

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** James W. Morefield

3. **Committee** Senate Finance

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

2. **Bill Number** HB 1705

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date for the local gas road improvement tax for 2 years and provide that the tax may not be imposed on or after January 1, 2018. The local gas road improvement tax is currently set to expire on December 31, 2015.

The localities that comprise the Virginia Coalfield Economic Development Authority may impose a local gas road improvement tax that is capped at a rate of one percent of the gross receipts from the sale of gases severed within the locality. Under current law, 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 or the construction, repair, or enhancement of natural gas systems and lines within the locality; and the remaining 25% of the revenue is paid to the Virginia Coalfield Economic Development Fund. 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.

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:**

Currently, the City of Norton, and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise impose the tax. To the extent that this bill continues the authorization for these localities to impose the local gas road improvement tax, this bill would have an unknown revenue impact on the localities.

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

City of Norton

10. Technical amendment necessary: No.

11. Other comments:

Local Severance Taxes

Under current law, localities are generally prohibited from imposing a license tax or fee on any person engaged in the business of severing minerals from the earth for the privilege of selling the severed minerals at wholesale at the place of severance.

However, localities are authorized to levy a severance tax that is capped at one percent of the gross receipts from the sale of coal or gases severed within such county. The City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise all impose the severance tax at a rate of one percent.

Those localities that comprise the Virginia Coalfield Economic Development Authority may also impose a local coal and gas road improvement tax that is capped at a rate of one percent of the gross receipts from the sale of coal and gases severed within the locality. 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. 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.

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 within the locality; 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. The revenue may also be used for the construction, repair, or enhancement of natural gas systems and lines within the locality upon passage of a local ordinance or resolution. The revenue used for the construction, repair, or enhancement of natural gas systems and lines may not exceed one-fourth of the revenue paid to the Fund collected from the road improvement tax on natural gas.

A county or city may also levy an additional license tax on every person engaging in the business of severing gases from the earth at a rate not to exceed one percent of the gross receipts from the sale of gases severed within such locality. The revenue received from the tax is paid into the general fund, except for the localities that comprise the Virginia Coalfield Economic Development Authority. In those localities, 50% of the revenues are paid to the Virginia Coalfield Economic Development Fund.

The local gas road improvement tax is set to expire on December 31, 2015.

Proposal

This bill would extend the sunset date for 2 years and provide that the local gas road improvement tax may not be imposed on or after January 1, 2018.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 1308, as amended by the House Committee on Finance, is substantively identical to this bill.

cc : Secretary of Finance

Date: 2/13/2015 AM
DLAS File Name: HB1705FH1161