

WEST VIRGINIA LEGISLATURE

2018 REGULAR SESSION

Introduced

Senate Bill 516

BY SENATORS SYPOLT, ROMANO, AND CLINE

[Introduced February 9, 2018; Referred
to the Committee on Energy, Industry, and Mining;
and then to the Committee on Government
Organization]

1 A BILL to amend and reenact §11-13A-3a of the Code of West Virginia, 1931, as amended; and
 2 to amend said code by adding thereto a new section, designated §22-6-42, all relating to
 3 requiring the Secretary of the Department of Environmental Protection to work with the
 4 State Tax Commissioner, the Public Service Commission, and county assessors to
 5 develop a system for verifying production information submitted by an oil or gas producer
 6 in connection with the producer's severance tax returns and other production reports; and
 7 requiring the cooperation of persons submitting the reports.

Be it enacted by the Legislature of West Virginia:

CHAPTER 11. TAXATION.

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 the 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.* -- The tax imposed in subsection (a) of this section ~~shall be~~
15 is 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 (c) *Tax in addition to other taxes.* -- The tax imposed by this section ~~shall apply~~ applies to
19 all persons severing gas or oil in this state, and ~~shall be~~ is in addition to all other taxes imposed
20 by law.

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

29 (2) ~~On or before July 1, 2003~~ The Tax Commissioner shall design a common form that
30 may be used for each of the reports regarding production that are required to be filed by oil and
31 gas producers, which form shall readily permit a filing without financial information when such
32 information is unnecessary. The commissioner shall also design such forms so as to permit filings
33 in different formats, including, but not limited to, electronic formats.

34 (3) ~~Effective July 1, 2006, this subsection shall have no force or effect~~ Notwithstanding
35 any of the confidentiality provisions of this chapter, the Tax Commissioner shall assist the
36 Secretary of the Department of Environmental Protection to implement procedures that allow the
37 Secretary of the Department of Environmental Protection to verify information submitted under

38 this section and with other agencies, including, but not limited to, the Office of Oil and Gas, the
39 Public Service Commission and county assessors.

CHAPTER 22. ENVIRONMENTAL RESOURCES.

**ARTICLE 6. OFFICE OF OIL AND GAS; OIL AND GAS WELLS; ADMINISTRATION;
ENFORCEMENT.**

§22-6-42. Reporting of oil and natural gas production, including marketable liquids.

1 (a) The secretary shall work with the State Tax Commissioner, the Public Service
2 Commission and county assessors to develop a system for verifying production information
3 submitted by an oil or gas producer in connection with the producer’s severance tax returns and
4 other production reports submitted to other agencies, including, but not limited to, the Office of Oil
5 and Gas, the Public Service Commission and county assessors.

6 (b) Every person producing oil or gas shall cooperate with the secretary in verifying
7 information reported by the person relating to the production of oil and gas and other marketable
8 liquids produced in connection with the production of oil or gas. The cooperation shall be provided
9 in the manner the secretary reasonably requests, which may include allowing the secretary
10 access to all records necessary to audit the person’s production of oil and gas.

NOTE: The purpose of this bill is to require the Secretary of the Department of Environmental Protection to work with the State Tax Commissioner, the Public Service Commission and county assessors to develop a system for verifying production information submitted by an oil or gas producer in connection with the producer’s severance tax returns and other production reports. The bill also requires the cooperation of persons submitting the reports.

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