

Virginia Local Tax Rates

Section 17: Taxes on Natural Resources, 2019

Taxes on natural resources are rarely used by localities because many are not endowed with such resources. As a consequence, natural resources taxes accounted for less than 0.1 percent of total city tax revenue in fiscal year 2018, 0.2 percent of total county tax revenue, and less than 0.1 percent of total tax revenue of large towns, according to information from the Auditor of Public Accounts. These are averages; the vast majority of localities receive no revenue from this source. All the exceptions are located in Southwest Virginia. For information on individual localities, see Appendix C. Localities are permitted to impose several taxes on natural resources. Table 17.1 provides tax rates for the cities and counties having such natural resource-related taxes in effect during the 2019 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.

In 2009, this section was amended to allow Buchanan County to reassess mineral lands on an annual basis for purposes of determining the real property tax on such land. Other real estate is still subject to assessment every six years. Currently, 2 cities and 23 counties report assessing taxes on minerals. Among the several that commented on their mineral tax, most stated they used the land assessment method. The city of Norton, however, stated that its tax was based on a loading tax of \$0.05/ton.

SEVERANCE TAX

Under § 58.1-3712, any city or county may levy a license tax on businesses engaged in severing coal and gases from the earth. The maximum rate permitted is 1 percent of the gross receipts from sales. A 2012 bill reduced the rates of the local coal severance tax for small mines from 1 percent to 0.75 percent of the gross receipts from the sale of coal. “Small mine” is defined here as a mine that sells less than 10,000 tons of coal per month.

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 extracted 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 extracted from the ground. As with the severance tax on coal, the coal road improvement tax has been modified to reduce the tax from 1 percent to 0.75 percent for small mines. This tax was originally scheduled to end in 2007, but the General Assembly extended the sunset clause a number of times, most recently to December 31, 2017.

The amount collected under this tax must be paid into a special fund to be called the Coal and Gas Road Improvement Fund of the particular county or city where the tax is collected. In addition, “the county may also, in its discretion, elect to improve city or town roads with its funds if consent of the city or town council is obtained.” 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 supply of water. 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 six incorporated towns within the county’s boundaries (Appalachia, Big Stone Gap, Coeburn, Pound, Saint Paul, and Wise) and the city of Norton. The distribution is determined as follows: (a) 25 percent is divided among the incorporated towns and the city of Norton 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 the city of Norton 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.

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## # A tibble: 6 x 6
##   Locality `Coal & Gas Seve~ `Oil Severance ~ `Additional Gas~ `Coal & Gas Roa~
##   <chr>    <lgl>                <dbl> <lgl>                <lgl>
## 1 Accomack~ NA                      NA    NA                      NA
## 2 Chesapea~ NA                      NA    NA                      NA
## 3 Chesterf~ NA                      0.5  NA                      NA
## 4 Leesburg~ NA                      NA    NA                      NA
## 5 Richmond~ NA                      NA    NA                      NA
## 6 Warren C~ NA                      NA    NA                      NA
## # ... with 1 more variable: Tax on Mineral Land (§ 58.1-3286) <chr>
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