

Department of Legislative Services  
 Maryland General Assembly  
 2011 Session

FISCAL AND POLICY NOTE

House Bill 918 (Delegate McMillan)  
 Ways and Means

Repeal of Tax Credit for Purchase of Maryland-Mined Coal

This bill repeals the Maryland-mined coal credit, which is currently scheduled to sunset after tax year 2020.

The bill takes effect July 1, 2011, and applies to tax year 2011 and beyond.

Fiscal Summary

**State Effect:** General fund revenues increase by \$4.5 million in FY 2012. Future year revenue increases reflect the estimated maximum amount of credits that can be claimed under current law. Accelerating the termination date of the credit will increase State revenues by a total of \$39.0 million through FY 2021.

(\$ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	\$4.5	\$4.5	\$6.0	\$6.0	\$3.0
Expenditure	0	0	0	0	0
Net Effect	\$4.5	\$4.5	\$6.0	\$6.0	\$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 (PSC) tax and

cannot exceed the State tax liability for that tax year. Co-generators and electricity suppliers that are not subject to the PSC 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 year 2009 through 2012 and, as a result, the maximum that can be claimed in each year is \$4.5 million annually in tax years 2009 through 2012, \$6.0 million annually in tax years 2013 and 2014, and \$3.0 million annually in tax years 2015 through 2020. The credit is scheduled to terminate after tax year 2020. The Budget Reconciliation and Financing Act of 2011 (SB 87/HB 72) proposes to terminate the credit on June 1, 2011.

**State Revenues:** The bill repeals the Maryland-mined coal credit effective tax year 2011. 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 franchise tax; none have been claimed against the corporate income tax. As a result, general fund revenues increase by \$4.5 million in each of fiscal 2012 and 2013, \$6.0 million in each of fiscal 2014 and 2015, and by \$3.0 million in fiscal 2016. Accelerating the termination date will increase State revenues by a total of \$39.0 million through fiscal 2021.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 2, 2011  
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