

Wyoming Administrative Rules

Revenue Dept.

Mineral Tax

Chapter 6: Ad Valorem and Severance Taxes on Mineral Production

Effective Date: 03/26/2014 to Current

Rule Type: Current Rules & Regulations

Reference Number: 011.0005.6.03262014

CHAPTER 6

AD VALOREM AND SEVERANCE TAXES ON MINERAL PRODUCTION

Section 1. Authority.

These rules are promulgated by the authority of W.S. 39-11-102(b).

Section 2. Purpose of Rules.

(a) These rules are intended to provide uniform and understandable guidelines for valuation of mineral production for ad valorem ad severance tax purposes. The relevant statutory provisions include Wyoming Title 39, Chapter 13 and Wyoming Title 39, Chapter 14.

(b) These rules also are intended to describe the rights and obligations for ad valorem and severance tax purposes of persons engaged or having an interest in mineral production in this state. These rules are not inclusive of all statutory provisions and do not include the taxpayer bill of rights found in W.S. 39-11-102(a)(i).

(c) These rules shall be effective for the 2014 production year and thereafter until otherwise amended or modified.

Section 3. Administrative Functions.

The Department of Revenue shall determine the value of minerals for ad valorem (gross products) and severance tax purposes in accordance with these rules. The taxpayer shall initially determine the value of minerals for severance tax monthly reporting in accordance with these rules. All ad valorem (gross products) and severance tax valuation determinations are subject to audit pursuant to Section 14 of this chapter.

Section 4. Definitions-General.

These definitions set forth in Title 39 of the 2013 Wyoming Statutes, as amended, are incorporated by reference in this chapter. In addition, the following definitions shall apply:

(a) "Department" means the Department of Revenue of the State of Wyoming.

(b) "Mineral Tax Division" means the Mineral Tax Division of the Wyoming Department of Revenue.

(c) "Fair market value" means the price established by a bona fide arm's-length sale. In the absence of a bona fide arm's-length sale, fair market value shall mean the amount in cash, or terms equivalent to cash, that a willing and well informed buyer would pay for a mineral, and a willing and well informed seller would accept.

(d) "Gross product" means the total or entire output of a mineral or valuable deposit from a mine or oil and gas property whether used, sold or stored, and relates to the quality or volume of a mineral or valuable deposit which is removed, severed, extracted or produced from a mine or well.

(e) "Appropriate units of measure" means the measure of the amount of mineral or valuable deposit remove, severed, extracted or produced, whether by volume or weight as specified by the Department (e.g., ton, pounds, mcfs, barrels, etc.).

(f) "Minerals" means gold, silver, and all other precious metals, soda, saline, coal, uranium, petroleum, trona, oil shale, gas or natural gas, all hydrocarbons produced with oil and gas, and all other valuable deposits, including those produced in association with other minerals.

(g) "Valuable deposit" means any product not otherwise specified which can be removed, extracted, severed or produced from a mine or mining claim and has value as may be determined by sale or use.

(h) "Mine or mining claim" includes properties producing oil and natural gas and means any property which produces a solid, liquid, or gaseous mineral, regardless of right or form of ownership of right of production of the mineral.

(i) "Point of valuation" means the point where value for severance and ad valorem tax is established. This point is generally after all mining functions have been performed and before the mineral is further processed (Pursuant to W.S. 39-14-101(a)(vi) for coal, W.S. 39-14-203(b)(iii) for crude oil or lease condensate, W.S. 29-14-203(b)(vi) for natural gas, W.S. 39-14-301(a)(vi) for trona, W.S. 39-14-401(a)(vi) for bentonite, W.S. 39-14-501(a)(vi) for uranium, W.S. 39-14-601(a)(vi) for sand and gravel, W.S. 39-14-701(a)(vi) for other valuable deposits).

(j) "Operator" means any person responsible for the day-to-day operation of a mine or oil and gas property by reason of contract, lease or operating agreement or ownership of an unleased producing mine or well operated by the owner thereof.

(k) "Exempt interest" means any interest owned by the United State, the State of Wyoming, or an Indian tribe.

(l) "Production taxes" means the severance tax authorized by W.S. 39-14-103, W.S. 39-14-203, W.S. 39-14-303, W.S. 39-14-403, W.S. 39-14-503, W.S. 39-14-603, W.S. 39-14-703 and the Ad Valorem (Gross Products) Tax authorized by W.S. 39-13-103, the Oil and Gas Conservation tax authorized by W.S. 30-5-116, black lung excise tax authorized by 26 USC Section 4121 and the abandoned mine lands fee authorized by 30 USC Section 1232, as determined on the accrual basis of accounting in accordance with generally accepted accounting principles.

(m) "Exempt royalty" means royalty expenses, as determined on the accrual basis accounting in accordance with generally accepted accounting principles, for interests owned by the United State, the State of Wyoming or an Indian tribe.

(n) "Nonexempt royalty" means royalty expense, as determined on the accrual basis accounting in accordance with generally accepted accounting principles, for all royalty expense other than exempt royalty.

Section 4a. Definitions-Solid Minerals.

(a) "Solid mineral" means any mineral other than crude oil and natural gas. Sulfur produced from natural gas shall be considered an element of the natural gas stream.

(b) "Supervisory personnel" means generally employees who direct and control the work of other employees and whose duties can still be distinguished as either relating to mining or processing.

(c) "Depreciation" means depreciation as actually determined and used by the taxpayer, in accordance with generally accepted accounting principles, for financial statement purposes. This depreciation is commonly referred to as book depreciation.

(d) "Pound" means 16 ounces avoirdupois.

(e) "Ton" means short ton or 2000 pound avoirdupois.

Section 4b. Definitions – Oil and Gas.

(a) "Lease condensate" means liquid hydrocarbons which are separated from other components of the production stream on the lease or before the inlet to a natural gas processing facility. Lease condensate is oil for severance and gross products tax reporting purposes.

(b) "Plant condensate" means liquid hydrocarbons which are separated from other components of the production stream beyond the inlet of a gas processing facility. Plant condensate is a natural gas plant product for severance and gross products tax purposes.

(c) "Barrel" means 42 (U.S.) gallons measured at 60 degrees Fahrenheit at atmospheric pressure.

(d) "Cubic foot" of gas means the volume of gas contained in one cubic foot of space at a pressure of 14.73 pounds "per square inch absolute" (psia) and at a temperature of 60 degrees Fahrenheit. (Generally stated as Mcf (1000 cubic feet)).

(e) "Working interest" means any interest in a well or group of wells which is burdened by the cost of exploration for minerals on, the development of, or the production of minerals from the well or group of wells.

(f) "Non-working interest" means any interest which is not burdened by the cost of exploration, development, or the production of minerals from a property. This type of interest includes but is not limited to royalty interest, overriding royalty interest and net profits interest.

(g) "Take in kind" means the event when an election is made by an interest owner under lease or joint operating agreement, with notice to the affected parties, to separately market or dispose of crude oil natural gas or natural gas products. An interest owner must affirmatively exercise an option under a lease or operating agreement to separately market his share of the production to qualify as take in kind. If an option to separately market is not exercised by the interest owner, the operator shall report the interest owner's portion of the production. The phrase "take in kind" does not include sales under common agreement by interest owners and the operator where the purchases merely makes disbursements for the purchases directly to the parties selling their production.

(h) "Intangible drilling cost" means the intangible expense associated with drilling a well and preparing it for production. This expense includes labor, materials and supplies, drilling equipment costs, fuel and power, etc. and supplies, and shall be determined on the financial book basis of accounting as used by the taxpayer for financial statement purposes in accordance with generally accepted accounting principles.

(i) "Dry hole expense" means the expense associated with drilling a dry development or exploratory well on the producing property as determined on the financial book basis of accounting and used by the taxpayer for financial statement purposes, in accordance with generally accepted accounting principles.

(j) "Plant or facility depreciation" means the annual expense associated with the amortization of the capitalized cost of a plant or facility, calculated based on the units of production or straight line basis and used by the taxpayer for financial statement purposes, in accordance with generally accepted accounting principles.

(k) "Direct costs of producing" includes labor for field and production personnel whose primary responsibility is extraction of crude oil, lease condensate, natural gas and other mineral products removed from the production stream before processing; materials and supplies used for and during the production process; depreciation expense for field equipment used to take the production stream from the wellhead to the point of valuation; fuel, power and other utilities used for production and maintenance; gathering and transportation expenses from the wellhead to the point of valuation; ad valorem taxes on production and transportation equipment; intangible drilling costs, including dry hole expense; and other direct costs incurred prior to the point of valuation that are specifically attributable to producing mineral products.

(l) "Direct costs of producing, processing and transporting" includes the direct cost of producing determined under paragraph (w) of this section plus transportation and processing plant or facility labor whose primary purpose is transporting or processing crude oil, plant condensate, natural gas and other mineral products removed from the production stream; materials and supplies used for transporting and processing; depreciation expense for equipment used for transportation and processing; fuel, power and other utilities used for transportation and processing and maintenance of the transporting and processing plant or facilities; transportation from the point of valuation to the processing plant or facility to the extent included in the price and

provided by the producer; ad valorem taxes on the transporting equipment and processing plant or facility; and any other direct costs incurred that are specifically attributable to the transporting or processing of mineral products contained in the production stream.

Section 4c. Definitions - Bentonite. (In addition to the definitions in Section 4a, the definitions in this section are specific to bentonite.)

(a) "Mining cost" means the cost incurred prior to the point of valuation for stripping, drilling, scraping, field drying, loading, hauling to the point of valuation, reclamation and any other costs directly related to the mining operation that are incurred prior to the point of valuation. A written claim or request may be made by the taxpayer to the Department for approval of field drying within the pit as a processing cost based upon information which shows a definite change in the physical or chemical characteristic or a definite enhancement of the marketability of the mineral.

Section 5. Persons Bearing the Incidence of the Tax.

(a) Liability for ad valorem (gross products) or severance taxes arises when any mineral is removed, extracted, severed or produced in this State.

(i) The ad valorem (gross products) tax relates to the ownership or interest in the mineral removed, extracted, severed or produced, and the incidence of the tax is on all the interest owners in proportion to their ownership shares unless exempted by law. Ad Valorem taxes are determined from the gross production of minerals for the previous calendar year.

(ii) The severance tax is an excise tax imposed on the present and continuing privilege of removing, extracting, severing or producing any mineral in this state, and the incidence of the severance tax is upon all interest owners in proportion to their ownership shares, unless otherwise exempt by law. Severance taxes are determined from the gross production in the current calendar year.

Section 6. Persons Responsible for Remittance of Tax; Take in Kind Election, Term, Termination and Exchange of Information.

(a) This section identifies the persons responsible for remitting payment of ad valorem and severance taxes on mineral production in this state. For solid mineral production the mine operator shall report and remit tax payments for 100% of the production from the producing property.

(i) All Ad Valorem taxes on the gross product from an oil or gas property attributable to any working or non-working interest owner shall be remitted by the interest owner or may be remitted on behalf of the interest owner in proportion to his ownership interest by the operator.

(ii) All severance taxes on the gross product from an oil or gas property attributable to any working or non-working interest owner shall be remitted by the operator except as stated in Section 6 (a)(iii).

(iii) All taxes on the gross product attributable to any interest owner electing to take in kind shall be remitted by the interest owner or on behalf of the interest owner in proportion to his ownership interest by the operator. An election for operator reporting and remittance of ad valorem and severance tax shall be allowed if, on or before January 1st of the production year in which operator reporting shall commence, the take in kind interest owner notifies the operator and the Mineral Division in writing of the intent to have the operator report and remit on behalf of the take in kind interest owner. The operator or other entity reporting and remitting the interest owner's gross product (ad valorem) tax must also report and remit severance tax.

(iv) An election made under this section shall remain in effect until terminated by the interest owner or by the Department pursuant to paragraph (v) of this subsection.

(v) An operator may petition the Department to terminate the interest owner election on the basis of either failure to provide the necessary information for reporting taxable volume and value, or failure to remit to the operator on or before the date the taxes are due, or as extended by written agreement between the parties, the amount of taxes owed by the take in kind interest owner. Notice and opportunity for a hearing shall be provided to the operator and interest owner, with a final decision by the Department within ninety (90) days following receipt of the petition.

(b) In order to minimize erroneous reporting, the following exchange of information shall occur:

(i) Exchange of Oil and Natural Gas Data. On or before the second Monday in February, the take in-kind interest owner shall provide the operator an annual summary of monthly volumes taken in kind by property name and by property identification number as assigned by the Mineral Tax Division. The take in-kind interest owner may negotiate an extension of time for cause with the operator not to exceed thirty days.

(ii) The operator shall notify the take in-kind interest owner of any discrepancies in volume, property name or property identification number within thirty days of receipt of the take in-kind interest owner's data.

(iii) Penalty. Failure to comply with the requirements of paragraphs (i) and (ii) above may subject the taxpayer to a penalty of up to \$1000 per property. This penalty is authorized by W.S. 39-14-208(d)(i). A copy of the cover letter listing the properties and property identification numbers for which data is being exchange shall be mailed to the Mineral Tax Division.

Section 7. Reporting and Payment Requirements.

(a) Each operator shall:

(i) For ad valorem (gross products) tax purposes, annually file a sworn statement required pursuant to W.S. 39-14-107(a)(i) for coal, W.S. 39-14-207(a)(i) for

oil and gas, W.S. 39-14-307(a)(i) for trona, W.S. 39-14-407(a)(i) for bentonite, W.S. 39-14-507(a)(i) for uranium, W.S. 39-14-607(a)(i) for sand and gravel, W.S. 39-14-707(a)(i) for other valuable deposits with the Department. The Department shall prescribe the form of the statement and may issue written instructions and guidelines to assure uniform compliance with the reporting requirements. The sworn statement shall include:

(A) Information identifying the operator and a description of the mine, or property from which any minerals were removed, extracted, severed or produced. Such description shall include the name of the property, legal description, lease or unit number, if any, and the code number assigned by the Department.

(B) Information concerning the total quantity or volume of the gross production in appropriate units of measurement as defined in Section 4a, paragraphs (d) and (e) for solid minerals and in Section 4b, paragraphs (c) and (d) for oil and gas. Any production which is reported as taken in kind shall be reported on actual production taken, including exempt royalty burdens, as opposed to production entitlement. Production and/or sales volumes and values for all producing wells located on a lease or unit shall be included in the tax return for that property.

(C) Information concerning the sale or use of any mineral or minerals removed, extracted, severed or produced. Such information shall include the quantity or volume and aggregate price of any mineral which is sold, and an estimate of the quantity or volume of any mineral which is stored or used without sale also including the use for the mineral;

(D) Current information regarding the extent and identity of exempt, working and non working interest owners or division orders if requested. All reporting interests must total one hundred percent (100%);

(E) Information concerning all costs which relate to processing and transportation; and

(F) Copies of coal sales contracts and contract summaries as required by W.S. 39-14-107(a)(i)(A). Contract copies shall be submitted by the taxpayer within 18 months after the date of the agreement provided the contract is publicly available. Contracts are publicly available when available to the public through other government agencies, private consulting or data collection firms or through any other source which allows public access.

(G) Gross products filing dates for oil and natural gas reports;

(I) The statutory due date for annual oil and natural gas reports is February 25th of the year following the production year.

(II) Extensions of time to file these reports, for up to 60 days, may be granted for cause. Extension requests must be in writing and be received by the Mineral Tax Division prior to the statutory due date.

(III) In addition to the gross products reports filed with the Department of Revenue, each taxpayer whose current reported annual volume produced is in excess of 500,000 mcfs of gas or 50,000 barrels of oil per county shall provide an estimate of taxable value to the appropriate county assessor by May 1 of the current reporting year to enable the various tax districts to begin their budget process in a timely and accurate manner. The Department may identify additional taxpayers for reporting under this subsection as requested by a county. This information is to be provided on the form prescribed by the Department. Failure to file this report may subject the taxpayer to a penalty of up to one thousand dollars as provided by W.S. 39-14-208(d)(ii).

(H) W.S. 39-14-202(a)(iii) requires the Department of Revenue to certify the annual oil and natural gas valuation to the counties on June 1, or as soon thereafter as the fair market value is determined. Taxpayers may be granted filing extensions to allow sufficient time for accurate tax return preparation. To accommodate the extended reporting deadlines, annual fair market value determinations and certifications will be deferred until July 1.

(ii) For severance tax purposes, monthly file with the Department a statement of information containing the quantity and value of the gross production. Production data for all producing wells and those capable of producing located on a lease or unit shall be included in the tax return for that property. Data and computations relating to differences between the gross sales value and taxable value shall be reported, and the total amount due shall be remitted with the tax return. When an interest owner has elected to have the operator report and remit on their behalf, a monthly statement of take in kind volumes and all other information necessary for reporting taxable values shall be supplied by the take in kind interest owner or representative to the operator by the fourth working day of the second month following the month of production. The taxpayer is responsible for computing the taxable value and the tax due in accordance with all applicable statutes and rules.

(iii) File the severance tax report and remit payment on or before the 25th day of the second month following the month of production. The report will be considered timely filed if postmarked on or before the 25th day of the second month following the month of production.

(iv) File any request for extension of a monthly filing deadline with the Department in writing not less than five days prior to the statutory due date. Any extension if granted, shall be conditional upon payment of the reasonable estimate of 90% of the tax by the statutory due date, with the remaining tax to be remitted with the extended return.

(b) All financial data required to be reported under this section shall be determined and reported in accordance with generally accepted accounting principles (GAAP) unless otherwise required by these rules.

(c) Any person owning a non exempt interest who elects to take his production in kind shall file all reports and information required by subsection (a) of this

section relating to the sale or use of production taken in kind. The actual quantity taken (not entitlements) shall be reported including the exempt royalty burden for which they are responsible pursuant to the exempt royalty provisions of the joint operating agreement. If the exempt royalty reported is not the product of the royalty rate multiplied by the value of the production being reported, the taxpayer shall notify the Department in writing and specify the reason for the difference. The take in kind interest owner may provide the operator of the property with the necessary value, volume and other information by the second Monday in February to allow the operator to report on behalf of the take in kind interest owner. This election shall be made by the persons taking in kind, not the operator, consistent with Section 6. In the absence of such agreement, however, an operator is not relieved from filing all reports and information required by subsection (a) of this section including the identity and extent of interest owners electing to take production in kind and the actual quantity or volume of production taken in kind (not entitlements) including exempt royalty burdens; provided however, that an operator is not required to report information relating to sale or disposition of production taken in kind if the interest owner has not made the election described in Section 6.

(d) When a producing lease or portion thereof becomes a part of a unit during the production year, the operator shall report the production from January 1 to the unitization date, and the operator of the unit shall report the production of the unit from the date of unitization through December 31.

(e) If a producing property is sold during the production year, the operator of the property prior to sale shall report mineral production from January 1 up to the date of sale. The operator who assumes the operation after the date of sale shall report production from the date of sale through December 31.

(f) All production tax returns and return information including all statements, reports, summaries, and all other data and documents under audit or provided by the taxpayer in accordance with W.S. 39-14-107(a)(i) for coal, W.S. 39-14-207(a)(i) for oil and gas, W.S. 39-14-307(a)(i) for trona, W.S. 39-14-407(a)(i) for bentonite, W.S. 39-14-507(a)(i) for uranium, W.S. 39-14-607(a)(i) for sand and gravel, W.S. 39-14-707(a)(i) for other valuable deposits and related statute sections shall be confidential. Any disclosure of this information to other government agencies shall be in accordance with W.S. 39-14-102(g) for coal, W.S. 39-14-202(b)(iii) for oil and gas, W.S. 39-14-302(g) for trona, W.S. 39-14-402(f) for bentonite, W.S. 39-14-502(f) for uranium, W.S. 39-14-602(f) for sand and gravel, W.S. 39-14-702(g) for other valuable deposits. Information or data which would otherwise be confidential that must be disclosed through formal discovery in a contested case proceeding will be aggregated or otherwise combined with information from several taxpayers to protect the confidentiality of the information. All parties to a contested case shall agree to protective orders when appropriate. (W.S. 39-14-102(h) for coal, W.S. 39-14-202(b)(iv) for oil and gas, W.S. 39-14-302(h) for trona, W.S. 39-14-402(g) for bentonite, W.S. 39-14-502(g) for uranium, W.S. 39-14-602(g) for gravel, W.S. 39-14-702(h) for other valuable deposits).

(g) The penalties for failure to comply with the take-in-kind reporting and payment requirements are established by W.S. 39-14-108(d) for coal, W.S. 39-14-208(d) for oil and gas, W.S. 39-14-308(d) for trona, W.S. 39-14-408(d) for bentonite, W.S. 39-14-508(d) for uranium, W.S. 39-14-608(d) for sand and gravel, W.S. 39-14-708(d) for other valuable deposits. When the Department does not receive a tax return and alleges the reporting entity has not filed the return, to avoid a late filing penalty, the reporting entity must produce documentation establishing the return was filed.

Section 8. Determination of the Gross Product.

(a) The portion of the gross product of a mineral which relates to an exempt interest, whether taken in-kind or realized by a money royalty, is not subject to an ad valorem or severance tax; provided however, that such portion shall be included when determining the gross product.

(b) The gross product shall be expressed in terms indicating the total quantity of a mineral removed, severed, extracted or produced for the relevant reporting period or periods by appropriate units of measure. The gross product of each mineral shall be separately stated.

(c) Any mineral which is used without sale or consumed shall be considered to be a part of the gross product of a mineral.

Section 9. Determination of the Value of the Gross Product - In General.

(a) The fair market value of the gross product shall be determined at the point at which the mining or production of the mineral is completed. Unless otherwise provided by law, the mining or production of the mineral shall be considered completed at the point of valuation as provided by W.S. 39-14-101(a)(vi) for coal, W.S. 39-14-203(b)(iii) for crude oil or lease condensate, W.S. 39-14-203(b)(vi) for natural gas, W.S. 39-14-301(a)(iv) for trona, W.S. 39-14-401(a)(vi) for bentonite, W.S. 39-14-501(a)(vi) for uranium, W.S. 39-14-601(a)(vi) for sand and gravel, W.S. 39-14-701(a)(vi) for other valuable deposits.

(b) When a solid mineral is sold at the point of valuation pursuant to a bona fide arm's-length sale, the sales price shall be the fair market value.

(c) When a solid mineral, for which there is no specific statutory valuation method, is sold at a point other than the point of valuation, the fair market value shall be determined by the Department in accordance with recognized appraisal techniques.

(d) When a solid mineral other than coal is not sold pursuant to a bona fide arm's-length sale, or is used without sale, the fair market value shall be determined by the Department in accordance with recognized appraisal techniques.

Section 10. Recognized Appraisal Techniques Applicable to Miscellaneous Minerals.

(a) When the Department is required to appraise or determine the fair market value of miscellaneous minerals by application of recognized appraisal techniques, the Department shall use one or more of the following approaches or a combination thereof:

(i) Cost approach. Applied to minerals, the cost approach is a method of estimating the value of a mineral by determining the total of direct and indirect costs attributable to mining or production of a mineral. Other elements of value include but are not limited to royalty, and return on and of investment.

(ii) Comparison approach. Applied to minerals, the comparison approach is a method of determining the fair market value of a mineral by comparison with sales of minerals similar in quality and characteristics. This approach includes consideration of:

(A) Direct arm's-length sales of unprocessed minerals at the mine or oil and gas property; and

(B) Direct sales of processed or transported minerals whether at or away from the mine or oil and gas property.

(b) The Department shall consider whether the sales price includes the value of processing or transportation to market or both added after the mineral has passed beyond the point of valuation.

(i) If the selling price includes such value, the Department shall deduct such value from the selling price to determine the fair market value of the mineral.

(ii) If the value or cost of processing or transportation to market or both is represented by a bona fide arm's-length contract, such value or cost shall be deemed to be the appropriate deduction from the selling price.

(c) Return on investment attributable to mining and processing may be determined by a direct cost ratio proportion of costs, the proportion of investment, or rates of return prevalent in the industry.

(d) The Department shall weigh the relative significance, applicability and appropriateness of the indicators of value derived from the approaches to value or methods outlined above, including comparison of value indicators for similar minerals which best approximates the value of the mineral being appraised or valued.

(e) The fair market value of a mineral shall not include direct and indirect costs attributable to processing or transportation to market.

Section 11. Taxable Value of Mineral Production.

(a) The value of the gross product as determined pursuant to these rules constitutes the taxable value; provided, however, that any portion of the gross product of

a mineral attributable to an exempt interest shall not be subject to an ad valorem or severance tax.

(b) After the Department has determined the taxable value of a mineral, it shall immediately notify by mail the operator or interest owner of the values so determined.

(c) For ad valorem tax purposes, the Department shall annually certify pursuant to W.S. 39-14-102(d) for coal, W.S. 39-14-202(a)(iii) for natural gas, crude oil or lease condensate, W.S. 39-14-302(d) for trona, W.S. 39-14-402(c) for bentonite, W.S. 39-14-502(c) for uranium, W.S. 39-14-602(c) for sand and gravel, W.S. 39-14-702(c) for other valuable deposits the taxable value of mineral production to the county assessor in which the mine or oil and gas property is located.

Section 12. Audit Rights and Responsibilities.

(a) Financial data and other information prescribed by these rules and contained in reporting forms required to be filed with the Department are subject to audit by the Department of Audit and examination by the Department of Revenue. The purpose of such audit is to:

(i) Verify the accuracy of the financial data submitted by the taxpayer or operator as well as to determine whether such financial data is in accordance with generally accepted accounting principles; and

(ii) Verify the accuracy of all other data or information contained in the required reporting forms.

(b) Audits shall be conducted at the discretion of the Department of Audit or upon request by the Department of Revenue.

(c) All pertinent records, including but not limited to accounting, production sales and tax records, shall be maintained by the taxpayer and reporting entity in accordance with the time periods established by W.S. 39-14-108(b)(vii) for coal, W.S. 39-14-208(b)(vii) for natural gas, crude oil or lease condensate, W.S. 39-14-308(b)(vii) for trona, W.S. 39-14-408(b)(vii) for bentonite, W.S. 39-14-508(b)(vii) for uranium, W.S. 39-14-608(b)(vii) for sand and gravel, W.S. 39-14-708(b)(vii) for other valuable deposits. These records shall include the work papers reconciling source documents to the tax returns. Records shall be made available to the auditors during regular business hours at the place of business where such records are normally kept unless otherwise arranged by mutual consent.

(i) Mineral purchase contracts, orders or agreements, complete with supporting schedules and documentation, shall be examined by auditors upon request and such records may be photocopied by auditors with the consent of the taxpayer. The written results (audit report) required by W.S. 39-14-108(b)(v)(C) for coal, W.S. 39-14-208(b)(v)(C) for natural gas, crude oil or lease condensate, W.S. 39-14-308(b)(v)(C) for trona, W.S. 39-14-408(b)(v)(C) for bentonite, W.S. 39-14-508(b)(v)(C) for uranium, W.S. 39-14-

608(b)(v)(C) for sand and gravel, W.S. 39-14-708(b)(v)(C) for other valuable deposits shall include specific references to supporting documentation necessary to sustain and explain audit findings.

(ii) All records relating to production year 1989 and subsequent production years shall be retained for a minimum of five (5) years unless otherwise provided by law.

(d) The Department of Revenue shall compute severance tax liability and issue a notice to the taxpayer audited of severance taxes due if a deficiency is determined or amount of refund or credit if overpayment is determined. This notice shall be mailed along with the final audit report, after review by the Department of the final audit findings.

(e) No employee of the state shall receive a bonus, be promoted or in any way rewarded on the basis of the amount of assessments or collections from taxpayers.

(f) The Department shall certify the amended taxable value resulting from a mineral tax audit and final determination to the appropriate county assessors as otherwise provided in these rules.