

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Harry R. Purkey

2. **Bill Number** HB 1638

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax; Extends the
Exemption for Certain Drilling Equipment and
Space Facilities

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date for the exemption from the Retail Sales and Use Tax for machinery, tools and equipment used in the extraction of natural gas or oil from July 1, 2011 to July 1, 2016. The bill would also extend the sunset date of the exemption for space facilities, space propulsion systems, satellites, space vehicles, space stations, and related items used to conduct "spaceport activities" from July 1, 2011 to July 1, 2016.

The effective date of this bill is not specified.

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

7. **No Fiscal Impact.** (See Line 8.)

8. **Fiscal implications:**

Administrative Costs Impact

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

Revenue Impact

This bill would have no impact on state or local revenues, as the continuation of the exemption is assumed in the revenue forecast.

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

TAX

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

11. Other comments:

Natural Gas and Oil Exploration Exemption

Virginia law currently provides an exemption from the Retail Sales and Use Tax for raw materials, fuel, power, energy, supplies, machinery or tools or repair parts or replacement parts that are used directly in the drilling, extraction, or processing of natural gas or oil and the reclamation of the well area. The term “natural gas” is defined to mean gas, natural gas, and coalbed methane gas. The exemption for machinery, tools, and equipment, or repair parts and replacement parts is only available if the preponderance of their use is directly in the drilling, extraction, refining, or processing of natural gas or oil for sale or resale, or in well area reclamation activities required by state or federal law.

When this exemption was enacted in 1994, the exemption was set to expire on June 30, 1996. The expiration date was extended in 1996 from June 30, 1996 to June 30, 2001; in 2001 from June 30, 2001 to July 1, 2006; and in 2006 from July 1, 2006 to July 1, 2011.

Proposal

This bill would extend the expiration date for this exemption from July 1, 2011 to July 1, 2016.

Exemption for Space Facilities

Current law provides an exemption from the Retail Sales and Use Tax for the sale, lease, use, storage, consumption or distribution of various types of tangible personal property used to conduct spaceport activities. “Spaceport activities” are defined as activities directed or sponsored at a facility owned, leased, or operated by or on behalf of the Virginia Commercial Space Flight Authority. Items such as orbital or suborbital space facilities, space propulsion systems, space vehicles, satellites, space stations, including any property contained in the foregoing items, and fuel are included in this exemption. The exemption also includes machinery and equipment used exclusively for spaceport activities and the sale of goods and services provided to operate and maintain launch facilities, launch equipment, payload processing facilities, and payload processing equipment when these items are used to conduct spaceport activities.

When this exemption was enacted in 1997, the exemption was set to expire on June 30, 2001. In 2001, the expiration was extended to July 1, 2011.

Proposal

This bill would extend the expiration date for this exemption from July 1, 2011 to July 1, 2016.

The effective date of this bill is not specified.

Similar Bills

House Bill 1704 and **Senate Bill 965** (*identical*) would eliminate the sunset date of the Retail Sales and Use Tax exemption for tangible personal property used to conduct spaceport activities.

cc : Secretary of Finance

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