

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Sam Rasoul

2. **Bill Number** HB 1297

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Machinery and Tools Tax; Renewable
Energy Production

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create a separate class of property for purposes of the Machinery and Tools Tax for machinery and tools owned by a business and used directly in producing or generating renewable energy. Renewable energy means energy derived from sunlight, wind, falling water, biomass, sustainable or otherwise, energy from waste, landfill gas, municipal solid waste, wave motion, tides, or geothermal power, but does not include energy derived from coal, oil, natural gas, or nuclear power.

Localities would be authorized to levy a tax on this separate class of property at a different rate from that levied on other machinery and tools, but which would not exceed the rate for the general class of machinery and tools. The rate of tax would not apply to machinery and tools owned by public service corporations, unless such rate of tax would result in a lower property tax on such machinery and tools.

The effective date of this bill is not specified.

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

To the extent that localities exercise the option to levy the Machinery and Tools Tax on machinery and tools used directly in producing or generating renewable energy at a lower rate than that levied on other machinery and tools, this bill would result in a decrease in local revenues. This bill would have no impact on state revenues.

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

All localities

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

11. Other comments:

Machinery and Tools Tax

Generally, machinery and tools used in manufacturing, mining, water well drilling, processing or reprocessing, radio and television broadcasting, dairy, dry cleaning or a laundry business are segregated as a separate class of tangible personal property and are subject to local taxation only. The tax rate imposed on machinery and tools may not exceed that imposed on other classes of tangible personal property.

As established in a 1950 opinion of the Tax Commissioner, machinery and tools used in the manufacturing business are those machinery and tools (1) actually and directly used in manufacturing processes and (2) those machinery and tools used in the manufacturing business that are necessary in the particular manufacturing business and are used in connection with operation of machinery that is actually and directly used in manufacturing processes.

Public Service Corporations

In the Commonwealth, public service corporations include electric power and distribution companies, gas and product pipeline transmission companies, public service water companies, telephone and telegraph companies, and railroads. Currently, the State Corporation Commission and the Department of Taxation are tasked with assessing the value of properties owned by public service corporations. Under current law, all local taxes on the real estate and tangible personal property of public service corporations must be at the real estate rate applicable in the locality.

Proposal

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cc : Secretary of Finance

Date: 2/13/2015 AM
DLAS File Name: HB1297F161