

14103785D

## HOUSE BILL NO. 1202

Offered January 17, 2014

A *BILL to amend and reenact §§ 58.1-3286 and 58.1-3712 of the Code of Virginia, relating to local property and license taxes on mineral lands.*

\_\_\_\_\_  
Patron—O'Quinn

\_\_\_\_\_  
Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

- 1. That §§ 58.1-3286 and 58.1-3712 of the Code of Virginia are amended and reenacted as follows:**  
**§ 58.1-3286. Mineral lands to be specially and separately assessed; severance tax.**

The several commissioners of the revenue shall, as soon as practicable after January 1 of each year, specially and separately assess at the fair market value all mineral lands and the improvements thereon and shall enter the same on the land books of their respective counties separately from other lands charged thereon.

The commissioner, in assessing mineral lands, shall set forth upon the land book:

1. The area and the fair market value of such portion of each tract as is improved and under development;
2. The fair market value of the improvements upon each tract; and
3. The area and fair market value of such portion of each tract not under development.

Notwithstanding any other provision of law and subject to the approval of the Board of Supervisors of Buchanan County, the commissioner of the revenue of the county may reassess gas wells and related improvements on an annual basis, provided that such gas wells and related improvements shall be reassessed in the general reassessment for the locality, as required by § 58.1-3287, and provided further a settlement agreement between the County and a taxpayer may provide a methodology for determining fair market value.

In the alternative to the procedure outlined in subdivision 1 above, any county or city may impose by ordinance a severance tax on all coal and gases extracted from the land lying within its jurisdiction. The rate of such tax shall not exceed one percent of the gross receipts from such coal or gases. Any such county or city may further require any producer of such coal or gases and any common carrier to maintain records showing the quantities of coal and gases which they have produced or transported, respectively.

If the surface of the land is held by one person, and the coal, iron and other minerals, mineral waters, gas or oil under the surface are held by another person, the estate therein of each and the relative fair market value of their respective interests shall be ascertained by the commissioner. If the surface of the land and the coal, iron and other minerals, mineral waters, gas or oil under the surface are owned by the same person, the commissioner shall ascertain the fair market value of the land, exclusive of the coal, iron, other minerals, mineral waters, gas or oils. He shall also ascertain the fair market value of the coal, iron, other minerals, mineral waters, gas, and oils and shall assess each at such ascertained values, stating separately in every case the value of the surface of the land and the value of the coal, iron, other minerals, mineral waters, gas and oils under the surface.

*The Commissioner of Revenue of any county or city is authorized to enter into agreements with taxpayers pertaining to the fair market value of the property taxed under this section. All such agreements entered into on or after January 1, 2013 but prior to July 1, 2014, between the Commissioner of Revenue of any county or city and any taxpayer are deemed to be bona fide and are valid and enforceable.*

**§ 58.1-3712. Counties and cities authorized to levy severance tax on gases.**

A. The governing body of any county or city may levy a license tax on every person engaging in the business of severing gases from the earth. Such tax shall be at a rate not to exceed one percent of the gross receipts from the sale of gases severed within such county. Such gross receipts shall be the fair market value measured at the time such gases are utilized or sold for utilization in such county or city or at the time they are placed in transit for shipment therefrom, provided that if the tax provided herein is levied, such county or city cannot enact the provisions of § 58.1-3286 relating to a tax on gross receipts. In calculating the fair market value, no person engaging in the production and operation of severing gases from the earth in connection with coal mining shall be allowed to take deductions, including but not limited to, depreciation, compression, marketing fees, overhead, maintenance, transportation fees, and personal property taxes.

B. Notwithstanding any other provision of this section or law, for purposes of calculating the fair

INTRODUCED

HB1202

59 market value of gases severed in Buchanan County, except as otherwise provided in a settlement  
60 agreement regarding the calculation of fair market value, including deductions for transportation and  
61 compression costs, between the County and the taxpayer, no person engaging in the production and  
62 operation of severing gases from the earth in connection with coal mining shall be allowed to take  
63 deductions, including but not limited to, depreciation, compression, marketing fees, overhead,  
64 maintenance, transportation fees, and personal property taxes.

65 C. Any county or city enacting a license tax under this section may require producers of gas and  
66 common carriers to maintain records and file reports showing the quantities of and receipts from gases  
67 which they have produced or transported.

68 *D. The Commissioner of Revenue of any county or city is authorized to enter into agreements with*  
69 *any taxpayer pertaining to the calculation of the fair market value of gases under this section. All such*  
70 *agreements entered into on or after January 1 2013, but prior to July 1, 2014, between the*  
71 *Commissioner of Revenue of any county or city and any taxpayer are deemed bona fide and are valid*  
72 *and enforceable.*

73 **2. That the provisions of this act are declaratory of existing law.**