

**WEST VIRGINIA
SECRETARY OF STATE**

KEN HECHLER

ADMINISTRATIVE LAW DIVISION

Form #5

FILED

APR 21 9 53 AM '97

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

**NOTICE OF AGENCY ADOPTION OF A PROCEDURAL OR INTERPRETIVE RULE
OR A LEGISLATIVE RULE EXEMPT FROM LEGISLATIVE REVIEW**

AGENCY: State Tax Division TITLE NUMBER: 110

CITE AUTHORITY: W. Va. Code § 11-13A-5a(c)

RULE TYPE: PROCEDURAL INTERPRETIVE

EXEMPT LEGISLATIVE RULE _____
CITE STATUTE(S) GRANTING EXEMPTION FROM LEGISLATIVE REVIEW _____

AMENDMENT TO AN EXISTING RULE: YES _____, NO


IF YES, SERIES NUMBER OF RULE BEING AMENDED: _____

TITLE OF RULE BEING AMENDED: _____

IF NO, SERIES NUMBER OF NEW RULE BEING ADOPTED: 13AA

TITLE OF RULE BEING ADOPTED: Information To Be Utilized For Calculating
The Distribution Of Oil And Gas Severance Taxes

THE ABOVE RULE IS HEREBY ADOPTED AND FILED WITH THE SECRETARY OF STATE. THE
EFFECTIVE DATE OF THIS RULE IS may ~~April~~ 22, 1997


Richard E. Boyle, Jr.
State Tax Commissioner

WEST VIRGINIA PROCEDURAL RULE
DEPARTMENT OF TAX AND REVENUE
STATE TAX DIVISION
TITLE 110
SERIES 13AA

INFORMATION TO BE UTILIZED FOR CALCULATING THE
DISTRIBUTION OF OIL AND GAS SEVERANCE TAXES.

§ 110-13AA-1. General.

1.1 **Scope.** - The purpose of this rule is to set forth the procedures to be followed by the West Virginia Department of Tax and Revenue for distributing the municipal and county shares of the oil and gas severance taxes under West Virginia Code § 11-13A-5a.

1.2 **Authority.** - West Virginia Code § 11-13A-5a(c).

1.3 **Filing Date.** - April 21, 1997

1.4 **Effective Date.** - ^{may}~~April~~ 22, 1997

§ 110-13AA-2. Interpretive Note.

This procedural rule shall be read in pari materia with the Severance Tax Legislative Rule (110 C.S.R. 13A) previously promulgated by the Tax Commissioner. The definitions, policies and procedures provided in 110 C.S.R. 13A are equally applicable to this procedural rule. Should there be any inconsistency between the promulgated legislative rule and this procedural rule, the legislative rule control, except to the extent the legislative rule does not reflect an amendment to the Severance Tax laws which is addressed in this or another procedural rule promulgated by the Tax Commissioner as provided in Article 3, Chapter 29A of the West Virginia Code.

§ 110-13AA-3. Definitions.

Where applicable, the definitions in 110 C.S.R. 13A are incorporated by reference into this rule.

§ 110-13AA-4. Activity for which information is needed.

4.1 Effective July 1, 1996, West Virginia Code § 11-13A-5a requires that 5% of the Severance Tax imposed upon the severance of oil and gas in West Virginia is to be dedicated to the use and benefit of the counties and municipalities in West Virginia. Effective July 1, 1997, the percentage is increased to 10%.

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4.2 West Virginia Code § 11-13A-5a requires that the funds be deposited by the West Virginia State Tax Division (hereinafter "Tax Division") into specified accounts created in the State Treasurer's Office. The Tax Division is required to deposit 75% of the dedicated funds in the "Oil and Gas County Revenue Fund," and 25% is to be deposited in the "All Counties and Municipalities Revenue Fund."

4.3 In order for the funds to be properly distributed, it is necessary to determine the counties where the oil and gas was severed and the amounts of oil and gas severed in each county.

4.4 The Tax Division will treat gas and oil as having been severed in the county in which the wellhead is located where the oil and gas were first brought to the surface of the Earth.

§ 110-13A-5. Information gathering process.

5.1 Information as to the location of wellheads and the amount of oil and gas severed by county is currently being gathered by the West Virginia Department of Environmental Protection (hereinafter "DEP") under 38 C.S.R. 18-15.1 through reports which are submitted by operators of oil and gas wells.

5.2 Because the information reported to the DEP is the information needed by the Tax Division to carry out the requirements imposed by West Virginia Code § 11-13A-5a, the Tax Division will use the information supplied to the DEP for this purpose.

5.3 The Tax Division and DEP will mutually agree on the technical procedures to be established to facilitate the information sharing activities.

5.4 The Tax Division will utilize the DEP information to calculate the share of oil and natural gas severance tax receipts to be distributed.

§ 110-13AA-6. Presumptions.

6.1 For those tax returns or other reports wherein the operator fails to report separate amounts as gross proceeds for oil and separate amounts as gross proceeds for natural gas that was severed during the reporting period, the Tax Division will attempt to obtain the correct information from those operators. If the Tax Division is unable to obtain the necessary information after a reasonable effort to do so, the Tax Division will apply the presumption that gross proceeds from oil and gross proceeds from gas, respectively, from each well is consistent with the statewide average proportional production of oil and gas

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from all reporting wells, and that gross receipts from the production of wells for which the operator fails to report separate amounts as gross proceeds for oil and separate amounts as gross proceeds for natural gas is consistent with the statewide average for proportional gross receipts for oil and gas respectively.

6.2 Example:

(1) A Taxpayer files an annual report with the Tax Division stating that the Taxpayer has \$1 million gross receipts from the severance of natural gas and the severance of oil. However, the Taxpayer does not state how much of the gross receipts come from each.

(2) The Tax Division contacts the Taxpayer to seek the missing information. The Taxpayer fails to report the information.

(3) The Tax Division determines that the statewide average production of oil and gas based on gross receipts, is proportionally 88% gas and 12% oil for the production year.

(4) The Tax Division will presume that the Taxpayer's gross receipts from gas and oil production are consistent with the statewide average, and will apportion the gross receipts of the Taxpayer accordingly.

$\$1,000,000 \times 88\% = \$880,000$ gross receipts from severance of natural gas

$\$1,000,000 \times 12\% = \$120,000$ gross receipts from severance of oil

The Tax Division will apportion the tax derived from the Taxpayer's remittance of severance tax accordingly.



FILED

APR 21 9 53 AM '97

STATE OF WEST VIRGINIA
DEPARTMENT OF TAX AND REVENUE

CECIL H. UNDERWOOD
GOVERNOR

TAX DIVISION
P. O. Box 2389
Charleston, West Virginia 25328-2389

OFFICE OF ROBIN C. CAPEHART
SECRETARY OF TAX AND REVENUE

CONSENT TO FILE RULE

April 21, 1997

To Whom It May Concern:

Title of Rule: Information To Be Utilized For Calculating The
Distribution Of Oil And Gas Severance Taxes.

Title Number: 110

Series Number: 13AA

Pursuant to West Virginia Code § 5F-2-2(a), the undersigned
hereby consents to the filing of the foregoing rule.

Signed this 21st day of April, 1997.

Robin C. Capehart
Secretary, Tax and Revenue



STATE OF WEST VIRGINIA
DEPARTMENT OF TAX AND REVENUE

CECIL H. UNDERWOOD
GOVERNOR

TAX DIVISION

ROBIN C. CAPEHART
SECRETARY

P. O. Box 2389

Charleston, West Virginia 25328-2389

PROMULGATION HISTORY

RULE TITLE: Information To Be Utilized For Calculating The
Distribution Of Oil And Gas Severance Taxes.

TITLE NUMBER: 110

SERIES: 13AA

NOTICE FILED: October 24, 1996 - No Comments Received.

HEARING DATE: N/A

EMERGENCE RULE: N/A
E.R.D. NUMBER:
E.R.D. DATE:

FILED/
AGENCY APPROVED: N/A - Procedural Rule

LRMRC ACTION: N/A
HEARING DATE:

FILED AS MODIFIED: N/A

LEGISLATIVE
AUTHORIZATION: N/A

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LD:JM/lr
4/18/97

KEN HECHLER
Secretary of State

MARY P. RATLIFF
Deputy Secretary of State

JAN CASTO
Deputy Secretary of State

CATHERINE FREROTTE
Executive Assistant

Telephone: (304) 558-6000
Corporations: (304) 558-8000
FAX: (304) 558-0900



STATE OF WEST VIRGINIA

SECRETARY OF STATE

Building 1, Suite 157-K
1900 Kanawha Blvd., East
Charleston, WV 25305-0770

WILLIAM H. HARRINGTON
Chief of Staff

JUDY COOPER
Director, Administrative Law

PENNEY BARKER
Supervisor, Corporations

(Plus all the volunteer
help we can get)

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

SEP 23 1 38 PM '97

FILED

TO: JOHN MONTGOMERY

AGENCY: TAX AND REVENUE

FROM: JUDY COOPER, DIRECTOR, ADMINISTRATIVE LAW DIVISION

DATE: May 1, 1997

THE ATTACHED RULE FILED BY YOUR AGENCY HAS BEEN ENTERED INTO OUR COMPUTER SYSTEM. PLEASE REVIEW, PROOF AND RETURN IT WITH ANY CORRECTIONS. IF THERE ARE NO CORRECTIONS, PLEASE SIGN THIS MEMO AND RETURN IT TO THIS OFFICE. YOU WILL BE SENT A FINAL VERSION OF THE RULE FOR YOUR RECORDS.

PLEASE RETURN EITHER THE CORRECTED RULE OR THIS FORM WITHIN TEN (10) WORKING DAYS OF THE DATE YOU RECEIVED THIS REQUEST. CALL IF YOU HAVE ANY QUESTIONS.

SERIES: 13AA TITLE: 110 TAX AND REVENUE

* THE ATTACHED RULE HAS BEEN REVIEWED AND IS CORRECT.

SIGNED: [Signature]

TITLE OF PERSON SIGNING: Attorney

DATE: 9/23/97

* THE ATTACHED RULE HAS BEEN REVIEWED AND NEEDS CORRECTING. THE CORRECTIONS HAVE BEEN MARKED.

SIGNED: _____

TITLE OF PERSON SIGNING: _____

DATE: _____

NOTE: IF YOU ARE NOT THE PERSON WHO HANDLES THIS RULE, PLEASE FORWARD TO THE CORRECT PERSON.