

DEPARTMENT OF TAXATION

2021 Fiscal Impact Statement

1. **Patron** James W. Morefield

3. **Committee** Passed House and Senate

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

2. **Bill Number** HB 2293

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would extend the sunset date for the local gas road improvement tax from January 1, 2022 to January 1, 2024. Under current law, the local gas road improvement tax may not be imposed on or after January 1, 2022.

Currently, 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. The revenues generated from the 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.

If enacted during the 2021 General Assembly, Special Session I, this bill would become effective July 1, 2021.

6. **Budget amendment necessary:** No

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

8. **Fiscal implications:**

Administrative Costs

Currently, the City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise impose the tax. This bill may have an unknown impact on administrative costs in these localities. This bill would have no impact on state administrative costs.

Revenue Impacts

To the extent that this bill continues the authorization to impose the local gas road improvement tax, the above localities may experience an unknown revenue impact. This bill would have no impact on state revenues.

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 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.

Under current law, the local gas road improvement tax may not be imposed on or after January 1, 2022.

Proposal

This bill would extend the sunset date for the local gas road improvement tax from January 1, 2022 to January 1, 2024. If enacted during the 2021 General Assembly, Special Session I, this bill would become effective July 1, 2021.

cc: Secretary of Finance

Date: 2/24/2021 VB
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