

# The Department of Revenue

## Severance Tax History

### Important Links

DOR Website: <https://revenue.wyo.gov>

DOR Rules: <https://revenue.wyo.gov/about-us/rules-and-regulations>

Wyoming Statutes & Constitution:

<https://www.wyoleg.gov/statestatutes/statutesconstitution?tab=o>

# Wyoming Severance Tax History

## Severance Return and Payment History

- ❖ Through 1979 severance returns and payments were annual and by mineral total only.
- ❖ In 1980 severance tax returns and payments went to a quarterly basis. Detail was only reported by mineral in total per quarter.
- ❖ In 1989 severance changed to being due on a monthly basis.
- ❖ 1989 also saw a change from reporting by mineral to reporting by mineral group and mineral.
- ❖ With the 1989 severance, we had our first computer tax system with which to data enter and track taxes due and paid by an API # or Group Number basis. WYMTS.
- ❖ In 1988, the Mineral Tax Division was established. Prior to that, Property Tax Division handled ad valorem return processing and severance taxes were handled by someone in our Sales Tax Division.

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- ❖ WYMTS was used for severance tax purposes only. During its use Gross Products was processed through a state mainframe CONVERSE system.
- ❖ MTSI was the first tax system to process both severance and gross products. MTSI was available to process the 1993 or 1994 production year severance taxes and the 1992 or 1993 production year gross products taxes.
- ❖ The severance taxes were reported by a Reporting Group basis which is still used today. Whether it be a single API # or a Group of API #'s, a 5 digit reporting group number was assigned, no relation to a county is available in this reporting group number. This was a switch from the past where individual wells were reported by the API # and groups were identified by the county code followed by a G and then 5 digits (005-G00132)
- ❖ MTSI had severance reported by these reporting groups for oil and gas, however, a cover sheet was also required that applied to how the tax was applied/distributed.
- ❖ Taxes were applied by a mineral and rate code only. So1 was crude oil, So2 was stripper oil and So3 was natural gas. There were also many other rate codes, S##, for plant and lease condensate, Wind River Reservation minerals, etc.

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- ❖ Each production period stood on its own. There was no application of funds outside of a single production period.
- ❖ An invoice was issued for periods where additional tax was owed and a credit notice was issued for each period where tax had been overpaid.
- ❖ Notices were also issued for the reporting detail where the amounts attempted to be reported by a company did not match what was calculated by the system. These discrepancies were not related to the tax over or underpayment per reporting period, they were just discrepancy notices of reported versus calculated issues. Similar to exception notices we issue now.
- ❖ If taxes were owed, a company had to submit the invoice for that specific period along with a payment to cover the amount due. Credit vouchers could also be submitted to use the credit from a period or periods to pay another period or periods.
- ❖ Credit vouchers could also be signed and returned and a refund would be generated.
- ❖ Numerous complaints about the system. Not automatically offsetting amounts due with credits. Had to report by group, but money was not accounted for by group...

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- ❖ In 1992 or 1993, a new mineral tax system was released and aptly titled MTSII.
- ❖ This system was to get more up to date software/platform and to address issues from the first MTS.
- ❖ In MTSII, the summary sheet for severance tax was eliminated and the taxes were still reported at the mineral group level. Rate codes changed to BAS, S10, LCD, TER....
- ❖ As for the tax application, it was now tied to the tax, interest and penalty on a period by period basis from most recent period reported/due to oldest.
- ❖ While this offered an improvement over the application from MTSI, and created a single amount due or overpayment, there were still issues.
- ❖ Interest was calculated on each reporting group, mineral and rate code by period. If two groups were submitted with no change to total tax due, but one group increased tax due while the other decreased by the same tax amount: The group that increased was assessed interest.
- ❖ This was especially difficult for group transfers and rate code changes from BAS to S10.

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- ❖ MTD Accounting Staff had to manually waive/abate any interest that the system assessed and quite frequently paid for these rate code and group changes.
- ❖ Since tax, interest and penalty were paid period by period, there were often balances left in the early months of a production year.
- ❖ Any balances not addressed when the invoice was issued could get paid by other return activity. Also, additional return activity could result in a payment in full for an invoice to have that payment apply to other balances.
- ❖ The invoice had a estimated due date interest calculation. Any line with a tax balance, did not actually have interest assessed at that point. The interest on the invoice was an estimated amount to the due date on the invoice.
- ❖ If the invoice was paid early, less interest was due and would result in an overpayment. Invoices paid late, had greater interest and left an amount owing.

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- ❖ Penalties were generated by the system, but as a candidate to be approved or rejected.
- ❖ The generated penalties were used by my group to look for a BAS/S<sub>10</sub> or group transfer situation. If found, the penalties were rejected and interest adjustments were manually done.
- ❖ At some point during the MTSII timeframe my group also came up with a Crude/Stripper or Group Transfer Sheet which has become the Schedule S<sub>1</sub> used in MTSIII.
- ❖ Any approved penalties would also become another obstacle in a company getting the full amount paid.
- ❖ These MTSII payment application issues were addressed with the development of MTSIII.