

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: May 17, 2016

SUBJECT: Senate Req. No. 3474 - Coal Credit

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

Senate Req. No. 3474 proposes to amend 68 O.S. § 2357.11 which relates to the Coal Credit.

Under current law, 68 O.S. § 2357.11 (B) provides an income tax credit for the purchase of Oklahoma-mined coal to businesses providing water, heat, light or power from coal to the citizens of Oklahoma, or to those businesses which burn coal to generate heat, light or power for use in manufacturing operations in Oklahoma. An additional credit is allowed for Oklahoma-mined coal purchased. 68 O.S. § 2357.11 (D) provides a coal credit to businesses primarily engaged in mining, producing or extracting coal in this state. A valid permit issued by the Oklahoma Department of Mines must be held. The credit provided in this paragraph will not be allowed for coal mined, produced or extracted in any month in which the average price of coal is \$68 or more per ton, excluding freight charges. Credits earned prior to January 1, 2014, are transferable and may be claimed up to five (5) years. For credits earned on or after January 1, 2014, any credit earned but not used shall be refunded at an amount equal to eighty-five percent (85%) of the amount of the credit.

This measure proposes to limit this credit effective January 1, 2016 to seventy-five percent 75% of the amount allowed under current law.

The impact is an estimated of \$978,000 increase in income tax collections in FY17.