

WEST VIRGINIA LEGISLATURE

2026 REGULAR SESSION

Introduced

House Bill 4741

**FISCAL
NOTE**

By Delegate Sheedy

[Introduced January 22, 2026; referred to the

Committee on Energy and Public Works then

Finance]

1 A BILL to amend the Code of West Virginia, 1931, as amended, by adding a new section,
2 designated §11-21-71c, relating to tax on income for natural resources royalty payments
3 received from lessees; defining terms; providing for withholding of estimated tax liabilities
4 from natural resources royalty payments by lessees; providing that withheld amounts be
5 paid by lessees to the Tax Commissioner; providing for refunds for overpayment; requiring
6 annual withholding statements, reconciliation, and filing requirements; requiring electronic
7 filing under specified circumstances; providing for criminal and civil penalties in certain
8 circumstances for non-compliance; providing for rulemaking; and providing an effective
9 date.

Be it enacted by the Legislature of West Virginia:

| ARTICLE | 21. | PERSONAL | INCOME | TAX. |
|----------------|------------|-----------------|---------------|-------------|
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§11-21-71c. Withholding tax on income from natural resources royalty payments.

1 (a) Withholding tax on income from natural resources royalty payments. --

2 (1) Every lessee of West Virginia real estate who makes a natural resources royalty
3 payment in the course of a trade or business to a lessor shall withhold West Virginia personal
4 income tax on natural resources royalty payments to that lessor.

5 (2) Every lessee required to withhold West Virginia personal income tax on natural
6 resources royalty payments to a lessor under this section shall deduct and withhold from such
7 payments a tax computed in such manner as to result, so far as practicable, in withholding from
8 the lessor's payments during each calendar year an amount substantially equivalent to the tax
9 reasonably estimated to be due under this article resulting from the inclusion in the lessor's West
10 Virginia adjusted gross income received from the payments during such calendar year. The
11 method of determining the amount to be withheld shall be prescribed by the Tax Commissioner.

12 (b) Amounts collected under subsection (a) of this section and paid over to the Tax
13 Commissioner shall be deemed to have been paid to the Tax Commissioner on behalf of the lessor
14 from whom the amounts were withheld. The lessor will be credited with having paid the amounts

15 for the taxable years in which natural resources royalty payment that is the subject of the tax
16 occurred against any tax owed by the lessor to the state of West Virginia on income resulting from
17 the natural resources royalty payment and is entitled to a refund from the Tax Commissioner of any
18 amount in excess of the amount owed.

19 (c) For the purposes of this section, the term or phrase:

20 (1) "Lessor" includes individuals, estates or trusts, or any other type of business entity that
21 leases a property interest that permits a natural resource to be extracted.

22 (2) "Natural resource" means all forms of minerals including, but not limited to, rock, stone,
23 limestone, coal, shale, gravel, sand, clay, petroleum, natural gas, oil, natural gas liquids, metal
24 ores, and rare earth metals that are contained in, under or on the soils or waters of this state, and
25 timber and forest products and any other natural resource the production of which is taxable under
26 §11-13A-1 et seq. of this code.

27 (3) "Natural resources royalty payment" means a payment reserved by the grantor of a
28 natural resource interest, or similar right, and payable proportionately to the use made of the right
29 by the grantee. Royalty interests in natural resource properties are generally created by
30 assignment of an economic interest via a leasing arrangement between the lessor of the natural
31 resource rights and a lessee. Natural resources royalty payments include, but are not limited to,
32 rents, delay rentals, royalty interests, working interests, lease bonus payments, and overriding
33 royalty interests.

34 (d) Annual withholding statements. --

35 (1) Every lessee required to withhold West Virginia personal income tax on natural
36 resources royalty payments under this section shall furnish to each lessor an annual statement at
37 such time in such manner as may be prescribed by the Tax Commissioner showing the total
38 payments made by the lessee to the lessor during the taxable year and showing the amount of the
39 tax deducted and withheld from the payments under this section.

40 (2) Every lessee required to withhold tax under this section shall file a withholding return as

41 prescribed by the Tax Commissioner and pay over to the Tax Commissioner the taxes required to
42 be deducted and withheld. The due dates for returns and payments may, at the discretion of the
43 Tax Commissioner, be established by the commissioner to match as closely as practicable the due
44 dates in effect for employer's withholding under §11-21-74 of this code: *Provided*, That not later
45 than January 31, 2027, and January 31 of each year thereafter, lessees shall submit to the Tax
46 Commissioner the annual reconciliation of West Virginia income tax withheld, together with state
47 copies of all withholding tax statements reflecting West Virginia tax withholding, including, but not
48 limited to, 1099s, furnished to each lessor for income from natural resources royalty payments
49 from the preceding calendar year, notwithstanding the fact that the lessee may have a calendar tax
50 year ending on December 31 or a fiscal tax year ending on a date other than December 31:
51 *Provided, however*, That the Tax Commissioner may by rule prescribe one or more different due
52 dates for the annual reconciliation, and withholding statements, based upon reporting and
53 accounting practices of natural resources producers or particular segments of the natural
54 resourced production industry, as may be appropriate. Notwithstanding the provisions of this
55 section, where the average quarterly amount deducted and withheld by any lessee is less than
56 \$150 and the aggregate for the calendar year can reasonably be expected to be less than \$600,
57 the Tax Commissioner may by rule permit a lessee to file an annual return and pay over to the
58 commissioner the taxes deducted and withheld on a due date prescribed by the commissioner.

59 (A) Whenever any lessee fails to collect, truthfully account for, or pay over the tax, or to
60 make returns of the tax as required in this section, the Tax Commissioner may serve a notice
61 requiring the lessee to collect the taxes which become collectible after service of the notice, to
62 deposit the taxes in a bank approved by the Tax Commissioner, in a separate account, in trust for
63 and payable to the commissioner and to keep the amount of the tax in the separate account until
64 payment over to the commissioner. The notice remains in effect until a notice of cancellation is
65 served by the Tax Commissioner. Failure of a lessee or other person responsible for compliance
66 with any order issued by the Tax Commissioner under this section is subject to the civil and

67 criminal penalties and liabilities prescribed by this chapter for failure to withhold tax or failure to
68 remit withheld tax, or both. For a lessee that is a business, the Tax Commissioner may revoke,
69 cancel, or suspend its business registration certificate pursuant to §11-12-5(b) of this code.

70 (B) An annual reconciliation of West Virginia personal income tax withheld shall be
71 submitted by the lessee by the due date thereof established under this section, following the close
72 of the calendar year, together with State Tax Division copies of all withholding tax statements for
73 that calendar year. The reconciliation shall be accompanied by a list of the amounts of income
74 withheld for each lessor in such form as the Tax Commissioner prescribes and shall be filed
75 separately from the lessor's monthly or quarterly return.

76 (C) Any lessee required to file a withholding return for 25 or more lessors shall file its return
77 using electronic filing as defined in §11-21-54 of this code. A lessee that is required to file
78 electronically but does not do so is subject to a penalty in the amount of \$25 per lessor for whom
79 the return was not filed electronically, unless the lessee shows that the failure is due to a technical
80 inability to comply.

81 (e) *Rulemaking.* -- The Tax Commissioner may propose rules for legislative approval in
82 accordance with the provisions of §29A-3-1 *et seq.* of this code to implement the provisions of this
83 section. The Tax Commissioner may also promulge emergency rules pursuant to the provisions of
84 §29A-3-15 of this code to implement the provisions this section.

85 (f) *Effective date.* -- The provisions of this section apply to all taxable years beginning after
86 December 31, 2026.

NOTE: The purpose of this bill is to require lessees of West Virginia real estate who make natural resources royalty payments to withhold West Virginia personal income tax on natural resources royalty payments and provides exceptions, penalties, defines terms, and grants rulemaking authority.

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