

**DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement**

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| <p>1. Patron Harry J. Parrish</p> <p>3. Committee Passed House and Senate</p> <p>4. Title Retail Sales and Use Tax: Natural Gas and Oil Exploration and Extraction Exemption</p> | <p>2. Bill Number <u>HB 1539</u></p> <p>House of Origin: <input type="checkbox"/> Introduced <input type="checkbox"/> Substitute <input type="checkbox"/> Engrossed</p> <p>Second House: <input type="checkbox"/> In Committee <input type="checkbox"/> Substitute <input checked="" type="checkbox"/> Enrolled</p> |
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5. Summary/Purpose:

This bill would extend the sunset date for the natural gas and oil exploration exemption from July 1, 2006 to July 1, 2011. This bill would also move natural gas and oil "refining" from the exemption for gas and oil extraction and include it within the general industrial manufacturing and processing exemption.

The effective date of this bill is not specified.

6. **No Fiscal Impact:** (See Line 8.)
7. **Budget amendment necessary:** No.
8. **Fiscal implications:**

Administrative Costs Impact

TAX would incur no administrative costs if this bill is passed.

Revenue Impact

This bill would have no fiscal impact because the continuation of the exemption is assumed in the revenue forecast.

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

Department of Taxation

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

11. Other comments:

Current Exemption

Prior to 1994, fuel, power, energy, supplies, machinery or tools used directly in mining and refining activities were exempt under the industrial manufacturing and processing exemption. A separate exemption was created for the gas and oil industry by the 1994 General Assembly (Chapters 365 and 381, 2004 Acts of Assembly). This separate exemption, applicable to the drilling, extraction, refining, and processing of natural gas and oil included i) production, inspection, testing, dewatering, dehydration, or distilling of raw natural gas and oil, and ii) the gathering and transport of raw natural gas or oil to a processing facility for conversion into a usable condition.

Proposal in this Bill

This bill would extend the sunset date for the natural gas and oil exploration exemption from July 1, 2006 to July 1, 2011. This bill would also move the exemption for the process of gas and oil refining from the gas and oil exemption and instead include it in the general industrial manufacturing and processing exemption.

Similar Legislation

Senate Bill 714 is identical to this bill.

cc : Secretary of Finance

Date: 03/23/2006 WBS
HB1539FEN161