

ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-8-2
COAL SEVERANCE TAX

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810-8-2-.01 Coal Severance Tax - Moisture Content.

(1) For purposes of auditing for collection of tonnage taxes on coal severed in this state, the Department of Revenue recognizes an inherent moisture content of 2.88% to be included in the tonnage measure of the tax.

(2) Moisture content over and above the 2.88% inherent figure may be allowed as a discount on the tonnage measure, but only if substantiated by a valid laboratory analysis of the moisture content of the coal for the entire audit period, or a substantial portion of the audit period involved. (Effective July 13, 1979)

Author:

Statutory Authority: Code of Ala. 1975, § 40-13-34(b).

History:

810-8-2-.03 Additional Coal Severance Tax Distribution -
Reporting And Calculation.

(1) Scope- Title 40, Chapter 13, Article 1, Code of Ala. 1975, levies an excise and privilege tax on every person severing coal within Alabama. The distribution of the proceeds from the Coal Severance Tax is provided for in §40-13-6, Code of Ala. 1975. The purpose of this rule is to provide guidance on the reporting and calculation of the additional severance tax distribution provided for in Act 2021-120.

(2) Definitions

(a) Additional Severance Tax Distribution - The portion of the coal severance tax distribution that is attributed to the amount of coal severed in a county that is at least 10 percent greater than the average of coal severed in the county for the fiscal years 2017-2018, 2018-2019, and 2019-2020 (Fiscal Years 2018-2020).

(b)1. Loaded for Shipping in Another County - When coal is severed from a mine located in one county and then transported from a different county. Examples include but are not limited to:

(i) The mouth of the mine is located in one county; however, the coal is severed from another county.

(ii) Coal that is transported on a conveyor belt from the county of severance to another county for shipment.

2. Loaded for shipping in another county does not include subsequent shipments of the coal after the initial shipment outside the county of severance.

(c) Three-Year Average - The total gross tonnage in any county for the fiscal years 2018-2020 divided by three and rounded to the nearest whole number.

(3) Reporting Requirements for Additional Severance Tax Distribution - Effective with the September 2021 Coal Severance Tax return, which is due no later than October 20, 2021, returns must indicate whether coal was severed in one county and loaded for shipping in another county.

(4) Requirements for Additional Severance Tax Distribution - Beginning with fiscal year 2021-2022 and every year thereafter, the additional severance tax distribution equal to the amount that is 10% or greater than the three-year average will be distributed to the county from which the coal was severed, unless the coal is loaded for shipping in another county. If the coal is loaded for shipping in another county, the county where the coal was severed will receive 75% of the additional severance tax distribution and the remaining 25% of the additional severance tax distribution will be disbursed to the county where the coal was loaded for shipping.

(a) Example of Calculation of Additional Severance Tax Distribution. The total gross tonnage for County X is 400,000 tons for fiscal years 2018-2020. The three-year average for County X is 133,333. In order for the additional severance tax distribution to occur, the gross tonnage severed in County X during the current fiscal year must be greater than or equal to 146,666 ($133,333 \times 1.10$).

(b) Example of Additional Severance Tax Distribution When **All** Coal is Loaded for Shipping in Another County. Continuing with the previous example, the 75%/25% distributions between the county of severance and the county where the coal was loaded for shipping will be calculated as follows:

1. If the previous fiscal year total tons severed is 200,000 tons, the additional severance tax distribution amount would be calculated on 53,334 tons (200,000 tons minus 146,666 tons).
2. Multiply the difference in the number of tons by the \$0.135 tax rate to calculate the additional severance tax distribution amount for County X. Example: $53,334 * \$0.135 = \$7,200.09$.
3. Calculate the county of severance 75% share of the additional severance tax distribution, by multiplying the additional severance tax distribution amount for County X by 0.75. Example: $\$7,200.09 * 0.75 = \$5,400.07$.
4. Calculate the 25% loaded for shipping county share of the additional severance tax distribution, by subtracting the 75% county of severance share from the total additional severance tax distribution amount. Example: $\$7,200.09 \text{ minus } \$5,400.07 = \$1,800.02$.

(c) Example of Additional Severance Tax Distribution When a Portion of the Coal is Loaded for Shipping in Another County. Continuing with the previous examples, the 75%/25% distributions between the county of severance and the loaded for shipping county will be calculated based upon the percentage of tons that were severed in one county and loaded for shipping in another county as follows:

1. Calculate the number of tons that will be used to compute the additional severance tax distribution amount, by subtracting the 10% greater tons (146,666) from the previous fiscal year total tons severed from County X. Example: If the previous fiscal year total tons severed is 200,000 tons, the additional severance tax distribution amount would be calculated on 53,334 tons (200,000 tons minus 146,666 tons).
2. Multiply the difference in the number of tons by the \$0.135 tax rate to calculate the additional severance tax distribution amount for County X. Example: $53,334 * \$0.135 = \$7,200.09$.
3. If 60% of the coal severed in County X is not loaded for shipping in another county, then 60% of the additional severance tax distribution will be disbursed to the county where the coal was severed. Example: $\$7,200.09 * .60 = \$4,320.05$.
4. Calculate the 40% share of the coal that was loaded for shipping in another county subtract the 60% share of the coal that was not loaded for shipping from the

additional severance tax distribution amount for County X. Example: \$7,200.09 minus \$4,320.05 = \$2,880.04.

5. The 40% share of the coal that was loaded for shipping in another county will be distributed in accordance with the 75%/25% additional severance tax distribution formulas.

(i) Calculate the county of severance 75% share of the additional severance tax distribution, by multiplying the 40% portion of coal that was loaded for shipping in another county by 0.75. Example: $\$2,880.04 * 0.75 = \$2,160.03$.

(ii) Calculate the 25% loaded for shipping county share of the additional severance tax distribution, by subtracting the 75% county of severance share from the total additional severance tax distribution amount. Example: $\$2,880.04$ minus $\$2,160.03 = \720.01 .

(5) The additional severance tax distribution will be calculated during the first month following the end of the previous fiscal year and distributed thereafter.

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Statutory Authority: Code of Ala. 1975, §§40-2a-7(a)(5), 40-13-6.

History: New Rule: Published June 30, 2021; effective August 14, 2021.