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Secretary of Revenue

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State Tax Commissioner

STATE TAX DEPARTMENT

ADMINISTRATIVE NOTICE 2019-01

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OFFICE WEST VIRGINIA  
SECRETARY OF STATE

PROPERTY TAX  
STATE TAX COMMISSIONER'S STATEMENT  
FOR THE DETERMINATION OF ROYALTY RATES FOR PRODUCING  
COAL AND OTHER NATURAL RESOURCES FOR AD VALOREM PROPERTY TAX  
PURPOSES FOR TAX YEAR 2019, PURSUANT TO §§110 CSR 11-4.1.6 AND 1K-4.1.6

On August 29, 2018, the State Tax Department filed valuation variables to be used in conjunction with legislative regulations for the appraisal of natural resource properties. (See: §§ 110 CSR 1-H, 1-I, 1-J and 1-K). This notice will address one of the variables, royalty rate(s), setting forth the procedures used in developing the rate(s) for producing coal and other natural resources exclusive of oil and natural gas for Tax Year 2019.

DISCUSSION

In West Virginia, natural resources royalty rates are generally negotiated at a stated price per ton or as a percent of the selling price per ton of the resource produced. As most leases are negotiated as a percentage of selling price, it is necessary to obtain lease and sales information and to analyze this information in order to develop leasing and sales price patterns typical of the industry.

The Department's review of coal industry leasing patterns during the previous eight (8) years reveals that leases for surface mining operations (6.74%) are typically higher than for deep mining operations (5.53%). Review of sales prices reported in *Coal Week*, the Tax Year 2018 returns and other sources, further reveal a difference in typical selling prices of steam coal (\$49.78 per ton) and metallurgical coal (\$84.66 per ton).

Thus, royalty rates typically negotiated by the coal industry have been as follows:

Steam Coal/Deep Mine	\$ 49.78 per ton	X	5.53%	=	\$2.75 per ton
Metallurgical Coal/Deep Mine	\$ 84.66 per ton	X	5.53%	=	\$4.68 per ton
Steam Coal/Surface Mine	\$ 49.78 per ton	X	6.74%	=	\$3.35 per ton
Metallurgical Coal/ Surface Mine	\$ 84.66 per ton	X	6.74%	=	\$5.70 per ton

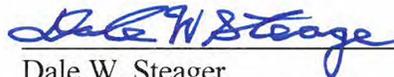
Similar research of royalty rates for other natural resources revealed the following:

Limestone/Deep	22¢ per ton
Limestone/Surface	22¢ per ton
Sandstone	30¢ per ton
Clay/Shale	11¢ per ton
Sand/Gravel	40¢ per ton
Salt	10¢ per ton

For more information concerning natural resource properties' royalty rate(s), contact the State Tax Department at (304) 558-3940.

**Notice of this determination will be filed in the West Virginia Register.**

Issued: January 30, 2019



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State Tax Commissioner

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