

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** A. Benton Chafin, Jr.

2. **Bill Number** SB 182

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed House and Senate

4. **Title** Local Gas Road Improvement and Virginia
Coalfield Economic Development Authority
Tax

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would allow those localities that comprise the Virginia Coalfield Economic Development Authority to use the portion of the local gas road improvement tax and the local coal road improvement tax revenues paid into the Coal and Gas Road Improvement Fund and currently dedicated to the construction of new water or sewer systems and lines also to use that portion of the revenue for the repair or enhancement of existing water or sewer systems and lines. 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 localities that comprise the Virginia Coalfield Economic Development Authority may impose a local coal road improvement tax at a rate of 0.75% of the gross receipts from the sale or utilization of coal from small mines and a rate of one percent of the gross receipts from the sale or utilization of all other coal. Such localities also 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. No local gas road improvement tax may be imposed on or after January 1, 2018.

Under current law, the revenues generated from the road improvement taxes are allocated as follows: 75% are paid into a special fund in each locality called the Coal and Gas Road Improvement Fund and the remaining 25% of the revenue is paid to the Virginia Coalfield Economic Development Fund. Of the revenues dedicated to the Coal and Gas Road Improvement Fund, 25% may be spent on new water and sewer systems within the locality. 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.

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:

This bill would have no impact on state or local revenues. The bill allows the localities comprising the Virginia Coalfield Economic Development Authority to divert revenue originally dedicated to the construction of new water or sewer systems and lines to the repair or enhancement of existing water or sewer systems and lines. Currently, the City of Norton, and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise comprise the Virginia Coalfield Economic Development Authority and impose the local gas road improvement tax and the local coal severance license tax.

9. Specific agency or political subdivisions affected:

City of Norton

Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise

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 local gas severance tax that is capped at one percent of the gross receipts from the sale of gases severed within such county. Localities also are authorized to levy a local coal severance tax at a rate of 0.75% of the gross receipts from the sale or utilization of coal from small mines and a rate of one percent of the gross receipts from the sale or utilization of all other coal. The City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise all impose the local gas severance tax at the maximum rate of one percent and the local coal severance tax.

Those localities that comprise the Virginia Coalfield Economic Development Authority may impose a local coal road improvement tax at a rate of 0.75% of the gross receipts from the sale or utilization of coal from small mines and a rate of one percent of the gross receipts from the sale or utilization of all other coal. Such localities also 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. No local gas road improvement tax may be imposed on or after January 1, 2018.

The revenues generated from the road improvement taxes 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; 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. 2004 House Bill 1426 (2004 *Acts of Assembly*, Chapter 871) provided that any revenues dedicated for water and sewer systems would be distributed directly to the local public service authority. 2013 House Bill 2110 (2013 *Acts of Assembly*, Chapter 306) extended this requirement to revenues dedicated for natural gas systems.

A county or city also may 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.

Proposal

This bill would allow those localities that comprise the Virginia Coalfield Economic Development Authority to use the portion of the local gas road improvement tax and the local coal road improvement tax revenues paid into the Coal and Gas Road Improvement Fund and currently dedicated to the construction of new water or sewer systems and lines also to use that portion of the revenue for the repair or enhancement of existing water or sewer systems and lines. 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.

Similar Legislation

House Bill 1152 is identical to this bill.

cc : Secretary of Finance

Date: 2/29/2016 AM
DLAS File Name: SB182FER161