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HOUSE BILL 1198

48TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2007

INTRODUCED BY

Irvin Harrison

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO TAXATION; ELIMINATING THE COAL SURTAX; REPEALING
THE COAL SURTAX EXEMPTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 7-26-6 NMSA 1978 (being Laws 1982,
Chapter 77, Section 1, as amended) is amended to read:

"7-26-6. SEVERANCE TAX ON COAL [~~SURTAX~~].--

A. The severance tax on coal is measured by the
quantity of coal severed and saved. The taxable event is sale,
transportation out of New Mexico or consumption of the coal,
whichever first occurs. Upon each short ton (two thousand
pounds) of coal severed and saved, there shall be imposed on
the severer a severance tax. [~~For the period commencing on
July 1, 1982~~] The severance tax rate shall be [~~(1)~~] for surface
coal, fifty-seven cents (\$.57); and [~~(2)~~] for underground coal,

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1 fifty-five cents (\$.55).

2 ~~[B. The severance tax on coal shall be increased by~~
3 ~~a surtax, hereby imposed. The surtax shall be imposed on the~~
4 ~~unit of quantity of such product or natural resource at the~~
5 ~~following rates:~~

6 ~~(1) surface coal, sixty cents (\$.60); and~~

7 ~~(2) underground coal, fifty-eight cents~~
8 ~~(\$.58).~~

9 ~~C. The surtax rate on coal shall be increased on~~
10 ~~July 1, 1994 and on July 1 of each succeeding year by an amount~~
11 ~~equal to the product of the dollar amount of the severance tax~~
12 ~~imposed on each ton of coal by a percentage equal to the~~
13 ~~percentage rise in the producer price index for coal from the~~
14 ~~calendar year 1992 to the calendar year just prior to the year~~
15 ~~in which the surtax rates are computed, but in no case shall~~
16 ~~the surtax rate be decreased. The rates so computed shall be~~
17 ~~computed by the department in April of 1994 and in April of~~
18 ~~each year thereafter and published on or before May 1, 1994 and~~
19 ~~on or before May 1 of each year thereafter.~~

20 ~~If the producer price index for coal is substantially~~
21 ~~revised or if the base year used as an index of one hundred is~~
22 ~~changed, the department shall make an adjustment in the~~
23 ~~percentage used to compute the surtax rates that would produce~~
24 ~~results equivalent, as nearly as possible, to those that would~~
25 ~~have been obtained if the producer price index for coal had not~~

.167512.1

underscoring material = new
[bracketed material] = delete

1 ~~been so revised or if the base year had not been changed. If~~
2 ~~this index ceases to become available, then a comparable index~~
3 ~~based upon changes in the price of coal shall be adopted by the~~
4 ~~department by regulation.~~

5 ~~D.]~~ B. As used in this section:

6 [~~(1)~~] "~~producer price index for coal~~" means the
7 commodity code 05-1 as reported annually by the bureau of labor
8 statistics at the United States department of labor in their
9 annual producer price indexes data;

10 ~~(2)]~~ (1) "surface coal" means coal that is
11 severed using surface mining methods;

12 [~~(3)]~~ (2) "surface mining" means the
13 extraction of coal from the earth by removing the material
14 overlying a coal seam and then removing the coal by common
15 methods, including, but not limited to, contour mining, strip
16 mining, mountain top removal mining, box cut mining, open pit
17 mining and area mining; and

18 [~~(4)]~~ (3) "underground coal" means all coal
19 that is not surface coal."

20 Section 2. REPEAL.--Section 7-26-6.2 NMSA 1978 (being
21 Laws 1990, Chapter 83, Section 1 and also Laws 1990, Chapter
22 84, Section 1, as amended) is repealed.

23 Section 3. EFFECTIVE DATE.--The effective date of the
24 provisions of this act is July 1, 2007.