

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE

House Bill 24 (Delegate McMillan)
 Ways and Means

Maryland-Mined Coal Tax Credit - Repeal

This bill accelerates the termination date for the Maryland-mined coal tax credit from tax year 2021 to tax year 2012.

The bill takes effect July 1, 2012, and applies to tax year 2012 and beyond.

Fiscal Summary

State Effect: General fund revenues increase by \$4.5 million in FY 2013. Future year revenue increases reflect the estimated maximum annual amount of credits that can be claimed under current law. Accelerating the termination date increases State revenues by a total of \$34.5 million through FY 2021.

(\$ in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
GF Revenue	\$4.5	\$6.0	\$6.0	\$3.0	\$3.0
Expenditure	0	0	0	0	0
Net Effect	\$4.5	\$6.0	\$6.0	\$3.0	\$3.0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Public service companies in Maryland can claim a \$3 per ton credit for the amount of Maryland-mined coal purchased in a calendar year. This nonrefundable tax credit can be claimed against the public service company franchise tax and cannot

exceed the State tax liability for that tax year. Co-generators and electricity suppliers that are not subject to the public service company franchise tax can also claim a \$3 per ton credit for the amount of Maryland-mined coal purchased in a calendar year. The credit is restricted to the electricity suppliers that were defined before July 1, 1999, as an electricity company under the Public Utilities Article. This restriction does not apply if an electricity supplier is an affiliate of one of the suppliers that were defined as an electricity company prior to July 1, 1999. This nonrefundable credit can be claimed against the State income tax.

Background: Maryland public service companies and specified co-generators and electricity suppliers can claim a \$3 per ton credit for the amount of Maryland-mined coal purchased in a calendar year. Companies are not required to consume the coal in order to claim the credit. Chapter 247 of 2006 capped the maximum annual amount of credits that can be claimed through tax year 2020, and sunset the credit beginning in tax year 2021. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) reduced these amounts in tax years 2009 through 2012 and, as a result, the maximum that can be claimed is \$4.5 million in tax year 2012, \$6.0 million annually in tax years 2013 and 2014, and \$3.0 million annually in tax years 2015 through 2020. The Budget Reconciliation and Financing Act of 2012 (SB 152/HB 87) proposes to terminate the credit effective in tax year 2012.

State Revenues: The bill repeals the Maryland-mined coal credit effective in tax year 2012. Based on the amount of coal mined in the State and credits claimed in the last several years, it is estimated that the maximum amount of credits will be awarded under current law. All of the credits in recent years have been claimed against the public service company franchise tax; none have been claimed against the corporate income tax. As a result, general fund revenues increase by \$4.5 million in fiscal 2013, \$6.0 million in each of fiscal 2014 and 2015, and by \$3.0 million in each of fiscal 2016 and 2017. Accelerating the termination date increases State revenues by a total of \$34.5 million through fiscal 2021. To the extent taxpayers adjust estimated payments, revenue increases will be greater than estimated in fiscal 2013.

Additional Information

Prior Introductions: HB 918 of 2011 received an unfavorable report from the House Ways and Means Committee. As introduced by the Governor, the Budget Reconciliation and Financing Act of 2011 (Chapter 397) included a provision repealing the credit but it was not included in the legislation passed by the General Assembly.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 9, 2012
mc/jrb

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