

MEMORANDUM

TO: Members of the House of Representatives

FROM: Representative Jaret Gibbons and Representative Doyle Heffley

DATE: April 17, 2014

SUBJECT: Waste Coal Energy and Reclamation Tax Credit

In the near future, we will be introducing companion legislation to Senator Don White's Waste Coal Energy and Reclamation Tax Credit legislation.

According to the Pennsylvania Department of Environmental Protection's Bureau of Abandoned Mine Reclamation, coal mining management practices before the late 1970s often resulted in numerous environmental damages, including: mine fires, mine substance and coal refuse, dangerous highwalls, open shafts and portals, as well as mining-impacted water, land and air pollution. In accordance with the U.S. Department of the Interior's Office of Surface Mining, the Bureau's Abandoned Mine Land Reclamation program has made significant progress in cleaning up these sites. Despite these efforts, mine reclamation remains an overwhelming task and one that is largely underfunded by the federal government.

In Pennsylvania, the coal refuse to alternative energy industry is helping to address this serious issue. Industry partners convert coal refuse from both past and current mining activities to electricity for residents and businesses across the Commonwealth. During this process, coal refuse stockpiles are removed from land and the ash byproduct generated during the conversion is utilized as a viable resource. The industry creates a clean, alternative energy source and provides thousands of jobs statewide, while also contributing to the cleanup and reclamation of abandoned mine lands and waterways. Unfortunately, power plants that use coal waste are facing tough economic challenges as a result of a volatile and depressed energy market, as well as substantial maintenance costs that are attributed to the type of the waste fuel they use.

To address these issues, our legislation – a companion bill to legislation being sponsored by Senator Don White – would establish a waste coal energy and reclamation tax credit to ensure the future viability of this important industry and to provide much needed supplemental assistance in Pennsylvania's efforts to clean up and reclaim abandoned mine damaged lands and

waterways.

Specifically, our legislation will include the following:

- Establish a \$3.50 per ton credit for electric generators that use waste coal as a fuel source;
- Extend the credit to electric generators that use waste coal as a fuel source and then uses or facilitates the ash at a reclamation project;
- Credits per generator would be limited to \$10 million per year;
- Allow the tax credit to be used to offset the tax liability of the company, the tax liability of related companies, or sold to other taxpayers that have a PA tax liability, if the generator is a “pass-through entity” the credit can be flowed to members, partners or shareholders;
- Allocate \$40 million in funding per year for 10 years to finance the program, if this amount is oversubscribed in any one year, generators would receive a pro rata share.

Please join us in bolstering support for mine reclamation efforts in the Commonwealth by cosponsoring this important legislation.