

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron Clarence E. Phillips

2. Bill Number HB 1426

3. Committee Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title Coal and Gas Road Improvement Tax:
Distribution to Local Public Service
Authorities

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would require that any revenues generated by the coal and gas road improvement tax and designated for water systems to be distributed directly to the local public service authority instead of the local governing body.

The effective date of this bill is not specified.

6. No Fiscal Impact

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state or local revenues. It would change the manner by which funds are distributed for water systems, not the amount of funds available for distribution.

9. Specific agency or political subdivisions affected:

Localities comprising the Virginia Coalfield Economic Development Authority: City of Norton, and the counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell and Wise.

10. Technical amendment necessary: No.

11. Other comments:

Under current law, localities may impose a maximum one percent severance tax on the sale of coal or gases within the locality to improve roads, 18.25 % of which may be dedicated to the improvement of water systems. Localities comprising the Virginia Economic Development Authority may dedicate an additional 18.25% of these tax revenues to fund water system projects. They may use these monies, however, only if they establish an annual plan for the funding of water projects in qualifying areas.

Annual plans must be adopted by resolution to insure that the monies are directed to the funding of water projects in areas of the county or city where natural water supplies are insufficient from the standpoint of quality or quantity. These plans are to be developed by the local governing body for the purpose of establishing a priority for funding water projects.

This bill would have the monies from the coal road improvement tax that are dedicated to water system projects distributed directly to local service authorities, rather than to the local governing bodies.

SB 642 would allow the coal and gas road improvement tax to also be used for sewer improvement projects.

cc : Secretary of Finance

Date: 3/30/2004/AMS