

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** Phillip P. Puckett

2. **Bill Number** SB 642

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed House and Senate

4. **Title** Coal and Gas Road Improvement Tax:
Distribution of Revenues

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would authorize localities that comprise the Virginia Coalfield Economic Development Authority to use a portion of the local coal and gas road improvement tax that is currently allocated for construction of new or enhanced water systems and lines for the construction of new or enhanced sewer lines as well. This bill also requires that the revenues designated for water systems and/or sewer systems be distributed directly to the local public service authority for such purposes instead of to 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 revenue impact on the state or localities. It would offer the affected localities the option of using an existing revenue stream for sewer projects in addition to water projects.

9. **Specific agency or political subdivisions affected:**

Localities that comprise the Virginia Coalfield Economic Development Authority

10. **Technical amendment necessary:** No.

11. **Other comments:**

The local coal and gas road improvement tax is imposed on persons engaged in the business of severing coal or gases from the earth. The tax is an optional tax that may be imposed in addition to the severance taxes imposed on coal, gases and oil. The rate of tax may not exceed one percent.

Under current law, 18.75 percent of the revenues raised by the coal and gas road tax in localities comprising the Virginia Coalfield Economic Development Authority may be used by those localities for the construction of new or enhanced water systems and lines in areas where water supplies are insufficient in quality or quantity. This bill would give localities the option to use these funds for the construction or enhancement of sewer projects as well.

The remainder of the revenues from the tax must be distributed as follows: 56.25 percent to the Coal and Gas Improvement Fund for road improvements, and 25 percent to the Virginia Economic Development Fund.

Localities must adopt annual plans for the use of the monies dedicated to water and sewer projects. This bill directs that such monies must be distributed directly to the local public service authority for such purposes rather than to the local governing body.

cc : Secretary of Finance

Date: 3/24/2004/AMS