

**DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement**

1. Patron Clarence E. Phillips

3. Committee Senate Finance

4. Title Local Coal and Gas Road Improvement Tax

2. Bill Number HB 1505

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow those localities that comprise the Virginia Coalfield Economic Development Authority, to use the portion of the revenue from the Local Coal and Gas Road Improvement Tax currently dedicated for the construction of new and improved water and sewer systems to also use that portion of the revenue for the improvement of water and sewer systems.

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 revenues. This bill simply allows localities comprising the Virginia Coalfield Economic Development Authority to divert revenue originally dedicated to building new and enhanced water and sewer systems for the improvement of such systems.

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:

Local Coal and Gas Road Improvement Tax

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 and gas. The rate of tax may not exceed one percent.

Under current law, a portion 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 and improved water and sewer systems and lines in areas where natural water supplies are insufficient in quality or quantity.

Proposal

This bill would allow those localities that comprise the Virginia Coalfield Economic Development Authority, to use the portion of the revenue from the Local Coal and Gas Road Improvement Tax currently dedicated for the construction of new and improved water and sewer systems to also use that portion of the revenue for the improvement of such water and sewer systems.

Senate Bill 506 would accomplish this same purpose.

cc : Secretary of Finance

Date: 02/14/2006 JEM