

WEST VIRGINIA LEGISLATURE

2019 REGULAR SESSION

Introduced

House Bill 2543

FISCAL
NOTE

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FLUHARTY, CAPUTO, DISERIO AND PYLES

[Introduced January 21, 2019; 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 relating to increasing the tax on the privilege of severing natural gas and oil.

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 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 10 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 §11-13A-3a(b) of this code shall be
15 ~~five~~ seven and one-half percent of the gross value of the natural gas or oil produced, as shown
16 by the gross proceeds derived from the sale thereof by the producer, except as otherwise provided
17 in this article.

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

20 (d)(1) The Legislature finds that in addition to the production reports and financial records

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

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

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

NOTE: The purpose of this bill is to increase the tax on the privilege of severing natural gas and oil from 5 percent to 7 and one-half percent.

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