from a high of \$23 million to amounts less than \$19.4 million), Division of Forestry (regular timber severance tax only) and the State General Revenue Fund. Other than the temporary diversion to the General Revenue Fund between March 1, 2016 and June 30, 2016, the special workers' compensation severance taxes are fully dedicated to the Old Fund. Local government distributions include the local coal severance tax, the 10% share of the State oil and natural gas severance tax, and 100% of the proceeds of the regular State severance tax associated with natural gas production from coal-bed methane wells. More detailed information concerning amounts of severance tax paid to each local government by distribution period is available on the State Treasurer's web site at <http://www.wvsto.com/dept/Admin/Tax/Pages/default.aspx>.

## Severance Tax Summary FY 2023

	Regular State	Local Government		S&L	
	<u>Severance Tax *</u>	<u>Tax Distribution</u>	<u>Total Severance Tax</u>	<u>GRF</u>	<u>Change</u>
Coal	\$ 298,674,533	\$ 50,837,958	\$ 349,512,491	20.0%	23.3%
Natural Gas	\$ 551,417,096	\$ 36,679,295	\$ 588,096,390	39.0%	43.7%
Oil	\$ 43,663,844	\$ 6,676,697	\$ 50,340,541	-20.9%	-9.8%
Sand, Gravel	\$ 738,044	\$ -	\$ 738,044	8.9%	8.9%
Natural Gas Liquids	\$ 75,340,441	\$ -	\$ 75,340,441	N/A	N/A
Other/Unclassified	\$ 2,228,102	\$ -	\$ 2,228,102	N/A	N/A
<b>Total</b>	<b>\$ 972,062,060</b>	<b>\$ 94,193,949</b>	<b>\$ 1,066,256,009</b>	<b>22.6%</b>	<b>26.9%</b>

\* First \$21,937,975 collected is dedicated to the State Infrastructure Bond Fund

\* More than \$3.85 million in natural gas and oil collections transferred to DEP Oil and Gas Abandoned Well Plugging Fund

\* Small amount of Timber Severance Tax and Workers' Compensation Severance Tax collections included in other category

## Severance Tax Summary FY 2022

	Regular State	Workers' Compensation	Local Government		S&L	
	<u>Severance Tax *</u>	<u>Debt Fund Severance Tax**</u>	<u>Tax Distribution</u>	<u>Total Severance Tax</u>	<u>GRF</u>	<u>Change</u>
Coal	\$ 248,792,091	\$ -	\$ 34,759,198	\$ 283,551,288	73.8%	68.5%
Natural Gas	\$ 396,587,073	\$ -	\$ 12,645,142	\$ 409,232,216	344.0%	305.2%
Oil	\$ 55,200,546	\$ -	\$ 592,287	\$ 55,792,833	92.9%	89.9%
Sand, Gravel	\$ 677,500	\$ -	\$ -	\$ 677,500	17.6%	17.6%
Timber	\$ 16,535	\$ -	\$ -	\$ 16,535	449.9%	449.9%
Other/Unclassified	\$ 91,382,047	\$ -	\$ -	\$ 91,382,047	167.5%	167.5%
	\$ -	\$ -	\$ -	\$ -		
<b>Total</b>	<b>\$ 792,655,791</b>	<b>\$ (317,001)</b>	<b>\$ 47,996,627</b>	<b>\$ 840,335,418</b>	<b>167.6%</b>	<b>153.7%</b>

\* First \$21.954 million collected is dedicated to the State Infrastructure Bond Fund

\* More than \$1.89 million in natural gas and oil collections transferred to DEP Oil and Gas Abandoned Well Plugging Fund

\*\*All collections for expired tax are aggregated in a single total.

## Severance Tax Summary FY 2021

	Regular State	Workers' Compensation	Local Government		S&L	
	<u>Severance Tax *</u>	<u>Debt Fund Severance Tax**</u>	<u>Tax Distribution</u>	<u>Total Severance Tax</u>	<u>GRF</u>	<u>Change</u>
Coal	\$ 143,166,911	\$ -	\$ 25,108,429	\$ 168,275,341	-13.1%	-15.9%
Natural Gas	\$ 89,320,448	\$ -	\$ 11,666,839	\$ 100,987,287	6.9%	2.4%
Oil	\$ 28,619,291	\$ -	\$ 763,708	\$ 29,382,999	20.5%	8.7%
Sand, Gravel	\$ 575,955	\$ -	\$ -	\$ 575,955	202.3%	202.3%
Limestone, Sandstone	\$ 342,482	\$ -	\$ -	\$ 342,482	-19.6%	-19.6%
Timber	\$ 3,007	\$ -	\$ -	\$ 3,007	-98.6%	-98.6%
Other/Unclassified	\$ 34,166,752	\$ -	\$ -	\$ 34,166,752	109.1%	109.1%
<b>Total</b>	<b>\$ 296,194,846</b>	<b>\$ (2,562,331)</b>	<b>\$ 37,538,976</b>	<b>\$ 331,171,492</b>	<b>2.4%</b>	<b>-3.5%</b>

\* First \$21.936 million collected is dedicated to the State Infrastructure Bond Fund

\*\*All collections for expired tax are aggregated in a single total.

## Severance Tax Summary FY 2020

	Regular State	Workers' Compensation	Local Government	
	<u>Severance Tax *</u>	<u>Debt Fund Severance Tax**</u>	<u>Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$164,742,242	\$ -	\$35,272,927	\$ 200,015,169
Natural Gas	\$83,546,457	\$ -	\$15,102,435	\$ 98,648,892
Oil	\$23,749,553	\$ -	\$3,277,062	\$ 27,026,615
Sand, Gravel	\$190,535	\$ -	\$ -	\$ 190,535
Limestone, Sandstone	\$425,801	\$ -	\$ -	\$ 425,801
Timber	\$217,366	\$ -	\$ -	\$ 217,366
Other/Unclassified	\$16,341,594	\$ -	\$ -	\$ 16,341,594
<b>Total</b>	<b>\$ 289,213,547</b>	<b>\$ 295,625</b>	<b>\$ 53,652,424</b>	<b>\$ 343,161,596</b>

\* First \$21.947 million collected is dedicated to the State Infrastructure Bond Fund

\*\*All collections for expired tax are aggregated in a single total.

## Severance Tax Summary FY 2019

	Regular State	Workers' Compensation	Local Government	
	<u>Severance Tax *</u>	<u>Debt Fund Severance Tax**</u>	<u>Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$263,425,337	\$ -	\$33,520,526	\$ 296,945,863
Natural Gas	\$145,664,728	\$ -	\$15,430,737	\$ 161,095,465
Oil	\$38,542,485	\$ -	\$1,210,573	\$ 39,753,058
Sand, Gravel	\$217,427	\$ -	\$0	\$ 217,427
Limestone, Sandstone	\$1,220,073	\$ -	\$0	\$ 1,220,073
Timber	\$1,563,575	\$ -	\$0	\$ 1,563,575
Other	\$33,759,597	\$ -	\$0	\$ 33,759,597
Unclassified	\$178,420	\$ -	\$ -	\$ 178,420
<b>Total</b>	<b>\$ 484,571,643</b>	<b>\$ (20,577)</b>	<b>\$ 50,161,836</b>	<b>\$ 534,712,902</b>

\* First \$20.557 million collected is dedicated to the State Infrastructure Bond Fund

\*\*All collections for expired tax are aggregated in a single total.

## Severance Tax Summary FY 2018

	Regular State	Workers' Compensation	Local Government	
	<u>Severance Tax *</u>	<u>Debt Fund Severance Tax**</u>	<u>Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$ 218,668,347	\$ -	\$ 31,179,801	\$ 249,848,148
Natural Gas	\$ 111,072,541	\$ -	\$ 10,115,487	\$ 121,188,028
Oil	\$ 16,391,598	\$ -	\$ 1,265,066	\$ 17,656,663
Sand, Gravel	\$ 160,705	\$ -	\$ -	\$ 160,705
Limestone, Sandstone	\$ 1,099,528	\$ -	\$ -	\$ 1,099,528
Timber	\$ 1,510,690	\$ -	\$ -	\$ 1,510,690
Other	\$ 17,892,715	\$ -	\$ -	\$ 17,892,715
Unclassified	\$ 5,396	\$ -	\$ -	\$ 5,396
<b>Total</b>	<b>\$ 366,801,521</b>	<b>\$ 334,245</b>	<b>\$ 42,560,353</b>	<b>\$ 409,696,119</b>

\* First \$19.377 million collected is dedicated to the State Infrastructure Bond Fund

\*\*All collections for expired tax are aggregated in a single total.

## Severance Tax Summary FY 2017

	Regular State <u>Severance Tax *</u>	Workers' Compensation <u>Debt Fund Severance Tax</u>	Local Government <u>Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$ 208,793,864	\$ 5,343,040	\$ 25,653,239	\$ 239,790,143
Natural Gas	\$ 101,639,602	\$ 6,862,862	\$ 9,950,820	\$ 118,453,284
Oil	\$ 13,830,698	\$ -	\$ 768,049	\$ 14,598,747
Sand, Gravel	\$ 1,580,796	\$ -	\$ -	\$ 1,580,796
Limestone, Sandstone	\$ 936,872	\$ -	\$ -	\$ 936,872
Timber	\$ 1,336,937	\$ 513,500	\$ -	\$ 1,850,437
Other	\$ 16,275,248	\$ 28,841	\$ -	\$ 16,304,089
Unclassified	\$ 29,308	\$ 7,264	\$ -	\$ 36,571
<b>Total</b>	<b>\$ 344,423,326</b>	<b>\$ 12,755,506</b>	<b>\$ 36,372,108</b>	<b>\$ 393,550,940</b>

\* First \$22.05 million collected is dedicated to the State Infrastructure Bond Fund

## Severance Tax Summary FY 2016

	Regular State <u>Severance Tax *</u>	Workers' Compensation <u>Debt Fund Severance Tax</u>	Local Government <u>Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$ 190,902,362	\$ 46,615,726	\$ 27,820,221	\$ 265,338,309
Natural Gas	\$ 47,384,418	\$ 62,164,717	\$ 15,187,205	\$ 124,736,341
Oil	\$ 7,553,311	\$ -	\$ 2,119,248	\$ 9,672,559
Sand, Gravel	\$ 1,592,107	\$ -	\$ -	\$ 1,592,107
Limestone, Sandstone	\$ 1,458,381	\$ -	\$ -	\$ 1,458,381
Timber	\$ -	\$ 3,152,125	\$ -	\$ 3,152,125
Other	\$ 11,151,854	\$ -	\$ -	\$ 11,151,854
Unclassified	\$ -	\$ 24,864	\$ -	\$ 24,864
<b>Total</b>	<b>\$ 260,042,432</b>	<b>\$ 111,957,432</b>	<b>\$ 45,126,675</b>	<b>\$ 417,126,539</b>

\* First \$22.5 million collected is dedicated to the State Infrastructure Bond Fund

## Severance Tax Summary FY 2015

Updated 8/27/2015

	Regular State <u>Severance Tax</u>	Workers' Compensation <u>Debt Fund Severance Tax</u>	Local Government <u>Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$ 276,715,111	\$ 64,390,147	\$ 34,453,053	\$ 375,558,311
Natural Gas	\$ 123,930,147	\$ 57,675,755	\$ 12,594,931	\$ 194,200,833
Oil	\$ 18,863,640	\$ -	\$ 2,297,077	\$ 21,160,717
Sand, Gravel	\$ 223,342.58	\$ -	\$ -	\$ 223,343
Limestone, Sandstone	\$ 1,251,469.29	\$ -	\$ -	\$ 1,251,469
Timber	\$ -	\$ 3,430,520	\$ -	\$ 3,430,520
Other	\$ 14,457,674	\$ -	\$ -	\$ 14,457,674
Unclassified	\$ 1,731,116	\$ 207,503	\$ -	\$ 1,938,619
<b>Total</b>	<b>\$ 437,172,499</b>	<b>\$ 125,703,925</b>	<b>\$ 49,345,061</b>	<b>\$ 612,221,486</b>

\* First \$23 million collected is dedicated to the State Infrastructure Bond Fund