

SEVERANCE TAXES

Tax Data, Fiscal Years 2004 through 2016

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 the following severance taxes on coal, oil and gas:

- 5% on gross receipts at the well-head attributable to the production of oil and natural gas;
- 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;
- 4.65% on 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".)
- 2.5% on the reclamation of coal from coal waste ponds and coal gob piles.

The State currently imposes the following severance taxes on timber:

- 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%.

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 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. 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
- a 2.78% gross receipts tax on timber extraction.

Proceeds from these temporary taxes were dedicated to the Workers' Compensation Debt Reduc-



SEVERANCE TAXES (continued)

tion 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 \$24 million to amounts less than \$22.5 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, 100% of the proceeds of the regular State severance tax associated with natural gas production from coal-bed methane wells and 100% of the proceeds from the State severance tax on waste coal. 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>.

Table SEV-1

Severance Tax Summary FY 2016

Updated 8/17/2016

Preliminary **

	Regular State Severance Tax *	Workers' Compensation Debt Fund Severance Tax	Local Government Tax Distribution	Total Severance Tax
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
Total	\$ 260,042,432	\$ 111,957,432	\$ 45,126,675	\$ 417,126,539

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

** Preliminary results as reconciled with OASIS Reports-subject to revision



Severance Tax Summary FY 2015**

Updated 8/27/2015

	Regular State	Workers' Compensation	Local Government	<u>Total Severance Tax</u>
	<u>Severance Tax*</u>	<u>Debt Fund Severance Tax</u>	<u>Tax Distribution</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	\$ 223,343	\$ -	\$ -	\$ 223,343
Limestone, Sandstone	\$ 1,251,469	\$ -	\$ -	\$ 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
Total	\$ 437,172,499	\$ 125,703,925	\$ 49,345,061	\$ 612,221,486

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

** Preliminary results as reconciled with OASIS Reports-subject to revision

Severance Tax Summary FY 2014

Updated 8/27/2015

	Regular State	Workers' Compensation	Local Government	<u>Total Severance Tax</u>
	<u>Severance Tax*</u>	<u>Debt Fund Severance Tax</u>	<u>Tax Distribution</u>	
Coal	\$ 320,242,987	\$ 63,729,623	\$ 23,174,978	\$ 407,147,587
Natural Gas	\$ 160,006,036	\$ 42,732,859	\$ 954,523	\$ 203,693,419
Oil	\$ 25,773,482	\$ -	\$ -	\$ 25,773,482
Sand, Gravel	\$ 211,254	\$ -	\$ -	\$ 211,254
Limestone, Sandstone	\$ 1,124,683	\$ -	\$ -	\$ 1,124,683
Timber	\$ -	\$ 2,948,756	\$ -	\$ 2,948,756
Other NEC	\$ 4,327,077	\$ 48,782	\$ -	\$ 4,375,859
Total	\$ 511,685,518	\$ 109,460,020	\$ 24,129,501	\$ 645,275,039

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

Severance Tax Summary FY 2013

	Regular State	Workers' Compensation	Local Government	<u>Total Severance Tax</u>
	<u>Severance Tax*</u>	<u>Debt Fund Severance Tax</u>	<u>Tax Distribution</u>	
Coal	\$ 350,950,154	\$ 65,004,660	\$ 35,691,233	\$ 451,646,047
Natural Gas	\$ 68,363,531	\$ 27,280,161	\$ 7,683,179	\$ 103,326,871
Oil	\$ 10,925,564	\$ -	\$ 762,113	\$ 11,687,677
Sand, Gravel	\$ 228,542	\$ -	\$ -	\$ 228,542
Limestone, Sandstone	\$ 944,963	\$ -	\$ -	\$ 944,963
Timber	\$ 3,944	\$ 2,197,104	\$ -	\$ 2,201,048
Other NEC	\$ 2,260,032	\$ 81,043	\$ -	\$ 2,341,075
Total	\$ 433,676,729	\$ 94,562,969	\$ 44,136,525	\$ 572,376,222

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund



Severance Tax Summary FY 2012

	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	\$ 420,771,746	\$ 71,030,962	\$ 39,305,307	\$ 531,108,015
Natural Gas	\$ 60,835,280	\$ 20,797,811	\$ 9,496,489	\$ 91,129,580
Oil	\$ 7,447,686	\$ -	\$ 657,024	\$ 8,104,710
Sand, Gravel	\$ 177,831	\$ -	\$ -	\$ 177,831
Limestone, Sandstone	\$ 1,270,653	\$ -	\$ -	\$ 1,270,653
Timber	\$ (147,856)	\$ 1,853,245	\$ -	\$ 1,705,388
Other NEC	\$ 1,398,657	\$ 265,338	\$ -	\$ 1,663,994
Total	\$ 491,753,997	\$ 93,947,355	\$ 49,458,820	\$ 635,160,172

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

Severance Tax Summary FY 2011

	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	\$ 412,056,009	\$ 76,983,527	\$ 37,777,774	\$ 526,817,310
Natural Gas	\$ 45,836,366	\$ 13,958,948	\$ 6,969,020	\$ 66,764,334
Oil	\$ 5,768,691	\$ -	\$ 414,397	\$ 6,183,088
Sand, Gravel	\$ 58,315	\$ -	\$ -	\$ 58,315
Limestone, Sandstone	\$ 800,305	\$ -	\$ -	\$ 800,305
Timber	\$ 515,461	\$ 1,896,503	\$ -	\$ 2,411,963
Other NEC	\$ 354,891	\$ 273,770	\$ -	\$ 628,660
Total	\$ 465,390,037	\$ 93,112,747	\$ 45,161,191	\$ 603,663,975

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

Severance Tax Summary FY 2010

	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	\$ 367,481,270	\$ 78,873,792	\$ 34,459,351	\$ 480,814,413
Natural Gas	\$ 50,073,706	\$ 10,833,063	\$ 5,971,941	\$ 66,878,710
Oil	\$ 4,744,757	\$ -	\$ 453,943	\$ 5,198,700
Sand, Gravel	\$ 122,047	\$ -	\$ -	\$ 122,047
Limestone, Sandstone	\$ 834,653	\$ -	\$ -	\$ 834,653
Timber	\$ 570,890	\$ 1,709,668	\$ -	\$ 2,280,558
Other NEC	\$ 1,334,087	\$ 156,784	\$ -	\$ 1,490,871
Total	\$ 425,161,409	\$ 91,573,307	\$ 40,885,236	\$ 557,619,952

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund



Severance Tax Summary FY 2009

	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	\$ 307,845,443	\$ 112,811,555	\$ 35,615,344	\$ 456,272,342
Natural Gas	\$ 68,637,309	\$ 10,568,378	\$ 7,733,327	\$ 86,939,014
Oil	\$ 4,369,674	\$ -	\$ 630,055	\$ 4,999,728
Sand, Gravel	\$ 158,627	\$ -	\$ -	\$ 158,627
Limestone, Sandstone	\$ 677,419	\$ -	\$ -	\$ 677,419
Timber	\$ 1,185,066	\$ 2,180,412	\$ -	\$ 3,365,478
Other NEC	\$ 1,889,784	\$ 109,604	\$ -	\$ 1,999,389
Total	\$ 384,763,321	\$ 125,669,950	\$ 43,978,726	\$ 554,411,997

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

** Includes \$35,535,798.47 in regular coal severance tax transfers from the General Revenue Fund

Severance Tax Summary FY 2008

	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	\$ 279,628,802	\$ 112,387,752	\$ 27,364,126	\$ 419,380,680
Natural Gas	\$ 75,146,789	\$ 9,148,924	\$ 6,759,463	\$ 91,055,176
Oil	\$ 5,222,790	\$ -	\$ 441,723	\$ 5,664,513
Sand, Gravel	\$ 367,215	\$ -	\$ -	\$ 367,215
Limestone, Sandstone	\$ 1,021,171	\$ -	\$ -	\$ 1,021,171
Timber	\$ 1,356,706	\$ 2,755,468	\$ -	\$ 4,112,174
Waste Coal	\$ -	\$ -	\$ 327,599	\$ 327,599
Other NEC	\$ 789,755	\$ 2,622	\$ -	\$ 792,377
Total	\$ 363,533,227	\$ 124,294,765	\$ 34,892,912	\$ 522,720,904

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

** Includes \$28,000,000 in regular coal severance tax transfers from the General Revenue Fund

Severance Tax Summary FY 2007

	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	\$ 261,537,536	\$ 96,718,922	\$ 26,019,184	\$ 384,275,642
Natural Gas	\$ 69,815,716	\$ 9,283,363	\$ 6,308,709	\$ 85,407,788
Oil	\$ 3,743,222	\$ -	\$ 391,724	\$ 4,134,946
Sand, Gravel	\$ 77,312	\$ -	\$ -	\$ 77,312
Limestone, Sandstone	\$ 699,697	\$ -	\$ -	\$ 699,697
Timber	\$ 1,731,054	\$ 3,168,605	\$ -	\$ 4,899,659
Waste Coal	\$ -	\$ -	\$ 191,191	\$ 191,191
Other NEC	\$ 372,115	\$ 894	\$ -	\$ 373,009
Total	\$ 337,976,652	\$ 109,171,784	\$ 32,910,808	\$ 480,059,244

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

** Includes \$10,414,000 in regular coal severance tax transfers from the General Revenue Fund



Severance Tax Summary FY 2006

	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	\$ 259,147,531	\$ 36,192,252	\$ 24,190,831	\$ 319,530,614
Natural Gas	\$ 73,929,683	\$ 2,926,854	\$ 6,562,939	\$ 83,419,476
Oil	\$ 4,079,395	\$ -	\$ 340,176	\$ 4,419,571
Sand, Gravel	\$ 104,968	\$ -	\$ -	\$ 104,968
Limestone, Sandstone	\$ 795,505	\$ -	\$ -	\$ 795,505
Timber	\$ 3,963,719	\$ 1,238,494	\$ -	\$ 5,202,214
Waste Coal	\$ -	\$ -	\$ 319,132	\$ 319,132
Other NEC	\$ 669,599	\$ 2,307	\$ -	\$ 671,906
Total	\$ 342,690,401	\$ 40,359,906	\$ 31,413,079	\$ 414,463,386

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

** Tax first took effect on December 1, 2005.

Severance Tax Summary FY 2005

	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	\$ 222,488,599	\$ -	\$ 20,192,425	\$ 242,681,024
Natural Gas	\$ 45,933,282	\$ -	\$ 5,073,716	\$ 51,006,998
Oil	\$ 2,304,806	\$ -	\$ 210,047	\$ 2,514,853
Sand, Gravel	\$ 284,109	\$ -	\$ -	\$ 284,109
Limestone, Sandstone	\$ 594,752	\$ -	\$ -	\$ 594,752
Timber	\$ 3,619,479	\$ -	\$ -	\$ 3,619,479
Waste Coal	\$ -	\$ -	\$ 183,396	\$ 183,396
Other NEC	\$ 462,376	\$ -	\$ -	\$ 462,376
Total	\$ 275,687,402	\$ -	\$ 25,659,584	\$ 301,346,986

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

Severance Tax Summary FY 2004

	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	\$ 168,855,591	\$ -	\$ 15,147,428	\$ 184,003,019
Natural Gas	\$ 36,439,982	\$ -	\$ 3,383,197	\$ 39,823,179
Oil	\$ 1,561,038	\$ -	\$ 159,255	\$ 1,720,292
Sand, Gravel	\$ 72,912	\$ -	\$ -	\$ 72,912
Limestone, Sandstone	\$ 602,189	\$ -	\$ -	\$ 602,189
Timber	\$ 3,370,610	\$ -	\$ -	\$ 3,370,610
Waste Coal	\$ -	\$ -	\$ 249,070	\$ 249,070
Other NEC	\$ 822,289	\$ -	\$ -	\$ 822,289
Total	\$ 211,724,611	\$ -	\$ 18,938,950	\$ 230,663,561

* First \$24 million collected is dedicated to the State Infrastructure Bond Fund

