

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2017 REGULAR SESSION**

**MEASURE**

2017 BR NUMBER **0953**

**HOUSE** BILL NUMBER **165**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to tax incentives to promote the increased use of Kentucky coal.**

**SPONSOR** **Representative J. DuPlessis**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: \_\_\_\_\_

FUND(S) IMPACT:  GENERAL  ROAD  FEDERAL  RESTRICTED AGENCY \_\_\_\_\_  OTHER

**FISCAL SUMMARY**

| <b>FISCAL ESTIMATES</b> | <b>2016-2017</b> | <b>2017-2018</b> | <b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b> |
|-------------------------|------------------|------------------|---|
| <b>REVENUES</b>         | (\$248,000)      | (\$478,000)      | (\$478,000)                                 |
| <b>EXPENDITURES</b>     |                  |                  |   |
| <b>NET EFFECT</b>       | (\$248,000)      | (\$478,000)      | (\$478,000)                                 |

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The purpose of this measure is to make the coal incentive tax credit available to taxpayers that purchase at least 20,000 tons of coal subject to the coal severance and processing tax for the purpose of generating steam, hot water, or direct heat for industrial processes.

**PROVISIONS/MECHANICS:** This bill expands the definition of who can qualify for the coal incentive tax credit. To be eligible for the credit, a taxpayer must pay public service corporation property tax, individual income tax, corporation income tax, or limited liability entity tax; must buy coal subject to the tax imposed under KRS 143.020; and must use that coal for certain purposes.

The taxpayer currently has to be an electric power company subject to public service corporation property tax, own or operate a coal-fired electric generation plan, or be an alternative fuel facility or a gasification facility. This bill allows entities that own or operate an industrial facility and purchase at least 20,000 tons of coal subject to Kentucky coal severance and processing tax in a year to be eligible for the tax credit.

The coal currently has to be subject to Kentucky coal severance and processing tax and must be used for the purpose of generating electricity or as feedstock for an alternative fuel facility or a gasification facility. This bill allows coal used for the purpose of generating steam, hot water, or direct heat for industrial processes to be qualified for the tax credit.

**FISCAL EXPLANATION:** According to the U.S. Energy Information Administration, in calendar year 2015, 321,000 tons of coal were distributed in Kentucky from Kentucky sources for industrial purposes. While data is not yet available for October–December 2016, it is estimated that approximately 239,000 tons of coal were distributed in Kentucky from Kentucky sources for industrial purposes in calendar year 2016. There are no projections for this narrow use of coal into the future, and so the fiscal impact is indeterminable. However, using a few assumptions, it is possible to generally estimate the fiscal impact of this bill.

Assuming that: (1) only coal distributed in Kentucky from Kentucky sources is subject to the coal severance and processing tax; (2) all coal used for industrial purposes is used for the purposes of generating steam, hot water, or direct heat for industrial processes; and (3) coal distributed in Kentucky from Kentucky sources stays level in the future, there will be a loss of revenue to the general fund of \$248,000 in fiscal year 2016–2017 and a loss of revenue of \$478,000 in fiscal year 2017–2018 and in future years.

**DATA SOURCE(S): LRC Appropriations and Revenue Staff; U.S. Energy Information Administration; LRC Economists**

**PREPARER: Amit M. Shanker NOTE NUMBER: 31 REVIEW: JRS DATE: 2/9/2017**

LRC 2017-BR0953-HB165