Subsidies to the coal industry began in 1932, when the federal government allowed companies to deduct a portion of their income to help recover initial capital investments (the percentage depletion allowance). Since 1950, the federal government has provided the coal industry with more than $70 billion (in constant 2007 dollars) in tax breaks and subsidies (see sidebar).

An Established Industry
- The coal industry doesn’t need the government’s help. Prices of coal at electric utilities rose over 14.3% in 2008, and according to the Energy Information Administration prices of domestic coal have risen steadily from 2003 through 2008.\(^1\)

- For the last three years, the top three domestic coal companies have consistently reported record profits. Peabody Energy, the largest private-sector coal company, posted record revenue in the year of 2008, with a 45% increase in profits from the 2007 year.\(^2\) Despite an uncertain economy, Peabody’s profits tripled in the first quarter of 2009.\(^3\) Arch Coal Inc., the third largest producer, had a net income of $354.3 million in 2008, double their income of 2007.\(^4\) Yet the government continues to hand out billions in tax breaks and subsidies (see chart).

Billion-Dollar Failure
- The government has also poured billions into Clean Coal technology programs since the 1980’s, to make the process of mining and burning coal less harmful to the environment. But the Governmental Accountability Office has criticized clean coal programs as costly and inefficient.\(^5\)

- Commercially-successful clean coal projects were supposed to generate profits that would be paid back to the taxpayers to help cover the cost of the original investment in the coal industry. But out of the amount invested, less than one percent has been repaid.\(^5\)
Recent Subsidies

- Congress included more than $9 billion in subsidies in the Energy Policy Act of 2005, including new subsidies and tax credits for clean coal (see sidebar).


- The American Recovery and Reinvestment Act of 2009 gave billions of dollars to coal, including $3.4 billion for carbon capture and sequestration.7

For more information, please visit www.taxpayer.net

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4 Arch Coal financial information at http://files.shareholder.com/downloads/ACI/649045947x0x281465/F9124FD0-87A4-481E-80CB-FB880524CD3F/2008AR.pdf
7 DOE Secretary Stephen Chu’s testimony before the House Appropriations Subcommittee on Energy and Water Development at http://appropriations.house.gov/Witness_testimony/EW/Steven_Chu_06_03_09.pdf
11 Ibid.
14 FY09-FY13 estimate from: Joint Committee on Taxation, “Estimated budget effects of the tax provisions contained in an amendment in the nature of a substitute to H.R. 1424, scheduled for consideration on the senate floor on October 1, 2008”, October 2008.
15 Ibid.

Picture from http://www.epa.gov/Region8/cei/Images/smokestack.jpg