143.025 Determination of taxable gross value of severed coal.

(1) Taxpayers severing coal in Kentucky and partially or wholly processing the coal outside of Kentucky thereafter and taxpayers severing coal outside of Kentucky and partially or wholly processing the coal in Kentucky thereafter shall determine and report the gross value of the coal by application of the following formula:

(a) Determine the direct cost of severing or processing the coal in Kentucky as defined in paragraphs (d) and (e) of this subsection.

(b) Determine the direct cost of severing or processing the coal outside of Kentucky as defined in paragraphs (d) and (e) of this subsection.

(c) Exclude from paragraphs (a) and (b) of this subsection transportation expense and overhead cost as defined in paragraph (f) of this subsection.

(d) Include in the direct cost of severing coal: black lung excise tax; contract mining, less transportation expense contained therein; cost depletion; depreciation; development; equipment rental; explosives; fuel; labor and associated expenses; maintenance; reclamation; royalties when based on tons severed; and wheelage.

(e) Include in the direct cost of processing coal: depreciation; equipment rental; fee processing; fuel; labor and associated expense; maintenance; and refuse disposal.

(f) Include in the overhead costs: commissions; freight yard and siding expense; general expense; general insurance and supervision; general office expense; idle time expense; inventory adjustments; mine closing expense; officers' salaries; percentage depletion; quality analysis; scale and weighman's expense; transportation expense and taxes, including sales, coal severance, property, franchises, and state income taxes.

(2) For purposes of computing the formula under this section, any expense which is not directly attributable to either the severing or processing of the coal shall be classified as an overhead cost.

(3) Direct cost determined in subsection (1)(a) of this section divided by the total of direct cost determined in subsection (1)(a) of this section and the direct cost determined in subsection (1)(b) of this section and the result multiplied by the gross value of the coal shall equal the proportion of gross value which is subject to the tax levied under KRS 143.020.

(4) Any taxpayer determining taxable gross value as provided in this section shall submit supporting computations and classifications of cost with each coal tax return, unless the department authorizes the taxpayer to submit the supporting information on a basis other than monthly.

Effective: July 1, 2013

History: Amended 2013 Ky. Acts ch. 119, sec. 19, effective July 1, 2013. -- Amended 2005 Ky. Acts ch. 85, sec. 537, effective June 20, 2005. -- Created 1990 Ky. Acts ch. 163, sec. 2, effective July 13, 1990.