

**INTERIM REPORT
OF THE
JOINT SUBCOMMITTEE STUDYING**

**The Taxation
of Public
Service Corporations**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



Senate Document No. 25

**COMMONWEALTH OF VIRGINIA
RICHMOND
1987**

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Interim Report of the
Joint Subcommittee Studying
The Taxation of Public Service Corporations
To

The Governor and the General Assembly of Virginia
Richmond, Virginia
1987

To: Honorable Gerald L. Baliles, Governor of Virginia,
and
The General Assembly of Virginia

INTRODUCTION

Pursuant to Senate Joint Resolution No. 135, the 1985 Session of the General Assembly authorized a study to review the method in which public service corporations are taxed in Virginia.

Delegate Lewis W. Parker, Jr. was elected as Chairman after the death of Senator Edward E. Willey. Senator Hunter B. Andrews was elected Vice-Chairman. Other members of the General Assembly chosen from the Senate to serve on this subcommittee were Stanley C. Walker and Clive L. DuVal, 2d; and, from the House of Delegates, Charles C. Lacy, Jay W. DeBoer, and Walter A. Stosch. The Speaker of the House appointed J. Robert Cross, of C&P Telephone Company of Virginia, as the citizen member. The Secretary of Finance, Stuart W. Connock, was also a member of the subcommittee.

EXECUTIVE SUMMARY

The joint subcommittee's charge has been to undertake a two-year study of the tax structure of the "telecommunications industry and other public service corporations in light of federal deregulation, increased competition and technological change."

The joint subcommittee has examined the existing tax structure of public service corporations in Virginia and found that the gross receipts tax has been utilized since the late 1800's, and has undergone a great deal of tax rate changes, but there seems to be little rationale for why the rates are at the current levels, why utilities are taxed in the way they are, and why different types of utilities are subject to different gross receipts tax rates.

The joint subcommittee has reviewed the Mathews Commission Report on public service corporation taxation of 1976 and studied the legislation which was adopted subsequent to that study, which provided for the equalization and a five-year rollback in the gross receipts tax rates imposed on public service corporations. As the joint subcommittee has seen, public service corporations are approximately 3/4 of the way through their scheduled rate rollback, which were due to be completed in 1983. The rollback is currently in its fourth freeze and under the existing statutes they will be completed in 1989 for electric, light and power companies and in 1990 for telephone companies.

The joint subcommittee has also examined Virginia's public service corporation tax structure and compared it to that of the other southern states. The joint subcommittee found that there is little pattern in how other southern states tax public service corporations. The joint subcommittee found that most states impose a corporate income tax on public service corporations (12 of 14) while 10 of the 14 states impose a gross receipts tax. Eight states impose both a corporate income tax and a gross receipts tax on utilities. A number of states have a partial sales tax on some utility service with most of these states exempting residential use. Very few states impose the sales tax on all types of utility services. Very few states allow localities to impose a gross receipts tax and virtually no one in the South has a tax comparable either in concept or scope to Virginia's local consumer utility tax.

The joint subcommittee examined the tax burden imposed on Virginia's public service corporations to see how it compared to the other southern states. In summary, if one examines state taxes alone, Virginia ranks last of all the fifteen southern states in tax burden on public service corporations. If one includes local taxes, Virginia's state and local tax burden ranks fourth among the fifteen southern states. Clearly, our state taxes are relatively low and our local taxes, especially the local consumer utility tax, are extremely high.

The joint subcommittee has also examined the changing nature of public service corporations and the environment in which they operate. Clearly the monopoly environment of all public service corporations that we have known in the past has changed somewhat; however, the telecommunications industry and their operating environment has changed the most dramatically. The telecommunications firms in the interstate and inter lata market compete with one another and are no longer monopolies. Almost all telecommunications firms are entering new markets, yet the tax structure that applies to these firms is still that which applied when they were pure monopolists.

The joint subcommittee has been unable to complete its work and report to the 1987 Session largely because of the untimely death of its Chairman, Senate Edward E. Willey and the resignation of its Vice-Chairman, Delegate Vivian Watts, to become a cabinet Secretary. As a result, the joint subcommittee is requesting an additional year to study and make recommendations to solve the inequities in this area. Because of this one year delay the joint subcommittee is also recommending that the gross receipts tax rollback be delayed one more year pending the completion of this study.

The joint subcommittee is recommending legislation to the 1987 Session to solve an inequity at the local level whereby the same electric power can be taxed twice.

BACKGROUND

The study is a result of Senate Joint Resolution No. 135, sponsored by Senator Edward E. Willey and Delegate Theodore V. Morrison, Jr. in the 1985 Session. The resolution directed the joint subcommittee to undertake a two year study of the tax structure of the "telecommunications industry and other public service corporations in light of federal deregulation, increased competition and technological change."

The last major study of the public service corporation tax structure was in 1975 by the Special Governor's Committee to Study State Franchise and License Taxes Applicable to Public Service Corporations (better known as the Matthews Commission). This Commission made numerous recommendations in the taxation of public service corporations. As you will recall, that study took place at a time of double-digit inflation and mushrooming energy costs.

In 1976, at least as a partial result of the Matthews Commission Study, the General Assembly passed legislation (Chapter 778, 1976 Acts of Assembly) which provided, beginning in 1979, a five-year rollback in the existing maximum gross receipts tax of 3% on telephone companies and the existing maximum gross receipts tax of 3 1/2% on heat, light, and power companies to a uniform maximum rate of 2%. Virginia, after four separate delays in the rollback schedule, is currently approximately three-fourths of the way through the scheduled gross receipts tax reductions.

TAXATION OF PUBLIC SERVICE CORPORATIONS

Public service corporations are taxed differently from all other corporations in Virginia. The major tax imposed on the vast majority of companies in Virginia is the Virginia Corporate Income Tax. However, public service corporations are subject to a state franchise tax based on the firm's total gross receipts in lieu of a corporate income tax. In theory, the franchise tax based on gross receipts is considered a tax for the privilege the company has received in terms of the exclusive public service franchise.

Currently, the following state gross receipts tax rates apply to Virginia's public service corporations:

- Telephone companies--1 9/16% of gross receipts up to \$65,000 plus, 1.6% of excess
- Telegraph companies--3 5/8% of gross receipts
- Water, Heat, Light, or Power Companies--1 1/8% of gross receipts up to \$100,000 plus 2.3% of the excess

In addition to the state gross receipts tax, localities are allowed to impose a local gross receipts tax of up to 1/2% of total local gross receipts. Almost all localities have adopted the full 1/2% local gross receipts tax.

It is important to note at the outset that the tax on public service corporations generates a very substantial amount of general fund revenue for the Commonwealth. In fiscal year 1985-86, the state gross receipts tax on public service corporations generated \$135.0 million (see Table 1) in general fund revenue, the fourth largest source of general fund revenue comprising over 3.2% of the general fund. Clearly, any major change in the tax structure on public service corporations will have a significant impact on the Commonwealth's general fund revenue. The four largest sources of general fund revenues are as follows:

1. individual income tax--\$2,174.3
2. sales and use tax--\$1,023.0
3. corporate income tax--\$280.8
4. gross receipts tax on public service corporations--\$135.0

Interestingly, the gross receipts tax on public service corporations equaled approximately 1/2 of the total Virginia Corporate Income Tax.

It is important to add when comparing the taxation of public service corporations under the gross receipts tax to all other corporations the sales of public service corporations are exempt from the Virginia sales and use tax as are "tangible personal property sold or leased to a public service corporation...for use or consumption by such corporation directly in the rendition of its public service."

TABLE 1

GROSS RECEIPTS TAX COLLECTIONS FROM PUBLIC SERVICE CORPORATIONS
(millions of dollars)

<u>YEAR</u>	<u>PUBLIC UTILITY GROSS RECEIPTS TAX COLLECTIONS</u>	<u>PERCENTAGE CHANGE</u>
1985-86	\$ 135.0	- 2.5%
1984-85	138.4	+ 13.9%
1983-84	121.5	+ 2.5%
1982-83	118.5	+ 12.2%
1981-82	105.6	+ 1.4%
1980-81	104.1	- 1.1%
1979-80	105.3	+ 9.2%
1978-79	96.4 ¹	- 9.4%
1977-78	106.4	+ 17.7%
1976-77	90.4	+ 4.9%
1975-76	86.2	+ 20.9%
1974-75	71.6	+ 30.4%
1973-74	54.9	+ 8.7%
1972-73	50.5	+ 13.2%
1971-72	44.6	+ 4.2%
1970-71	42.8	+ 14.1%
1969-70	\$ 37.5	

¹Railroads were switched from a gross receipts tax to a corporate income tax.

Although sales of public service corporations are exempt from the sales and use tax they are not free of taxation. Localities are authorized to impose a local consumer utility tax on the services provided by telephone and telegraph companies as well as water, heat, light, and power companies. The Code of Virginia provides a monthly ceiling of 20% the first \$15 of utilities services for residential customers; however, there are numerous localities which had tax rates in excess of these ceilings and were grandfathered in at the tax rates that existed on July 1, 1972. For example, the City of Richmond imposes a local consumer utility tax of 25% of the first \$20 of electric, telephone, and gas service monthly (\$5 per month). The Code of Virginia imposes no ceiling on the local consumer utility tax rates for commercial and industrial users, although some localities either place caps on the utility charge subject to the tax or have lower rates above a certain amount. The City of Richmond imposes a tax of 25% of the first \$625 and 5% of the excess for commercial/industrial customers.

The vast majority of all cities (38) and a large number of counties (52) impose a local consumer utility tax. In fiscal year 1982-83, the local consumer utility tax yielded \$168.5 million. In many cities the local consumer utility tax generates more revenue than the 1% sales and use tax. Overall, the cities collected \$118.4 million from the 1% local sales tax and \$105.5 million from the local consumer utility tax.

There is a special additional tax imposed only on telephone companies which is called a poleline tax. This tax is imposed at a rate of \$2.25 per mile for each mile of poleline or conduit owned, operated or used by a telephone company in Virginia. Poleline or conduit is defined as "...buried cable and wire, submarine cable and other property used in lieu of, but serving the same function as, pole line or conduits." This tax generated \$285,148 in the last fiscal year. This tax is somewhat of an anachronism as microwave transmission has replaced the pole line as a primary means of transmission, especially on interstate transmissions.

The other major taxes imposed on public service corporations are similar to those imposed on other corporations.

Finally, one other point needs to be made: -- railroads are considered public service corporations; however, they are currently subject to the Virginia Corporate Income Tax in lieu of the gross receipts tax. Prior to 1979, railroads were subject to the gross receipts tax as any other public service corporation.

HISTORY OF THE GROSS RECEIPTS TAX IN VIRGINIA

The gross receipts tax on public service corporations was instituted in 1898 when the General Assembly adopted a franchise tax based on gross receipts for telegraph companies at a rate of 2 percent. When the Constitution of 1902 was adopted and the State Corporation Commission was established, the General Assembly also extended the franchise tax to railroads at 1% of gross receipts and to telephone companies at 2% of their intrastate gross receipts. In 1916, the General Assembly extended the gross receipts tax to water, heat, light, or power companies at the rate of 0.75% of gross receipts. Table 2 lists the dates the original gross receipts tax rates were adopted and the rate.

It is interesting to observe that the original tax rates for the public service corporations all varied among the different types of public service corporations. Although there have been changes in tax rates imposed on public service corporations, the gross receipts tax has remained Virginia's principal method of taxing public service corporations. The only exception was in 1978 when the railroads were switched from a gross receipts tax to a corporate income tax.

Tables 3 through 6 provide a history of the gross receipts tax changes for the different types of public service corporations in Virginia. Table 3 lists the changes in the gross receipts tax on telephone companies.

TABLE 2

ORIGINAL YEAR OF ADOPTION AND TAX RATE OF VIRGINIA'S
GROSS RECEIPTS TAXES ON PUBLIC SERVICE CORPORATIONS

<u>YEAR</u>	<u>PUBLIC SERVICE CORPORATION</u>	<u>TAX RATE</u>
1898	Telegraph	2%
1902	Railroads	1%
1902	Telephone	2%
1916	Water, heat, light, and power	0.75%

Please note the following regarding Table 3:

- Tax rates were increased in 1926 and 1948.
- Tax rates were decreased in 1976 when the General Assembly adopted a 5-year rollback of the tax rates.
- The scheduled reductions in the gross receipts tax structure were delayed in 1982 and 1985.
- The tax rate on the first \$65,000 of gross receipts appears to have been adopted as a preferential rate; however, under current law, if the scheduled reductions continue the tax rate on the first \$65,000 will actually be higher than the rate on the remainder of the base.

TABLE 3

GROSS RECEIPTS TAX RATES ON TELEPHONE COMPANIES IN VIRGINIA

<u>YEAR</u>	<u>TAX RATES</u>
1920-1926	1% up to \$50,000 2% of excess
1926-1928	1 1/16% up to \$50,000 2 1/2% of excess
1928-1948	1 1/16% up to \$65,000 2 1/2% of excess
1948-1976	1 9/16% up to \$65,000 3% of excess
1976 (effective 1979)	1 9/16% up to \$65,000 plus 1979 2.8% of excess 1980 2.6% of excess 1981 2.4% of excess 1982 2.2% of excess 1983 and after: 2.0% of excess
1979 (effective 1980)	Tax rates over \$65,000 were reduced to offset the revenue increase resulting from the inclusion of the Virginia share of interstate toll service revenue for telephone companies with annual revenues exceeding \$15 million.
	1980 2.6% ----> 1.9%
	1981 2.4% ----> 1.8%
	1982 2.2% --> 1.6%
	1983 2.0% ----> 1.5%
	1984 and after: 2.0% ----> 1.3%

YEAR

TAX RATES

1982

1 9/16% up to \$65,000
Rate reductions delayed for 4 years

1983 1.5% ---> 1.6%

1984 1.3% ---> 1.6%

1985 1.3% ---> 1.6%

1986 1.3% ---> 1.6%

1987 1.3% ---> 1.5%

1988 and after:

1.3% ---> 1.3%

1985

1 9/16% up to \$65,000
Rate reduction delayed for 1 year

1987 1.5% ---> 1.6%

1988 1.3% ---> 1.5%

1989 and after:

1.3% ---> 1.3%

Table 4 provides a history of the gross receipts tax changes on Virginia's water, heat, light, or power companies. Please note the following regarding Table 4:

- Tax rates were increased in 1926, 1934, and 1948.
- Tax rates were decreased in 1976, when the General Assembly adopted a 5-year rollback of the tax rates.
- The scheduled reductions in the gross receipts tax structure were delayed in 1982 and 1985.
- Although the tax rates on telephone companies and water, heat, light or power companies have historically been different, the 1976 legislation which resulted from the Matthews Commission Study, provided that the tax rates eventually be equalized at 2%.
- When the gross receipts tax on water, heat, light or power companies was adopted in 1916, it was less than the tax rate applied to telephone companies. Today, however, the rate applicable to telephone companies is 30% less than that which applies to water, heat, light or power companies. In fact, the rate on telephone companies today is less than the gross receipts tax rate that was in effect in 1926 although the tax base has expanded with the inclusion of interstate revenues.

Table 5 contains a historical summary of the gross receipts tax rates imposed on telegraph companies. These tax rates have been changed only twice since 1898. Please note the following regarding Table 5:

- Although the tax rates imposed on telegraph and telephone companies were initially the same, 2%, the current tax rate on telegraph companies is substantially higher at 3 5/8% than the tax rates on telephone companies whose tax rate is 1.6%. (It should be noted, however, that the tax on telegraph companies applies only to receipts from business done within Virginia while the tax rate on telephone companies applies to all receipts received by the telephone company with the exception of companies with less than \$5 million in annual revenues.)

TABLE 4

GROSS RECEIPTS TAX RATES ON COMPANIES FURNISHING WATER, HEAT, LIGHT, OR POWER IN VIRGINIA

<u>YEAR</u>	<u>TAX RATES</u>
1916-1926	3/4% of gross receipts
1926-1934	1 1/8% of gross receipts
1934-1948	1 1/8% up to \$100,000 3% of excess
1948-1979	1 1/8% up to \$100,000 3.5% of excess
1976 (effective 1979)	1 1/8% up to \$100,000 plus 1979 3.2% 1980 2.9% 1981 2.6% 1982 2.3% 1983 and after: 2.0%
1982	1 1/8% up to \$100,000 Rate reductions delayed for 4 years 1983 2.0%--> 2.3% 1984 2.0%--> 2.3% 1985 2.0%--> 2.3% 1986 2.0%--> 2.3% 1987 and after: 2.0%--> 2.0%
1985	1 1/8% up to \$100,000 Rate reduction delayed for 1 year 1987 2.0%--> 2.3% 1988 and after: 2.0%--> 2.0%

TABLE 5

GROSS RECEIPTS TAX RATES ON TELEGRAPH COMPANIES IN VIRGINIA

<u>YEAR</u>	<u>TAX RATES</u>
1898-1926	2% of gross receipts
1926-1948	3 1/8% of gross receipts
1948-present	3 5/8% of gross receipts

NOTE: Gross receipts includes only receipts from business done within the Commonwealth.

The last table in this series is Table 6, which provides a historical overview of the gross receipts tax rates applied to railroads. Railroads were subject to the gross receipts tax from 1902 until 1979, when they were placed under the corporate income tax. Please note the following regarding Table 6:

- ° The railroads experienced two tax increases in 1926 and in 1948.
- ° In 1964 they were provided a 5-year gradual rollback from 2% to 1.5%.
- ° In 1976, legislation was adopted which, effective in 1979, would have rolled back over 5 years from 1.5% to 1.0%. However, before the legislation could become effective, the General Assembly in 1978 placed the railroads under the Corporate Income Tax.

TABLE 6

GROSS RECEIPTS TAX RATES IMPOSED ON RAILROADS IN VIRGINIA

<u>YEAR</u>	<u>TAX RATES</u>
1902	1%
1926	1 1/2%
1948	2%
1964 (effective 1966)	1966 1.9% 1967 1.8% 1968 1.7% 1969 1.6% 1970 1.5%
1976 (effective 1979)	1979 1.4% 1980 1.3% 1981 1.2% 1982 1.1% 1983 1.0%
1978	Effective 1979, railroads were placed under a corporate income tax.

MATHEWS COMMISSION REPORT

The Mathews Commission (composed of six citizen members) conducted a study of public service corporation taxation during 1975 as a result of legislation introduced during the 1975 General Assembly Session which would have gradually reduced the state's gross receipts tax on public service corporations and because of the concern over the impact of the gross receipts tax during a period of rapidly escalating energy costs.

The Commission found the following:

- the energy price explosion in the early 1970's caused gross receipts tax collections to soar;
- the state gross receipts and the local consumer utility taxes are regressive;
- the final incidence of these taxes are on the consumer;
- state and local taxes on public utilities are higher in Virginia compared to other states;
- the relatively high taxes cause Virginia businesses to be at a competitive disadvantage compared to businesses in other states and weaken our economic development efforts;
- public utilities pay significantly higher taxes in Virginia than they would if they were private corporations.

As a result of these basic findings, the Mathews Commission made a number of recommendations concerning the taxation of public service corporations. The major recommendations were as follows:

1. Reduce over a five-year period the franchise tax on all public service corporations to 2.0%. (For telephone companies this tax would continue to apply only to intrastate receipts.)
2. At the end of this period consider placing public service corporations under the corporate income tax.
3. Make the following changes in the sales and use tax and local consumer utility tax structures:
 - include utility services in the sales tax base;
 - repeal the present exemption on non-transportation public utility services;

- include selective services in the sales and use tax base;
4. Repeal the \$2.25 poleline tax.
 5. Regarding transportation companies, reduce over a five-year period the franchise tax to 1% and at the end of five years, consider placing railroads under the corporate income tax.

Subsequent to the receipt of the Mathews Commission report the General Assembly adopted recommendations Nos. 1 and 5, reducing the gross receipts tax over a period of time and also placing railroads under the corporate income tax.

COMPOSITION OF PUBLIC SERVICE CORPORATIONS IN VIRGINIA

Public service corporations in Virginia had gross receipts of \$5.96 billion in 1984 and for the tax year 1985 had a gross receipts tax liability of \$123.2 million. To place this amount into perspective, \$5.96 billion represents 8.9% of the total personal income of all Virginians in 1984.

Table 7 provides gross receipts data for the various types of public service corporations in Virginia. As the table shows in 1984, the electric, light, and power companies comprised 56.2% of total gross receipts and paid 62.5% of the total gross receipts taxes paid by public service corporations in Virginia. Telephone companies comprised 33.9% of the total gross receipts of public service corporations and paid only 26.5% of all gross receipts taxes. The gas and pipeline transmission companies comprised 9.6% of all gross receipts and paid 10.7% of the total gross receipts tax. The last two categories of public service corporations, telegraph companies and water corporations, comprised a very small portion of the gross receipts tax base.

TELEGRAPH

There is currently only one telegraph company licensed to do business in Virginia. This company is Western Union Telegraph Company and had taxable gross receipts in 1984 of \$607,208, which is a 10.8% decrease from the year before.

TABLE 7

COMPOSITION OF VIRGINIA'S PUBLIC SERVICE CORPORATIONS
1985

	<u>NUMBER OF COMPANIES</u>	<u>GROSS RECEIPTS</u>	<u>PERCENT OF TOTAL</u>	<u>STATE GROSS RECEIPTS TAX</u>	<u>PERCENT OF TOTAL</u>
Electric Light & Power	22	3,350,191,703	56.20%	77,030,909	62.53%
Telephone	27	2,019,274,244	33.87%	32,592,909	26.46%
Gas & Pipeline Transmission	14	570,872,605	9.58%	13,114,795	10.65%
Telegraph	1	\$ 607,280	0.01%	\$ 22,222	0.02%
Water Corporations	<u>115</u>	<u>20,308,538</u>	<u>0.34%</u>	<u>426,663</u>	<u>0.35%</u>
TOTAL	179	\$5,961,254,370	100.00%	\$123,187,498	100.00%

TELEPHONE COMPANIES

In 1984 there were 27 telephone companies that were authorized to do business in Virginia. Table 8 lists the 27 companies. Clearly, the few largest companies make up the vast majority of receipts in Virginia. The top three local companies (Central Telephone, C&P, and Continental) along with the two AT&T companies make up over 95% of the market. On the other end of the spectrum there are a number of very small telephone companies in Virginia. Eight of these companies had gross receipts of less than approximately \$500,000.

ELECTRIC, LIGHT, AND POWER COMPANIES

In 1984, there were 22 electric, light, and power corporations in Virginia. The two largest, Appalachian Power and Virginia Power, comprised almost 91% of all revenues collected by electric companies. Table 9 provides a listing of the 22 electric, light and power companies and their gross receipts and tax liabilities.

GAS CORPORATIONS AND PIPELINE TRANSMISSION COMPANIES

In 1984, there were 14 companies classified in this category with total gross receipts of approximately \$570.9 million. Table 10 provides a listing of these companies and their gross receipts and tax liabilities.

WATER COMPANIES

In 1984, there were 115 water companies registered with the SCC with total gross receipts of \$20.3 million. The largest water company was the Virginia-American Water Company, with receipts of over \$14 million. The next largest was the Wintergreen Utility Company with gross receipts of \$730,000, while the third largest was the Lake of the Woods Utility Company with receipts of \$650,000. These three accounted for almost 76% of all of the gross receipts of water companies. Table 11 lists all the water companies and clearly the vast majority of these water corporations are very small with annual receipts of less than \$50,000.

May 16, 1985

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

GROSS RECEIPTS FOR YEAR ENDING DECEMBER 31, 1984 AND
TAXES EXTENDED FOR TAX YEAR 1985

TELEPHONE COMPANIES

<u>Name of Company</u>	<u>Taxable Gross Receipts</u>	<u>Gross Receipts Tax for Tax Year 1985</u>
1. AT&T Communications of Va., Inc.	\$ 341,985,982.00	\$ 5,471,751.34
2. Amelia Telephone Corp.	1,180,805.00	18,868.51
3. American Tel. & Tel. Co. of Va.	527,774,949.00	8,444,374.81
4. Buggs Island Telephone Coop., Inc.	513,433.06	8,190.56
5. Burke's Garden Telephone Co., Inc.	45,739.76	714.68
6. Central Telephone Co. of Va.	73,338,967.00	1,173,399.10
7. Chesapeake & Potomac Tel. Co. of Va.	869,139,751.00	13,906,211.65
8. Citizens Telephone Cooperative	1,175,820.59	18,788.77
9. Clifton Forge-Waynesboro Telephone Co.	12,328,652.58	197,234.07
10. Continental Telephone Co. of Va.	116,780,485.00	1,868,463.39
11. GTE Sprint Communications Corp.	797,638.00	12,737.84
12. General Telephone Co. of The Southeast	13,065,026.00	209,016.05
13. Highland Telephone Cooperative	192,636.36	3,057.81
14. MCI Telecommunications Corporation	8,101,432.00	129,598.54
15. MCI Telecommunications Corp. of Va., Inc.	1,791,573.00	28,640.80
16. Mountain Grove-Williamsville Tel. Co.	352,066.94	5,608.70
17. North River Telephone Cooperative	139,055.94	2,200.53
18. Pembroke Telephone Cooperative	295,597.73	4,705.19
19. Peoples Mutual Telephone Co.	1,388,773.26	22,196.00
20. Roanoke and Botetourt Telephone Co.	1,788,833.00	28,596.96
21. Scott County Telephone Coop., Inc.	1,172,853.53	18,741.29
22. Shenandoah Telephone Company	6,146,728.71	98,323.29
23. * SouthernTel of Virginia, Inc.	-0-	-0-
24. TDX Systems of Virginia, Inc.	1,386,673.00	22,162.40
25. United Inter-Mountain Telephone Co.	37,717,079.00	603,448.89
26. United States Transmission Systems, Inc.	317,222.00	5,051.1
27. Virginia Hot Springs Telephone Co.	356,471.00	5,679.17
Total	\$2,019,274,244.46	\$32,307,761.51

* Not in operation during 1984.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

GROSS RECEIPTS FOR YEAR ENDING DECEMBER 31, 1984
AND TAXES EXTENDED FOR TAX YEAR 1985

ELECTRIC COMPANIES

<u>Name of Company</u>	<u>Taxable Gross Receipts</u>	<u>Gross Receipts Tax for Tax Year 1985</u>
1. A & N Electric Cooperative	2,213,471.30	\$ 49,734.84
2. * Alleghany Generating Company	-0-	-0-
3. Appalachian Power Company	619,428,431.00	14,245,678.91
4. B-A-R-C Electric Cooperative	3,015,765.90	68,187.62
5. ** Carolina and Northwestern Railway Co.	-0-	-0-
6. Central Virginia Electric Cooperative	6,117,223.99	139,521.15
7. Community Electric Cooperative	2,369,793.33	53,330.25
8. Craig-Botetourt Electric Cooperative	1,704,232.13	38,022.33
9. Delmarva Power and Light Company	22,726,579.10	521,536.32
10. Mecklenburg Electric Cooperative, Inc.	7,713,898.45	176,244.66
11. Northern Neck Electric Cooperative	3,975,841.63	90,269.36
12. Northern Virginia Electric Coop.	20,276,240.24	465,178.53
13. Old Dominion Electric Cooperative	55,394,398.27	1,272,896.16
14. Old Dominion Power Company	40,280,862.01	925,284.82
15. Potomac Edison Company (The)	69,503,640.69	1,597,408.73
16. Potomac Electric Power Company	28,974,123.41	665,229.84
17. Powell Valley Electric Cooperative	5,161,129.82	117,530.99
18. Prince George Electric Cooperative	1,884,950.13	42,178.85
19. Rappahannock Electric Cooperative	20,628,787.73	473,287.12
20. Shenandoah Valley Electric Coop., Inc.	7,574,704.08	173,043.19
21. Southside Electric Cooperative, Inc.	10,526,440.35	240,933.13
22. Virginia Electric and Power Co.	2,420,721,189.00	55,675,412.35
Total	\$3,350,191,702.56	\$77,030,909.15

* Company not in operation during 1984.

** Leased and operated by Virginia Electric and Power Co.

TABLE 10
COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

GROSS RECEIPTS FOR YEAR ENDING DECEMBER 31, 1984
AND TAXES EXTENDED FOR TAX YEAR 1985

GAS COMPANIES

<u>Name of Company</u>	<u>Taxable Gross Receipts</u>	<u>Gross Receipts Tax for Tax Year 1985</u>
1. Columbia Gas of Virginia, Inc.	\$ 65,813,793.00	\$ 1,512,542.24
2. Commonwealth Gas Pipeline Corp.	73,588,648.43	1,691,363.91
3. Commonwealth Gas Services, Inc.	71,661,352.84	1,647,036.12
4. Commonwealth Public Service Corporation	1,108,492.20	24,320.32
5. Eastern Shore Gas Company of Va., Inc.	296,619.62	5,647.25
6. Lynchburg Gas Company	29,284,953.53	672,378.97
7. Roanoke Gas Company	45,915,612.00	1,054,884.00
8. Shenandoah Gas Company	11,994,484.89	274,698.15
9. Southwestern Virginia Gas Company	8,978,975.64	205,341.44
10. Suffolk Gas Corporation	2,971,929.68	67,179.38
11. Tennessee-Virginia Energy Corp.	23,501,956.66	539,370.00
12. United Cities Gas Company	4,075,473.00	92,560.88
13. *Virginia Natural Gas - A Division of Virginia Electric and Power Company	-0-	-0-
14. Washington Gas Light Co.	231,680,313.33	5,327,472.21
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Total	\$570,872,604.82	\$13,114,794.91
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* Included in Virginia Electric and Power Co.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

GROSS RECEIPTS FOR YEAR ENDING DECEMBER 31, 1984 AND
TAXES EXTENDED FOR TAX YEAR 1985

WATER COMPANIES

<u>Name of Company</u>	<u>Taxable</u> <u>Gross</u> <u>Receipts</u>	<u>Gross</u> <u>Receipts</u> <u>Tax for</u> <u>Tax Year</u> <u>1985</u>
1. Alpha Water Corporation	\$ 321,766.31	\$ 6,225.63
2. Aqua Systems, Inc.	21,485.00	241.71
3. Aquarius Water Systems, Inc.	12,949.00	145.68
4. Aubon Water Company	33,718.68	379.34
5. Battery Park Artesian Water Company	5,253.00	59.10
6. Bay Quarter Water Company	16,546.00	186.14
7. Beechwood Water Company, Inc.	1,135.00	12.77
8. Big Caney Water Corp.	422,283.00	8,537.51
9. Blue Ridge Utility Co.	40,993.00	461.17
10. Blue Ridge Water Agency, Inc.	3,622.00	40.75
11. Blue Star Utility Corporation	15,858.99	178.41
12. Bluefield Valley Water Works Company	37,940.54	426.83
13. Botetourt Forest Water Corp.	13,626.00	153.29
14. Broad Run Service Corporation	300.00	3.38
15. Bull Run Water Works, Inc.	90,000.00	1,012.50
16. Carlisle Water Corporation	44,359.00	499.04
17. Caroline Utilities, Inc.	27,096.39	304.83
18. Charles M. Blythe Water Co., Inc.	9,526.83	107.18
19. Cherokee Hills Water Company	17,332.00	194.99
20. Commonwealth Utilities, Inc.	8,126.50	91.42
21. Corrotoman Water Company	8,858.79	99.66
22. Crawford Water Company	30,477.32	342.87
23. Daleville Water Company, Inc.	17,500.00	196.88
24. Donnagail Utilities, Inc.	14,089.32	158.50
25. Drewryville Community Water Systems, Inc.	6,004.15	67.55
26. Eagle Rock Water Company	11,156.73	125.51
27. Evergreen Water Corporation	13,372.50	150.44

<u>Name of Company</u>	<u>Taxable Gross Receipts</u>	<u>Gross Receipts Tax for Tax Year 1985</u>
28. First Charter Service Company, Inc.	\$ 111,322.96	\$ 1,385.43
29. Fox Run Water Company, Inc.	5,517.00	62.07
30. Glen Wilton Water Corp.	8,133.98	91.51
31. Hanover Utilities, Inc.	50,044.51	563.00
32. Highland Lake Waterworks, Inc.	5,640.00	63.45
33. Hillcrest Water Company, Inc.	14,252.01	160.34
34. Hoges Chapel Water Service Corp.	33,810.80	380.37
35. Independent Water Company	3,377.00	37.99
36. Indian River Water Company	101,523.75	1,160.05
37. James River Service Corp.	9,059.98	101.92
38. James River Water Corporation	2,028.00	22.82
39. *Jerdone Island Utility Company	-0-	-0-
40. Kilby Shores Water Company	14,982.00	168.55
41. King William Water Company	2,237.50	25.17
42. Lake Holiday Estates Utility Co.	76,304.00	858.42
43. *Lake Jackson Service Corp.	-0-	-0-
44. Lake Laura Water Corporation	13,513.00	152.02
45. Lake Monticello Service Company	208,313.00	3,616.20
46. Lake Shawnee Water Systems, Inc.	13,893.00	156.30
47. Lake of the Woods Utility Company	650,000.00	13,775.00
48. Lakeville Estates Water Corporation	90,000.00	1,012.50
49. Land 'or Utility Company, Inc.	167,193.00	2,670.44
50. Land and Water, Inc.	4,388.19	49.37
51. Laurel Park Water Works, Inc.	53,236.39	598.91
52. Long Hollow Water Development Co.	36,153.00	406.72
53. Lundie Utilities, Inc.	20,609.80	231.86
54. Manquin Water Company	2,666.50	30.00
55. Marshall Water Works, Inc.	97,521.00	1,097.11
56. Massanutten Public Service Corporation	223,285.36	3,960.56
57. McDowell Water Company, Inc.	3,496.00	39.33
58. McGaheysville Water Company, Inc.	25,904.48	291.43
59. Monta Vista Water Co., Inc.	12,451.35	140.08
60. Montvale Water, Inc.	19,096.90	214.84

<u>Name of Company</u>	<u>Taxable Gross Receipts</u>	<u>Gross Receipts Tax for Tax Year 1985</u>
61. Mountainview Water Co., Inc.	\$ 1,701.63	\$ 19.14
62. *Mulberry Water Company	-0-	-0-
63. Norge Water Works Corp.	16,954.00	190.73
64. Oakhill Water Company, Inc.	25,732.00	289.49
65. Occoquan Water, Inc.	30,811.00	346.62
66. Peacock Hill Service Company	12,543.24	141.11
67. Piedmont Water Co., Inc.	10,734.35	120.76
68. Po River Water and Sewer Company	257,798.00	4,754.35
69. Pocahontas Water Works, Inc.	29,238.00	328.93
70. Powhatan Water Works, Inc.	5,429.95	61.09
71. Presidential Service & Utility Co.	6,261.17	70.44
72. Public Service Company of Virginia, Inc.	5,050.35	56.82
73. Rainbow Forest Water Corp.	70,571.00	793.92
74. Read Mountain Water Company, Inc.	26,481.00	297.91
75. Reston/Lake Anne Air Conditioning Corp.	314,213.00	6,051.90
76. Ridgecrest Corp.	19,635.94	220.90
77. Rockbridge Rural Water Agency, Inc.	6,549.09	73.68
78. S & S Water Company	600.00	6.75
79. Sanville Utilities Corp.	32,587.20	366.61
80. Shannon Forest Water Company	8,661.00	97.44
81. Shawnee Land Utilities Company, Inc.	18,906.00	212.69
82. Shawnee Water Company	7,115.00	80.04
83. Sherry Court Water Co., Inc.	621.00	6.99
84. Sherwood Forest Water Company	12,704.00	142.92
85. Sherwood Forest Water Supply	1,665.00	18.73
86. Smith Mountain Water Company	41,459.00	466.41
87. *Stafford Water Corporation	-0-	-0-
88. Stoney Creek Utilities Corporation ..	259,805.26	4,800.52
89. Stratford Harbour Water Company	16,846.01	189.52
90. Stratford Water Corporation	16,437.00	184.92
91. *Stuarts Draft Water Company, Inc.	-0-	-0-
92. Suburban Water Supply Company	234,944.33	4,228.72

<u>Name of Company</u>	<u>Taxable Gross Receipts</u>	<u>Gross Receipts Tax for Tax Year 1985</u>
93. Suncrest Water Co., Inc.	\$ 2,914.00	\$ 32.78
94. Thomas Bridge Water Corporation	131,494.40	1,849.37
95. *Tidewater Water Company - Parent	-0-	-0-
96. Tidewater Water Company - Suffolk	30,400.00	342.00
97. Tidewater Water Company - Isle of Wight	64,629.00	727.08
98. Tidewater Water Company - James City	9,864.00	110.97
99. Tidewater Water Company - Southampton	11,197.00	125.97
100. Tinkerview Water Company	28,684.00	322.70
101. Trail's End Utility Company, Inc.	244,550.99	4,449.67
102. Valley Ridge Water Co., Inc.	21,313.00	239.77
103. Vesper Utilities, Inc.	4,307.10	48.45
104. Virginia-American Water Co.	14,045,001.78	321,860.04
105. Water Distributors, Inc.	52,000.00	585.00
106. Waverly Water Works, Inc.	3,199.00	35.99
107. Westhaven Lakes Water Corporation	7,218.00	81.20
108. West Rockingham Water Company, Inc.	2,854.75	32.12
109. Wilderness Utility Associates, Inc., T/A Wilderness Water and Utility Co.	44,147.00	496.65
110. Williamsburg Court Water Co.	20,000.00	225.00
111. Windsor Water Co., Inc.	1,842.95	20.73
112. Windy Gap Water Company	5,690.00	64.01
113. Wintergreen Utility Company	730,835.00	15,634.21
114. Woodhaven Water Company	60,199.00	677.24
115. York Public Utilities Corp.	6,253.93	70.36
	<hr/>	<hr/>
Total	\$20,345,979.93	\$ 426,578.20
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*

Company not in operation during 1984.

CHANGES IN THE INDUSTRY

The deregulation of numerous sectors of our economy has caused significant changes in our economy. One of the most affected sectors has been the telecommunications industry which has experienced not only deregulation but also tremendous technological change and a great deal of competition. A few short years ago, AT&T, the Bell System companies and a number of other independent companies provided this nation's complete telephone service. Moreover, it wasn't even possible to purchase a telephone to plug into the telephone network. Local service was subsidized by the high rates charged for long distance service.

The picture could not have changed more completely or dramatically. The old Bell companies are now separate from AT&T. AT&T has numerous competitors for their long-distance services like MCI, GTE, etc. AT&T has branched out into other businesses like computers. In fact, AT&T is actually competing with the Bell System companies for parts of the telecommunications market. Individuals can not only purchase a telephone for their home or business, but have a variety of sources from which to purchase their service.

The changes in the telecommunications industry have also meant significant changes in the taxes paid by the telecommunications industry. In the past, all the state taxes that were collected from the telecommunications industry were gross receipts taxes and these were collected by the public service corporations. Now that a number of telephone users purchase their own telephones, the Commonwealth also receives revenues in the form of a one-time sales tax on the purchase of equipment instead of the gross receipts tax on a monthly lease fee. In other words, if one is attempting to examine the taxes paid as a result of telecommunications, it is no longer sufficient to compare the gross receipts tax alone.

Another consequence of deregulation is that private corporations have obtained the capability to transmit information for their private use. That is, corporations purchase telephone and telecommunications equipment for "in-house" installation which allows them to communicate between any points on their network without using a public company. This procedure deprives the telephone company of this business and as a result, the Commonwealth and its localities do not receive the resulting gross receipts tax revenue. In place of the gross receipts tax, the purchase of this equipment results in a one-time sales tax imposed at the time of purchase. Also, a corporate income tax liability may result as a consequence of this transaction.

The localities of Virginia are also impacted in their own unique way by the sale rather than the lease of telephone equipment. For example, before divestiture the telephone companies paid property taxes on the assessed value of "station equipment and apparatus" (i.e., PBX's, telephones). Now with customers purchasing their own telephones and equipment the assessed value of this telephone company property has declined 46% in the last two years and localities are experiencing the resulting loss of revenue since the assessed value of this property was taxed at the local real estate tax rate.

COMPARISON OF TAXES IMPOSED ON PUBLIC SERVICE CORPORATIONS

Table 12 presents a summary of the taxes imposed on public service corporations, excluding property taxes, for Virginia and other Southern States for 1985. Table 13 translates the taxes detailed on Table 12 into estimated effective state tax rates on public service corporations. Table 14 presents the estimated effective state tax rates in rank order. As the table clearly shows, Virginia ranks last in effective state tax rates. However, since most states do not allow localities to impose taxes on public utilities, other than property taxes, if the comparison includes state and local taxes, Virginia ranks fourth among the fifteen states with an effective state and local tax rate of 5.7%. The conclusion is clear: Virginia's state taxes are very low and our local taxes are very high.

As Table 15 shows, if one examines total state and local taxes imposed on public service corporations in 1984, one finds that state taxes comprised only 31.1% of the total and over two-thirds (68.9%) are local taxes, with local utility taxes being the largest component. Table 16 lists some of the localities with the highest local consumer utility tax rates.

RECOMMENDATIONS

The subcommittee has now compiled almost all the information it needs to begin considering alternatives to address the inequities in the way Virginia taxes public service corporations. As a result, the joint subcommittee is recommending legislation to extend the study for one additional year to resolve the inequities in this area. The subcommittee is also recommending legislation to continue the freeze on public service corporation tax rate rollbacks for one additional year pending the subcommittee's final recommendations.

In the interim, however, the subcommittee is recommending legislation to the 1987 Session which will alleviate a problem in a small, but growing number of localities which are taxing the same sale of electric power twice. The subcommittee is recommending legislation to eliminate this problem. The problem arose when some language was inadvertently left out of Title 58.1 during the recodification process.

Respectfully submitted,

Lewis W. Parker, Jr., Chairman

Hunter B. Andrews, Vice Chairman

Stanley C. Walker

Clive L. DuVal, 2d

Charles C. Lacy

Jay W. DeBoer

Walter A. Stosch

Stuart W. Connock

J. Robert Cross

T A B L E 1 2

SUMMARY OF THE MAJOR TAXES IMPOSED ON
PUBLIC SERVICE CORPORATIONS
EXCLUDING PROPERTY TAXES, SOUTHERN STATES, 1986

<u>STATE</u>	<u>STATE GROSS RECEIPTS TAX</u>	<u>LOCAL GROSS RECEIPTS TAX</u>	<u>SALES TAX</u>	<u>CORPORATE INCOME TAX</u>
ALABAMA	Electric - 2.2% Telephone - 2.5% Telegraph - 2.5% Gas - 2.2% Water - 2.2%	Counties--no; cities--up to 3%, except for telephone and telegraph	EXEMPT	5%
ARKANSAS	NONE	NONE	4% State 1% Local Gas, Water, Electric, Telephone	\$0-\$3,000--1% \$3,001-6,000--2% \$6,001-11,000--3% \$11,001-25,000--5% \$25,001 + --6%
DISTRICT OF COLUMBIA	6.7% Electric, Telephone, Gas	-----	6% State	10.5% (\$100 minimum)
FLORIDA	1.5% Electric, Telephone, Gas, Telegraph		5% State + 1% local in certain areas. All resi- dential service is exempt.	5.5%
GEORGIA	NONE	NONE	3%-State; 1% Local + a few with author- ized additional local tax	6%

<u>STATE</u>	<u>STATE GROSS RECEIPTS TAX</u>	<u>LOCAL GROSS RECEIPTS TAX</u>	<u>SALES TAX</u>	<u>CORPORATE INCOME TAX</u>
KENTUCKY	NONE	School districts allowed up to 3%	5%-State; no local. Residential electric and gas are exempt. All telephone service is taxable.	\$0-25,000--3% \$25,001-50,000--4% \$50,001-100,000--5% \$100,000 -250,000-6% \$250,001 + --7.25%
LOUISIANA	Telephone--2% Telegraph--2% Electric--0 Gas--0 Water--0		4%-State; generally up to 3% local; some higher. Telephone only. Electricity, gas and water exempt.	\$0-25,000--4% \$25,001-50,000--5% \$50,001-100,000--6% \$100,000-200,000--7% \$200,000 + --8%
MARYLAND	Electric--2% Telephone--2% Gas--2% Telegraph--2.5%	NONE	5% State; no local Gas and electricity only; however, residential is exempt	EXEMPT
MISSISSIPPI	NONE	NONE	6% State; no local Residential exempt	\$0-\$5,000--3% \$5,001-10,000--4% \$10,001 + --5%
NORTH CAROLINA	Electric--3.22% Telephone--3.22% Gas--3.22% Telegraph--6% Water--4%	NONE	3% State; Local tax does not apply.	6%

<u>STATE</u>	<u>STATE GROSS RECEIPTS TAX</u>	<u>LOCAL GROSS RECEIPTS TAX</u>	<u>SALES TAX</u>	<u>CORPORATE INCOME TAX</u>
SOUTH CAROLINA*	0.3% Electric, Telephone Gas, Telegraph	Some cities tax electric and gas, flat fee or up to 3%.	5% State No local. Resi- dential use is exempt.	6%
TENNESSEE	Electric--3% Telephone--3% Gas--1.5% Telegraph--3% Water--3%	NONE	5.5%-State .75%-2.25%-Local Gas and electric for residential use is exempt. However, it is taxable if sold to farmers and for indust- rial use at 1.5%, while for all other uses the state rate applies. Telephone services and water is subject to state and local sales tax.	6%
TEXAS	Electric--.58%-2.0% Telephone--1.65%-2.5% Gas--.58%-2.0% Water--.58%-2.0%	NONE	4.125% State 1% Cities (+1% in the few largest cities.) 1% Transportation districts Electricity and gas are exempt unless sold for commercial use. All local and intrastate long distance telephone service is subject to sales tax.	No Corporate Income Tax
VIRGINIA	Electric--2.3% Telephone--1.6% Gas--2.3% Telegraph--3.625% Water--2.3%	Up to 25% local consumer utility tax, plus .5% local gross receipts tax imposed by almost all localities.	EXEMPT	EXEMPT

<u>STATE</u>	<u>STATE GROSS RECEIPTS TAX</u>	<u>LOCAL GROSS RECEIPTS TAX</u>	<u>SALES TAX</u>	<u>CORPORATE INCOME TAX</u>
WEST VIRGINIA	Electric-4.0%/2.33% 2.33%-(industrial) Telephone--3.74% Gas--4.29% Telegraph--3% Water--4.4%	Cities allowed to impose local tax at rates up to state rate (telephone exempt.)	EXEMPT	\$0-\$50,000--6% \$50,001 + --7%

*South Carolina -- State also imposes an additional power tax of .05¢ per kilowatt hour.

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TABLE 13

**ESTIMATED EFFECTIVE STATE TAX RATES ON
PUBLIC SERVICE CORPORATIONS, SOUTHERN STATES**

<u>STATE</u>	<u>STATE GROSS RECEIPTS TAX</u>	<u>SALES TAX</u>	<u>CORPORATE INCOME TAX</u>	<u>TOTAL</u>
ALABAMA	2.1%	0%	0.6%	2.7%
ARKANSAS	0	4.6%	0.7%	5.3%
D.C.	6.7%	5.5%	1.3%	13.5%
FLORIDA	1.4%	2.3%	0.7%	4.4%
GEORGIA	0	3.7%	0.7%	4.4%
KENTUCKY	0	2.7%	0.9%	3.6%
LOUISIANA	0.5%	1.0%	1.0%	2.5%
MARYLAND	2.0%	1.9%	0	3.9%
MISSISSIPPI	0	2.7%	0.6%	3.3%
NORTH CAROLINA	3.0%	2.7%	0.7%	6.4%
SOUTH CAROLINA	0.3%	2.3%	0.7%	3.3%
TENNESSEE	2.7%	2.5%	0.7%	5.9%
TEXAS	1.7%	2.2%	0	3.9%
VIRGINIA	2.1%	0	0	2.1%
WEST VIRGINIA	3.3%	0	0.8%	4.1%

TABLE 14

RANK ORDER OF STATES BY ESTIMATED EFFECTIVE STATE TAX RATES

1.	DISTRICT OF COLUMBIA	13.5%	
2.	NORTH CAROLINA	6.4%	
3.	TENNESSEE	5.9%	
4.	ARKANSAS	5.3%	
5.	FLORIDA	4.4%	
6.	GEORGIA	4.4%	
7.	WEST VIRGINIA*	4.1%	
8.	MARYLAND	3.9%	
9.	TEXAS	3.9%	
10.	KENTUCKY*	3.6%	
11.	MISSISSIPPI	3.3%	
12.	SOUTH CAROLINA*	3.3%	
13.	ALABAMA*	2.7%	
14.	LOUISIANA	2.5%	
15.	VIRGINIA*	2.1%	(5.7%)

NOTE: Asterisk denotes that state allows local taxes. The figure in parenthesis for Virginia reflects Virginia's effective state and local tax rate.

TABLE 15

MAJOR STATE AND LOCAL TAXES IMPOSED ON
PUBLIC SERVICE CORPORATIONS IN VIRGINIA, 1984

State Gross Receipts Tax	\$138.4 million
Local Gross Receipts Tax	\$ 29.8 million
Local Consumer Utility Tax	\$180.1 million
Local Property Taxes	\$ 96.3 million
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Total Major Taxes	\$444.6 million
State Percentage	31.1%
Local Percentage	68.9%

TABLE 16

LOCALITIES WITH THE HIGHEST LOCAL CONSUMER UTILITY TAX RATES

<u>LOCALITY</u>	<u>PRESENT MONTHLY RATE AND CEILING</u>	
County of Albemarle	20% First \$20	- Electric - Residential - No tax on electricity for water heating
	10% first \$3,000	- Electric - Commercial and industrial
	2% Excess	
	20% First \$10	- Gas - residential - No tax on gas for water heating
	10% First \$3,000	- Gas - Commercial and Industrial
	2% Excess	
	20% First \$20	- Telephone - Residential
	10% First \$3,000	- Telephone - Commercial and Industrial
	2% Excess	
City of Charlottesville	10% First \$3,000	- Electric - Residential Commercial and Industrial
	4% Excess	
	10% First \$3,000	- Gas - Residential, Commercial and Industrial
	4% Excess	
	10% First \$3,000	- Water - Residential, Commercial and Industrial
	4% Excess	
	10% First \$3,000	- Telephone - Residential Commercial and Industrial
	4% Excess	
City of Franklin	10% First \$15	- Electric - Residential
	10% First \$1,000	- Electric - Commercial and Industrial
	10%	- Telephone - No Ceiling
	10%	- Water - No Ceiling

<u>LOCALITY</u>	<u>PRESENT MONTHLY RATE AND CEILING</u>	
City of Lynchburg	8%	- Electric - No Ceiling
	8%	- Gas - No Ceiling
	10%	- Telephone - No Ceiling
	14%	- Water - No Ceiling
City of Norfolk	25% First \$15	- Electric - Residential
	25% First \$50	- Electric - Commercial and Industrial
	12% Excess	
	25% First \$6	- Gas - Residential
	25% First \$2,000	- Gas - Commercial and Industrial
	25%	- Telephone - No Ceiling
	25% First \$45	- Water - Residential
	25% First \$150	- Water - Commercial and Industrial
	15% Excess	
	25% First \$50	- Electric - Agribusiness
City of Portsmouth	20% First \$17	- Electric - Residential - No tax on electricity for water heating
	20% First \$2,000	- Electric - Other than Residential
	20% First \$9	- Gas - Residential
	20% First \$2,000	- Gas - Other than Residential
	20% First \$2,000	- Telephone
	20% First \$2,000	- Water
City of Richmond	25% First \$20	- Electric - Residential
	25% First \$625	- Electric - Commercial and Industrial
	5% Excess	
	25% First \$20	- Gas - Residential
	25% First \$625	- Gas - Commercial and Industrial
	5% Excess	
	25% First \$20	- Telephone - Residential
	25% First \$625	- Telephone Commercial and Industrial
	5% Excess	

<u>LOCALITY</u>	<u>PRESENT MONTHLY RATE AND CEILING</u>	
City of Roanoke	10%	- Electric - Exempt charge in excess of \$25 per month for domestic space heating during period October 1 - May 31
	10%	- Gas - Exempt charge in excess of \$10 per month for domestic space heating during period October 1 - May 31 No tax where principal source of space heating is electricity or gas used for no other purpose
	10%	- Telephone - No Ceiling
	10%	- Water - No Ceiling Any single utility tax limited to \$2,000 per month
Town of Rocky Mount	10% First \$20	- Electric - Residential
	10% First \$2,000	- Electric - Commercial
	10% First \$4,000	- Electric - Industrial
	10%	- Gas - No Ceiling
	10%	- Telephone - No Ceiling
City of Suffolk	13 1/2% First \$15	- Electric - Residential
	13 1/2% First \$20,000	- Electric - Commercial and Industrial - No tax on electricity on sales for resale
	13 1/2% First \$15	- Gas - Residential
	13 1/2% First \$20,000	- Gas - Commercial and Industrial
	13 1/2% First \$15	- Telephone - Residential
	13 1/2% First \$20,000	- Telephone - Commercial and Industrial

1987 SESSION

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HOUSE BILL NO. 1456
Offered January 27, 1987

A BILL to amend and reenact § 58.1-3731 of the Code of Virginia, relating to local license taxes on certain public service corporations.

Patrons—Parker, Lacy, Stosch and DeBoer

Referred to the Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-3731 of the Code of Virginia is amended and reenacted as follows:

§ 58.1-3731. Certain public service corporations; rate limitation.—Every county, city or town is hereby authorized to impose a license tax, in addition to any tax levied under Chapter 26 (§ 58.1-2600 et seq.) of this title, on (i) telephone and telegraph companies, (ii) water companies and (iii) heat, light and power companies at a rate not to exceed one-half of one percent of the gross receipts of such company accruing from ~~business sales to the~~ *ultimate consumer* in such county, city or town. However, in the case of telephone companies, charges for long distance telephone calls shall not be included in gross receipts for purposes of license taxation.

Official Use By Clerks	
<p style="text-align: center;">Passed By</p> <p>The House of Delegates</p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>	<p style="text-align: center;">Passed By The Senate</p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>
Date: _____	Date: _____
Clerk of the House of Delegates	Clerk of the Senate