

COAL EXCISE TAX FOREWORD

This Market Segment Specialization Program (MSSP) guide was developed to provide excise tax agents with specific tools to examine issues relating to domestic produced coal. The guide provides guidance on 13 potential audit issues, general audit guidelines, sample IDR requests, a glossary of mining terms, and includes background information on the coal mining industry.

The examples and the citations in this guide are based upon 2006 law. While some of the provisions of IRC sections 4121, 4216, and 6416 are explained, the primary focus of the module is not an in-depth explanation of the law, but rather a guide to audit issues.

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includes a brief explanation, cites the appropriate Code sections and references, and identifies helpful audit techniques.

BACKGROUND INFORMATION

In the appendices you will find a glossary of mining terms and referral to additional resource material on the coal mining industry.

3. Was a Federal Highway Use Tax Return, Form 2290, filed by you or your subsidiaries for any period in the last two years? yes/no

If the answer to questions 1, 2 or 3 was yes, please provide a copy of all Forms 720, Form 8849 or 2290 filed in the last two years.

4. Do you or your subsidiaries maintain bulk diesel fuel, fuel oil, or heating oil tanks for any of the following:

- a. Highway type vehicles (trucks, tractors): yes/no
- b. Heating: yes/no
- c. Off-highway equipment (bulldozers etc.): yes/no
- d. River vessels: yes/no
- e. Other: (Please list other equipment) yes/no

5. Do you or your subsidiaries have a foreign insurance company (outside the United States) insuring domestic property or life? yes/no

6. Do you have a captive foreign insurance company? yes/no

7. Do you have any debt obligations from foreign sources?

8. Do you or your subsidiaries either own or lease highway vehicles with a gross vehicle weight of over 55,000 pounds? yes/no

If yes, please complete the following schedule:

Description of vehicle	Gross Vehicle Weight	Vehicle first put into use
1990 Mack Tractor*	73,000 lbs.*	March 1990*

(*example)

9. Do you or your subsidiaries import or manufacture any of the following:

Sports fishing equipment: yes/no

Electric outboard motors or sonar devices: yes/no

Bows or arrows: yes/no

Trucks with a gross vehicle weight over 33,000 lbs.: yes/no

Trailers with a gross vehicle weight over 26,000 lbs.: yes/no

Highway Tractors: yes/no

10. Do you or your subsidiaries import products containing or manufactured with Ozone Depleting Chemicals (ODC)? Yes/no

11. Do you or your subsidiaries hold or sell Ozone Depleting Chemicals (ODC) in a trade or business? yes/no

If yes, please provide quantity of each ODC as of January 1st for the last two years.

12. Do you or your subsidiaries mine coal or have a contract miner mine coal for you? yes/no

13. Do you or your subsidiaries operate a vessel on any river in the United States in the last two years? yes/no

14. Do you or your subsidiaries own or operate a railroad or locomotive that runs on rails? yes/no

If yes, please provide a copy of one invoice from each of your diesel fuel suppliers.

15. Do you or your subsidiaries own/lease or operate a helicopter or an aircraft that has a take-off weight of over 6,000 lbs.? yes/no
16. Do you or your subsidiaries purchase special motor fuels for use in highway motor vehicles? yes/no
17. Have you or your subsidiaries provide any communication service (local telephone service, toll telephone service, or, teletypewriter exchange service) to anyone where you charged a fee?

Appendix I GLOSSARY OF MINING TERMS

There are many technical terms associated with the mining industry. Below are terms that, while not necessarily used or discussed in this text, are commonly encountered when examining mining entities or activities. The following definitions are taken from "Dictionary of Mining Terms."

A

Abandoned Mine - Excavations, either caved or sealed, that are deserted and in which further mining is not intended.

Acid Mine Drainage - Liquid drainage from bituminous coal mines containing a high concentration of acidic sulfates, especially ferrous sulfate.

Adit - A horizontal opening giving access to a mine.

Advance Stripping - The removal of barren or sub-grade earthy or rock materials required to expose and permit the minable grade of ore to be mined.

Air Shaft - A shaft used wholly or mainly for ventilating mines, for bringing fresh air to places where men are working, or for exhausting used air.

Airway - Any underground gallery or passage through which a portion of the ventilation passes, that is, the air is carried. Sometimes referred to as an air course. Also called wind road.

Anode - The positive terminal of an electrolytic cell. Opposite of cathode.

Anthracite - A hard, black lustrous coal containing a high percentage of fixed carbon and a low percentage of volatile matter. Commonly referred to as hard coal. Anthracite ignites with difficulty, produces no smoke, burns at first with a very short blue flame that disappears after the coal is thoroughly ignited, and produces an intensely hot fire.

Ash - The inorganic residue remaining after ignition of combustible substances. In general, it differs in weight and composition from the original mineral matter.

Auger Mining - A mining method often used by strip-mine operators when the overburden gets too thick to be removed economically. Large-diameter, spaced holes are drilled up to 200 feet into the coal bed by an auger. Like a bit used for boring holes in wood, this consists of a cutting head with screw like extensions. As the auger turns, the head breaks the coal and the screw carries the coal back into the open and dumps it on an elevating conveyor; this, in turn, carries the coal

to an overhead bin or loads it directly into a truck. Auger mining is relatively inexpensive, and it is reported to recover 60 to 65 percent of the coal in the part of the bed where it is used.

B

Backfill - The process of filling, and/or the material used to fill, a mine opening. In general refers to the material placed "back" to refill an excavation.

Ballast - Rough, unscreened gravel as used to form the bed of a railway or substratum for new roads.

Barren Solution - A solution from which all possible valuable constituents have been removed.

Bed - The smallest division of stratified layers marked by more or less well-defined divisional planes.

Belt Conveyors - A moving endless belt that rides on rollers and on which coal or other materials can be carried for various distances.

Belt Feeders - Short loop of conveyor belt, or articulated steel plate, used to draw ore at a regulated rate from under a bin or stockpile.

Belting - One of the main parts of a belt conveyor. The belting consists of plies of cotton duck impregnated with rubber, and with top and bottom covers of rubber. The carrying capacity of the belt will vary depending on the running speed and the width of the belt.

Bench - The horizontal step or floor along which coal, ore, stone, or overburden is worked or quarried. In tunnel excavation, where a top heading is driven, the bench is the mass of rock left, extending from about the spring line to the bottom of the tunnel.

Beneficiation - The processing of ores to regulate the size of a desired product, remove unwanted constituents, and improve the quality, purity, or assay grade of a desired product. Concentration or other preparation of ore for smelting by drying, flotation, or magnetic separation.

Bituminous Coal - A coal which is high in carbonaceous matter, having between 15 and 50 percent volatile matter. Also known as soft coal.

Blast - The operation of blasting, or rending rock or earth by means of explosives.

