

NATIONAL COUNCIL OF COAL LESSORS
P. O. Box 653
Scott Depot, WV 25560

April 15, 2013

The Honorable Kevin Brady
U.S. House of Representatives
Washington, DC 20515

The Honorable Mike Thompson
U.S. House of Representatives
Washington, DC 20515

Dear Congressmen Brady and Thompson:

I am writing you today on behalf of the National Council of Coal Lessors (NCCL) – an organization of land and royalty holders in the Eastern coalfields of the United States. We are writing to urge you to protect the important provisions in the tax code related to natural resource ownership and extraction.

As you know, coal is an abundant and affordable natural resource that supplies much of the power demand in the country. It has been a reliable source of energy for decades and can be for decades to come if it is allowed to do so. The domestic industry employs more than 134,000 people in 25 states and supports more than 3.5 million jobs elsewhere in the economy. The U.S. generates more than 42 percent of its electricity from coal.

Under longstanding current law, royalties received by the landowner on the sale of coal or lignite by the mining company generally qualify for treatment as long-term capital gains, and the royalty owner does not qualify for percentage depletion with respect to the coal or lignite. The taxpayer claiming the long-term capital gain must have been the owner for at least one year before it is mined. The taxpayer benefiting is also prohibited from being a co-adventurer, partner or principal in the mining of the coal or be a part of certain related party transactions. Timber and iron ore are subject to similar rules.

This tax treatment of the sale of the asset is absolutely appropriate given the nature of the holding and the value the mineral has to all parties. The capital gains treatment is in place because the landowners are selling a capital asset after a sufficient holding period. There is no reason to single out coal, or any other resource, from treatment as a capital asset.

It goes without saying that a change to the capital classification for taxation purposes would increase the cost of coal and therefore increase the cost of electricity to consumers. At the same time it would threaten employment in the industry and create uncertainty in electric power markets. All of this would combine to call into question one of our country's greatest assets – affordable and accessible electricity generated from American coal.

I hope you will reject entreaties to weaken our domestic energy market and make U.S. businesses less competitive by attacking the domestic mining industry. As stories are written detailing our energy strength, it is crucial the longstanding, logical and consistent tax policy of the country be maintained so that we do not denigrate our energy security.

I would be happy to provide you any further information on these issues as you need.

Sincerely,



Nick Carter
Chairman