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# **GUEST EDITORIAL: Building A Case For Coal Severance Tax**

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Posted: Monday, November 23, 2015 12:01 am

by Pamela Richart | 0 comments

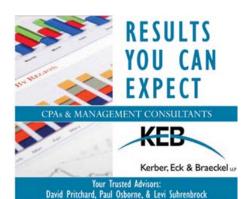
Out of 25 coal producing states, Illinois is just one of three that does not have a coal severance tax, a simple excise fee placed on the value of Illinois coal that could bring substantial revenues back to communities and to state coffers. A small tax could fund job-creating projects in coal-producing communities, strengthen local economies, pay for environmental clean-up and help Illinois' hard-working families get ahead.

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Despite competition from natural gas and wind and solar, market demand for Illinois coal continues to rise. With its increased production, Illinois now ranks fourth among all coal-producing states. Recoverable reserves are estimated to be greater than those of any state east of the Mississippi River.



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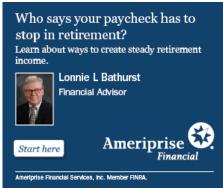
Illinois coal mines produced 57.9 million tons of coal in 2014, a 58 percent increase in production over the prior five years. This is due to its relatively low production cost, high-energy value, and improved ability of coal-fired power plants to burn Illinois' high-sulfur coal.

The Community Futures Initiative, a statewide effort supporting a coal tax, proposes Illinois collect a coal severance tax primarily for the benefit of communities in active coal-mining areas. They agree with recommendations of a recent report by the Center for Tax and Budget Accountability and Downstream Strategies that concluded Illinois should implement a severance tax set at five percent of the gross value of coal produced, annually distributing the revenues equally between: (1) the states's General Revenue Fund; (2) local communities, where coal is mined; and (3) a Permanent Mineral Trust Fund, where a portion of

the revenues collected would be set aside for times when production decreases.

A five percent severance tax could have generated \$141.5 million in annual revenue in 2015. By 2040, over \$4.4 billion could be collected for job-creating initiatives. This is money that could be used to move local economies forward–or pay for environmental cleanup once coal companies leave the area.

Studies show that a coal severance tax does not impact







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production or result in job loss. According to Downstream Strategies, wages and transportation have a greater impact on production than a change in tax rates, and demand and production are determined by markets, not taxes. This means miners keep their jobs, and communities receive funds to invest in environmental clean-up, education, job training and infrastructure for a self-sufficient economy.

Why should Illinois communities benefit from a coal tax? Once coal companies leave, these same communities bear the financial responsibility for abandoned mined lands, leaking coal slurry ponds, damaged roads, subsided farmland and diminished quality

of life from noise, light pollution, increased truck traffic and fugitive dust.

Now is the time for a coal severance tax, while coal production in Illinois is the highest it has been in over 30 years. Shouldn't Illinois lawmakers take advantage of the increased coal production in the state and collect revenue for economic development and job-creating opportunities for communities struggling to diversify their coal-dependent economies?

To learn more and to take action, visit reinvestil.org.

Pam Richart is co-director of Eco-Justice Collaborative, a non-profit based in Champaign and a founding member of Community Futures Initiative, a statewide effort that advocates for creating local, vibrant and sustainable communities.

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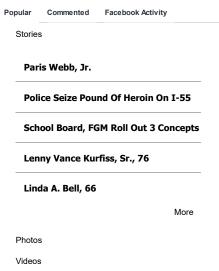
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