

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. **Patron** Phillip P. Puckett

2. **Bill Number** SB 1337

3. **Committee** House Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Local Coal and Gas Road Improvement Tax;
Water and Sewer Systems

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. Summary/Purpose:

This bill would add the local industrial development authority and the local economic development authority to the list of local entities that directly receive revenues that are designated for water and sewer systems from the local Business, Professional, and Occupational License ("BPOL") Tax coal and gas road improvement tax instead of the local governing body. The bill would also allow the moneys collected from the tax to be used for administrative expenses and costs of the coal and gas improvement fund advisory committee of the locality, including an employee in the Commissioner of the Revenue's office to audit information and records relating to the local BPOL Tax coal and gas road improvement tax.

Under current law, the revenues from the local coal and gas road improvement tax that are designated for water, water systems, and sewer systems are directly distributed to the local public service authority instead of the local governing body.

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 or local 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:

Background

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. For those localities that comprise the Virginia Coalfield Economic Development Authority, 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.

In addition, a county or city may allocate 25% of the revenue in the Coal and Gas Road Improvement Fund to the construction, repair, or enhancement of water and sewer systems; however, if this option is initiated by the county or city, it must develop and adopt by resolution an annual plan for such projects and their funding. 2004 House Bill 1426 (Chapter 871, 2004 Acts of Assembly) provided that any revenues dedicated for water and sewer systems must be distributed directly to the local public service authority.

The Virginia Coalfield Economic Development Authority is comprised of the City of Norton, and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise.

Proposal

This bill would add the local industrial development authority and the local economic development authority to the list of local entities that directly receive revenues that are designated for water and sewer systems from the local Business, Professional, and Occupational License ("BPOL") Tax coal and gas road improvement tax instead of the local governing body. The bill would also allow the moneys collected from the tax to be used for administrative expenses and costs of the coal and gas improvement fund advisory committee of the locality, including an employee in the Commissioner of the Revenue's office to audit information and records relating to the local BPOL Tax coal and gas road improvement tax.

Local industrial development authorities and the local economic development authorities are created by the local governing body pursuant to Chapter 49 of Title 15.2 of the *Code of Virginia*.

The effective date of this bill is not specified.

Similar Legislation

House Bill 2186 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.

cc : Secretary of Finance

Date: 2/10/2009 AM

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