

WEST VIRGINIA STATE TAX DEPARTMENT

Administrative Notice 2003-11

SUBJECT: Property Tax -- State Tax Commissioner's Statement for Value Analysis of Reserve Coal Properties Pursuant to § 110 CSR 11-4.2.

On April 6, 1999, the State Tax Department filed Legislative Rule § 110 CSR 11-1 et seq., relating to the appraisal of producing and reserve coal properties. This notice will address valuation of reserve coal properties conducted by the State Tax Department pursuant to § 110 CSR 11-4.2.

DISCUSSION

Legislative Rule § 110 CSR 11-4.2 requires reserve coal properties to be appraised based upon coal bed mapping information from which a reserve coal valuation model (RCVM) is derived. This is a new concept in appraising coal reserves, and the RCVM will, therefore, be phased-in over a five (5) year period beginning in Tax Year 2000. This phase-in will be accomplished by combining the RCVM value with a transitional coal valuation model (TCVM) value. For Tax Year 2003, reserve coal will be appraised using 80% RCVM value in combination with 20% TCVM value. As this is the last year of the phase-in, 100% RCVM will be used for Tax Year 2004 and beyond.

RESERVE COAL VALUATION MODEL (RCVM)

Legislative Rule § 110 CSR 11-4.2.3 requires the establishment of a reserve coal valuation model (RCVM) by the systematic analysis of Geographic Information System (GIS) data sets relating to the following: coal bed maps, mine maps, pricing and market analysis (including royalties), property transactions, environmental factors, property location, use conflicts and coal bed characteristics, including quality considerations. This analysis is designed to produce a valuation of individual coal beds per individual coal reserve properties.

Data sets for this analysis will be derived from a variety of sources, including but not limited to, the following: taxpayer annual returns, questionnaires, West Virginia Geological and Economic Survey, West Virginia Department of Environmental Protection, West Virginia Division of Natural Resources, United States Department of Interior, and any other reliable source(s) which may come to the attention of the Commissioner.

TRANSITIONAL COAL VALUATION MODEL (TCVM)

Legislative Rule § 110 CSR 11-4.2.4 requires the establishment of a transitional coal valuation model (TCVM) based upon an analysis of the total minable coal bed acres in each county. A reserve coal index value is calculated by dividing the State reserve aggregate value by the State reserve index acreage (sum of county reserve index acreage). An individual coal bed on a property will be valued by multiplying the reserve coal index value by the county valuation factor multiplied by the minable acre, multiplied by the coal bed factor.

Coal bed factors are determined as follows:

1. Any reserve acre on a producing property is assigned a coal bed factor of 1.
2. The reserve acre of the two most areally extensive coal beds on a non-producing property are assigned a coal bed factor of 1.
3. The third most areally extensive reserve coal bed on a non-producing property is assigned a coal bed factor of 0.75.
4. The fourth and subsequently most areally extensive reserve coal bed(s) on a non-producing property is (are) assigned a coal bed factor of 0.50.

County Valuation Factors are as follows:

A County Valuation Factor of 2 is assigned to the following counties: Berkeley, Cabell, Calhoun, Doddridge, Hampshire, Hancock, Hardy, Jackson, Jefferson, Monroe, Morgan, Pendleton, Pleasants, Pocahontas, Putnam, Ritchie, Roane, Tyler, Wetzel, Wirt, Wood and the northeast portion of Kanawha County (Jefferson, Union, Poca, and part of Big Sandy and Elk Districts that lie north of Elk River).

A County Valuation Factor of 4 is assigned to the following counties: Braxton, Brooke, Clay, Gilmer, Greenbrier, Harrison, Lewis, Marion, Marshall, Mason, Monongalia, Nicholas, Ohio and Webster.

A County Valuation Factor of 3.75 is assigned to the following counties: Barbour, Grant, Mineral, Preston, Randolph, Taylor, Tucker and Upshur.

A County Valuation Factor of 5.5 is assigned to the following counties: Boone, Fayette, Lincoln, Logan, McDowell, Mercer, Mingo, Raleigh, Summers, Wayne, Wyoming and the southeast portion of Kanawha County (Washington, Malden, Loudon, Cabin Creek Districts, and part of Big Sandy and Elk Districts which lie south of Elk River).

For more information concerning the calculations for developing the RCVM and the TCVM consult § 110 CSR 11-1 et seq. or contact the State Tax Department at telephone number (304) 558-3940.

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