

# West Virginia Legislature Passes Bill Changing Oil and Gas Property Tax Valuation Methodology

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On Friday, March 11, 2022, the West Virginia Legislature passed [H.B. 4336](#), which changes the methodology the State Tax Commissioner utilizes for oil and gas property tax valuation.

Specifically, H.B. 4336 requires the West Virginia State Tax Commissioner to develop a valuation approach for properties producing oil, natural gas, natural gas liquids, or any combination thereof, at its fair market value determined through the process of applying a yield capitalization model to net proceeds. H.B. 4336 specifies that net proceeds would be determined based on the actual gross receipts on a sales volume basis determined from the actual price received by the taxpayers as reported on the taxpayer's return, less royalty interest receipts, and less actual annual operating costs. Further, H.B. 4336 specifies that the yield capitalization model will be composed of a working interest model and a royalty interest model and that the summation of the working interest model and royalty interest model shall represent the fair market value of the property.

The Bill also provides a safe harbor provision for marginal well costs, limitations on calculations by the Tax Commissioner, annualized gross receipts and operating expenses before calculation of the models, limitations on minimum well valuations, an effective date for all assessments made on or after July 1, 2022, and a sunset date of July 1, 2025. H.B. 4336 also requires the Tax Commissioner to propose legislative rules, including emergency rules, to implement the new law.

The Bill will now be forwarded to Governor Justice for his signature.

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