

WEST VIRGINIA LEGISLATURE

2026 REGULAR SESSION

Committee Substitute

for

Senate Bill 706

By Senators Jeffries and Rose

[Reported February 10, 2026, from the Committee on
Energy, Industry, and Mining]

1 A BILL to amend and reenact §11-13A-3a and §11-13A-5a of the Code of West Virginia, 1931, as
2 amended, relating to temporarily modifying the amount of severance tax on newly drilled
3 oil and natural gas wells; temporarily modifying certain allocations of the severance tax to
4 counties and municipalities; and specifying the duration of the temporary time period.

Be it enacted by the Legislature of West Virginia:

ARTICLE 13A. SEVERANCE AND BUSINESS PRIVILEGE TAX ACT.

§11-13A-3a. Imposition of tax on privilege of severing natural gas or oil.

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 levied and shall
3 be collected from every person exercising the privilege an annual privilege tax at the rate and
4 measure provided in subsection (b) of this section. ~~Provided, That~~ Effective for all taxable periods
5 beginning on or after January 1, 2000, there is an exemption from the imposition of the tax
6 provided in this article on the following:

7 (1) Free natural gas provided to any surface owner;

8 (2) Natural gas produced from any well which produced an average of less than 5,000
9 cubic feet of natural gas per day during the calendar year immediately preceding a given taxable
10 period;

11 (3) Oil produced from any oil well which produced an average of less than one-half barrel of
12 oil per day during the calendar year immediately preceding a given taxable period; and

13 (4) For a maximum period of 10 years, all natural gas or oil produced from any well which
14 has not produced marketable quantities of natural gas or oil for five consecutive years immediately
15 preceding the year in which a well is placed back into production and thereafter produces
16 marketable quantities of natural gas or oil.

17 (b) *Rate and measure of tax.* – The tax imposed in subsection (a) of this section is five
18 percent of the gross value of the natural gas or oil produced by the producer as shown by the gross
19 proceeds derived from the sale thereof by the producer, except as otherwise provided in this

20 article. ~~Provided, That~~ Effective for taxable periods beginning on or after January 1, 2020:

21 (1) For all natural gas produced from any well which produced an average in excess of
22 60,000 cubic feet of natural gas per day during the calendar year immediately preceding a given
23 taxable year, and for oil produced from any well which produced an average in excess of 10
24 barrels of oil per day, during the calendar year immediately preceding the beginning date of a given
25 taxable year, the rate of tax is five percent of the gross value of the natural gas or oil produced as
26 shown by the gross proceeds derived from the sale thereof by the producer. For any natural gas
27 and oil produced from any new well that is drilled and completed after June 30, 2026, the rate of
28 tax is three-and-one-quarter percent of the gross value of the natural gas or oil produced, as
29 shown by the gross proceeds derived from the sale thereof by the producer, for a period of 24
30 consecutive months calculated from the date of first sale of natural gas or oil from each such well.
31 As used in this article, a new well is drilled and completed when it is hydraulically fractured;

32 (2) For all natural gas produced from any well, excluding wells utilizing horizontal drilling
33 techniques targeting shale formations, which produced an average between 5,000 cubic feet of
34 natural gas per day and 60,000 cubic feet of natural gas per day during the calendar year
35 immediately preceding the beginning date of a given taxable year, and for oil produced from any
36 well, excluding wells utilizing horizontal drilling techniques targeting shale formations, which
37 produced an average between one-half barrel per day and 10 barrels per day, during the calendar
38 year immediately preceding the beginning date of a given taxable year, the rate of tax is ~~two and~~
39 ~~five tenths~~ two-and-five-tenths percent of the gross value of the natural gas or oil produced as
40 shown by the gross proceeds derived from the sale thereof by the producer; and

41 (3) For all natural gas produced from wells utilizing horizontal drilling techniques targeting
42 shale formations, which produced an average between 5,000 cubic feet of natural gas per day and
43 60,000 cubic feet of natural gas per day during the calendar year immediately preceding the
44 beginning date of a given taxable year, and for oil produced from wells utilizing horizontal drilling
45 techniques targeting shale formations, which produced an average between one-half barrel per

46 day and 10 barrels per day, during the calendar year immediately preceding the beginning date of
47 a given taxable year, the rate of tax is five percent of the gross value of the natural gas or oil
48 produced as shown by the gross proceeds derived from the sale thereof by the producer.

49 (c) *Tax in addition to other taxes.* – The tax imposed by this section applies to all persons
50 severing gas or oil in this state and is in addition to all other taxes imposed by law.

51 (d) For purposes of this section, in determining the average amount of production of gas
52 and oil in any given calendar year, a taxpayer ~~must~~ shall calculate the actual production of ~~such~~
53 the well in the calendar year and divide the same by the number of days the well was in operation
54 and producing gas or oil in ~~such~~ that calendar year.

55 (e) After the dedication in §11-13A-5a of this code is made, the remaining proceeds
56 collected from the tax imposed at the rate prescribed under subdivision (2), subsection (b) of this
57 section are dedicated to the Oil and Gas Abandoned Well Plugging Fund created under §22-6-29a
58 of this code. ~~Provided, That~~ If on June 1, 2023, or on June 1 of any year thereafter, there exists in
59 the Oil and Gas Abandoned Well Plugging Fund an amount equal to or exceeding the sum of \$6
60 million, then the special rate of tax imposed under subdivision (2), subsection (b) of this section is
61 reduced to zero for the taxable year beginning on and after the next succeeding January 1. The
62 Tax Commissioner shall issue an Administrative Notice by July 1 of each year indicating the
63 balance in the fund as of the immediately preceding June 1 and the rate of tax on wells pursuant to
64 this subsection.

§11-13A-5a. Dedication of 10 percent of oil and gas severance tax for benefit of counties and municipalities and of three fourths of one percent of oil and gas severance tax for the benefit of the Office of Oil and Gas in the Department of Environmental Protection; distribution of major portion of such dedicated tax to oil and gas producing counties; distribution of minor portion of such dedicated tax to all counties and municipalities; reports; rules; special funds in the office of state treasurer; methods and formulae for distribution of such dedicated tax; expenditure

of funds by counties and municipalities for public purposes; and requiring special county and municipal budgets and reports thereon.

1 (a) Effective July 1, 1996, five percent of the tax attributable to the severance of oil and gas
2 imposed by §11-13A-3a of this ~~code~~ article is hereby dedicated for the use and benefit of counties
3 and municipalities within this state and shall be distributed to the counties and municipalities as
4 provided in this section. Effective July 1, 1997, and thereafter, 10 percent of the tax attributable to
5 the severance of oil and gas imposed by §11-13A-3a of this article is ~~hereby~~ dedicated for the use
6 and benefit of counties and municipalities within this state and shall be distributed to the counties
7 and municipalities as provided in this section. Effective July 1, 2023, and every year thereafter,
8 three fourths of one percent of the tax attributable to the severance of oil and gas imposed by §11-
9 13A-3a of this code, not to exceed \$1,200,000, is ~~hereby~~ dedicated for the use and benefit of
10 regulating the oil and gas industry by the Office of Oil and Gas in the Department of Environmental
11 Protection and shall be deposited in the Oil and Gas Operating Permit and Processing Fund to
12 ensure that the Office of Oil and Gas has sufficient funding to support its regulatory mission of
13 ensuring the safety of the natural environment of this state. For any natural gas and oil produced
14 from any new well that is drilled and completed after June 30, 2026:

15 (1) For a period of 24 consecutive months, calculated from the date of first sale of natural
16 gas or oil from that new well, 15-and-one-half percent of the tax attributable to the severance of oil
17 and gas imposed by §11-13A-3a of this article on that new well is dedicated for the use and benefit
18 of counties and municipalities within this state and shall be distributed to the counties and
19 municipalities as provided in this section;

20 (2) For all periods following expiration of the 24 consecutive month period provided in this
21 subdivision, 10 percent of the tax attributable to the severance of oil and gas imposed by §11-13A-
22 3a of this article on that new well is dedicated for the use and benefit of counties and municipalities
23 within this state and shall be distributed to the counties and municipalities as provided in this
24 section; and

25 (3) As used in this article, a new well is drilled and completed when it is hydraulically
26 fractured.

27 (b) Seventy-five percent of the dedicated tax for counties and municipalities shall be
28 distributed by the State Treasurer in the manner specified in this section to the various counties of
29 this state in which the oil and gas upon which this additional tax is imposed was located at the time
30 it was removed from the ground. Those counties are referred to in this section as the "oil and gas
31 producing counties". The remaining 25 percent of the net proceeds of this additional tax on oil and
32 gas shall be distributed among all the counties and municipalities of this state in the manner
33 specified in this section.

34 (c) The Tax Commissioner ~~is hereby granted~~ has plenary power and authority to
35 promulgate:

36 (1) Reasonable rules requiring the furnishing by oil and gas producers of such additional
37 information as may be necessary to compute the allocation required under the provisions of
38 subsection (f) of this section; ~~The Tax Commissioner is also hereby granted plenary power and~~
39 authority to promulgate and

40 (2) Such other reasonable rules as may be necessary to implement the provisions of this
41 section.

42 (d) In order to provide a procedure for the distribution of 75 percent of the dedicated tax for
43 counties and municipalities on oil and gas to the oil and gas producing counties, the special fund
44 known as the oil and gas county revenue fund established in the State Treasurer's office by
45 chapter 242, Acts of the Legislature, 1995 regular session, as amended and reenacted in the
46 subsequent act of the Legislature, ~~is hereby~~ continued. In order to provide a procedure for the
47 distribution of the remaining 25 percent of the dedicated tax for counties and municipalities on oil
48 and gas to all counties and municipalities of the state, without regard to oil and gas having been
49 produced in those counties or municipalities, the special fund known as the all counties and
50 municipalities revenue fund established in the State Treasurer's office by chapter 242, Acts of the

51 Legislature, 1995 regular session, as amended and reenacted in the subsequent Act of the
52 Legislature, is hereby continued and redesignated as the "all counties and municipalities oil and
53 gas revenue fund". ~~and is hereby continued~~

54 Seventy-five percent of the dedicated tax for counties and municipalities on oil and gas
55 shall be deposited in the oil and gas county revenue fund and 25 percent of this dedicated tax on
56 oil and gas shall be deposited in the all counties and municipalities oil and gas revenue fund, from
57 time to time, as the proceeds are received by the Tax Commissioner. The moneys in the funds
58 shall be distributed to the respective counties and municipalities entitled to the moneys in the
59 manner set forth in subsection (e) of this section.

60 (e) The moneys in the oil and gas county revenue fund and the moneys in the all counties
61 and municipalities oil and gas revenue fund shall be allocated among and distributed annually to
62 the counties and municipalities entitled to the moneys by the State Treasurer in the manner
63 specified in this section. On or before each distribution date, the State Treasurer shall determine
64 the total amount of moneys in each fund which will be available for distribution to the respective
65 counties and municipalities entitled to the moneys on that distribution date. The amount to which
66 an oil and gas producing county is entitled from the oil and gas county revenue fund shall be
67 determined in accordance with subsection (f) of this section, and the amount to which every county
68 and municipality shall be entitled from the all counties and municipalities oil and gas revenue fund
69 shall be determined in accordance with subsection (g) of this section. After determining, as set
70 forth in subsections (f) and (g) of this section, the amount each county and municipality is entitled
71 to receive from the respective fund or funds, a warrant of the State Auditor for the sum due to the
72 county or municipality shall issue and a check drawn thereon making payment of the sum shall
73 thereafter be distributed to the county or municipality.

74 (f) The amount to which an oil and gas producing county is entitled from the oil and gas
75 county revenue fund shall be determined by:

76 (1) In the case of moneys derived from tax on the severance of gas:

77 (A) Dividing the total amount of moneys in the fund derived from tax on the severance of
78 gas then available for distribution by the total volume of cubic feet of gas extracted in this state
79 during the preceding year; and

80 (B) Multiplying the quotient thus obtained by the number of cubic feet of gas taken from the
81 ground in the county during the preceding year; and

82 (2) In the case of moneys derived from tax on the severance of oil:

83 (A) Dividing the total amount of moneys in the fund derived from tax on the severance of oil
84 then available for distribution by the total number of barrels of oil extracted in this state during the
85 preceding year; and

86 (B) Multiplying the quotient thus obtained by the number of barrels of oil taken from the
87 ground in the county during the preceding year.

88 (g) The amount to which each county and municipality is entitled from the all counties and
89 municipalities oil and gas revenue fund shall be determined in accordance with the provisions of
90 this subsection. For purposes of this subsection "population" means the population as determined
91 by the most recent decennial census taken under the authority of the United States.

92 (1) The State Treasurer shall first apportion the total amount of moneys available in the all
93 counties and municipalities oil and gas revenue fund by multiplying the total amount in the fund by
94 the percentage which the population of each county bears to the total population of the state. The
95 amount thus apportioned for each county is the county's "base share".

96 (2) Each county's base share shall then be subdivided into two portions. One portion is
97 determined by multiplying the base share by that percentage which the total population of all
98 unincorporated areas within the county bears to the total population of the county, and the other
99 portion is determined by multiplying the base share by that percentage which the total population
100 of all municipalities within the county bears to the total population of the county. The former portion
101 shall be paid to the county and the latter portion shall be the "municipalities' portion" of the county's
102 base share. The percentage of the latter portion to which each municipality in the county is entitled

103 shall be determined by multiplying the total of the latter portion by the percentage which the
104 population of each municipality within the county bears to the total population of all municipalities
105 within the county.

106 (h) Moneys distributed to any county or municipality under the provisions of this section,
107 from either or both special funds, shall be deposited in the county or municipal general fund and
108 may be expended by the county commission or governing body of the municipality for such
109 purposes as the county commission or governing body shall determine to be in the best interest of
110 its respective county or municipality. ~~Provided, That~~ In counties with population in excess of
111 200,000, at least 75 percent of the funds received from the oil and gas county revenue fund shall
112 be apportioned to and expended within the oil and gas producing area or areas of the county, the
113 oil and gas producing areas of each county to be determined generally by the State Tax
114 Commissioner. ~~Provided, however, That~~ The moneys distributed to any county or municipality
115 under the provisions of this section shall may not be budgeted for personal services in an amount
116 to exceed one fourth of the total amount of the moneys.

117 (i) On or before March 28, 1997, and each March 28 thereafter, each county commission or
118 governing body of a municipality receiving any such moneys shall submit to the Tax Commissioner
119 on forms provided by the Tax Commissioner a special budget, detailing how the moneys are to be
120 spent during the subsequent fiscal year. The budget shall be followed in expending the moneys
121 unless a subsequent budget is approved by the State Tax Commissioner. All unexpended
122 balances remaining in the county or municipality general fund at the close of a fiscal year shall
123 remain in the General Fund and may be expended by the county or municipality without restriction.

124 (j) On or before December 15, 1996, and each December 15 thereafter, the Tax
125 Commissioner shall deliver to the Clerk of the Senate and the Clerk of the House of Delegates a
126 consolidated report of the budgets, created by subsection (i) of this section, for all county
127 commissions and municipalities as of July 15 of the current year.

128 (k) The State Tax Commissioner shall retain for the benefit of the state from the dedicated

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129 tax attributable to the severance of oil and gas the amount of \$35,000 annually as a fee for the
130 administration of the additional tax by the Tax Commissioner.