

Section 18

Taxes on Natural Resources, 2003

Localities are permitted to impose several taxes on natural resources. **Table 18.1** provides tax rates for the four cities and 23 counties having such natural resource related taxes in effect during the 2003 tax year.

SEVERANCE TAXES

Under §§ 58.1-3712 and 58.1-3712.1, any city or county may levy a license tax on persons engaged in severing coal, gases or oil from the earth. The maximum rate permitted for severing coal and gases is 1 percent of the gross receipts from sales, while the maximum rate permitted for severing oil is one-half of 1 percent from the sale of the severed oil. Cities or counties may impose an additional mineral license tax of 1 percent of the gross receipts from the sale of gases as authorized by § 58.1-3713.4. The funds from this additional levy are paid into the general fund of the localities except in the counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise and the City of Norton, where one-half of the revenues must be paid to the Virginia Coalfield Economic Development Fund. If localities enact these taxes, they cannot tax mineral lands under § 58.1-3286. However, they are permitted to impose an additional mineral license tax on oil and gas not to exceed 1 percent of gross receipts.

The City of Norton and 8 counties levy a coal and gas severance tax, and an oil severance tax is levied by 7 counties. Five counties collect an additional gas severance tax. Four cities and 19 counties levy an additional mineral license tax.

TAXATION OF MINERAL LANDS

Under § 58.1-3286 of the *Code of Virginia*, localities are required to “specially and separately assess at the fair market value all mineral lands and the improvements thereon” and enter those assessments separately from other lands. However, if localities choose to adopt §§ 58.1-3712 and 58.1-3712.1, they may not tax minerals under § 58.1-3286. Localities may request technical assistance in assessing mineral lands and minerals from the Virginia Department of Taxation, provided money is available to the department to defray

the cost of the assistance (§ 58.1-3287). Mineral lands are taxed at the same rate as other real estate in the locality.

COAL AND GAS ROAD IMPROVEMENT TAX

Localities are permitted by § 58.1-3713 to levy up to an additional 1 percent license tax on the gross receipts of coal and gas companies (i.e., in addition to the severance tax). The amount collected under this tax must be paid into a special fund to be called the Coal and Gas Road Improvement Fund of that particular county or city. At its discretion, a county may elect to improve the roads of cities and towns within its boundaries, provided the municipality gives its consent. One-half of the revenue paid to this fund may be used for the purpose of funding the construction of new water systems and lines in areas of insufficient natural supplies. Localities are required to develop and ratify an annual funding plan for such projects. Under § 58.1-3713.1, 20 percent of the funds collected in Wise County are distributed to the City of Norton and the six incorporated towns within the county’s boundaries (Appalachia, Big Stone Gap, Coeburn, Pound, Saint Paul, and Wise). The distribution is determined as follows: a) 25 percent is divided among the incorporated towns and the city based on the number of registered motor vehicles in each town and the City of Norton, and b) 75 percent is divided equally among the towns and the City of Norton.

The Coal and Gas Road Improvement Advisory Committee in each city and county must develop a plan before July 1 of each year for road improvements for the following fiscal year. For localities that comprise the Virginia Coalfield Economic Development Authority, the receipts from this tax are distributed as follows: three-fourths to the Coal and Gas Road Improvement Fund and one-fourth to the Virginia Coalfield Economic Development Fund. The purpose of this fund is to enhance the economic base for the seven counties and one city that comprise the authority. The member communities are Lee, Wise, Scott, Buchanan, Russell, Tazewell, and Dickenson counties and the City of Norton. Seven counties and the City of Norton levy a coal and gas road improvement tax.



Table 18.1
Natural Resource Taxes, 2003

Locality	Per \$100 of Gross Receipts				
	Coal & Gases Severance Tax (%)	Oil Severance Tax (%)	Additional Gas Severance Tax (%)	Additional Mineral License Tax (%)	Coal & Gas Road Improvement Tax (%)
Cities (Note: All cities responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)					
Buena Vista	N/A	N/A	N/A	0.89	N/A
Harrisonburg	N/A	N/A	N/A	0.62	N/A
Norton	1.0	N/A	N/A	0.05/ton ^a	1.0
Roanoke	N/A	N/A	N/A	1.23	N/A
Counties (Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)					
Albemarle	N/A	N/A	N/A	0.76	N/A
Bedford	N/A	N/A	N/A	0.73	N/A
Brunswick	N/A	N/A	N/A	0.50	N/A
Buchanan	1.0	1.0	1.0	0.49	1.0
Caroline	N/A	N/A	N/A	0.725	N/A
Culpeper	N/A	N/A	N/A	0.81	N/A
Dickenson	1.0	3.0	N/A	0.60	1.0
Dinwiddie	N/A	N/A	N/A	0.77	N/A
Goochland	N/A	N/A	N/A	0.69	N/A
Grayson	N/A	N/A	N/A	0.53	N/A
Greene	N/A	N/A	N/A	0.589	N/A
Greensville	N/A	N/A	N/A	0.57	N/A
Henry	N/A	N/A	N/A	0.54	N/A
King George	N/A	N/A	N/A	0.72	N/A
Lee	1.0	0.5	1.0	N/A	1.0
Pittsylvania	N/A	N/A	N/A	0.55	N/A
Pulaski	N/A	N/A	3.0	N/A	N/A
Rockbridge	N/A	N/A	N/A	0.635	N/A
Rockingham	1.0	1.0	N/A	0.71	N/A
Russell	2.0	3.0	N/A	0.55	1.0
Scott	2.0	1.0	N/A	N/A	1.0
Tazewell	2.0	N/A	1.0	N/A	1.0
Wise	1.0	0.5	1.0	0.48	1.0
Towns (Towns that answered "not applicable" for all items in this table are excluded.)					
Appalachia	N/A	N/A	N/A	N/A	0.13

N/A Not applicable.

^a Mineral loading tax as confirmed by City of Norton.