

## Section 18

### Taxes on Natural Resources, 2006

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Natural resources taxes are not widely employed by localities because many do not have taxable resources. As a consequence, natural resources taxes accounted for less than 0.1 percent of total city tax revenue in fiscal year 2005, 0.4 percent of total county tax revenue, and 0.2 percent of total tax revenue of large towns. These are averages; the relative importance of the taxes varies significantly among individual cities, counties, and towns. For information on individual localities, see Appendix C.

Localities are permitted to impose several taxes on natural resources. **Table 18.1** provides tax rates for the cities and counties having such natural resource-related taxes in effect during the 2006 tax year.

#### 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 assessments of other lands and improvements. Mineral lands are taxed at the same rate as other real estate in the locality. Localities may request technical assistance from the Virginia Department of Taxation in assessing mineral lands and minerals, provided money is available to the department to defray the cost of the assistance (§ 58.1-3287). Instead of employing the real property tax for mineral lands, localities are permitted to substitute a severance tax on mineral sales, not to exceed 1 percent. Currently, four cities and 18 counties report assessing taxes on minerals in the land. No localities utilize the severance tax option permitted by § 58.1-3286.

#### SEVERANCE TAX

Under § 58.1-3712, any city or county may levy a license tax on persons engaged in severing coal and gases from the earth. The maximum rate permitted is 1 percent of the gross receipts from sales. Localities choosing to use § 58.1-3712 may not exercise the option to levy a 1 percent severance tax under § 58.1-3286. Under § 58.1-3712.1, the maximum rate permitted for severing oil is one-half of 1 percent from

the sale of the severed oil. Notwithstanding the rate limits established in § 58.1-3712, cities or counties may impose an additional license tax of 1 percent of the gross receipts from the sale of gas severed as authorized by § 58.1-3713.4. The funds from this additional levy are paid into the general fund of the localities except for members of the Virginia Coalfield Economic Development Fund, where one-half of the revenues must be paid to the fund. The members of the fund are the counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise and the City of Norton.

#### COAL AND GAS ROAD IMPROVEMENT TAX

Notwithstanding the rate limits described in the previous paragraph, 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 severed from the ground. 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. Those same funds may also be used to improve existing water and sewer systems. 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 in the Virginia

Coalfield Economic Development Authority (Lee, Wise, Scott, Buchanan, Russell, Tazewell, and Dickenson counties and the City of Norton), 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 in the authority.

The City of Norton also reports imposing a mineral loading tax of five cents per ton of coal loaded. It is not certain what section of the *Code* authorizes this imposition. When called, a Norton city representative could not name the section, but mentioned that it had been on the books for a while. Consequently, this might be a law that was grandfathered when the section was written.



**Table 18.1**  
**Natural Resource Taxes, 2006**

Locality	Per \$100 of Gross Receipts (%)				Tax on Mineral Land (\$ 58.1-3286)
	Coal & Gas Severance Tax (\$ 58.1-3712)	Oil Severance Tax (\$ 58.1-3712.1)	Additional Gas Severance Tax (\$ 58.1-3713.4)	Coal & Gas Road Improvement Tax (\$ 58.1-3713)	
<b>Cities</b> (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	N/A	Yes
Harrisonburg	N/A	N/A	N/A	N/A	Yes
Norton <sup>a</sup>	1.0	N/A	N/A	1.0	Yes
Roanoke	N/A	N/A	N/A	N/A	Yes
<b>Counties</b> (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	N/A	Yes
Brunswick	N/A	N/A	N/A	N/A	Yes
Buchanan	1.0	0.5	1.0	1.0	Yes
Caroline	N/A	N/A	N/A	N/A	Yes
Chesterfield	N/A	0.5	N/A	N/A	No
Culpeper	N/A	N/A	N/A	N/A	Yes
Dickenson	1.0	0.5	1.0	1.0	Yes
Dinwiddie	N/A	N/A	N/A	N/A	Yes
Goochland	N/A	N/A	N/A	N/A	Yes
Grayson	N/A	N/A	N/A	N/A	Yes
Greene	N/A	N/A	N/A	N/A	Yes
Greensville	N/A	N/A	N/A	N/A	Yes
Hanover	N/A	N/A	N/A	N/A	Yes
Henry	N/A	N/A	N/A	N/A	Yes
King George	N/A	N/A	N/A	N/A	Yes
Lee	1.0	0.5	1.0	1.0	No
Pittsylvania	N/A	N/A	N/A	N/A	Yes
Pulaski	N/A	1.0	1.0	1.0	No
Rockbridge	N/A	N/A	N/A	N/A	Yes
Rockingham	1.0	0.5	N/A	N/A	Yes
Russell	1.0	0.5	N/A	1.0	No
Scott	1.0	0.5	N/A	1.0	No
Tazewell	1.0	N/A	1.0	1.0	No
Wise	1.0	0.5	1.0	1.0	Yes

**Towns** (No towns reported having natural resource severance taxes.)

N/A Not applicable.

<sup>a</sup> The City of Norton reports that it also charges a mineral loading tax of \$0.05/ton of coal.