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 or not 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 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 satisfactory 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, except the installment for May, which is due on or before the fifteenth of June each year. 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 in order to file the returns. Taxpayers reporting more than ten (10) wells, on any schedule, should 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 the

  West Virginia State Tax Department  
  Taxpayer Services Division  
  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 severed, determined after application of postproduction 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 the severer consumes the natural 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.

“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.

MANUFACTURING INVESTMENT TAX CREDIT

Manufacturers that make qualified investments for industrial expansion or industrial revitalization in WV may be eligible for the Manufacturing Investment Tax Credit. The term “manufacturing” means any business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number, of thirty-one, thirty-two or thirty-three. Eligible investments include real property and improvements thereto and tangible personal property constructed or purchased for use as a part of a new or expanded or revitalized business facility of a qualified industrial taxpayer. Eligible investments may also include replaced or refurbished buildings, equipment, machinery and other tangible personal property used in the operation of a qualified facility located in West Virginia. Eligible investment may also include real or tangible personal property acquired by written lease for a primary term of ten years or longer, if used as a component part of a new, expanded or revitalized industrial facility. The credit is equal to 5% of the taxpayer’s qualified investment, pro-rated over a ten-year period at a rate of 10% per year. All taxpayers wishing to qualify for the Manufacturing Investment Tax Credit must file an application for such credit (form WV/MITC-A) on or before the due date of the Personal Income Tax or Corporation Net Income Tax return filed for the tax year the investment was placed in service or use, including lawful extensions of time to file. Manufacturing Investment Tax Credit may be used to offset up to 50% of the taxpayer’s annual liability for Business Franchise Tax, Severance Tax and Corporation Net Income Tax for a period of 10 years. Any portion of a particular year’s annual credit that remains, after application against these taxes for the taxable year, is forfeited. Taxpayers must complete and file Schedule MITC-1 and schedule MITC-A when claiming this credit.

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 estimated tax schedule may be obtained from our website www.tax.wv.gov.
**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 this well to WVDEP. |
| Column B | Enter the gross value of the natural gas produced. |
| Column C | Enter the number of MCFS produced (rounded to the nearest whole number). |
| Column D | Enter the gross value for qualifying low volume or shut in wells. |
| Column E | Enter the gross value of natural gas provided to property owners. |
| Column F | Enter the adjusted gross value (Column B minus Columns D & E). |
| Column G | List the amount of transportation allowance being claimed. If claiming anything other than the safe harbor allowance (15% of adjusted gross value), you must provide the calculation method and supporting documentation for the allowance. Attach separate sheet. If Column F is zero, enter zero. There is no allowance available. |
| Column H | Enter the net gross value (Column F minus Column G). |

**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.

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**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 this well to WVDEP. |
| Column B | Enter the gross value of the oil produced. |
| Column C | Enter the number of Barrels produced (rounded to the nearest whole number). |
| Column D | Enter the gross value for qualifying low volume or shut in wells. |
| Column E | Enter the adjusted gross value (Column B minus Column D). |
| Column F | List the amount of transportation allowance being claimed. If claiming anything other than the safe harbor allowance (15% of adjusted gross value), you must provide the calculation method and supporting documentation for the allowance. Attach separate sheet. If Column E is zero, enter zero. There is no allowance available. |
| Column G | Enter the net gross value (Column E minus Column F). |

**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.

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**SCHEDULE C – NATURAL GAS MID VOLUME VERTICAL RATE.**

This includes only vertical wells that qualify for the reduced rate for mid-volume production. **All wells must be individually reported.**

| Column A | Enter the API number used when reporting this well to WVDEP. |
| Column B | Enter the gross value of the natural gas produced. |
| Column C | Enter the number of MCFS produced (rounded to the nearest whole number). |
| Column D | Enter the gross value of natural gas provided to property owners. |
| Column E | Enter the adjusted gross value (Column B minus Column D). |
| Column F | List the amount of transportation allowance being claimed. If claiming anything other than the safe harbor allowance (15% of adjusted gross value), you must provide the calculation method and supporting documentation for the allowance. Attach separate sheet. If Column E is zero, enter zero. There is no allowance available. |
| Column G | Enter the net gross value (Column E minus Column F). |

**Total Each Column** – Enter the totals of each column.

**TOTAL TAX** – Multiply Column G Total by 0.025. Enter this amount here and in line 3 of the Severance Tax Computation Schedule on Page 2.
SCHEDULE D – OIL MID VOLUME VERTICAL RATE.

This includes only vertical wells that qualify for the reduced rate for mid-volume production. All wells must be individually reported.

Column A - Enter the API number used when reporting this well to WVDEP.
Column B - Enter the gross value of the oil produced.
Column C – Enter the number of Barrels produced (rounded to the nearest whole number).
Column D - List the amount of transportation allowance being claimed. If claiming anything other than the safe harbor allowance (15% of adjusted gross value), you must provide the calculation method and supporting documentation for the allowance. Attach separate sheet. If Column D is zero, enter zero. There is no allowance available.
Column E – Enter the net gross value (Column D minus Column E).
Total Each Column – Enter the totals of each column.

TOTAL TAX – Multiply Column F Total by 0.025. Enter this amount here and in line 4 of the Severance Tax Computation Schedule on Page 2.

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

All wells must be individually reported.

Column A - Enter the API number used when reporting this 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
- Salt 202
- Sand 300
- Gravel 400
- Non-Processed Waste Coal 500
- Clay 600
- Shale 700

Note: Report all NGL’s not covered by codes 101-103, as Condensate Commodity Code 104.

Column C – Enter the gross value.
Column D - List the amount of transportation allowance being claimed. If claiming anything other than the safe harbor allowance (15% of adjusted gross value), you must provide the calculation method and supporting documentation for the allowance. Attach separate sheet. 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).
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 no quarried or mined – Total of tax due for all commodity codes greater than 200. 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 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.
Note: Appropriate credit forms and documentation must be attached for processing of return. Forms may be obtained from our website at tax.wv.gov.

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)