

# Severance Taxes

## **Tax Data, Fiscal Years 2013 and 2014**

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". 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.

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 will increase 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 include 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 are 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 are scheduled to expire at the beginning of the month following a day when an independent certified actuary determines that the unfunded liability of the Old Fund "has been paid or provided for in its entirety."

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 (first \$23 million per year), Division of Forestry (regular timber severance tax only) and the State General Revenue Fund. 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 2014

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax</u>	<u>Local Government Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$ 320,243,939	\$ 63,742,434	\$ 23,174,978	\$ 407,161,351
Natural Gas	\$ 162,399,837	\$ 42,740,512	\$ 954,523	\$ 206,094,872
Oil	\$ 25,905,239	\$ -	\$ -	\$ 25,905,239
Sand, Gravel	\$ 211,254	\$ -	\$ -	\$ 211,254
Limestone, Sandstone	\$ 1,124,683	\$ -	\$ -	\$ 1,124,683
Timber	\$ -	\$ 2,925,490	\$ -	\$ 2,925,490
Waste Coal	\$ -	\$ -	\$ 166,912	\$ 166,912
Other NEC	\$ 1,800,538	\$ 51,584	\$ -	\$ 1,852,122
<b>Total</b>	<b>\$ 511,685,488</b>	<b>\$ 109,460,020</b>	<b>\$ 24,296,412</b>	<b>\$ 645,441,921</b>

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

## Table SEV-1

### Severance Tax Summary FY 2013

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax</u>	<u>Local Government Tax Distribution</u>	<u>Total Severance Tax</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
Waste Coal	\$ -	\$ -	\$ 114,567	\$ 114,567
Other NEC	\$ 2,260,032	\$ 81,043	\$ -	\$ 2,341,075
<b>Total</b>	<b>\$ 433,676,729</b>	<b>\$ 94,562,969</b>	<b>\$ 44,251,092</b>	<b>\$ 572,490,790</b>

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

## Table SEV-1

### 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
Waste Coal	\$ -	\$ -	\$ 1,082,126	\$ 1,082,126
Other NEC	\$ 1,398,657	\$ 265,338	\$ -	\$ 1,663,994
<b>Total</b>	<b>\$ 491,753,997</b>	<b>\$ 93,947,355</b>	<b>\$ 50,540,946</b>	<b>\$ 636,242,297</b>

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

## Table SEV-1

### 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
Waste Coal	\$ -	\$ -	\$ 754,463	\$ 754,463
Other NEC	\$ 354,891	\$ 273,770	\$ -	\$ 628,660
<b>Total</b>	<b>\$ 465,390,037</b>	<b>\$ 93,112,747</b>	<b>\$ 45,915,655</b>	<b>\$ 604,418,438</b>

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

## Table SEV-1

### Severance Tax Summary FY 2010

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax</u>	<u>Local Government 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
Waste Coal	\$ -	\$ -	\$ 374,012	\$ 374,012
Other NEC	\$ 1,334,087	\$ 156,784	\$ -	\$ 1,490,871
<b>Total</b>	<b>\$ 425,161,409</b>	<b>\$ 91,573,307</b>	<b>\$ 41,259,248</b>	<b>\$ 557,993,964</b>

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

## Table SEV-1

### Severance Tax Summary FY 2009

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax**</u>	<u>Local Government 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
Waste Coal	\$ -	\$ -	\$ 1,869,178	\$ 1,869,178
Other NEC	\$ 1,889,784	\$ 109,604	\$ -	\$ 1,999,389
<b>Total</b>	<b>\$ 384,763,321</b>	<b>\$ 125,669,950</b>	<b>\$ 45,847,905</b>	<b>\$ 556,281,175</b>

\* 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

## Table SEV-1

### 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
<b>Total</b>	<b>\$ 363,533,227</b>	<b>\$ 124,294,765</b>	<b>\$ 34,892,912</b>	<b>\$ 522,720,904</b>

\* 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

## Table SEV-1

### 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
<b>Total</b>	<b>\$ 337,976,652</b>	<b>\$ 109,171,784</b>	<b>\$ 32,910,808</b>	<b>\$ 480,059,244</b>

\* 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

## Table SEV-1

### Severance Tax Summary FY 2006

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax**</u>	<u>Local Government 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
<b>Total</b>	<b>\$ 342,690,401</b>	<b>\$ 40,359,906</b>	<b>\$ 31,413,079</b>	<b>\$ 414,463,386</b>

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

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

## Table SEV-1

### Severance Tax Summary FY 2005

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax</u>	<u>Local Government 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
<b>Total</b>	<b>\$ 275,687,402</b>	<b>\$ -</b>	<b>\$ 25,659,584</b>	<b>\$ 301,346,986</b>

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

## Table SEV-1

### Severance Tax Summary FY 2004

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax</u>	<u>Local Government 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
<b>Total</b>	<b>\$ 211,724,611</b>	<b>\$ -</b>	<b>\$ 18,938,950</b>	<b>\$ 230,663,561</b>

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

### Severance Tax Summary FY 2003

	<u>Regular State Severance Tax*</u>	<u>Workers' Compensation Debt Fund Severance Tax</u>	<u>Local Government Tax Distribution</u>	<u>Total Severance Tax</u>
Coal	\$ 157,430,070	\$ -	\$ 15,519,430	\$ 172,949,500
Natural Gas	\$ 26,216,284	\$ -	\$ 2,156,472	\$ 28,372,756
Oil	\$ 1,981,947	\$ -	\$ 119,850	\$ 2,101,797
Sand, Gravel	\$ 73,667	\$ -	\$ -	\$ 73,667
Limestone, Sandstone	\$ 358,357	\$ -	\$ -	\$ 358,357
Timber	\$ 2,638,493	\$ -	\$ -	\$ 2,638,493
Waste Coal	\$ -	\$ -	\$ 358,194	\$ 358,194
Other NEC	\$ 253,479	\$ -	\$ -	\$ 253,479
<b>Total</b>	<b>\$ 188,952,297</b>	<b>\$ -</b>	<b>\$ 18,153,947</b>	<b>\$ 207,106,243</b>

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