

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Clarence E. Phillips

2. **Bill Number** HB 2186

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Business, Professional, and Occupational License Tax; Local Coal and Gas Road Improvement Tax; Extension of Sunset Provision

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would extend the sunset date for the local Business, Professional, and Occupational License ("BPOL") Tax coal and gas road improvement tax from December 31, 2012 to December 31, 2014.

Under current law, the local coal and gas road improvement tax is set to expire on December 31, 2012.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

This bill would have no impact on state revenues. Currently, ten localities impose a tax on coal, gas, and oil. These localities are the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise, the City of Norton, and the Towns of Big Stone Gap and Wise. Although revenues from Wise County are not available, the remaining localities collected a total of \$14,024,000 in Fiscal Year 2007 from this tax.

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:

Governing bodies 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 may not exceed 1% of the gross receipts from the sale of gas or coal severed within such county or city. The revenues generated from this tax are allocated as follows: 75% are paid into a special fund in each locality called the Coal and Gas Road Improvement Fund where at least 50% are spent on road improvements and 25% may be spent on new water and sewer systems within the locality; and the remaining 25% of the revenue is paid to the Virginia Coalfield Economic Development Fund. Currently, seven counties, two towns and one city benefit from this tax.

This tax was originally enacted in 1978, effective January 1, 1979, with a sunset that has been extended five times (1985, 1991, 1995, 2002, and 2007). This bill would extend the sunset date from December 31, 2012 to December 31, 2014.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 1507 would authorize the Commissioner of the Revenue of Buchanan County to reassess gas wells and related improvements in order to impose the Real Property Tax on an annual basis. The bill would also provide that Buchanan County and a taxpayer may enter into a settlement agreement to provide a methodology for determining the fair market value of such property. The bill would also clarify that when determining the fair market value of gases severed from Buchanan County for purposes of the license tax imposed upon individuals engaging in the business of severing gases from the earth, such individuals are prohibited from taking any deductions, unless the deductions are permitted in a settlement agreement entered into with Buchanan County.

cc : Secretary of Finance

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