



PLEASE NOTE: These instructions are to assist in the preparation of the WV SEV-401 tax return. They are not a substitute for tax law or regulations.

The West Virginia Severance Tax is imposed on the privilege of engaging in or continuing, within West Virginia, the activity of severing, extracting, reducing to possession and producing for sale, profit or commercial use, any natural resource product or products. The amount of tax is determined by the application of a tax rate, to the gross value of each of the natural resource classifications.

- **Accounting Periods and Methods of Accounting:** The taxable year and method of accounting are the same as that used for federal tax purposes.
- **Due Date:** The annual tax return is due on or before the expiration of one (1) month after the end of the taxable year. The filing of this return is required whether any tax is due. If you are no longer in business, you must file a final annual return through the last date of business.
- **Extension of Time to File:** The Tax Commissioner may, upon a written request received on or before the due date of the return, grant a reasonable extension of time for filing the tax return, if good cause satisfactorily to the tax Commissioner is provided. An extension of time to file does not extend the time to pay taxes.
- **Annual Credit:** Every taxpayer is allowed an annual credit of five hundred dollars (\$500.00) against the tax due. The annual credit is applied at the rate of forty-one dollars and sixty-seven cents (\$41.67) per month for each month engaged in the business activity within the reporting period. Only one \$500.00 credit may be claimed by each business entity, not to exceed \$500.00. This credit can only be used to reduce tax liability. This is not a refundable credit.
- **Periodic Installment Payments:** If the estimated tax liability exceeds one thousand dollars (\$1,000.00) per month, the tax is due on or before the last day of the month following the month in which the severance activity took place. If the estimated liability is less than one thousand dollars (\$1,000.00), but more than fifty dollars (\$50.00) per month for all classifications, except coal, the tax is due in quarterly installments on or before the last day of the month following the quarter in which the severance activity took place. No installment payments are required if the annual remittance is less than \$600.
- **Required Schedules:** All schedules must be completed to file the returns. Taxpayers reporting more than ten (10) wells, on any schedule, must file electronically at www.mytaxes.wv.tax.gov
- **Completion, Signatures, and Dates:** All applicable sections of the tax return must be completed. All substantiating documents must be provided on removable media (CD or flash drive,). The severance tax return of a corporation must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other officer authorized to act on behalf of the corporation. The severance tax return of a partnership must be signed and dated by one of the partners. An individual's name signed on the return is prima facie evidence that the individual is authorized to sign the return. For additional information, please contact

**West Virginia Tax Division
Taxpayer Services
PO Box 3784
Charleston, WV 25337-3784
(304) 558-3333 or toll free 1-800-982-8297 or visit www.tax.wv.gov**

Producers of natural resources are subject to the Severance Tax. Various rates are applied to the gross value of the resources. This return covers all natural resource producers, except for coal production and processing, and waste coal.

“Gross value” in the case of natural resources, means the market value of the natural resource product, in the immediate vicinity where it is severed, determined after application of post-production processing, generally applied by the industry to obtain commercially marketable or usable natural resource products.

Gross Value is to be reported for all natural resources as follows:

1. For natural resources severed or processed (or both severed and processed) and sold during a reporting period, gross value is the amount received or receivable by the taxpayer.
2. In a transaction involving related parties, gross value shall not be less than the fair market value for natural resources of similar grade and quality.
3. In the absence of a sale, such as when those that severed the resource actually consumed or used that resource, gross value shall be the fair market value for natural resources of similar grade and quality.
4. For natural gas, gross value is the value of the natural gas at the wellhead immediately preceding transportation and transmission. For natural gas sold at a point beyond the wellhead, transportation costs may be deductible.
5. For oil and gas, the gross value of the oil and gas is determined before any conversion or refining process.

In all instances, the gross value shall not be reduced by any state or federal taxes, royalties, sales commissions, or any other expense.

Please note that if you only receive royalty payments for natural resources severed from your property by a person or company that controls the sale of the resources you are not subject to the Severance Tax.

“Severing” or “Severed” means the physical removal of the natural resources from the earth or waters of this state by any means. “Severing” or “Severed” shall not include the removal of natural gas from underground storage facilities into which the natural gas has been mechanically injected following its initial removal from the earth. “Severing” or “Severed” oil and natural gas shall not include any separation process of oil or natural gas commonly employed to obtain marketable natural resource products. “Extraction of ores and minerals from the ground” includes extraction by mine owners or operators of ores or minerals from the waste or residue of prior mining, such as gob piles or slurry ponds.

SEVERANCE TAX RATES

The standard tax rate for the Severance Tax is 5% of gross value. The exceptions to this rate are the shut-in wells, low volume wells, and mid volume wells.

Shut in wells – Any well that has not produced marketable quantities of natural gas or oil for five (5) consecutive years prior to the year it begins producing marketable quantities of natural gas or oil is exempt from the Severance Tax for a maximum period of ten (10) years.

Low volume wells – Any well that produces an average of less than 5 MCF per day (1,825 MCF per year) of natural gas or 0.5 barrels per day (183 barrels per year) of oil for the preceding calendar year is exempt from the Severance Tax for the current tax year.

Mid volume wells – Vertical wells that produce an average of between 5 MCF and 60 MCF per day (1,825 MCF and 21,900 MCF per year) of natural gas or between 0.5 barrels and 10 barrels per day (183 barrels and 3,650 barrels per year) of oil for the preceding calendar year are not taxable for tax year 2025 per Administrative Notice 2024-02.

ADDITIONS TO TAX

Any person required to make monthly or quarterly payments of an annual tax and fails to make a timely payment or remits less than the required amount is subject to additions to tax as calculated below. No additions are imposed if a quarterly taxpayer pays timely estimated tax equal to three-fourths (75%) or more of the actual tax liability. No additions are imposed if a monthly taxpayer timely pays estimated tax equal to eleven-twelfths (92%) of the actual tax liability. The amount of underpayment is determined to be the difference between the amount that should have been paid and that which was actually paid. The period of underpayment of an installment is from the due date of the installment payment to the earlier of either the due date of the annual return for that taxable year or the date upon which such portion is paid. The underpayment of the estimated tax schedule may be obtained from our website www.tax.wv.gov.

TRANSPORTATION ALLOWANCE

For natural gas, oil, coalbed methane, and natural gas liquids, transportation costs can be deducted before applying the tax rate to the commodity. A safe harbor of fifteen percent (15%) is allowed without providing documentation for the transportation costs. Documentation is required for actual transportation costs claimed above the 15% safe harbor. This documentation includes copies of all transportation contracts, copies of all invoices, and settlement statement fees. The Settlement Statement Spreadsheet showing the transportation claimed from each settlement statement, Lease Operating Expense (LOE) Spreadsheet showing the transportation being claimed for each invoice and the API Breakout spreadsheet showing the allocation of charges to each well, must be submitted via CD or flash drive. **All documentation and support must be submitted with the tax return.** Information and instructions can be found on page 5.

Adding formulas or changing the format will render the schedule import spreadsheet unusable and will require resubmission of the data. Failure to provide documentation for actual transportation costs will result in a reduction of the transportation allowance to the 15% safe harbor. The transportation allowance must be consistent throughout the entire return. Actual transportation and the 15% safe harbor cannot be applied to different schedules or wells.

COMPLETING SCHEDULES

Any schedule consisting of more than ten (10) wells should be filed electronically at www.MyTaxes.wv.tax.gov

The SEV-401 Import Spreadsheet for Schedules A, B and E should be submitted with the tax return on MyTaxes or via removable media such as CD or flash drive for schedules containing more than 10 wells. You must complete each column in the spreadsheets. Formulas cannot be used in these spreadsheets. **Compressed/zip files cannot be accepted.**

SCHEDULE A - NATURAL GAS NOT SUBJECT TO THE MID VOLUME VERTICAL RATE.

This includes qualified low-volume wells, qualified shut-in wells, all horizontal wells, and vertical wells that do not qualify for the reduced rate for mid-volume production. **All wells must be individually reported.**

Column A – Enter the API number used when reporting each well to WVDEP.

Column B – Enter the gross value of the natural gas produced by each well.

Column C – Enter the total MCFs of natural gas produced by each well (rounded to the nearest whole number).

Column D – Enter the full gross value for qualifying low volume or shut in wells. **DO NOT** write the word “exempt” in this space.

Column E – Enter the gross value of natural gas provided to property owners for each well.

Column F – Enter the adjusted gross value (Column B minus Columns D & E). If the results are less than zero, enter zero.

Column G – List the amount of transportation allowance being claimed. If Column F is zero, enter zero. There is no allowance available.

Column H – Enter the net gross value (Column F minus Column G). If the results are less than zero, enter zero.

Total Each Column – Enter the totals of each column.

TOTAL TAX – Multiply Column H Total by 0.05. Enter this amount here and in line 1 of the Severance Tax Computation Schedule on Page 2.

SCHEDULE B - OIL NOT SUBJECT TO THE MID VOLUME VERTICAL RATE.

This includes qualified low-volume wells, qualified shut-in wells, all horizontal wells, and vertical wells that do not qualify for the reduced rate for mid-volume production. **All wells must be individually reported.**

Column A – Enter the API number used when reporting each well to WVDEP.

Column B – Enter the gross value of the oil produced by each well.

Column C – Enter the total number of Barrels produced by each well (rounded to the nearest whole number).

Column D – Enter the full gross value for qualifying low volume or shut in wells. **DO NOT** write the word “exempt” in this space.

Column E – Enter the adjusted gross value (Column B minus Column D). If the results are less than zero, enter zero.

Column F – List the amount of transportation allowance being claimed. If Column E is zero, enter zero. There is no allowance available.

Column G – Enter the net gross value (Column E minus Column F). If the results are less than zero, enter zero.

Total Each Column – Enter the totals of each column.

TOTAL TAX – Multiply Column G Total by 0.05. Enter this amount here and in line 2 of the Severance Tax Computation Schedule on Page 2.

SCHEDULE C – NATURAL GAS MID VOLUME VERTICAL RATE.

Not applicable for Tax Year 2025

SCHEDULE D – OIL MID VOLUME VERTICAL RATE.

Not applicable for Tax Year 2025

SCHEDULE E – COALBED METHANE, NGL, AND OTHER COMMODITY.

All wells must be individually reported.

Column A – Enter the API number used when reporting each well to WVDEP.

Column B – Enter the commodity code for the resource produced from the following list:

- Coal Bed Methane 100
- Ethane 101
- Butane 102
- Propane 103
- Condensate 104
- Sand 300
- Gravel 400
- Non-Processed Waste Coal 500
- Clay 600
- Shale 700

Note: Report all NGLS not covered by codes 101-103 as Condensate Commodity Code 104.

Column C – Enter the total gross value for each commodity being reported.

Column D – List the amount of transportation allowance being claimed. If Column C is zero, enter zero. There is no allowance available. **Transportation allowance is only available for coal bed methane and natural gas liquids.**

Column E – Enter the net gross value (Column C minus Column D). If the results are less than zero, enter zero.

Column F – Enter total amount tax due. (Multiply Column E by 0.05.)

Total Each Column – Enter the totals of each column.

1 TOTAL TAX – Coal bed methane – Total of tax due for commodity code 100. Enter this amount here and in line 5 of the Severance Tax Computation Schedule on Page 2.

2 TOTAL TAX – Sand, Gravel, or other mineral product not quarried or mined – Total of tax due for all commodity codes 300 or greater. Enter this amount here and in line 6 of the Severance Tax Computation Schedule on Page 2.

3 TOTAL TAX – Other Natural Resource Products (Natural Gas Liquids, Ethane, Butane, Propane, Condensate, Etc.) – Total of tax due for all commodity codes from 101 through 104. Enter this amount here and on line 7 of the Severance Tax Computation Schedule on Page 2.

SEVERANCE TAX COMPUTATION SCHEDULE (Page 2)

Line 1 – Natural Gas – Enter the **TOTAL** from Schedule A.

Line 2 – Oil – Enter the **TOTAL** from Schedule B.

Line 3 – Natural Gas at Mid Volume Vertical Well Rate – Enter the **TOTAL** from Schedule C.

Line 4 – Oil at Mid Volume Vertical Well Rate – Enter the **TOTAL** from Schedule D.

Line 5 – Coalbed methane – Enter the **TOTAL** from line 1, Schedule E.

Line 6 – Sand, gravel, or other mineral product not quarried or mined – Enter the **TOTAL** from line 2, Schedule E.

Line 7 – Other natural resource products – Enter the **TOTAL** from line 3, Schedule E.

Line 8 – Total tax – Add lines 1 through 7, enter here and Line 1 of Page 1.

SCHEDULE TC – TAX CREDITS (Page 2)

Line 1 – Enter the amount of Credit (\$500 per year or \$41.67 per each month engaged in business in West Virginia if fewer than 12 months). Only one annual credit may be claimed by each business entity and may not exceed \$500.

Line 2 – Enter the amount of manufacturing investment credit being claimed. (Must provide proper documentation to claim this credit.)

Line 3 – Enter total credit. Add lines 1 and 2. Enter here and Line 2 of Page 1.

TAX CALCULATION (Page 1)

Line 1 – Enter total tax (Page 2, Severance Tax Computation Schedule, Line 8).

Line 2 – Enter total tax credits (Page 2, Schedule TC, Line 3).

Line 3 – Enter adjusted tax (Line 1 Minus Line 2). If Line 2 is greater than Line 1, enter zero.

Line 4 – Enter total payments made for the period covered by this return and any credit from prior years overpayment.

Line 5 – Enter balance of tax due (Line 3 minus Line 4). If Line 4 is greater than Line 3, enter zero.

Line 6 – Enter amount of overpayment (Line 4 minus Line 3). If line 3 is greater than line 4, enter zero.

Line 7 – Enter the amount of Line 6 to be credited to next year's tax.

Line 8 – Enter the amount of Line 6 to be refunded. (Line 6 minus Line 7)

Allowable Deductions for Transportation and Transmission

Documentation must be provided for all expenses being deducted for transportation and transmission of gas. This documentation includes copies of all transportation and gathering contracts, copies of invoices, and settlement statements, along with the applicable spreadsheet. This must all be submitted with the tax return at the time of filing. The tax return is not considered complete until all supporting documentation has been correctly submitted. Removable media must be mailed to: WV Tax Division, Excise Unit, 1001 Lee St E, Charleston WV, 25301.

Settlement statements are the detailed invoices showing the fee deductions taken to determine the payout for oil/gas delivered to a gatherer or purchaser.

Settlement Statements Fees:

If you deduct Settlement Statement Fees (SSF), you are required to submit **all** of the following documentation when you file the return:

1. Settlement Statement Spreadsheet (Available on <https://tax.wv.gov>):
 - a. Fees must be listed by month, vendor, and individual item amount. **Do not combine fees.**
 - b. Individual fees must match the invoice.
 - c. When costs are split between states, enter the full amount listed on the invoice. Then show what percentage of the costs are for WV separately from the line item.
 - d. Must be submitted electronically via MyTaxes or removable media such as cd or flash drive. Formulas acceptable.
2. Transportation and gathering contracts: Contracts must be provided in the first year they are claimed. After that, any amendments to those contracts or new contracts must be provided yearly.
3. Settlement Statements/Invoices:
 - a. They must be billed to the company filing the return.
 - b. They must be dated and legible.
 - c. They must be submitted as PDF scans and must be individually scanned and labeled by month and vendor.

Lease operating expenses are applicable expenses paid to transport and transmit gas and may be deductible. Allowable lease operating expenses are those expenses that are essential to the transportation and transmission of gas.

Lease Operating Expenses:

If you are deducting Lease Operating Expenses (LOE), you are required to submit **all** the following documentation when you file the return:

1. SEV401.LOE import spreadsheet (Available on <https://tax.wv.gov>):
 - a. All columns must be completed.
 - b. Each invoice must be listed individually on its own line
 - c. Item Description must list the actual item or service
 - d. Intended Use should list how the item is used in transportation and transmission of gas. **Do not list Transportation and Transmission as intended use.**
 - e. Must be submitted electronically via MyTaxes or removable media. Formulas acceptable
2. Invoices/Vendor Statements:
 - a. They must be billed to the company filing for the return.
 - b. They must be legible.
 - c. They must be dated.
 - d. They must have an invoice number and list name of items being purchased

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- e. They must show that the service or item was used in WV.
 - f. They may be submitted as PDF scans and must be individually scanned and labeled with the matching invoice number.

Well API's

- 3. API Breakout Spreadsheet (Available on <https://tax.wv.gov>):
 - a. Must show how the total fees are applied to each API in a manner that can be adjusted if any claimed fees are denied.
 - b. Must be submitted electronically via MyTaxes or removable media. Formulas acceptable
 - c. Must show SSF & LOE as separate columns.