

**DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement**

1. **Patron** Charles W. Carrico, Sr.
3. **Committee** Senate Finance
4. **Title** Coalfield Employment Enhancement Tax
Credit; Extends Sunset Date

2. **Bill Number** SB 741
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would extend the sunset date for the Coalfield Employment Enhancement Tax Credit from taxable years beginning before January 1, 2017 to taxable years beginning before January 1, 2022.

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 Cost

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

Revenue Impact

Because the extension of the sunset date for the Coalfield Employment Enhancement Tax Credit is assumed in the annual revenue forecast, this bill would have no impact on General Fund revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation

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

11. Other comments:

Coalfield Employment Enhancement Tax Credit

Persons with an economic interest in coal mined in Virginia are permitted to claim the Coalfield Employment Enhancement Tax Credit against any tax imposed by Virginia. For coal mined underground, the credit amount varies according to the seam thickness of the coal that is being 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. For coal mined by surface mining methods, the credit is equal to \$0.40 per ton of coal sold. Coalbed methane gas producers may claim a credit equal to \$0.01 per million BTU's of gas produced.

The credit may be claimed in the third taxable year following the taxable year in which the credit was earned and allowed. To the extent the credit exceeds a taxpayer's Virginia tax liability, the taxpayer is entitled to redeem the excess credits in an amount equal to 85 percent of the face value of such excess. The remaining 15 percent is to be deposited in a regional economic development fund administered by the Coalfield Economics Development Authority.

The Coalfield Employment Enhancement Tax Credit is currently available for taxable years beginning before January 1, 2017.

Virginia Coal Employment and Production Incentive Tax Credit

The Virginia Coal Employment and Production Incentive Tax Credit is a credit allowed to electricity generators in Virginia against the corporation income tax and the tax that applies to electric suppliers, pipeline distribution companies, gas utilities, and gas suppliers. The amount of the credit is equal to \$3 for each ton of coal purchased and consumed by an electricity generator, provided such coal was mined in Virginia. To the extent an electricity generator purchased coal qualifying for the credit from a person with an economic interest in coal, the credit may be allocated between the electricity generator and such person with an economic interest in coal.

Any credit not allocated to a person with an economic interest in coal that is not usable for the taxable year for which the credit was issued may be carried over for up to ten taxable years. To the extent credit allocated to a person with an economic interest in coal exceeds such person's Virginia tax liability, such taxpayer is entitled to redeem the excess credits in an amount equal to 85 percent of the face value of such excess. The remaining 15 percent is to be deposited in a regional economic development fund administered by the Coalfield Economics Development Authority.

Proposed Legislation

This bill would extend the sunset date for the Coalfield Employment Enhancement Tax Credit from taxable years beginning before January 1, 2017 to taxable years beginning before January 1, 2022.

The effective date of this bill is not specified.

Similar Bills

House Bill 1879 is identical to this bill.

House Bill 1877 would sunset the Coalfield Employment Enhancement and Virginia Coal Employment and Production Incentive Tax Credits for certain taxpayers, and would use the additional revenue anticipated from the expiration of the credits for grants to students enrolled in or accepted at any public institution of higher education in Virginia.

House Bill 2181 and **Senate Bill 1161** would decrease the amount of the Virginia Coal Employment and Production Incentive Tax Credit from \$3 to \$2 per ton, and would limit the amount of Virginia Coal Employment and Production Incentive and Coalfield Employment Enhancement Tax Credits that may be claimed or redeemed to \$500,000 per return.

cc : Secretary of Finance

Date: 1/25/2015 MTH
SB741F161