DEPARTMENT OF TAXATION
2011 Fiscal Impact Statement

1. Patron James W. Morefield

2. Bill Number HB 2518

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

3. Committee House Finance

4. Title Income Tax: Mine Inspection Tax Credit

5. Summary/Purpose:

This bill would provide an individual or corporate income tax credit to an operator of a mine for all personnel expenses associated with providing an employee or employees to accompany or assist a mine inspector or delegate of the Secretary of Labor during any inspection or review of a coal mine.

This bill would allow any unused credits to be carried over for ten taxable years or until the tax credit is taken, whichever is sooner.

This bill would be effective for taxable years beginning on or after January 1, 2012.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

8. Fiscal implications:

Administrative Costs

TAX considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

This bill would have an unknown negative impact on General Fund revenue. Based on information provided by DMME, a company almost always provides personnel to accompany a mine inspector during inspections. However, TAX does not currently have data available on the number of mine inspections in a year or the duration of mine inspections necessary provide a reliable revenue estimate.

According to DMME, there are approximately 300 coal mines in Virginia that are required to be inspected twice a year, but could be inspected up to four times a year depending on a risk based assessment, which is related to the number of accidents within a mine in a year. In addition, the duration of a mine inspection can vary, ranging from one to two days. Therefore, there is a high level of variability that makes it difficult to provide a reliable revenue estimate.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Mines, Minerals and Energy

10. Technical amendment necessary: No.

11. Other comments:

<u>Federal Law</u>

Under federal law, a taxpayer is allowed to expense (or deduct) 50% of the cost of any qualified advanced mine safety equipment for the taxable year in which the qualified advanced mine safety equipment property is placed in service. The types of qualified advanced mine safety equipment includes: emergency communication technology that allows a miner to be in constant communication with an individual not in the mine; electronic identification an location devices that allows a miner's movements to be tracked; emergency oxygen-generating devices; supplies of oxygen; and comprehensive atmospheric monitoring systems, which monitor levels of carbon monoxide, methane, and oxygen in all areas of the mine.

In addition, federal law allows a tax credit equal to 20% of the amounts paid or incurred during the taxable year for training mine rescue teams, up to $10,000. The credit may be allowed for the costs of conducting the rescue training program, as well as the amount of the wages of the employees while attending the training program.

<u>Proposal</u>

This bill would provide an individual or corporate income tax credit to an operator of a mine for all personnel expenses associated with providing an employee or employees to accompany or assist a mine inspector or delegate of the Secretary of Labor during any inspection or review of a coal mine.

This bill would allow any unused credits to be carried over for ten taxable years or until the tax credit is taken, whichever is sooner.

"Operator" would mean any person who operates, controls, or supervises a mine or any independent contractor performing services or construction of such time.

"Mine inspector" would mean a public employee assigned by the Chief or the Director to make mine inspections.

Any credit attributable to a partnership, electing small business corporation (S corporation), or limited liability company would be allocated to the individual partners, shareholders, or members, respectively, in proportion to their ownership or interest in such business entities.

This bill would be effective for taxable years beginning on or after January 1, 2012.

cc : Secretary of Finance

Date: 1/27/2011 TG
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