

# WEST VIRGINIA LEGISLATURE

## 2016 REGULAR SESSION

**Introduced**

### **Senate Bill 654**

**FISCAL  
NOTE**

BY SENATORS MAYNARD, CLINE, MULLINS AND

LEONHARDT

[Introduced February 20, 2016;

Referred to the Committee on Finance.]

1 A BILL to amend and reenact §11-13A-3 of the Code of West Virginia, 1931, as amended, relating  
2 to lowering the severance tax on the extraction of coal from five percent to two percent.

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

1 That §11-13A-3 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-3. Imposition of tax or 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.* -- The tax imposed in subsection (a) of this section shall be  
7 five percent of the gross value of the natural resource produced or the health care service  
8 provided, as shown by the gross income derived from the sale or furnishing thereof by the  
9 producer or the provider of the health care service, except as otherwise provided in this article. In  
10 the case of coal, this five percent rate of tax includes the thirty-five one hundredths of one percent  
11 additional severance tax on coal imposed by the state for the benefit of counties and municipalities  
12 as provided in section six of this article: Provided, That beginning July 1, 2016, the tax imposed  
13 by subsection (a) of this section on coal shall be two percent.

14 (c) *“Certain health care services” defined.* -- For purposes of this section, the term “certain  
15 health care services” means, and is limited to, behavioral health services.

16 (d) *Tax in addition to other taxes.* -- The tax imposed by this section shall apply to all  
17 persons severing or processing (or both severing and processing) in this state natural resources

18 enumerated in subsection (a) of this section and to all persons providing certain health care  
19 services in this state as enumerated in subsection (c) of this section and shall be in addition to all  
20 other taxes imposed by law.

21 (e) *Effective date.* -- This section, as amended in the year 1993, shall apply to gross  
22 proceeds derived after the May 31 of such year. The language of this section, as in effect on  
23 January 1, of such year, shall apply to gross proceeds derived prior to June 1 of such year and,  
24 with respect to such gross proceeds, shall be fully and completely preserved.

25 (f) *Reduction of severance tax rate.* -- For tax years beginning after the effective date of  
26 this subsection, any person exercising the privilege of engaging within this state in the business  
27 of severing coal for the purposes provided in subsection (a) of this section shall be allowed a  
28 reduced rate of tax on coal mined by underground methods in accordance with the following:

29 (i) For coal mined by underground methods from seams with an average thickness of  
30 thirty-seven inches to forty-five inches, the tax imposed in subsection (a) of this section shall be  
31 two percent of the gross value of the coal produced. For coal mined by underground methods  
32 from seams with an average thickness of less than thirty-seven inches, the tax imposed in  
33 subsection (a) of this section shall be one percent of the gross value of the coal produced. Gross  
34 value is determined from the sale of the mined coal by the producer. This rate of tax includes the  
35 thirty-five one hundredths of one percent additional severance tax imposed by the state for the  
36 benefit of counties and municipalities as provided in section six of this article.

37 (ii) This reduced rate of tax applies to any new underground mine producing coal after the  
38 effective date of this subsection, from seams of less than forty-five inches in average thickness  
39 or any existing mine that has not produced coal from seams forty-five inches or less in thickness  
40 in the one hundred eighty days immediately preceding the effective date of this subsection.

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

NOTE: The purpose of this bill is to lower the severance tax imposed on the extraction of coal from 5% to 2%.

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