DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement

1. Patron William C. Wampler, Jr.

2. Bill Number SB 734

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

3. Committee Senate Transportation

4. Title Local Coal and Gas Road Improvement Tax; Extension of Sunset Provision.

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

5. Summary/Purpose:

This bill would extend the sunset date from December 31, 2007, to December 31, 2012, for the local coal and gas road improvement tax. This tax is levied on businesses engaged in severing coal and gas from the earth at a rate not to exceed 1% of the gross receipts from the sale of such coal or gas. The revenues from this tax are used to improve public roadways and other local infrastructure in the locality.

The effective date of this bill is not specified.

6. No Fiscal Impact. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

To the extent that localities impose this tax, the extension of the sunset date would result in the continuation of the revenue in the future.

9. Specific agency or political subdivisions affected:

Counties of Buchanan, Wise, Dickenson, Russell, Tazewell, Lee, and Scott

Towns of Big Stone Gap and Wise

City of Norton

10. Technical amendment necessary: No.

11. Other comments:

Every governing body 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 shall 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; the remaining 25% of the revenue is paid to the Virginia Coalfield Economic Development Fund. Currently, there are seven counties, two towns and one city that benefit from this tax.

This tax was originally enacted in 1978, effective January 1, 1979, with a sunset that has been extended four times (1985, 1991, 1995 and 2002).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

Other Legislation

House Bill 1628 is identical to this bill.

cc : Secretary of Finance

Date: 1/11/2007 JOC
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