Coal Royalty Fairness Act of 2015

Capturing a Fair Return from our Public Lands

The Coal Royalty Fairness Act of 2015 closes a loophole that coal companies have exploited for decades to avoid federal royalty payments. The bill ensures that American taxpayers are getting a fair return on publicly owned coal.

Under current federal law, taxpayers are being short-changed an estimated $140 million per year in unassessed royalties on federal coal, according to a recent report by Headwaters Economics. This is because royalties are collected on the price of coal at *first* sale, not the actual market value of the coal, which is the price at *final* sale. Coal companies have been gaming the system by making the first sale to their own subsidiaries at a reduced price and then re-selling the coal at the higher true market rates – skirting royalty payments in the process. This bill would close this loophole, using a straightforward approach modeled after existing law in the State of Montana – the nation's second largest federal coal-producing state.

This legislation will:

1. Direct the Secretary of the Interior to collect royalties based on the actual market value of the coal – the value of the coal at the final point of sale. The bill maintains current levels of transportation and washing cost deductions. This simple change ensures fair returns on publicly owned coal, and is estimated to generate approximately $140 million in new revenues per year.

2. Increase transparency and standardize the royalty collection process by creating a publically reported index of coal prices and transportation costs—bringing daylight to the key figures of royalty assessment.

3. Direct the Government Accountability Office (GAO) to produce a report reviewing the Federal coal program every three years to ensure ongoing transparency, fairness, and efficiency in the administration of the federal coal program.