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SENATE BILL NO. 1403

Offered January 19, 2001

A BILL to amend and reenact § 58.1-3814 of the Code of Virginia, relating to the authority of counties to impose consumer utility taxes in towns.

Patron—Ruff (By Request)

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:**1. That § 58.1-3814 of the Code of Virginia is amended and reenacted as follows:**

§ 58.1-3814. Water or heat, light and power companies

A. Any county, city or town may impose a tax on the consumers of the utility service or services provided by any water or heat, light and power company or other corporations coming within the provisions of Chapter 26 (§ 58.1-2600 et seq.) of this title, which tax shall not be imposed at a rate in excess of twenty percent of the monthly amount charged to consumers of the utility service and shall not be applicable to any amount so charged in excess of fifteen dollars per month for residential customers. Any city, town or county that on July 1, 1972, imposed a utility consumer tax in excess of limits specified herein may continue to impose such a tax in excess of such limits, but no more. For taxable years beginning on and after January 1, 2001, any tax imposed by a county, city or town on consumers of electricity shall be imposed pursuant to subsections C through J of this section only.

B. Any tax enacted pursuant to the provisions of this section, or any change in a tax or structure already in existence, shall not be effective until sixty days subsequent to written notice by certified mail from the county, city or town imposing such tax or change thereto, to the registered agent of the utility corporation that is required to collect the tax.

C. Any county, city or town may impose a tax on the consumers of services provided within its jurisdiction by any electric light and power, water or gas company owned by another municipality; provided, that no county shall be authorized under this section to impose a tax within a municipality on consumers of services provided by an electric light and power, water or gas company owned by that municipality. Any county tax imposed hereunder shall not apply within the limits of any incorporated town located within such county which town imposes a town tax on consumers of utility service or services provided by any corporation coming within the provisions of Chapter 26 (§ 58.1-2600 et seq.) of this title, provided that such town (i) provides police or fire protection, and water or sewer services; provided that any such town served by a sanitary district or service authority providing water or sewer services or served by the county in which the town is located when such service or services are provided pursuant to an agreement between the town and county shall be deemed to be providing such water and sewer services itself, or (ii) constitutes a special school district and is operated as a special school district under a town school board of three members appointed by the town council pursuant to an ordinance adopted by the local governing of such county.

Any county, city or town may provide for an exemption from the tax for any public safety answering point as defined in § 58.1-3813.1.

Any city with a population of not less than 27,000 and not more than 28,500 may provide an exemption from the tax for any church or religious body entitled to an exemption pursuant to Article 4 (§ 58.1-3650 et seq.) of Chapter 36 of this title.

Any municipality required to collect a tax imposed under authority of this section for another city or county or town shall be entitled to a reasonable fee for such collection.

D. In a consolidated county wherein a tier-city exists, any county tax imposed hereunder shall apply within the limits of any tier-city located in such county, as may be provided in the agreement or plan of consolidation, and such tier-city may impose a tier-city tax on the same consumers of utility service or services, provided that the combined county and tier-city rates do not exceed the maximum permitted by state law.

E. The tax authorized by this section shall not apply to utility sales of products used as motor vehicle fuels.

F.1. Any county, city or town may impose a tax on consumers of electricity provided by electric suppliers as defined in § 58.1-400.2.

The tax so imposed shall be based on kilowatt hours delivered monthly to consumers, and shall not exceed the limits set forth in this subsection. The service provider shall bill the tax to all users who are subject to the tax and to whom it delivers electricity, and shall remit such tax to the appropriate locality in accordance with § 58.1-2901. Any locality that imposed a tax pursuant to this section prior to January

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59 1, 2001, based on the monthly revenue amount charged to consumers of electricity shall convert its tax
60 to a tax based on kilowatt hours delivered monthly to consumers, taking into account minimum billing
61 charges. The kilowatt hour tax rates shall, to the extent practicable: (i) avoid shifting the amount of the
62 tax among electricity consumer classes and (ii) maintain annual revenues being received by localities
63 from such tax at the time of the conversion. Current service providers shall provide to localities no later
64 than August 1, 2000, information to enable localities to convert their tax. The maximum amount of tax
65 imposed on residential consumers as a result of the conversion shall be limited to three dollars per
66 month, except any locality that imposed a higher maximum tax on July 1, 1972, may continue to
67 impose such higher maximum tax on residential consumers at an amount no higher than the maximum
68 tax in effect prior to January 1, 2001, as converted to kilowatt hours. For nonresidential consumers, the
69 initial maximum rate of tax imposed as a result of the conversion shall be based on the annual amount
70 of revenue received from each class of nonresidential consumers in calendar year 1999 for the kilowatt
71 hours used that year. Kilowatt hour tax rates imposed on nonresidential consumers shall be based at a
72 class level on such factors as existing minimum charges, the amount of kilowatt hours used, and the
73 amount of consumer utility tax paid in calendar year 1999 on the same kilowatt hour usage. The
74 limitations in this section on kilowatt hour rates for nonresidential consumers shall not apply after
75 January 1, 2004, which is the scheduled date of completion of the electric deregulation transition period
76 pursuant to the Virginia Electric Utility Restructuring Act (§ 56-576 et seq.). On or before October 31,
77 2000, any locality imposing a tax on consumers of electricity shall duly amend its ordinance under
78 which such tax is imposed so that the ordinance conforms to the requirements of subsections C through
79 J of this section. Notice of such amendment shall be provided to service providers in a manner
80 consistent with subsection B of this section except that "registered agent of the service provider" shall be
81 substituted for "registered agent of the utility corporation." Any conversion of a tax to conform to the
82 requirements of this subsection shall not be effective before the first meter reading after December 31,
83 2000, prior to which time the tax previously imposed by the locality shall be in effect.

84 2. For purposes of this section, "kilowatt hours delivered" shall mean in the case of eligible
85 customer-generators, as defined in § 56-594, those kilowatt hours supplied from the electric grid to such
86 customer-generators, minus the kilowatt hours generated and fed back to the electric grid by such
87 customer-generators.

88 G. Until the consumer pays the tax to such service provider, the tax shall constitute a debt to the
89 locality. If any consumer receives and pays for electricity but refuses to pay the tax on the bill that is
90 imposed by a locality, the service provider shall notify the locality of the name and address of such
91 consumer. If any consumer fails to pay a bill issued by a service provider, including the tax imposed by
92 a locality as stated thereon, the service provider shall follow its normal collection procedures with
93 respect to the charge for electric service and the tax, and upon collection of the bill or any part thereof
94 shall (i) apportion the net amount collected between the charge for electric service and the tax and (ii)
95 remit the tax portion to the appropriate locality. After the consumer pays the tax to the service provider,
96 the taxes shall be deemed to be held in trust by such service provider until remitted to the localities.

97 H. Any county, city or town may impose a tax on consumers of natural gas provided by pipeline
98 distribution companies and gas utilities. The tax so imposed shall be based on CCF delivered monthly to
99 consumers and shall not exceed the limits set forth in this subsection. The pipeline distribution company
100 or gas utility shall bill the tax to all users who are subject to the tax and to whom it delivers gas and
101 shall remit such tax to the appropriate locality in accordance with § 58.1-2905. Any locality that
102 imposed a tax pursuant to this section prior to January 1, 2001, based on the monthly revenue amount
103 charged to consumers of gas shall convert to a tax based on CCF delivered monthly to consumers,
104 taking into account minimum billing charges. The CCF tax rates shall, to the extent practicable: (i)
105 avoid shifting the amount of the tax among gas consumer classes and (ii) maintain annual revenues
106 being received by localities from such tax at the time of the conversion. Current pipeline distribution
107 companies and gas utilities shall provide to localities not later than August 1, 2000, information to
108 enable localities to convert their tax. The maximum amount of tax imposed on residential consumers as
109 a result of the conversion shall be limited to three dollars per month, except any locality that imposed a
110 higher maximum tax on July 1, 1972, may continue to impose such higher maximum tax on residential
111 consumers at an amount no higher than the maximum tax in effect prior to January 1, 2001, as
112 converted to CCF. For nonresidential consumers, the initial maximum rate of tax imposed as a result of
113 the conversion shall be based on the annual amount of revenue received and due from each of the
114 nonresidential gas purchase and gas transportation classes in calendar year 1999 for the CCF used that
115 year. CCF tax rates imposed on nonresidential consumers shall be based at a class level on such factors
116 as existing minimum charges, the amount of CCF used, and the amount of consumer utility tax paid and
117 due in calendar year 1999 on the same CCF usage. The initial maximum rate of tax imposed under this
118 section shall continue, unless lowered, until December 31, 2003. Beginning January 1, 2004, nothing in
119 this section shall be construed to prohibit or limit any locality from imposing a consumer utility tax on
120 nonresidential customers up to the amount authorized by subsection A.

121 On or before October 31, 2000, any locality imposing a tax on consumers of gas shall duly amend
122 its ordinance under which such tax is imposed so that the ordinance conforms to the requirements of
123 subsections C through J of this section. Notice of such amendment shall be provided to pipeline
124 distribution companies and gas utilities in a manner consistent with subsection B except that "registered
125 agent of the pipeline distribution company or gas utility" shall be substituted for "registered agent of the
126 utility corporation." Any conversion of a tax to conform to the requirements of this subsection shall not
127 be effective before the first meter reading after December 31, 2000, prior to which time the tax
128 previously imposed by the locality shall be in effect.

129 I. Until the consumer pays the tax to such gas utility or pipeline distribution company, the tax shall
130 constitute a debt to the locality. If any consumer receives and pays for gas but refuses to pay the tax
131 that is imposed by the locality, the gas utility or pipeline distribution company shall notify the localities
132 of the names and addresses of such consumers. If any consumer fails to pay a bill issued by a gas utility
133 or pipeline distribution company, including the tax imposed by a locality, the gas utility or pipeline
134 distribution company shall follow its normal collection procedures with regard to the charge for the gas
135 and the tax and upon collection of the bill or any part thereof shall (i) apportion the net amount
136 collected between the charge for gas service and the tax and (ii) remit the tax portion to the appropriate
137 locality. After the consumer pays the tax to the gas utility or pipeline distribution company, the taxes
138 shall be deemed to be held in trust by such gas utility or pipeline distribution company until remitted to
139 the localities.

140 J. For purposes of this section:

141 "Class of consumers" means a category of consumers served under a rate schedule established by the
142 pipeline distribution company and approved by the State Corporation Commission.

143 "Gas utility" has the same meaning as provided in § 56-235.8.

144 "Pipeline distribution company" has the same meaning as provided in § 58.1-2600.

145 "Service provider" has the same meaning as provided in subsection E of § 58.1-2901, and "class" of
146 consumers means a category of consumers defined as a class by their service provider.