

**DEPARTMENT OF TAXATION
2002 Fiscal Impact Statement**

1. Patron: Wampler

3. Committee: Passed House and Senate

4. Title: Local Gas Severance Taxes

2. Bill Number: SB 78

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would clarify that when calculating the fair market value of gases subject to the local gas severance taxes, no deductions may be taken for expenses, including depreciation, compression, marketing fees, overhead, maintenance, transportation fees, and personal property taxes.

Current law does not address the issue of how the fair market value of gases subject to the local severance taxes is determined.

The second enactment clause of this bill states that it is declaratory of existing law.

6. Fiscal Impact Estimates are: Unknown (See line 8).

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. The revenue impact of this bill on localities is unknown because current law does not specify how gases are to be valued for purposes of the local severance taxes. To the extent that taxpayers currently take deductions for expenses such as depreciation, compression, marketing fees, overhead, maintenance, transportation fees, and personal property taxes when valuing gases, this bill would have an unknown positive impact on local revenues. Local revenues would depend on the rate of tax imposed and the amounts of these expenses. The amounts of these expenses are unknown.

9. Specific agency or political subdivisions affected:

All cities and counties in which businesses sever gases.

10. Technical amendment necessary: No.

11. Other comments:

Under current law, counties and cities may impose the 1% gas severance tax authorized under *Code of Virginia* § 58.1-3712, the 1% Local Coal and Gas Road Improvement and Virginia Coalfield Economic Development Authority tax authorized in *Code of Virginia* § 58.1-3713, and the additional 1% gas severance tax authorized under *Code of Virginia* § 58.1-3713.4. The maximum allowable local tax rate on gases is 3%.

Seven counties currently receive revenues from the gas severance taxes – Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise.

c: Secretary of Finance

Date: 3/20/02/JEM

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