

# **WEST VIRGINIA LEGISLATURE**

**2019 REGULAR SESSION**

**ENGROSSED**

## **House Bill 3142**

BY DELEGATES HOUSEHOLDER, CRISS, ROWAN, LINVILLE

AND MAYNARD

[Originating in the Committee on Finance; Reported  
on February 22, 2019.]



1 A BILL to amend and reenact §11-13A-3, §11-13A-6 and §11-13A-6a of the Code of West  
2 Virginia, 1931, as amended, all relating to reducing the severance tax on thermal or steam  
3 coal to three percent, effective April 1, 2019, eliminating restrictions on counties and  
4 municipalities expending and reporting the expenditure of the county and municipality  
5 portion of the severance tax; and establishing minimum amounts of distribution of portion  
6 of severance tax on coal dedicated for use and benefit of coal-producing counties.

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

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

**§11-13A-3. Imposition of tax on privilege of severing coal, limestone or sandstone, or  
furnishing certain health care services, effective dates therefor; reduction of  
severance rate for coal mined by underground methods based on seam thickness.**

1 (a) *Imposition of tax.* — Upon every person exercising the privilege of engaging or  
2 continuing within this state in the business of severing, extracting, reducing to possession and  
3 producing for sale, profit or commercial use coal, limestone or sandstone, or in the business of  
4 furnishing certain health care services, there is hereby levied and shall be collected from every  
5 person exercising such privilege an annual privilege tax.

6 (b) *Rate and measure of tax.* — Subject to the provisions of subsection ~~(g)~~ (h) of this  
7 section, the tax imposed in subsection (a) of this section ~~shall be~~ is five percent of the gross value  
8 of the natural resource produced or the health care service provided, as shown by the gross  
9 income derived from the sale or furnishing thereof by the producer or the provider of the health  
10 care service, except as otherwise provided in this article: Provided, That effective July 1, 2019,  
11 the tax rate imposed by this subsection on the gross value of thermal or steam coal produced  
12 shall be reduced to four percent: Provided, however, That effective July 1, 2020, the tax rate  
13 imposed by this subsection on the gross value of thermal or steam coal produced shall be reduced  
14 to three percent. In the case of coal, ~~this five percent~~ the rate of tax includes the thirty-five one  
15 hundredths of one percent additional severance tax on coal imposed by the state for the benefit  
16 of counties and municipalities as provided in §11-13A-6 of this code and the additional severance

17 tax on coal imposed by the state for the benefit of coal-producing counties as provided in §11-  
18 13A-6a of this code.

19 (c) “Thermal or steam coal” defined. — For purposes of this section the term “thermal or  
20 steam coal” means coal sold for the purpose of generating electricity.

21 ~~(e)~~ (d) “Certain health care services” defined. — For purposes of this section, the term  
22 “certain health care services” means, and is limited to, behavioral health services.

23 ~~(d)~~ (e) Tax in addition to other taxes. — The tax imposed by this section ~~shall apply~~ applies  
24 to all persons severing or processing, or both severing and processing, in this state natural  
25 resources enumerated in subsection (a) of this section and to all persons providing certain health  
26 care services in this state as enumerated in subsection ~~(e)~~ (d) of this section and shall be in  
27 addition to all other taxes imposed by law.

28 ~~(e)~~ (f) Effective date. — This section, as amended in 1993, shall apply to gross proceeds  
29 derived after May 31, 1993. The language of this section, as in effect on January 1, 1993, shall  
30 apply to gross proceeds derived prior to June 1, 1993 and, with respect to such gross proceeds,  
31 shall be fully and completely preserved.

32 ~~(f)~~ (g) Reduction of severance tax rate. — For tax years beginning after the effective date  
33 of this subsection, any person exercising the privilege of engaging within this state in the business  
34 of severing coal for the purposes provided in subsection (a) of this section shall be allowed a  
35 reduced rate of tax on coal mined by underground methods in accordance with the following:

36 (1) For coal mined by underground methods from seams with an average thickness of 37  
37 inches to 45 inches, the tax imposed in subsection (a) of this section shall be two percent of the  
38 gross value of the coal produced. For coal mined by underground methods from seams with an  
39 average thickness of less than 37 inches, the tax imposed in subsection (a) of this section shall  
40 be one percent of the gross value of the coal produced. Gross value is determined from the sale  
41 of the mined coal by the producer. This rate of tax includes the thirty-five one hundredths of one  
42 percent additional severance tax imposed by the state for the benefit of counties and  
43 municipalities as provided in §11-13A-6 of this code.

44 (2) This reduced rate of tax applies to any new underground mine producing coal after the  
45 effective date of this subsection, from seams of less than 45 inches in average thickness or any  
46 existing mine that has not produced coal from seams 45 inches or less in thickness in the 180  
47 days immediately preceding the effective date of this subsection.

48 (3) The seam thickness shall be based on the weighted average isopach mapping of  
49 actual coal thickness by mine as certified by a professional engineer.

50 ~~(g)~~ (h)(1) *Termination and expiration of the behavioral health severance and business*  
51 *privilege tax.* — The tax imposed upon providers of health care services under the provisions of  
52 this article shall expire, terminate and cease to be imposed with respect to privileges exercised  
53 on or after July 1, 2016. Expiration of the tax as provided in this subsection ~~shall~~ does not relieve  
54 any person from payment of any tax imposed with respect to privileges exercised before the  
55 expiration date.

56 (2) *Refunds made.* — The Tax Commissioner ~~will~~ shall issue a requisition on the Treasury  
57 for any amount finally, administratively or judicially determined to be an overpayment of the tax  
58 terminated under this subsection. The Auditor shall issue a warrant on the Treasurer for any  
59 refund requisitioned under this subsection payable to the taxpayer entitled to the refund, and the  
60 Treasurer shall pay the warrant out of the fund into which the amount refunded was originally  
61 paid.

**§11-13A-6. Additional tax on the severance, extraction and production of coal; dedication  
of additional tax for benefit of counties and municipalities; distribution of major  
portion of such additional tax to coal-producing counties; distribution of minor  
portion of such additional tax to all counties and municipalities; reports; rules;  
special funds in office of State Treasurer; method and formulas for distribution of  
such additional tax; expenditure of funds by counties and municipalities for public  
purposes; special funds in counties and municipalities; and requiring special  
county and municipal budgets and reports thereon.**

1           (a) *Additional coal severance tax.* — Upon every person exercising the privilege of  
2 engaging or continuing within this state in the business of severing coal, or preparing coal (or both  
3 severing and preparing coal), for sale, profit or commercial use, there is hereby imposed an  
4 additional severance tax, the amount of which shall be equal to the value of the coal severed or  
5 prepared (or both severed and prepared), against which the tax imposed by section three of this  
6 article is measured as shown by the gross proceeds derived from the sale of the coal by the  
7 producer, multiplied by thirty-five one hundredths of one percent. The tax imposed by this  
8 subsection is in addition to the tax imposed by section three of this article, and this additional tax  
9 is referred to in this section as the “additional tax on coal”.

10           (b) This additional tax on coal is imposed pursuant to the provisions of section six-a, article  
11 ten of the West Virginia Constitution. Seventy-five percent of the net proceeds of this additional  
12 tax on coal shall be distributed by the State Treasurer in the manner specified in this section to  
13 the various counties of this state in which the coal upon which this additional tax is imposed was  
14 located at the time it was severed from the ground. Those counties are referred to in this section  
15 as the “coal-producing counties”. The remaining twenty-five percent of the net proceeds of this  
16 additional tax on coal shall be distributed among all the counties and municipalities of this state  
17 in the manner specified in this section.

18           (c) The additional tax on coal shall be due and payable, reported and remitted as  
19 elsewhere provided in this article for the tax imposed by section three of this article, and all of the  
20 enforcement and other provisions of this article shall apply to the additional tax. In addition to the  
21 reports and other information required under the provisions of this article and the tonnage reports  
22 required to be filed under the provisions of section seventy-seven, article two, chapter twenty-  
23 two-a of this code, the Tax Commissioner is hereby granted plenary power and authority to  
24 promulgate reasonable rules requiring the furnishing by producers of such additional information  
25 as may be necessary to compute the allocation required under the provisions of subsection (f) of  
26 this section. The Tax Commissioner is also hereby granted plenary power and authority to

27 promulgate such other reasonable rules as may be necessary to implement the provisions of this  
28 section: *Provided*, That notwithstanding any language contained in this code to the contrary, the  
29 gross amount of additional tax on coal collected under this article shall be paid over and distributed  
30 without the application of any credits against the tax imposed by this section.

31 (d) In order to provide a procedure for the distribution of seventy-five percent of the net  
32 proceeds of the additional tax on coal to the coal-producing counties, the special fund known as  
33 the "county coal revenue fund" established in the State Treasurer's office by chapter one hundred  
34 sixty-two, acts of the Legislature, 1985 regular session, as amended and reenacted in subsequent  
35 acts of the Legislature, is hereby continued. In order to provide a procedure for the distribution of  
36 the remaining twenty-five percent of the net proceeds of the additional tax on coal to all counties  
37 and municipalities of the state, without regard to coal having been produced therein, the special  
38 fund known as the "all counties and municipalities revenue fund" established in the State  
39 Treasurer's office by chapter one hundred sixty-two, acts of the Legislature, 1985 regular session,  
40 as amended and reenacted in subsequent acts of the Legislature, is hereby redesignated as the  
41 "all counties and municipalities coal revenue fund" and is hereby continued.

42 Seventy-five percent of the net proceeds of such additional tax on coal shall be deposited  
43 in the county coal revenue fund and twenty-five percent of the net proceeds shall be deposited in  
44 the all counties and municipalities coal revenue fund, from time to time, as the proceeds are  
45 received by the Tax Commissioner. The moneys in the funds shall be distributed to the respective  
46 counties and municipalities entitled to the moneys in the manner set forth in subsection (e) of this  
47 section.

48 (e) The moneys in the county coal revenue fund and the moneys in the all counties and  
49 municipalities coal revenue fund shall be allocated among and distributed quarterly to the counties  
50 and municipalities entitled to the moneys by the State Treasurer in the manner specified in this  
51 section. On or before each distribution date, the State Treasurer shall determine the total amount  
52 of moneys in each fund which will be available for distribution to the respective counties and

53 municipalities entitled to the moneys on that distribution date. The amount to which a coal-  
54 producing county is entitled from the county coal revenue fund shall be determined in accordance  
55 with subsection (f) of this section, and the amount to which every county and municipality is  
56 entitled from the all counties and municipalities coal revenue fund shall be determined in  
57 accordance with subsection (g) of this section. After determining as set forth in subsection (f) and  
58 subsection (g) of this section the amount each county and municipality is entitled to receive from  
59 the respective fund or funds, a warrant of the State Auditor for the sum due to each county or  
60 municipality shall issue and a check drawn thereon making payment of such amount shall  
61 thereafter be distributed to each such county or municipality.

62 (f) The amount to which a coal-producing county is entitled from the county coal revenue  
63 fund shall be determined by: (1) Dividing the total amount of moneys in the fund then available  
64 for distribution by the total number of tons of coal mined in this state during the preceding quarter;  
65 and (2) multiplying the quotient thus obtained by the number of tons of coal removed from the  
66 ground in the county during the preceding quarter.

67 (g) The amount to which each county and municipality is entitled from the all counties and  
68 municipalities coal revenue fund shall be determined in accordance with the provisions of this  
69 subsection. For purposes of this subsection "population" means the population as determined by  
70 the most recent decennial census taken under the authority of the United States:

71 (1) The treasurer shall first apportion the total amount of moneys available in the all  
72 counties and municipalities coal revenue fund by multiplying the total amount in the fund by the  
73 percentage which the population of each county bears to the total population of the state. The  
74 amount thus apportioned for each county is the county's "base share".

75 (2) Each county's base share shall then be subdivided into two portions. One portion is  
76 determined by multiplying the base share by that percentage which the total population of all  
77 unincorporated areas within the county bears to the total population of the county, and the other  
78 portion is determined by multiplying the base share by that percentage which the total population



79 of all municipalities within the county bears to the total population of the county. The former portion  
80 shall be paid to the county and the latter portion is the “municipalities’ portion” of the county’s  
81 base share. The percentage of the latter portion to which each municipality in the county is entitled  
82 shall be determined by multiplying the total of the latter portion by the percentage which the  
83 population of each municipality within the county bears to the total population of all municipalities  
84 within the county.

85 (h) All counties and municipalities shall create a “coal severance tax revenue fund” which  
86 shall be the depository for moneys distributed to any county or municipality under the provisions  
87 of this section, from either or both special funds. Moneys in the coal severance tax revenue fund,  
88 in compliance with subsection (i) of this section, may be expended by the county commission or  
89 governing body of the municipality for such public purposes as the county commission or  
90 governing body shall determine to be in the best interest of the people of its respective county or  
91 municipality: ~~Provided, That in counties with population in excess of two hundred thousand, at~~  
92 ~~least seventy-five percent of the funds received from the county coal revenue fund shall be~~  
93 ~~apportioned to, and expended within the coal-producing area or areas of the county, said coal-~~  
94 ~~producing areas of each county to be determined generally by the State Tax Commissioner:~~  
95 ~~Provided, however, That the coal severance tax revenue fund moneys shall not be budgeted for~~  
96 ~~personal services in an amount to exceed one-fourth of the total funds available in such fund.~~

97 (i) ~~On or before March 28, 1986, and each March 28 thereafter, each county commission~~  
98 ~~or governing body of a municipality receiving such revenue shall submit to the Tax Commissioner~~  
99 ~~on forms provided by the Tax Commissioner a special budget, detailing how such revenue is to~~  
100 ~~be spent during the subsequent fiscal year. Such budget shall be followed in expending the~~  
101 ~~revenue unless a subsequent budget is approved by the State Tax Commissioner. All~~  
102 unexpended balances remaining in coal severance tax revenue fund at the close of a fiscal year  
103 shall be reappropriated to the budget of the county commission or governing body for the

104 subsequent fiscal year. The reappropriation shall be entered as an amendment to the new budget  
105 and submitted to the Tax Commissioner on or before July 15, of the current budget year.

106 ~~(j) On or before December 15, 1986, and each December 15 thereafter, the Tax~~  
107 ~~Commissioner shall deliver to the clerk of the Senate and the Clerk of the House of Delegates a~~  
108 ~~consolidated report of the special budgets, created by subsection (i) of this section, for all county~~  
109 ~~commissions and municipalities as of July 15, of the current year.~~

110 ~~(k)(i)~~ The State Tax Commissioner shall retain for the benefit of the state from the  
111 additional taxes on coal collected the amount of \$35,000 annually as a fee for the administration  
112 of such additional tax by the Tax Commissioner.

**§11-13A-6a. Reallocation and dedication of percentage of severance tax for benefit of coal-  
producing counties; phase-in period; permissible uses of distributed revenues;  
duties of State Treasurer and State Tax Commissioner; audits; rulemaking.**

1 (a) The purpose of this section is to provide for the reallocation and dedication of a portion  
2 of the tax attributable to the severance of coal imposed by section three of this article for the use  
3 and benefit of the various counties of this state in which the coal upon which that tax is imposed  
4 was located at the time it was severed from the ground. Those counties are referred to in this  
5 section as the coal-producing counties or, in the singular, as a coal-producing county.

6 (b)(1) Effective July 1, 2012, one percent of the tax attributable to the severance of coal  
7 imposed by section three of this article is dedicated and shall be distributed for the use and benefit  
8 of the coal-producing counties as provided in this section. Effective July 1, 2013, two percent of  
9 the tax attributable to the severance of coal imposed by section three of this article is dedicated  
10 and shall be distributed for the use and benefit of the coal-producing counties as provided in this  
11 section. Effective July 1, 2014, three percent of the tax attributable to the severance of coal  
12 imposed by section three of this article is dedicated and shall be distributed for the use and benefit  
13 of the coal-producing counties as provided in this section. Effective July 1, 2015, four percent of  
14 the tax attributable to the severance of coal imposed by section three of this article is dedicated

15 and shall be distributed for the use and benefit of the coal-producing counties as provided in this  
16 section. Effective July 1, 2016, and thereafter, five percent of the tax attributable to the severance  
17 of coal imposed by section three of this article is dedicated and shall be distributed for the use  
18 and benefit of the coal-producing counties as provided in this section. Effective July 1, 2019, and  
19 thereafter, the portion of the severance tax on coal imposed by §11-13A-3 of this code dedicated  
20 and to be distributed for the use and benefit of the coal-producing counties as provided in this  
21 subsection shall not be less than the amount distributed pursuant to this subsection for the fiscal  
22 year beginning July 1, 2018.

23 (2) In no fiscal year may the proceeds dedicated in subdivision (1) of this subsection  
24 exceed the sum of \$20 million.

25 (3) For purposes of this subsection, the tax attributable to the severance of coal imposed  
26 by section three of this article does not include the thirty-five one hundredths of one percent  
27 additional severance tax on coal imposed by the state for the benefit of counties and municipalities  
28 as provided in section six of this article.

29 (c) The amounts of the tax dedicated in subsection (b) of this section shall be deposited,  
30 from time to time, into a special fund known as the Coal County Reallocated Severance Tax Fund,  
31 which is hereby established in the State Treasury, as the proceeds are received by the State Tax  
32 Commissioner.

33 (d) The net proceeds of the deposits made into the Coal County Reallocated Severance  
34 Tax Fund shall be allocated among and distributed quarterly to the coal-producing counties by  
35 the State Treasurer in the manner specified in this section. On or before each distribution date,  
36 the State Treasurer shall determine the total amount of moneys that will be available for  
37 distribution to the respective counties entitled to the moneys on that distribution date. The amount  
38 to which a coal-producing county is entitled from the Coal County Reallocated Severance Tax  
39 Fund shall be determined in accordance with subsection (e) of this section. After determining as  
40 set forth in subsection (e) of this section the amount each coal-producing county is entitled to

41 receive from the fund, a warrant of the State Auditor for the sum due to each coal-producing  
42 county shall be issued and a check drawn thereon making payment of that amount shall thereafter  
43 be distributed to each such coal-producing county by hand, mail commercial delivery or electronic  
44 transmission.

45 (e) The amount to which a coal-producing county is entitled from the Coal County  
46 Reallocated Severance Tax Fund shall be determined by:

47 (1) Dividing the total amount of moneys in the fund then available for distribution by the  
48 total number of tons of coal mined in this state during the preceding quarter; and

49 (2) Multiplying the quotient thus obtained by the number of tons of coal removed from the  
50 ground in the county during the preceding quarter.

51 (f)(4) No distribution made to a county under this section may be deposited into the  
52 county's general revenue fund. The county commission of each county receiving a distribution  
53 under this section shall establish a special account to be known as the "(Name of County) Coal  
54 County Reallocated Severance Tax Fund" into which all distributions made to that county under  
55 this section shall be deposited.

56 ~~(2) Moneys in the county's coal county reallocated severance tax fund shall be expended~~  
57 ~~by the county commission solely for economic development projects and infrastructure projects.~~

58 ~~(3) For purposes of this section:~~

59 ~~(A) "Economic development project" means a project in the state which is likely to foster~~  
60 ~~economic growth and development in the area in which the project is developed for commercial,~~  
61 ~~industrial, community improvement or preservation or other proper purposes.~~

62 ~~(B) "Infrastructure project" means a project in the state which is likely to foster~~  
63 ~~infrastructure improvements including, but not limited to, post-mining land use, any water or~~  
64 ~~wastewater facilities or any part thereof, storm water systems, steam, gas, telephone and~~  
65 ~~telecommunications, broadband development, electric lines and installations, roads, bridges,~~  
66 ~~railroad spurs, drainage and flood control facilities, industrial park development or buildings that~~  
67 ~~promote job creation and retention.~~

68           ~~(4) A county commission may not expend any of the funds available in its coal county~~  
69 ~~reallocated severance tax fund for personal services, for the costs of issuing bonds, or for the~~  
70 ~~payment of bond debt service, and shall direct the total funds available in its coal county~~  
71 ~~reallocated severance tax fund to project development, which may include the costs of~~  
72 ~~architectural and engineering plans, site assessments, site remediation, specifications and~~  
73 ~~surveys, and any other expenses necessary or incidental to determining the feasibility or~~  
74 ~~practicability of any economic development project or infrastructure project.~~

75           ~~(g) On or before December 31, 2013, and December 1 of each year thereafter, the county~~  
76 ~~commission of each county receiving a distribution of funds under this section shall deliver to the~~  
77 ~~Joint Committee on Government and Finance a written report setting forth the specific projects~~  
78 ~~for which those funds were expended during the next preceding fiscal year, a detailed account of~~  
79 ~~those expenditures, and a showing that the expenditures were made for the purposes required~~  
80 ~~by this section.~~

81           ~~(h)~~(g) An audit of any funds distributed under this section may be authorized at any time  
82 by the Joint Committee on Government and Finance to be conducted by the Legislative Auditor  
83 at no cost to the county commission or county commissions audited.

84           ~~(i)~~(h) The State Tax Commissioner shall propose for promulgation legislative rules  
85 pursuant to article three, chapter twenty-nine-a of this code for the administration of the provisions  
86 of this section, and is authorized to promulgate emergency rules for those purposes pursuant to  
87 that article.

NOTE: The purpose of this bill is to reduce the severance tax on thermal or steam coal to three percent and eliminating restrictions on counties and municipalities expending and reporting the expenditure of the county and municipality portion of the severance tax.

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