

E N G R O S S E D

H. B. 2816

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Committee on Energy; and then to the Committee on Finance.]

A BILL to amend and reenact §22-3-11 of the Code of West Virginia, 1931, as amended, relating to the eligibility of a mine operator to receive a tax credit for performing reclamation or remediation at a bond forfeiture site which otherwise would have been reclaimed using funds from the Special Reclamation Fund or Special Reclamation Water Trust Fund.

Be it enacted by the Legislature of West Virginia:

That §22-3-11 of the Code of West Virginia, 1931, as amended, be amended and reenacted to read as follows:

ARTICLE 3. SURFACE COAL MINING AND RECLAMATION ACT.

§22-3-11. Bonds; amount and method of bonding; bonding requirements; special reclamation tax and funds; prohibited acts; period of bond liability.

1 (a) After a surface mining permit application has been
2 approved pursuant to this article, but before a permit has been
3 issued, each operator shall furnish a penal bond, on a form to be
4 prescribed and furnished by the secretary, payable to the State of
5 West Virginia and conditioned upon the operator faithfully
6 performing all of the requirements of this article and of the
7 permit. The penal amount of the bond shall be not less than
8 \$1,000 nor more than \$5,000 for each acre or fraction of an acre:
9 *Provided, That the minimum amount of bond furnished for any*
10 *type of reclamation bonding shall be \$10,000. The bond shall*
11 *cover: (1) The entire permit area; or (2) that increment of land*
12 *within the permit area upon which the operator will initiate and*
13 *conduct surface mining and reclamation operations within the*
14 *initial term of the permit. If the operator chooses to use*
15 *incremental bonding, as succeeding increments of surface*
16 *mining and reclamation operations are to be initiated and*
17 *conducted within the permit area, the operator shall file with the*

18 secretary an additional bond or bonds to cover the increments in
19 accordance with this section: *Provided, however,* That once the
20 operator has chosen to proceed with bonding either the entire
21 permit area or with incremental bonding, the operator shall
22 continue bonding in that manner for the term of the permit.

23 (b) The period of liability for bond coverage begins with
24 issuance of a permit and continues for the full term of the permit
25 plus any additional period necessary to achieve compliance with
26 the requirements in the reclamation plan of the permit.

27 (c) (1) The form of the bond shall be approved by the
28 secretary and may include, at the option of the operator, surety
29 bonding, collateral bonding (including cash and securities),
30 establishment of an escrow account, self bonding or a
31 combination of these methods. If collateral bonding is used, the
32 operator may elect to deposit cash or collateral securities or
33 certificates as follows: Bonds of the United States or its
34 possessions of the Federal Land Bank or of the Homeowners'
35 Loan Corporation; full faith and credit general obligation bonds
36 of the State of West Virginia or other states and of any county,
37 district or municipality of the State of West Virginia or other

38 states; or certificates of deposit in a bank in this state, which
39 certificates shall be in favor of the department. The cash deposit
40 or market value of the securities or certificates shall be equal to
41 or greater than the penal sum of the bond. The secretary shall,
42 upon receipt of any deposit of cash, securities or certificates,
43 promptly place the same with the Treasurer of the State of West
44 Virginia whose duty it is to receive and hold the deposit in the
45 name of the state in trust for the purpose for which the deposit is
46 made when the permit is issued. The operator making the deposit
47 is entitled, from time to time, to receive from the State Treasurer,
48 upon the written approval of the secretary, the whole or any
49 portion of any cash, securities or certificates so deposited, upon
50 depositing with him or her in lieu thereof cash or other securities
51 or certificates of the classes specified in this subsection having
52 value equal to or greater than the sum of the bond.

53 (2) The secretary may approve an alternative bonding system
54 if it will: (A) Reasonably assure that sufficient funds will be
55 available to complete the reclamation, restoration and abatement
56 provisions for all permit areas which may be in default at any
57 time; and (B) provide a substantial economic incentive for the
58 permittee to comply with all reclamation provisions.

59 (d) The secretary may accept the bond of the applicant itself
60 without separate surety when the applicant demonstrates to the
61 satisfaction of the secretary the existence of a suitable agent to
62 receive service of process and a history of financial solvency and
63 continuous operation sufficient for authorization to self insure.

64 (e) It is unlawful for the owner of surface or mineral rights
65 to interfere with the present operator in the discharge of the
66 operator's obligations to the state for the reclamation of lands
67 disturbed by the operator.

68 (f) All bond releases shall be accomplished in accordance
69 with the provisions of section twenty-three of this article.

70 (g) (1) The Special Reclamation Fund previously created is
71 continued. The Special Reclamation Water Trust Fund is created
72 within the State Treasury into and from which moneys shall be
73 paid for the purpose of assuring a reliable source of capital to
74 reclaim and restore water treatment systems on forfeited sites.
75 The moneys accrued in both funds, any interest earned thereon
76 and yield from investments by the State Treasurer or West
77 Virginia Investment Management Board are reserved solely and
78 exclusively for the purposes set forth in this section and section

79 seventeen, article one of this chapter. The funds shall be
80 administered by the secretary who is authorized to expend the
81 moneys in both funds for the reclamation and rehabilitation of
82 lands which were subjected to permitted surface mining
83 operations and abandoned after August 3, 1977, where the
84 amount of the bond posted and forfeited on the land is less than
85 the actual cost of reclamation, and where the land is not eligible
86 for abandoned mine land reclamation funds under article two of
87 this chapter. The secretary shall develop a long-range planning
88 process for selection and prioritization of sites to be reclaimed
89 so as to avoid inordinate short-term obligations of the assets in
90 both funds of such magnitude that the solvency of either is
91 jeopardized. The secretary may use both funds for the purpose of
92 designing, constructing and maintaining water treatment systems
93 when they are required for a complete reclamation of the
94 affected lands described in this subsection. The secretary may
95 also expend an amount not to exceed ten percent of the total
96 annual assets in both funds to implement and administer the
97 provisions of this article and, as they apply to the Surface Mine
98 Board, articles one and four, chapter twenty-two-b of this code.

99 (2)(A) A tax credit shall be granted against the tax imposed
100 by subsection (i) of this section to any mine operator who
101 performs reclamation or remediation at a bond forfeiture site
102 which otherwise would have been reclaimed using funds from
103 the Special Reclamation Fund or Special Reclamation Water
104 Trust Fund. The credit authorized pursuant to this subdivision is
105 retroactive and may be claimed for reclamation or remediation
106 performed on or after January 1, 2012: Provided, That for
107 reclamation or remediation performed prior to July 13, 2013, no
108 tax credit may be granted unless a written application for the tax
109 credit was submitted to the Tax Commissioner prior to
110 September 1, 2014. The amount of credit shall be determined as
111 provided in this section.

112 (B) The amount of a reclamation tax credit granted under
113 this subsection shall be equal to the amount that the Tax
114 Commissioner determines, based on the project costs, as shown
115 in the records of the secretary, that would have been spent from
116 the Special Reclamation Fund or Special Reclamation Water
117 Trust Fund to accomplish the reclamation or remediation

118 performed by the mine operator, including expenditures for
119 water treatment.

120 (C) To claim the credit, the mine operator shall from time to
121 time file with the Tax Commissioner a written application
122 seeking the amount of the credit earned. Within thirty days of
123 receipt of the application, the Tax Commissioner shall issue a
124 certification of the amount of tax credit, if any, to be allocated to
125 the eligible taxpayer. Should the amount of the credit certified be
126 less than the amount applied for, the Tax Commissioner shall set
127 forth in writing the reason for the difference. Should no
128 certification be issued within the thirty-day period, the
129 application will be deemed certified. Any decision by the Tax
130 Commissioner is appealable pursuant to the provisions of the
131 “West Virginia Tax Procedure and Administration Act” set forth
132 in article ten, chapter eleven of the code. Applications for
133 certification of the proposed tax credit shall contain the
134 information and be in the detail and form as required by the Tax
135 Commissioner.

136 (h) The Tax Commissioner may promulgate rules for
137 legislative approval pursuant to the provisions of article three,

138 chapter twenty-nine-a of this code to carry out the purposes of
139 this subdivision two, subsection (g) of this section.

140 (i)(1) *Rate, deposits and review.*

141 (A) For tax periods commencing on and after July 1, 2009,
142 every person conducting coal surface mining shall remit a
143 special reclamation tax of fourteen and four-tenths cents per ton
144 of clean coal mined, the proceeds of which shall be allocated by
145 the secretary for deposit in the Special Reclamation Fund and the
146 Special Reclamation Water Trust Fund.

147 (B) For tax periods commencing on and after July 1, 2012,
148 the rate of tax specified in paragraph (A) of this subdivision is
149 discontinued and is replaced by the rate of tax specified in this
150 paragraph (B). For tax periods commencing on and after July 1,
151 2012, every person conducting coal surface mining shall remit
152 a special reclamation tax of twenty-seven and nine-tenths cents
153 per ton of clean coal mined, the proceeds of which shall be
154 allocated by the secretary for deposit in the Special Reclamation
155 Fund and the Special Reclamation Water Trust Fund. Of that
156 amount, fifteen cents per ton of clean coal mined shall be
157 deposited into the Special Reclamation Water Trust Fund.

158 (C) The tax shall be levied upon each ton of clean coal
159 severed or clean coal obtained from refuse pile and slurry pond
160 recovery or clean coal from other mining methods extracting a
161 combination of coal and waste material as part of a fuel supply.

162 (D) Beginning with the tax period commencing on July 1,
163 2009, and every two years thereafter, the special reclamation tax
164 shall be reviewed by the Legislature to determine whether the
165 tax should be continued: *Provided*, That the tax may not be
166 reduced until the Special Reclamation Fund and Special
167 Reclamation Water Trust Fund have sufficient moneys to meet
168 the reclamation responsibilities of the state established in this
169 section.

170 (2) In managing the Special Reclamation Program, the
171 secretary shall: (A) Pursue cost-effective alternative water
172 treatment strategies; and (B) conduct formal actuarial studies
173 every two years and conduct informal reviews annually on the
174 Special Reclamation Fund and Special Reclamation Water Trust
175 Fund.

176 (3) Prior to December 31, 2008, the secretary shall:

177 (A) Determine the feasibility of creating an alternate
178 program, on a voluntary basis, for financially sound operators by
179 which those operators pay an increased tax into the Special
180 Reclamation Fund in exchange for a maximum per-acre bond
181 that is less than the maximum established in subsection (a) of
182 this section;

183 (B) Determine the feasibility of creating an incremental
184 bonding program by which operators can post a reclamation
185 bond for those areas actually disturbed within a permit area, but
186 for less than all of the proposed disturbance and obtain
187 incremental release of portions of that bond as reclamation
188 advances so that the released bond can be applied to approved
189 future disturbance; and

190 (C) Determine the feasibility for sites requiring water
191 reclamation by creating a separate water reclamation security
192 account or bond for the costs so that the existing reclamation
193 bond in place may be released to the extent it exceeds the costs
194 of water reclamation.

195 (4) If the secretary determines that the alternative program,
196 the incremental bonding program or the water reclamation

197 account or bonding programs reasonably assure that sufficient
198 funds will be available to complete the reclamation of a forfeited
199 site and that the Special Reclamation Fund will remain fiscally
200 stable, the secretary is authorized to propose legislative rules in
201 accordance with article three, chapter twenty-nine-a of this code
202 to implement an alternate program, a water reclamation account
203 or bonding program or other funding mechanisms or a
204 combination thereof.

205 (j) This special reclamation tax shall be collected by the
206 State Tax Commissioner in the same manner, at the same time
207 and upon the same tonnage as the minimum severance tax
208 imposed by article twelve-b, chapter eleven of this code is
209 collected: *Provided*, That under no circumstance shall the special
210 reclamation tax be construed to be an increase in either the
211 minimum severance tax imposed by said article or the severance
212 tax imposed by article thirteen of said chapter.

213 (k) Every person liable for payment of the special
214 reclamation tax shall pay the amount due without notice or
215 demand for payment.

216 (l) The Tax Commissioner shall provide to the secretary a
217 quarterly listing of all persons known to be delinquent in
218 payment of the special reclamation tax. The secretary may take
219 the delinquencies into account in making determinations on the
220 issuance, renewal or revision of any permit.

221 (m) The Tax Commissioner shall deposit the moneys
222 collected with the Treasurer of the State of West Virginia to the
223 credit of the Special Reclamation Fund and Special Reclamation
224 Water Trust Fund.

225 (n) At the beginning of each quarter, the secretary shall
226 advise the State Tax Commissioner and the Governor of the
227 assets, excluding payments, expenditures and liabilities, in both
228 funds.

229 (o) To the extent that this section modifies any powers,
230 duties, functions and responsibilities of the department that may
231 require approval of one or more federal agencies or officials in
232 order to avoid disruption of the federal-state relationship
233 involved in the implementation of the federal Surface Mining
234 Control and Reclamation Act, 30 U. S. C. §1270 by the state, the

235 modifications will become effective upon the approval of the

236 modifications by the appropriate federal agency or official.

NOTE: The purpose of this bill is to specify that a tax credit may not be granted for reclamation or remediation performed prior to July 13, 2013, unless a written application for the tax credit was submitted to the Tax Commissioner prior to September 1, 2014.

Strike-throughs indicate language that would be stricken from the present law, and underscoring indicates new language that would be added.

