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Telling the truth about W.Va. mineral taxation

February 14, 2012 by Ken Ward Jr.



The good folks over at the West Virginia Center on Budget and Policy just posted a fascinating new item on their blog. I [“Getting the Story Right: Mineral Taxation in Wyoming and West Virginia”](#) and it concludes:

West Virginia's mineral property and severance taxes are not out line with a conservative state like Wyoming and [creating a permanent mineral trust fund](#). Our only barrier seems to be that we are not doing as good a job as V ensuring that our state benefits from its rich natural resources.

In short, this post by center executive director Ted Boettner and policy analyst Sean O'Leary found that state officials and university researchers leave out a significant part of the story when they compare how West Virginia taxes coal and natural gas compared to Wyoming. As they explain:

Last week, I was asked to present before the Senate Economic Development Committee on our projected estimate of the impact of S.B. 182 – which creates the WV Future Fund proposed by Senate President Jeff Kessler.

During the meeting, Mark Muchow, the Deputy Secretary of the WV Department of Revenue, also presented the current state of a history of the WV severance tax. At the end of his presentation, Muchow also compared the mining (oil, natural gas) gross domestic product of Wyoming and West Virginia, showing that Wyoming's natural resource economy was a size of West Virginia. In response to questions about the taxation of minerals in Wyoming and West Virginia, Muchow told legislators that West Virginia taxes mineral property while Wyoming does not.

After doing a little research after the meeting, I discovered that Muchow failed to mention that Wyoming does levy a property tax based on the taxable value of minerals produced in the county. According to the Wyoming Department of Revenue, this ad valorem property tax brought in over \$1.2 billion dollars in revenue for Wyoming county governments in 2008 based on 2008 taxable mineral production values. Of the \$1.2 billion, approximately \$967 million was from coal and natural gas. According to two reports conducted by West Virginia University on the economic impact of the natural gas and coal industry, total West Virginia property tax revenue in 2008 for coal was \$90.8 million and \$58.3 million for natural gas – a total of \$149.1 million. According to these estimates, West Virginia collected about 15.4 percent of the amount in natural gas and coal taxes that Wyoming collected in 2009.

They continued:

With this in mind, Sean and I put together a chart (see below) showing the effective property and severance tax on coal and natural gas in Wyoming and West Virginia in 2008. As you can see, the overall effective property and severance tax on coal and natural gas in Wyoming is 9.3%, compared to 5.7% in West Virginia.

Wyoming - 2008						
	Production Value	Property Tax Revenue	Severance Tax Revenue	Effective Property Tax Rate	Effective Severance Tax Rate	Total Effective Rate
Coal	\$5,326,465,160	\$222,025,920	\$261,614,042	4.2%	4.9%	9.1%
Natural Gas	\$15,614,025,000	\$745,347,794	\$720,207,059	4.8%	4.6%	9.4%
Total	\$20,940,490,160	\$967,373,714	\$981,821,101	4.6%	4.7%	9.3%

West Virginia - 2008						
	Production Value	Property Tax Revenue	Severance Tax Revenue	Effective Property Tax Rate	Effective Severance Tax Rate	Total Effective Rate
Coal	\$9,483,254,850	\$90,800,000	\$412,723,329	1.0%	4.4%	5.3%
Natural Gas	\$2,766,337,840*	\$58,342,129	\$138,316,892	2.1%	5.0%*	7.1%
Total	\$12,249,592,690	\$149,142,129	\$551,040,221	1.2%	4.5%	5.7%

And:

So what if West Virginia taxed coal and natural gas property at the same rates as Wyoming? The property tax produced \$566 million instead of \$149 million, a difference of \$415 million – which is actually more than what was state coal and natural gas severance taxes in 2008.

Check out the whole thing [here](#).

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