

# WEST VIRGINIA LEGISLATURE

## 2017 REGULAR SESSION

Introduced

### Senate Bill 415

FISCAL NOTE
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BY SENATORS CARMICHAEL (MR. PRESIDENT) AND

PREZIOSO

(BY REQUEST OF THE EXECUTIVE)

[Introduced February 23, 2017; Referred  
to the Committee on Energy, Industry and Mining; and  
then to the Committee on Finance]

1 A BILL to amend and reenact §11-13A-3a of the Code of West Virginia, 1931, as amended,  
 2 relating generally to severance tax imposed on privilege of severing natural gas for sale,  
 3 profit or commercial use; specifying effective date; and making technical corrections.

*Be it enacted by the Legislature of West Virginia:*

1 That §11-13A-3a of the Code of West Virginia, 1931, as amended, be amended and  
 2 reenacted to read as follows:

**ARTICLE 13A. SEVERANCE AND BUSINESS PRIVILEGE TAX ACT.**

**§11-13A-3a. Imposition of tax on privilege of severing natural gas or oil. ~~Tax Commissioner~~  
~~to develop a uniform reporting form~~**

1 (a) *Imposition of tax.* -- For the privilege of engaging or continuing within this state in the  
 2 business of severing natural gas or oil for sale, profit or commercial use, there is hereby levied  
 3 and shall be collected from every person exercising such privilege an annual privilege tax:  
 4 Provided, That effective for all taxable periods beginning on or after January 1, 2000, there is an  
 5 exemption from the imposition of the tax provided in this article on the following: (1) Free natural  
 6 gas provided to any surface owner; (2) natural gas produced from any well which produced an  
 7 average of less than five thousand cubic feet of natural gas per day during the calendar year  
 8 immediately preceding a given taxable period; (3) oil produced from any oil well which produced  
 9 an average of less than one-half barrel of oil per day during the calendar year immediately  
 10 preceding a given taxable period; and (4) for a maximum period of ten years, all natural gas or oil  
 11 produced from any well which has not produced marketable quantities of natural gas or oil for five  
 12 consecutive years immediately preceding the year in which a well is placed back into production  
 13 and thereafter produces marketable quantities of natural gas or oil.

14 (b) *Rate and measure of tax.* -- (1) The tax imposed in subsection (a) of this section shall  
 15 be five percent of the gross value of the natural gas or oil produced, as shown by the gross  
 16 proceeds derived from the sale thereof by the producer, except as otherwise provided in this  
 17 article.

18 (2) On and after July 1, 2017, the rate of tax on the privilege of severing natural  
 19 gas for sale, profit, or commercial use shall be:

<u>When the annualized gross value</u>	<u>The rate of tax is:</u>
<u>of natural gas per MCF is:</u>	
<u>Less than \$3.00</u>	5%
<u>\$3.00 but less than \$3.50</u>	5.5%
<u>\$3.50 but less than \$4.00</u>	6%
<u>\$4.00 but less than \$4.50</u>	6.5%
<u>\$4.50 but less than \$5.00</u>	7%
<u>\$5.00 but less than \$5.50</u>	7.5%
<u>\$5.50 but less than \$6.50</u>	8%
<u>\$6.50 but less than \$7.50</u>	8.5%
<u>\$7.50 but less than \$9.00</u>	9%
<u>\$9.00 or more</u>	10%

32 ~~(c) Tax in addition to other taxes. -- The tax imposed by this section shall apply to all~~  
 33 ~~persons severing gas or oil in this state, and shall be in addition to all other taxes imposed by law.~~

34 ~~(d)(1) The Legislature finds that in addition to the production reports and financial records~~  
 35 ~~which must be filed by oil and gas producers with the State Tax Commissioner in order to comply~~  
 36 ~~with this section, oil and gas producers are required to file other production reports with other~~  
 37 ~~agencies, including, but not limited to, the office of oil and gas, the Public Service Commission~~  
 38 ~~and county assessors. The reports required to be filed are largely duplicative, the compiling of the~~  
 39 ~~information in different formats is unnecessarily time consuming and costly, and the filing of one~~  
 40 ~~report or the sharing of information by agencies of government would reduce the cost of~~  
 41 ~~compliance for oil and gas producers.~~

42 ~~(2) On or before the first day of July, two thousand three, the Tax Commissioner shall~~  
 43 ~~design a common form that may be used for each of the reports regarding production that are~~

44 ~~required to be filed by oil and gas producers, which form shall readily permit a filing without~~  
45 ~~financial information when such information is unnecessary. The commissioner shall also design~~  
46 ~~such forms so as to permit filings in different formats, including, but not limited to, electronic~~  
47 ~~formats.~~

48 ~~(3) Effective the first day of July, two thousand six, this subsection shall have no force or~~  
49 ~~effect.~~

NOTE: The purpose of this bill is to impose that severance tax on the privilege of producing natural gas at graduated rates depending upon the gross value taxpayer derives from the sale of the natural gas during the severance tax year.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.