

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** William C. Wampler, Jr.

2. **Bill Number** SB 1111

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 X **Engrossed**

4. **Title** Income Tax: Coal Employment and
Production Incentive Tax Credit.

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date for the redemption or refund provision of the Coal Employment and Production Incentive Tax Credit by a person with an economic interest in the coal on which the credit was earned from July 1, 2011 to July 1, 2016.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Costs

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

Revenue Impact

The amount of credits that are allocated and redeemed is not known because after the credit is allocated it is commingled with the Coalfield Employment Enhancement Tax Credit that mine owners earn. The mine owners may then claim both the credit they earn and the credit allocated to them by electricity generators against their own tax liability, or redeem credits they cannot use. However, the revenue forecast generally assumes that sunsets on credits and other tax preferences will be extended, so enactment of this bill will have no impact on forecasted revenue.

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

Department of Taxation

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

11. Other comments:

Current Law

The Coal Employment and Production Incentive Tax Credit is a corporate income tax credit of \$3 per ton for the purchase and consumption of Virginia mined coal by an electricity generator in the Commonwealth. Unused amounts of the credit may be carried over for ten taxable years.

The credit may be allocated between an electricity generator and any person with an economic interest in the coal purchased and consumed by the electricity generator. The allocation of the credit can be provided in the contract between the parties for the sale of the coal. The parties can amend any such allocation with a written instrument prior to December 31 of the year in which the coal was purchased.

Credits allocated to persons with an economic interest in coal may be used against any tax imposed by Virginia. Credits earned on or after January 1, 2006, and prior to July 1, 2011, exceed the tax liability of such person, the excess could be redeemed along with the Coalfield Employment Enhancement Tax Credit in the form of a refund.

Proposal

Under this bill, the sunset date for the redemption or refund provision of the Coal Employment and Production Incentive Tax Credit by a person with an economic interest in the coal on which the credit was earned would be extended from July 1, 2011 to July 1, 2016.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/8/2011 dtm
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