

DEPARTMENT OF TAXATION 2001 Fiscal Impact Statement

1. **Patron** Wampler

3. **Committee** Senate Finance

4. **Title** Coal and Gas Severance Tax

2. **Bill Number** SB 1412

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that all local ordinances adopted pursuant to *Code of Virginia* §§ 58.1-3712, 58.1-3713 and 58.1-3713.4, prior to January 1, 2001, shall be deemed valid as long as they were in substantial compliance with these provisions of the Business, Professional and Occupational License tax at the time of their adoption. Current law allows counties and cities to levy license taxes on businesses severing gases at a rate not to exceed three percent.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Not Available. (See line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. Those counties that impose the gas severance tax may be affected, depending upon their local ordinances imposing the tax. The bill would also have an impact on businesses challenging the validity of ordinances imposing the coal and gas severance tax.

9. Specific agency or political subdivisions affected:

All localities that impose the coal and gas severance tax.

10. Technical amendment necessary: None.

11. Other comments:

In some localities, local ordinances may have been amended in such a manner that they did not technically conform with the 1990 changes to the gas severance tax provisions in the state statute which authorized an additional one percent license tax on gas severance. (*Code of Virginia* § 58.1-3713.4.) This bill would permit localities to withstand any challenges to taxes that were assessed or collected under ordinances that were said to be in “substantial compliance” with the Commonwealth’s authorizing statute by declaring such ordinances to be presumed valid. The definition of “substantial compliance” is not clear.

Only seven counties currently receive revenues from the gas severance taxes – Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise. The gas severance tax generated \$5.1 million in revenues for the seven counties in 1999, with most of the revenue concentrated in three of the seven counties. The production and price of natural gas is volatile, depending upon many variables including weather, extraction costs and world market conditions.

This bill is identical to SB 1410 and HB 2528.

cc: Secretary of Finance

Date: 1/25/01/slr

Document: S:\2001leg\WorkInProgress\OTPwork\Senate Bills\SB1412F161.doc