Severance Taxes

Overview
Severance taxes in West Virginia have historically been imposed on the privilege of extracting natural resources including, but not limited to, coal, natural gas, natural gas liquids, oil, timber, limestone, sandstone, and gravel. Severance taxes in West Virginia date back to 1921, when the first gross sales tax on mining was imposed at a rate of 0.4%. The name of the tax was changed to Business & Occupation Tax in 1925 and then in 1987 to Severance Tax as it is known today.

Coal Severance Taxes
The State imposes a 5.0% gross receipts severance tax on coal production and coal processing. This 5.0% is composed of a 4.65% regular state severance tax rate and a 0.35% rate that is dedicated to local governments.

There are several conditions under which the state severance rate on coal is reduced. If steam coal is sold directly to an electric power producer, the state severance tax rate is 2.65%. For coal mined from qualified seams with a thickness between 37 and 45 inches, the state severance tax rate is 1.65% and for qualified seams less than 37 inches the rate is 0.65%. In each of these instances, the additional local rate of 0.35% remains in effect.

There is also a severance tax rate of 2.5% on coal reclaimed from coal waste ponds and gob piles. All proceeds from the severance tax on waste coal are deposited into the Waste Coal-Producing Counties Fund for use by the county in which the coal was severed for economic development and infrastructure projects.

Natural Gas, Natural Gas Liquids, and Oil Severance Taxes
The current state severance tax rate on natural gas, natural gas liquids, and oil is 5.0% of gross proceeds. Of this, 10% is dedicated to local governments. Additionally, 0.75% of this regular severance rate is dedicated to the DEP Oil and Gas Operating Permit and Processing Fund up to $1.2 million per fiscal year.

A reduced severance tax rate of 2.5% is levied on vertical oil wells with average daily production between 0.5 and 10 barrels and vertical natural gas wells with average daily production between 5,000 and 60,000 cubic feet. All net proceeds less local government distributions from these wells are deposited into the Oil and Gas Abandoned Well Plugging Fund. However, if the balance of the Fund is at least $6 million on June 1 of any year, the tax is suspended in the following tax year. As a result of this provision, the 2.5% tax was suspended for Tax Year 2026 and will be suspended for Tax Year 2027.

Other Severance Taxes

Sand, gravel, and other minerals are taxed at a rate of 5.0% of gross receipts and compose a negligible portion of severance tax collections in West Virginia. Timber, limestone, and sandstone have not been subject to severance taxes in West Virginia since June 30, 2019. Previously, the severance tax rate on timber was 3.22% of gross receipts at the point of extraction prior to 2007, 1.22% from January 1, 2007 through the end of 2009, and 0% as of January 1, 2010. Timber was also taxed during Fiscal Years 2017 to 2019 at a rate of 1.50%.

Temporary Historical Severance Tax Provisions

Temporary additional severance taxes on coal, natural gas and timber went into effect on December 1, 2005, comprised of a $0.56 per ton tax on coal production, a $0.047 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. 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.

Local Distributions

Distributions to local governments from coal have three sources: the 0.35% severance tax rate dedicated to local governments, the 2.5% severance tax rate on waste coal, and 5.0% of the state coal severance tax collections.

The waste coal severance tax collections are dedicated to the county in which the waste coal was severed. For the 0.35% local severance tax rate, 75% of that amount is dedicated to the coal producing counties and is allocated proportional to coal tonnage production, and the remaining 25% is dedicated to all counties and municipalities in the State proportional to population. Finally, the distribution of 5.0% of state coal severance tax collections is dedicated to coal producing counties, again proportional to coal tonnage production. This distribution has a statutory floor of $11,975,088.09 and a statutory ceiling of $20 million.

From the regular severance tax on oil and natural gas, 10% of these proceeds are dedicated to local governments. Of this distribution, 75% goes to the oil and natural gas producing counties and the remaining 25% is dedicated to all counties and municipalities proportional to population.

The severance tax rate on coal-bed methane wells is 5.0%, but all proceeds from coal-bed methane wells are dedicated to local governments. These distributions are allocated with 75% dedicated to coal-bed methane producing counties and the remaining 25% dedicated to counties without coal-bed methane production.

The Tax Division 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 Division receives an administrative fee of 1.0% to cover its costs of administering the local coal-bed methane tax, the local waste coal severance tax and the 5.0% coal sharing severance tax allocation to producing counties. These receipts are not reflected in the net severance tax collection table.

Tax Data, Fiscal Years 2015-2026

Table Severance Tax Summary FY 2026 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, and 100% of the proceeds from the regular severance tax on reclamation of 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 https://wvtreasury.gov/Transparency/Revenue-Distributions/Oil-and-Gas-Severance.

Severance Tax Summary FY 2026

	Regular State Severance Tax *	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
Coal	$ 159,520,939	$ 33,066,552	$ 192,587,491	-10.5%	-10.3%
Natural Gas	$ 305,988,058	$ 13,847,519	$ 319,835,576	48.5%	40.3%
Oil	$ 38,753,397	$ 4,640,113	$ 43,393,510	110.9%	86.3%
Sand, Gravel, Other	$ 272,413		$ 272,413	-79.6%	-79.6%
Natural Gas Liquids	$ 55,719,239		$ 55,719,239	-16.7%	-16.7%
Total	$ 560,254,046	$ 51,554,183	$ 611,808,229	19.0%	14.5%

* First $22,201,375 collected is dedicated to the State Infrastructure Bond Fund
* A total of nearly $1,949,703 in natural gas and oil tax collections transferred to DEP Oil and Gas Abandoned Well Plugging Fund
* A total of nearly $1,200,000 in natural gas and oil tax collections transferred to DEP Well Inspector Fund

Severance Tax Summary FY 2025

	Regular State Severance Tax *	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
Coal	$ 178,198,712	$ 36,391,582	$ 214,590,294	-24.5%	-23.5%
Natural Gas	$ 206,023,994	$ 22,009,651	$ 228,033,645	169.9%	59.8%
Oil	$ 18,379,352	$ 4,916,740	$ 23,296,092	-37.0%	-37.5%
Sand, Gravel, Other	$ 1,332,650	$ -	$ 1,332,650	30.1%	30.1%
Natural Gas Liquids	$ 66,929,661	$ -	$ 66,929,661	21.4%	21.4%
Total	$ 470,864,369	$ 63,317,974	$ 534,182,342	18.4%	3.4%

* First $22,210,175 collected is dedicated to the State Infrastructure Bond Fund
* A total of more than $8,828,247 in natural gas and oil tax collections transferred to DEP Oil and Gas Abandoned Well Plugging Fund
* A total of more than $804,111 in natural gas and oil tax collections transferred to DEP Well Inspector Fund

Severance Tax Summary FY 2024

	Regular State Severance Tax *	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
Coal	$ 236,055,766	$ 44,561,768	$ 280,617,534	-21.0%	-19.7%
Natural Gas	$ 76,334,505	$ 66,398,183	$ 142,732,687	-86.2%	-75.7%
Oil	$ 29,192,397	$ 8,061,918	$ 37,254,315	-33.1%	-26.0%
Sand, Gravel, Other	$ 1,024,678	$ -	$ 1,024,678	38.8%	38.8%
Natural Gas Liquids	$ 55,153,667	$ -	$ 55,153,667	-26.8%	-26.8%
Other/Unclassified	$ -	$ -	$ -	-100.0%	-100.0%
Total	$ 397,761,014	$ 119,021,868	$ 516,782,882	-59.1%	-51.5%

* First $22,201,225 collected is dedicated to the State Infrastructure Bond Fund
* A total of nearly $6,685,947 in natural gas and oil tax collections transferred to DEP Oil and Gas Abandoned Well Plugging Fund

Severance Tax Summary FY 2023

	Regular State Severance Tax *	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
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
Total	$ 972,062,060	$ 94,193,949	$ 1,066,256,009	22.6%	26.9%

* 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 Severance Tax *	Workers' Compensation Debt Fund Severance Tax**	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
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%
		$ -				
Total	$ 792,655,791	$ (317,001)	$ 47,996,627	$ 840,335,418	167.6%	153.7%

* 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 Severance Tax *	Workers' Compensation Debt Fund Severance Tax**	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
Coal	$ 143,166,911.39	$ -	$ 25,108,429	$ 168,275,341	-13.1%	-15.9%
Natural Gas	$ 89,320,447.80	$ -	$ 11,666,839	$ 100,987,287	6.9%	2.4%
Oil	$ 28,619,290.60	$ -	$ 763,708	$ 29,382,999	20.5%	8.7%
Sand, Gravel	$ 575,955.42	$ -	$ -	$ 575,955	202.3%	202.3%
Limestone, Sandstone	$ 342,481.60	$ -	$ -	$ 342,482	-19.6%	-19.6%
Timber	$ 3,006.84	$ -	$ -	$ 3,007	-98.6%	-98.6%
Other/Unclassified	$ 34,166,752.47	$ -	$ -	$ 34,166,752	109.1%	109.1%
Total	$ 296,194,846.12	$ (2,562,331)	$ 37,538,976	$ 331,171,492	2.4%	-3.5%

* 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 Severance Tax *	Workers' Compensation Debt Fund Severance Tax**	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
Coal	$ 164,742,242	$ -	$ 35,272,927	$ 200,015,169	-37.5%	-32.6%
Natural Gas	$ 83,546,457	$ -	$ 15,102,435	$ 98,648,892	-42.6%	-38.8%
Oil	$ 23,749,553	$ -	$ 3,277,062	$ 27,026,615	-38.4%	-32.0%
Sand, Gravel	$ 190,535	$ -	$ -	$ 190,535	-12.4%	-12.4%
Limestone, Sandstone	$ 425,801	$ -	$ -	$ 425,801	-65.1%	-65.1%
Timber	$ 217,366	$ -	$ -	$ 217,366	-86.1%	-86.1%
Other/Unclassified	$ 16,341,594	$ -	$ -	$ 16,341,594	-51.6%	-51.6%
Total	$ 289,213,547	$ 295,625	$ 53,652,424	$ 343,161,596	-40.3%	-35.8%

* 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 Severance Tax *	Workers' Compensation Debt Fund Severance Tax**	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
Coal	$ 263,425,337	$ -	$ 33,520,526	$ 296,945,863	20.5%	18.9%
Natural Gas	$ 145,664,728	$ -	$ 15,430,737	$ 161,095,465	31.1%	32.9%
Oil	$ 38,542,485	$ -	$ 1,210,573	$ 39,753,058	135.1%	125.1%
Sand, Gravel	$ 217,427	$ -	$ -	$ 217,427	35.3%	35.3%
Limestone, Sandstone	$ 1,220,073	$ -	$ -	$ 1,220,073	11.0%	11.0%
Timber	$ 1,563,575	$ -	$ -	$ 1,563,575	0.0%	3.5%
Other	$ 33,759,597	$ -	$ -	$ 33,759,597	88.7%	88.7%
Unclassified	$ 178,420	$ -		$ 178,420	0.0%	
Total	$ 484,571,643	$ (20,577)	$ 50,161,836	$ 534,712,902	32.1%	30.6%

* 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 Severance Tax *	Workers' Compensation Debt Fund Severance Tax**	Local Government Tax Distribution	Total Severance Tax	GRF	S&L Change
Coal	$ 218,668,347	$ -	$ 31,179,801	$ 249,848,148	4.7%	6.6%
Natural Gas	$ 111,072,541	$ -	$ 10,115,487	$ 121,188,028	9.3%	8.6%
Oil	$ 16,391,598	$ -	$ 1,265,066	$ 17,656,663	18.5%	20.9%
Sand, Gravel	$ 160,705	$ -	$ -	$ 160,705	-89.8%	-89.8%
Limestone, Sandstone	$ 1,099,528	$ -	$ -	$ 1,099,528	17.4%	17.4%
Timber	$ 1,510,690	$ -	$ -	$ 1,510,690	0.0%	13.0%
Other	$ 17,892,715	$ -	$ -	$ 17,892,715	9.9%	9.9%
Unclassified	$ 5,396	$ -		$ 5,396	0.0%	
Total	$ 366,801,521	$ 334,245	$ 42,560,353	$ 409,696,119	6.5%	7.5%

* 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 Severance Tax *		Workers' Compensation Debt Fund Severance Tax		Local Government Tax Distribution		Total Severance Tax	GRF	S&L Change
Coal	$	208,793,864	$ 5,343,040	$	25,653,239	$	239,790,143	9.4%	7.2%
Natural Gas	$	101,639,602	$ 6,862,862	$	9,950,820	$	118,453,284	114.5%	78.3%
Oil	$	13,830,698	$ -	$	768,049	$	14,598,747	83.1%	50.9%
Sand, Gravel	$	1,580,796	$ -	$	-	$	1,580,796	-0.7%	-0.7%
Limestone, Sandstone	$	936,872	$ -	$	-	$	936,872	-35.8%	-35.8%
Timber	$	1,336,937	$ 513,500	$	-	$	1,850,437	0.0%	
Other	$	16,275,248	$ 28,841	$	-	$	16,304,089	45.9%	45.9%
Unclassified	$	29,308	$ 7,264			$	36,571	0.0%	
Total	$	344,423,326	$ 12,755,506	$	36,372,108	$	393,550,940	32.4%	24.8%

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

Severance Tax Summary FY 2016

	Regular State Severance Tax *		Workers' Compensation Debt Fund Severance Tax		Local Government Tax Distribution		Total Severance Tax	GRF	Change
Coal	$	190,902,362	$ 46,615,726	$	27,820,221	$	265,338,309	-31.0%	-29.7%
Natural Gas	$	47,384,418	$ 62,164,717	$	15,187,205	$	124,736,341	-61.8%	-54.2%
Oil	$	7,553,311	$ -	$	2,119,248	$	9,672,559	-60.0%	-54.3%
Sand, Gravel	$	1,592,107	$ -	$	-	$	1,592,107	612.9%	612.9%
Limestone, Sandstone	$	1,458,381	$ -	$	-	$	1,458,381	16.5%	16.5%
Timber	$	-	$ 3,152,125	$	-	$	3,152,125		
Other	$	11,151,854	$ -	$	-	$	11,151,854	-22.9%	-22.9%
Unclassified	$	-	$ 24,864			$	24,864		
Total	$	260,042,432	$ 111,957,432	$	45,126,675	$	417,126,539	-40.5%	-37.1%

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

Severance Tax Summary FY 2015

Updated 8/27/2015

	Regular State Severance Tax		Workers' Compensation Debt Fund Severance Tax		Local Government Tax Distribution		Total Severance Tax	GRF	Change
Coal	$	276,715,111	$ 64,390,147	$	34,453,053	$	375,558,311	-13.6%	-9.4%
Natural Gas	$	123,930,147	$ 57,675,755	$	12,594,931	$	194,200,833	-22.5%	-15.2%
Oil	$	18,863,640	$ -	$	2,297,077	$	21,160,717	-26.8%	-17.9%
Sand, Gravel	$	223,342.58	$ -	$	-	$	223,343	5.7%	5.7%
Limestone, Sandstone	$	1,251,469.29	$ -	$	-	$	1,251,469	11.3%	11.3%
Timber	$	-	$ 3,430,520	$	-	$	3,430,520	0.0%	
Other	$	14,457,674	$ -	$	-	$	14,457,674	234.1%	234.1%
Unclassified	$	1,731,116	$ 207,503	$	-	$	1,938,619		
Total	$	437,172,499	$ 125,703,925	$	49,345,061	$	612,221,486	-14.6%	-9.5%

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