

DEPARTMENT OF TAXATION

2003 Fiscal Impact Statement

1. **Patron** Phillips

3. **Committee** House Finance

4. **Title** Local Gas Severance Tax;
Calculating Fair Market Value of Gases

2. **Bill Number** HB 2167

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that in calculating the fair market value of gases for purposes of the local gas severance tax, no deductions shall be made except for marketing and transportation charges after the gases leave the geographic boundaries of the locality from which they were severed. This bill also would eliminate the current prohibition applicable to persons engaged in gas severance in connection with coal mining that prevents them from taking any deductions in calculating the fair market value of gases.

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. The revenue impact of this bill on localities is unknown because current law does not clearly specify how gases are to be valued for purposes of the local severance taxes.

9. Specific agency or political subdivisions affected:

All counties and cities 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.

cc : Secretary of Finance

Date: 01/13/03

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