

**DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement**

1. Patron Clarence E. Phillips

3. Committee House Finance

4. Title Local Coal and Gas Road Improvement Tax:
Removes Sunset Date

2. Bill Number HB 2818

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would remove the sunset date of December 31, 2007 for the imposition of the local coal and gas road improvement tax and make the tax permanent.

The effective date of this bill is not specified.

6. No Fiscal Impact: See Line 8.

7. Budget amendment necessary: No.

8. Fiscal implications:

If this bill is enacted, the Department would incur no administrative costs.

To the extent that localities impose this tax, the removal of the expiration date would result in the continuation of the revenue in the future.

9. Specific agency or political subdivisions affected:

Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise.

City of Norton

Towns of Big Stone Gap and Wise

10. Technical amendment necessary: No.

11. Other comments:

Every governing body of any county or city may levy a license tax on persons engaged in the business of severing gas or coal from the earth. The amount of the tax levied shall not exceed 1% of the gross receipts from the sale of gas or coal severed within such county or city. All revenues generated from this tax are paid into a special fund in each locality called the Coal and Gas Road Improvement Fund and are spent on road improvements and other local infrastructure within the locality.

Currently, there are seven counties, one city and two towns that impose the coal and gas road improvement tax. The sunset date for this tax was extended in 1985, 1991, 1995, and 2002. This bill removes the sunset date of December 31, 2007 and makes this a permanent tax.

cc : Secretary of Finance

Date: 1/28/2005 WBS
DLAS HB2818F161