

WEST VIRGINIA LEGISLATURE

2018 REGULAR SESSION

Introduced

House Bill 4563

FISCAL
NOTE

BY DELEGATES MILEY AND HANSHAW

[Introduced February 13, 2018; Referred
to the Committee on Energy then Finance.]

1 A BILL to amend and reenact §11-13A-3a of the Code of West Virginia, 1931, as amended,
2 removing the severance tax on oil and gas produced from low producing wells.

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; 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 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 5,000 cubic feet of natural gas per day during the calendar year immediately
8 preceding a given taxable period, and for all taxable periods beginning on or after January 1,
9 2018, natural gas produced from any well which produced an average of less than 15,000 cubic
10 feet of natural gas per day during the calendar year immediately preceding a given taxable period;
11 (3) oil produced from any oil well which produced an average of less than one-half barrel of oil
12 per day during the calendar year immediately preceding a given taxable period and, for all taxable
13 periods beginning on or after January 1, 2018, oil produced from any well which produced an
14 average of less than two and one-half barrels of oil per day during the calendar year immediately
15 preceding a given taxable period; and (4) for a maximum period of 10 years, all natural gas or oil
16 produced from any well which has not produced marketable quantities of natural gas or oil for five
17 consecutive years immediately preceding the year in which a well is placed back into production
18 and thereafter produces marketable quantities of natural gas or oil.

19 (b) *Rate and measure of tax.* -- The tax imposed in subsection (a) of this section shall be
20 five percent of the gross value of the natural gas or oil produced, as shown by the gross proceeds

21 derived from the sale thereof by the producer, except as otherwise provided in this article.

22 (c) *Tax in addition to other taxes.* -- The tax imposed by this section shall apply to all
23 persons severing gas or oil in this state, and shall be in addition to all other taxes imposed by law.

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

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

37 (3) Effective July 1, 2006, this subsection shall have no force or effect.

NOTE: The purpose of this bill is to remove the severance tax on oil and gas produced from low producing wells.

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