

**DEPARTMENT OF TAXATION
2023 Fiscal Impact Statement**

1. Patron James W. Morefield

3. Committee Passed House and Senate

4. Title Local gas road improvement tax; Virginia
Coalfield Economic Development Authority
Tax

2. Bill Number HB 2401

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would provide that funds in the Coal and Gas Road Improvement Fund may be used to construct flood mitigation measures that would reduce or prevent flooding of allowable infrastructure. The bill would also extend the sunset date for the expiration of the local gas road improvement and Virginia Coalfield Economic Development Authority ("VCEDA") tax from January 1, 2024, to January 1, 2026.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Administrative Costs

This bill would have an unknown impact on administrative costs in the localities that comprise the VCEDA. This bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown impact on revenues in the localities that comprise the VCEDA. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Virginia Coalfield Economic Development Authority

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.

The localities that comprise the Virginia Coalfield Economic Development Authority (the City of Norton, and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise) 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 percent is paid into a special fund in each locality called the Coal and Gas Road Improvement Fund, and 25 percent is paid to the Virginia Coalfield Economic Development Fund.

Of the amount paid into the Coal and Gas Road Improvement Fund, at least 50 percent of such funds must be spent on road improvements and 25 percent may be spent on new water and sewer systems within the locality. In addition, a county or city may allocate 25 percent 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, the locality 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 25 percent of the revenue paid to the Coal and Gas Road Improvement 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 percent 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, 2024.

Proposal

This bill would provide that funds in the Coal and Gas Road Improvement Fund may be used to construct flood mitigation measures that would reduce or prevent flooding of

allowable infrastructure. The bill would also extend the sunset date for the expiration of the local gas road improvement and VCEDA tax from January 1, 2024, to January 1, 2026.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

Similar Legislation

Senate Bill 1468 is substantively identical to this bill.

cc: Secretary of Finance

Date: 2/22/2023 VB
HB2401FER161