

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Phillip P. Puckett

2. **Bill Number** SB 616

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Coalfield employment enhancement tax credit; eliminates sunset date

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would eliminate the sunset date for the Coalfield Employment Enhancement Tax Credit.

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

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

Revenue Impact

This bill would have no revenue impact through Fiscal Year 2018. Coalfield credits may currently be earned through Taxable Year 2014. The credit may be claimed in the third taxable year following the taxable year in which the credit is earned and allowed. Accordingly, credits earned in Taxable Year 2014 would be claimed when the return for Taxable Year 2017 is filed in Fiscal Year 2018. In addition, revenue forecasts generally assume that expiring credits will be extended.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Background

The Coalfield Employment Enhancement Tax Credit provides a credit against any tax imposed by the Commonwealth to Virginia producers of coal and coal methane gas. Two credits are available for coal mining, one for underground mines and another for surface mined coal. For coal mined underground, the credit amount varies according to the seam thickness mined. The credit is equal to \$2.00 per ton for a seam thickness of 36 inches or less and \$1.00 per ton for a seam thickness greater than 36 inches. Seam thickness is certified by the Department of Mines, Minerals and Energy. A credit of \$0.40 per ton is permitted for coal mined by surface mining methods. Also available is a credit for coal methane gas producers of \$0.01 per million BTU's of gas produced.

The credit is claimed in the third taxable year following the taxable year in which the credit was earned and allowed. To the extent the credit exceeds income tax liability, the excess is refundable up to 85 percent of the face value of the credit. The remaining 15 percent is deposited in a regional fund administered by the Coalfield Economic Development Authority.

The Coalfield Employment Enhancement Tax Credit is currently available for taxable years beginning on or after January 1, 1996 but before January 1, 2015.

Proposal

This bill would eliminate the sunset date for the Coalfield Employment Enhancement Tax Credit.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1192 and **Senate Bill 609** are substantively identical to this bill.

House Bill 446 would repeal the Virginia Coal Employment and Production Incentive Tax Credit, the Coalfield Employment Enhancement Tax Credit, and the Virginia Coal Employment and Production Incentive Tax Credit for public service corporations, effective January 1, 2012.

House Bill 1170 would decrease the amount of the Coalfield Employment Enhancement Tax Credit that may be redeemed by a taxpayer from 85 percent to 75 percent of the face value.

House Bill 1032 would prohibit any committee of the General Assembly from reporting any bill that proposes to establish, increase, or expand a state or local tax exemption, credit, deduction or any other reduction in tax liability, unless the bill contains an expiration date of not longer than five years from the effective date of the bill.

cc : Secretary of Finance

Date: 1/28/2012 KLC

