

**2021 Virginia  
Form 306**

**Application for  
Virginia Coal-Related Tax Credits**



For Calendar Year 2021. FISCAL YEAR filers: Enter beginning date \_\_\_\_\_, \_\_\_\_ and ending date \_\_\_\_\_, \_\_\_\_ and check here.

Name of Company	FEIN / SSN
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Use Form 306 to calculate the **Coalfield Employment Enhancement Tax Credit** and the **Virginia Coal Employment and Production Incentive Tax Credit** earned in the 2021 taxable year. Read the instructions prior to completing this form and related schedules.

**Part I – Qualifications**

- Coalfield Employment Enhancement Tax Credit** (also check applicable boxes below)
  - Coal Credit**
  - Coal Bed Methane Credit**
- Virginia Coal Employment and Production Incentive Tax Credit:** Check this box if you meet the qualifications for this credit.

If you do not qualify directly for this credit, but qualify by receiving a credit distribution from a pass-through entity, go to Part III, Line 10

**Part II – Tons of Coal Sold**

Show the total tonnage of each type of qualifying metallurgical coal for the taxable year for which the **Coalfield Employment Enhancement Tax Credit** is to be computed in Part III.

	Column A Underground Seam 36" or Less	Column B Underground Seam Over 36"	Column C Surface Mined
1. Enter the number of tons of qualifying coal sold during the taxable year. . . . .			
2. Enter, from Schedule 306A, the number of tons of qualifying coal sold during the taxable year for which the purchaser is eligible for the Virginia Coal Employment and Production Incentive Tax Credit. . . . .			
3. Subtract Line 2 from Line 1. Enter the result below in the "Number of Tons Sold" column. . . . .			

**Part III – Credit Computation**

**A. Coal Credit Base** (see instructions for definitions)

Enter the qualifying tonnage on which the coal credit base is computed. If claiming this credit, and you also sold qualifying tonnage and issued a certificate to the purchaser, complete Schedule 306A. Do not include amounts from Schedule 306A, Column E, in this section.

	Number of Tons Sold	Multiplier	Credit Earned
1. Underground mining method: Seam thickness 36" or less: Enter amount from Part II, Line 3, Col. A, above. . . . .		<b>x \$2.00 =</b>	
2. Underground mining method: Seam thickness over 36": Enter amount from Part II, Line 3, Col. B, above. . . . .		<b>x \$1.00 =</b>	
3. Surface mining method: Enter amount from Part II, Line 3, Col. C, above. . . . .		<b>x \$0.40 =</b>	
4. <b>Total Credit Base (add Lines 1, 2, and 3).</b> . . . . .			

**B. Employment Factor** (See instructions for definitions.)

5. Total number of Virginia coal mining jobs for the calendar year ending within the taxable year. . . . .	
6. Total number of Virginia coal mining jobs for the preceding calendar year. . . . .	
7. Employment Factor (divide Line 5 by Line 6). Do not enter more than 100%. . . . .	

**C. Credit Computations and Credit Distributions Earned for 2021** (Report credit on 2024 return.)

8. Tentative coal mining credit (multiply Line 4 by the percentage on Line 7). . . . .	
9. Coal bed methane gas producer credit (\$.01 per million BTU of coal bed methane gas produced in Virginia). . . . .	
10. Credit distributions from pass-through entities (see instructions). . . . .	
11. 2021 Coalfield Employment Enhancement Tax Credit earned. Enter the total of Lines 8, 9, and 10 here. Also enter this amount on the Coalfield Employment Enhancement Tax Credit earned line of your tax return or credit schedule. . . . .	

**D. Application of Coal Related Tax Credits Earned** (From 2021 Form 306B.)

12. Full tax credit: Enter amount from 2021 Form 306B, Line 2 . . . . .	
13. Excess tax credit (85%): Enter amount from 2021 Form 306B, Line 15. . . . .	
14. Total credit allowable this year. Add Lines 12 and 13. . . . .	



# 2021 Form 306 Instructions

## Application for Virginia Coal-Related Tax Credits

**TAX BULLETIN:** See *Virginia Tax Bulletin 97-1* for additional information on coal-related tax credits. The bulletin is available by writing to the **Virginia Department of Taxation, P.O. Box 1317, Richmond, VA 23218-1317**; calling **(804) 367-8031 (individuals)** or **(804) 367-8037 (businesses)**; or visiting the Department’s website, **www.tax.virginia.gov**.

### General Information

#### Coalfield Employment Enhancement Tax Credit

The Coalfield Employment Enhancement Tax Credit provides a composite tax credit for metallurgical coal mined in Virginia and coal bed methane gas produced in Virginia based on a per ton or per million BTU rate and an employment factor. The credit can be earned in taxable years beginning on or after January 1, 1996, but before January 1, 2017 and on or after January 1, 2018, but before January 1, 2022. The credit may be claimed based on the Credit Redemption Schedule below. If the amount of the credit exceeds the taxpayer’s income tax liability for a year in which it redeems credits, the excess credit will be applied to any other taxes imposed by the Commonwealth of Virginia. The Department of Taxation will redeem any remaining credit as follows: 85% will be refunded directly to the taxpayer and the remaining 15% will be deposited in a regional economic development fund administered by the Virginia Coalfield Economic Development Authority.

#### Credit Redemption Schedule

Taxable Year Earned	Taxable Year to Claim
2015	2018
2016	2019
2017 (No credit allowed)	2020 (No credit allowed)*
2018	2021
2019	2022
2020	2023
2021	2024

#### Virginia Coal Employment and Production Incentive Tax Credit

For tax years beginning on and after January 1, 1988, but before January 1, 2022, this credit may be allocated between a qualifying electricity generator and qualifying person with an economic interest in coal. The allocation of this credit may not exceed \$3 per ton. Electricity generators that originally earned the credit may carry forward amounts of credit for up to 10 taxable years or until the full amount is used, whichever is sooner. A taxpayer claiming carryover credits on a return for taxable years beginning on and after January 1, 2022 may not claim more than \$1 million in credits for a single taxable year. No taxpayer may amend a return for a taxable year beginning before January 1, 2022 to claim more credits than the amount included on such return before amending it. Persons with an economic interest in coal that receive a transfer of credits may not receive refunds of credits and may not carry forward unused amounts of credits for use in future taxable years. You may claim only the Coalfield

Employment Enhancement Tax Credit or the Virginia Coal Employment and Production Incentive Tax Credit that has been allocated to you per ton of coal.

### Part I – Qualifications

Qualifications for the coal credit and coal bed methane credit are listed separately below. If additional guidance is needed to determine if you qualify for either credit, see the box above.

#### Coal Credit Qualifications

Check this box on Form 306, Part I, if you meet all coal credit qualifications below.

1. The person (individual, partnership, corporation, estate, or trust) earning this credit has an economic ownership interest in coal mined in Virginia for which the coal credit is claimed. “Economic interest” is defined as the economic ownership interest required by IRC § 611 as of December 31, 1977, in order to claim the depletion deduction. Note that a party who only receives an arm’s length royalty is not considered as having an economic interest in coal mined in Virginia. Coal is considered “mined in Virginia” if the portal through which the coal is brought to the surface is located in Virginia. Coal mined by surface methods will be considered “mined in Virginia” if mined from within the boundaries of the permit area defined in *Va. Code* § 45.2-1000.
2. The same ton of coal used to compute this credit is not being used to compute the Virginia Coal Employment and Production Incentive Credit (*Va. Code* § 58.1-433.1 or 58.1-2626.1). For purposes of this credit, “ton” means the same as customarily used in transactions between a knowledgeable buyer and seller.
3. The seam thickness of coal mined using underground mining methods (Part III, Section A) is based on the weighted average isopach mapping of actual coal seam thickness by mine as certified by a professional engineer. Isopach maps must have been provided to the Virginia Department of Energy within the time frames specified in *Virginia Tax Bulletin 97-1*. (If claiming this credit for coal mined from a seam 36” thick or less, the Virginia Department of Energy acknowledgment must be enclosed with the income tax return of the entity which qualified for this credit.) All information upon which the isopach mapping is based will be available for review by the Virginia Department of Energy.
4. The employment factor (Part III, Section B) is the ratio of the number of Virginia coal mining jobs, for the calendar year ending during the taxable year in which the credit is earned, to the number of Virginia coal mining jobs for the prior calendar year. It is computed on the total

number of Virginia coal mining jobs and not on a per mine basis. Results are always rounded up. Taxpayers who file consolidated or combined returns will calculate the employment factor and corresponding credit on a separate company basis.

5. A Virginia coal mining job will be considered to be any job required to be reported on the Mine Safety and Health Administration (MSHA) Form 7000-2 pursuant to 30 CFR Part 50 as of January 1, 1995, and for which wages are properly reported on Form VEC-FC-20 pursuant to the Virginia Unemployment Compensation Act (*Va. Code* § 60.2-100 et seq.). The total hours worked at these jobs during each quarter, calculated in accordance with 30 CFR Part 50 and reported on the Virginia Department of Energy tonnage report (Form DM-CM-2), will be aggregated for the calendar year. The total hours from all tonnage reports filed by the entity will be divided by 1,920 equivalent hours per job to derive the number of coal mining jobs for the employment factor computation.

**Note:** A taxpayer with facilities that do not have an assigned Mine Index Number from the Virginia Department of Energy, such as stand alone preparation plants, coal handling facilities, shops or administrative or engineering facilities, who wishes to file employment data from these facilities for the purpose of calculating the employment factor, may file a separate annual tonnage report (Form DM-CM-2) with the Virginia Department of Energy, inserting "none" in the space for the mine index number and leaving the tonnage spaces blank. When completing the form, if coal mining jobs are allocated to one or more contractor(s), enclose an explanation with Form DM-CM-2.

6. The person earning this credit may not also claim the Virginia Coal Employment and Production Incentive Tax Credit unless received as a distribution from a different entity.

### Coal Bed Methane Credit Qualifications

Check this box on Form 306, Part I, if you meet the qualification below.

A coal bed methane gas producer is the person who was issued a permit by the Virginia Department of Energy to operate a coal bed methane well.

### Virginia Coal Employment and Production Incentive Tax Credit Qualifications

Check this box on Form 306, Part I, if you meet the qualification below.

The person (individual, partnership, corporation, estate, or trust) has an economic ownership interest in coal mined in Virginia as described in the Coal Credit Qualifications section and has been allocated this credit by a qualifying electricity generator. The allocation must be executed by December 31 of the year that the coal was purchased. Schedule 306C AND all corresponding Forms 306T must be completed and enclosed with this return.

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## Part II – Tons of Coal Sold

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### Special Instructions for Line 2 (and Schedule 306A)

If coal was sold during the taxable year and a statement was supplied to the purchaser that the coal is Virginia mined coal for purposes of claiming another coal credit, complete Schedule 306A to determine the tonnage amounts to enter on Line 2. Instructions for completing Schedule 306A are provided on the schedule. The other coal credit referenced above is the Virginia Coal Employment and Production Incentive Credit (*Va. Code* §§ 58.1-433.1 and 58.1-2626.1).

### Form 306, Part II, Line Instructions

1. Enter the number of tons of qualifying coal sold during the taxable year. Complete Columns A, B, and C to report this tonnage by each mining method.
2. Enter the number of tons of qualifying coal sold during the taxable year for which the purchaser is eligible for a coal credit. Complete Columns A, B, and C to report this tonnage by each mining method.
3. Subtract Line 2 from Line 1 for each column. The amounts from this line will be entered on Part III, Lines 1, 2, and 3.

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## Part III – Credit Computation

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### Sections A, B, and C

Complete Part III using the instructions provided for each line, the definitions and guidelines provided in Part I, and Virginia Tax Bulletin 97-1.

### Special Instructions

- Line 1** Enter the amount from Part II, Line 3, Col. A.
- Line 2** Enter the amount from Part II, Line 3, Col. B.
- Line 3** Enter the amount from Part II, Line 3, Col. C.
- Line 5** The total number of coal mining jobs of the person (entity) filing the return includes the jobs of contract operators as reflected in the annual tonnage reports filed with the Virginia Department of Energy for the year the credit is earned. The entity claiming the credit is responsible for obtaining the contractor's annual tonnage reports filed with the Virginia Department of Energy.
- Line 6** The total number of coal mining jobs is the number reflected in the annual tonnage reports for the year prior to the year that the credit was earned. This amount includes jobs of contract operators.
- Line 10** Enter the credits distributed to you from another entity. This is the current year credit distribution from the pass-through entity. If claiming credits for more than one entity, enclose separate Forms 306 for each entity. Add Line 10 from each additional Form 306 and enter the total on this line.
- If a distributive share includes coal tonnage from coal mined using the underground mining method with a

seam of 36" or less, a copy of the acknowledgment document from the Virginia Department of Energy must be provided to each recipient.

**Line 11** Credit to report on the 2024 return: Instructions for this line are on Form 306. This credit may be claimed against the income tax in future years based on the credit redemption schedule (see the Coalfield Employment Enhancement Tax Credit section above). Apply the credit as follows:

- Apply the credit to the current year income tax, then
- Offset other state taxes incurred during that taxable year.

Any remaining excess credit for that taxable year will be redeemed at 85% of face value by the Virginia Department of Taxation. The balance of the excess credit will be deposited in a regional economic development fund administered by the Virginia Coalfield Economic Development Authority. Since this is a refundable credit, it has no carryforward feature. See Virginia Tax Bulletin 97-1 for additional information. Distributions made to pass-through entities are reported on the current year Form 306 even though the credit may not be claimed until a future year.

## Section D

Complete Part III, Section D, using the instructions provided for each line. Instructions for completing Form 306B are on a separate page. This schedule must be completed before completing Part III, Section D of Form 306.

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### What to Enclose

**All taxpayers** claiming the credit must complete Forms 306 and 306B and enclose completed Schedules 306A, 306C, and 306T if appropriate. Taxpayers must also enclose a copy of the document filed with the applicable state agency showing payment of the tax for which credit is claimed.

**Taxpayers claiming a credit for coal sold that was mined from an underground seam of 36" or less** must enclose a copy of the statement from the Virginia Department of Energy acknowledging that isopach mapping was received.

**Corporations, S corporations (or shareholders of S corporations that are taxed as partnerships), partners in partnerships, members in limited liability companies, and sole proprietors** must also enclose a copy of the Form DM-CM-2 filed with the Virginia Department of Energy (partners and members will enclose a copy of the entity's Form DM-CM-2). If more than one Form DM-CM-2 was filed, a summary schedule may be substituted that identifies the same information as on the Form DM-CM-2. If the total number of tons reported on all Forms DM-CM-2 does not agree with the total number of tons sold as reported on Form 306, Part II, Line 1. Enclose a detailed explanation of the difference.

Fiscal year filers should refer to the back of Form DM-CM-2 for filing requirements.

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### Information for Pass-Through Entities

Pass-through entities must provide their shareholders, partners or members with a copy of the entity's Form 306 to enclose with their returns. In addition, pass-through entities distributing this credit to its participants, including owners, shareholders, partners, or members, must give such participant a Schedule VK-1, Owner's Share of Income and Virginia Modifications and Credits.

Each partnership or limited liability company distributing this credit must also send a copy of the same partner or member information directly to the **Virginia Department of Taxation, ATTN: Coalfield Employment Enhancement Tax Credit Distribution, P.O. Box 5126, Richmond, Virginia 23220-0126** within 60 days of making the distribution.

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### Where to Get Help

For additional information or to order forms, write to the **Virginia Department of Taxation, P.O. Box 5126, Richmond, VA 23220-0126** or call **(804) 367-8031** (individuals) or **(804) 367-8037** (businesses). Tenemos servicios disponible en Español. You can obtain most Virginia income tax forms and additional tax information by visiting [www.tax.virginia.gov](http://www.tax.virginia.gov). Forms are also available from the office of your local Commissioner of the Revenue, Director of Finance, or Director of Tax Administration.



**2021 Virginia  
Schedule 306A**

**Coalfield Employment Enhancement Tax Credit  
Coal Sold for Coal Credit to Qualified Purchasers**



The **Coalfield Employment Enhancement Tax Credit** is based in part on the number of tons of metallurgical coal sold during the taxable year which were mined in Virginia. Any person who grants a certificate to a purchaser certifying that the coal purchased was Virginia-mined for purposes of claiming another coal related credit (the Virginia Coal Employment and Production Incentive Credit) and also claims the Coalfield Employment Enhancement Tax Credit must complete this schedule. Use the instructions below to complete Columns A through F. Enclose a separate schedule if more space is needed.

**Column A:** Date of coal sale and certification

**Column B:** Invoice number for the sale

**Column C:** Name of the purchasing firm

**Columns D-F:** Mining method used to extract the metallurgical coal sold: (1) underground: seam thickness 36" or less, (2) underground: seam thickness over 36", or (3) surface mining. If a sale involved more than one mining method, use a separate line for each method. If you are unable to identify the mining method because the coal was commingled, allocate the tonnage to each mining method and enclose a statement explaining the allocation method. State the number of tons sold to the firm in Column C for which the certificate of qualification was issued. If more than one mining type is shown, specify the tons mined by mining type.

**TOTAL ROWS:** After entering all sales, add the total tonnage amount for each mining type and enter the totals on the TOTAL rows at the bottom of the page. Transfer the totals to Form 306, Part II, Line 2, as directed for each row.

	<b>Column A</b> Date Coal Was Sold	<b>Column B</b> Invoice Number	<b>Column C</b> Name of Firm Purchasing Coal	<b>Column D</b> Number of Tons Sold Mined from Underground Seams 36" or Less	<b>Column E</b> Number of Tons Sold Mined from Underground Seams Over 36"	<b>Column F</b> Number of Tons Sold Mined by Surface Mining Method
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						
<b>Total Tons from Column D:</b> Seam 36" or Less. Enter here and on Form 306, Part II, Line 2, Col. A. . .						
<b>Total Tons from Column E:</b> Seam Over 36". Enter here and on Form 306, Part II, Line 2, Col. B. . . . .						
<b>Total Tons from Column F:</b> Surface Mining Method. Enter here and on Form 306, Part II, Line 2, Col. C. . . . .						





**2021 Virginia  
Form 306B**

**Coal-Related Tax Credit  
Computation Schedule**



Read the instructions before completing Form 306B. If additional space is needed, use an additional schedule or page.

For Calendar Year 2021. FISCAL YEAR filers: Enter beginning date \_\_\_\_\_, \_\_\_\_ and ending date \_\_\_\_\_, \_\_\_\_ and check here.

Name	FEIN or SSN
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The **Coalfield Employment Enhancement Tax Credit** allows 100% refunds for previously paid taxes imposed by the Commonwealth of Virginia that were incurred during the taxable year, up to the face value of the Coalfield Employment Enhancement Tax Credit. If any credit remains, it will be refunded at 85% of its face value. The remaining balance of the credit will be deposited into a regional fund administered by the Virginia Coalfield Economic Development Authority.

The amount of **Virginia Coal Employment and Production Tax Credits** you claim cannot exceed the amount of your total tax liability for the year during which the credit will be claimed. Electricity generators that originally earned the credit may carry forward amounts of credit for up to 10 taxable years or until the full amount is used, whichever is sooner. A taxpayer claiming carryover credits on a return for taxable years beginning on and after January 1, 2022 may not claim more than \$1 million in credits for a single taxable year. No taxpayer may amend a return for a taxable year beginning before January 1, 2022 to claim more credits than the amount included on such return before amending it. Persons with an economic interest in coal that receive a transfer of credits may no longer receive refunds of such credits and may not carry forward unused amounts of credits for use in future taxable years.

Form 306B is used to list each state tax which the Coalfield Employment Enhancement Tax Credit and the Virginia Coal Employment and Production Tax Credit will offset. The Coalfield Employment Enhancement Tax Credit earned and reported on the 2018 Form 306 will be allowable as a credit on the 2021 income tax return. You must have earned and reported the credit on your 2018 income tax return in order to claim the credit on your 2021 return. To claim the Virginia Coal Employment and Production Incentive Tax Credit, the credit must be allocated by December 31 of the year the coal was purchased. If you have received a transfer of Virginia Coal Employment and Production Incentive Tax Credits from an electricity generator, you must complete and enclose the Schedule 306C and all corresponding Forms 306T. Enclose a copy of the document showing payment of each tax amount claimed in Column E below.

<b>Part I — Maximum Credit</b>	
1. (a) 100% of the Virginia Coal Employment and Production Incentive Tax Credit. . . . .	<b>1(a).</b>
(b) 100% of the Coalfield Employment Enhancement Tax Credit from 2018 Form 306, Line 11. . . . .	<b>1(b).</b>
<b>2. Total 100% Credit</b> – Add Line 1(a) and Line 1(b). . . . .	<b>2.</b>

<b>Part II — Credit Designation</b>
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See Form 306B instructions to complete Lines 3 through 8 below. Do not include local taxes, taxes incurred by your customers, prior year taxes, addition to tax, penalty or interest paid, if any.

Column A	Column B	Column C	Column D	Column E
Type of State Tax Paid for Taxable Year 2021	State Agency Administering Tax	Name of Taxpayer Earning Credit and Taxpayer Identification Number Under Which 2021 Payment(s) Made	Date(s) Paid and Tax Period	Tax Paid in Current Taxable Year
<b>3.</b>				
<b>4.</b>				
<b>5.</b>				
<b>6.</b>				
<b>7.</b> Enter the total taxes paid from all additional pages here. (If additional space is needed, include additional pages.) . . . . .				<b>7.</b>
<b>8. Total Tax Liability.</b> Add Lines 3-7 above and enter here. . . . .				<b>8.</b>



Name	FEIN or SSN
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**Part III — Credit Calculation**

9. Are you claiming the **Virginia Coal Employment and Production Incentive Tax Credit**?  **Yes** (Go to Section A)  
 **No** (Go to Section B)

**SECTION A — VIRGINIA COAL EMPLOYMENT AND PRODUCTION INCENTIVE CREDIT**

<p><b>10. Current Year Credit.</b></p> <p>(a) If the amount on Line 1(a) is greater than Line 8, enter the amount from Line 8. Then, go to Line 11.                  (b) If the amount on Line 8 is greater than Line 1(a), enter the amount from Line 1(a). Then, skip to Line 12. . . . .</p>	<b>10.</b>	
<p><b>11. Excess Credit Amount.</b> Subtract Line 8 from Line 1(a).                  If you are claiming <b>only</b> the Virginia Coal Employment and Production Incentive Credit, stop here. This is your carryover amount. <u>Note:</u> Taxpayers who receive a transfer of credits may not carry forward such credits.                  If you are <b>also</b> claiming the Coalfield Employment Enhancement Credit, complete Lines 13 through 16 . . .</p>	<b>11.</b>	
<p><b>12. Remaining Tax Liability.</b>                  Subtract Line 1(a) from Line 8 and enter here. This is the amount of tax you owe. If you are claiming <b>only</b> the Virginia Coal Employment and Production Incentive Credit, stop here.                  If you are <b>also</b> claiming the Coalfield Employment Enhancement Tax Credit, go to Section B. . . . .</p>	<b>12.</b>	

**SECTION B — COALFIELD EMPLOYMENT ENHANCEMENT CREDIT**

<b>Full Credit</b>		
<p><b>13 (a)</b> If you are <b>only</b> claiming the Coalfield Employment Enhancement Credit and Line 1(b) is greater than the amount on Line 8, enter the amount from Line 8.                  If you are <b>also</b> claiming the Virginia Coal Employment and Production Incentive Credit and Line 1(b) is greater than the amount on Line 12, enter the amount from Line 12.                  Enter the result here and on Schedule CR, Section 3, Part 1, Line B (individuals) or Schedule 500CR, Section 3, Part 1, Line B (corporations). Then go to Line 14. . . . .</p>	<b>13.</b>	
<p><b>13 (b)</b> If you are <b>only</b> claiming the Coalfield Employment Enhancement Credit and Line 8 is greater than Line 1(b), enter the amount on Line 1(b).                  If you are <b>also</b> claiming the Virginia Coal Employment and Production Incentive Credit and Line 12 is greater than Line 1(b), enter the amount on Line 1(b).                  Enter this amount on Schedule CR, Section 3, Part 1, Line B (individuals) or Schedule 500CR, Section 3, Part 1, Line B (corporations). . . . .</p>		
<b>Excess Credit</b>		
<p><b>14.</b> If you are <b>only</b> claiming the Coalfield Employment Enhancement Credit subtract Line 8 from Line 1(b).                  If you are <b>also</b> claiming the Virginia Coal Employment and Production Incentive Credit subtract Line 12 from Line 1(b). . . . .</p>	<b>14.</b>	
<p><b>15.</b> Multiply the amount on Line 14 by 85% (0.85). Enter here and on Schedule CR, Section 3, Part 1, Line C (individuals) or Schedule 500CR, Section 3, Part 1, Line C (corporations). . . . .</p>	<b>15.</b>	
<p><b>16.</b> Multiply the amount on Line 14 by 15% (0.15). This amount is deposited into a fund administered by the Virginia Coalfield Economic Development Authority. . . . .</p>	<b>16.</b>	

# Instructions for Completing 2021 Form 306B, Coal-Related Tax Credit Computation Schedule

## General Information

You may claim only the Coalfield Employment Enhancement Tax Credit OR the Virginia Coal Employment and Production Incentive Tax Credit that has been allocated to you per ton of coal.

### Virginia Coal Employment and Production Incentive Tax Credit

For tax years beginning on and after January 1, 1988, but before January 1, 2022, electricity generators in Virginia may earn the Virginia Coal Employment and Production Incentive Tax Credit in an amount equal to \$3 per ton for each ton of coal purchased and consumed by such electricity generator. The person who sold the coal to the electricity generator must certify that it was mined in Virginia. The Virginia Coal Employment and Production Incentive Tax Credit may be allocated between a qualifying electricity generator and qualifying person with an economic interest in coal. The amount of Virginia Coal Employment and Production Tax Credits you claim may not exceed the amount of your total tax liability for the year during which the credit will be claimed. Electricity generators that originally earned the credit may carry forward amounts of credit for up to 10 taxable years or until the full amount is used, whichever is sooner. A taxpayer claiming carryover credits on a return for taxable years beginning on and after January 1, 2022 may not claim more than \$1 million in credits for a single taxable year. No taxpayer may amend a return for a taxable year beginning before January 1, 2022 to claim more credits than the amount included on such return before amending it. Persons with an economic interest in coal that receive a transfer of credits may not receive refunds of credits and may not carry forward unused amounts of credits for use in future taxable years.

### Coalfield Employment Enhancement Tax Credit

The Coalfield Employment Enhancement Tax Credit allows 100% refunds for previously paid taxes imposed by the Department of Taxation that were incurred during the taxable year up to the face value of the credit. If the total credit is larger than the sum of all state taxes paid during the taxable year, 85% of the excess credit will be redeemed by the Department of Taxation to you as a refund on your income tax return. The remaining 15% of the credit will be deposited in a regional economic development fund administered by the Virginia Coalfield Economic Development Authority. The credit can be earned in taxable years beginning on or after January 1, 1996, but before January 1, 2017 and on or after January 1, 2018, but before January 1, 2022. The credit is claimed based on a redemption schedule (see the Credit Redemption Schedule below).

The credit will be administered and redeemed only by the Virginia Department of Taxation, regardless of which Virginia

agency received the tax payments. This credit applies only to state taxes paid in the current taxable year; it does not apply to prior year or future year taxes, any addition to tax, penalty or interest, local taxes, or license fees. After filing your Virginia income tax return, if you discover that you overpaid or underpaid a tax on which this credit was computed (Lines 3 through 7), you must file an amended income tax return with the Virginia Department of Taxation to reflect the change.

In instances where a combined or consolidated Virginia corporation income tax return is filed which includes corporations which were not eligible to claim the credit, special rules apply. In such cases, the credit as calculated above is used to offset the combined or consolidated Virginia corporate income tax liability. However, any remaining credit can only be used to offset other state taxes incurred by the corporations in the consolidated or combined group which actually earned the credit or meet the criteria of the 80% test described in Public Document 00-186. See Virginia Tax Bulletin 97-1 for additional information about this credit.

### Credit Redemption Schedule

Taxable Year Earned	Taxable Year to Claim
2015	2018
2016	2019
2017 (No credit allowed)	2020 (No credit allowed)*
2018	2021
2019	2022
2020	2023
2021	2024

## Line Instructions for 2021 Form 306B

*The instructions for lines not mentioned below are self-explanatory.*

### Part I – Maximum Credit

**Line 1:** (a) Enter 100% of the Virginia Coal Employment and Production Incentive Credit. For electricity generators who have not allocated this tax credit, Line 1(a) is calculated by multiplying the number of tons of qualifying coal purchased and consumed during the taxable year by \$3.00. For electricity generators who have allocated this tax credit to persons with an economic interest in coal, Line 1(a) equals the amount of the credit that has been retained by them for the taxable year, if any. For persons with an economic interest in coal, Line 1(a) equals the amount from 2021 Schedule 306C Line 21.

(b) Enter 100% of the **Coalfield Employment Enhancement Tax Credit** earned and reported on your 2018 Form 306.

**Line 2:** Add Lines 1(a) and 1(b). This is the total coal-related credit amount that can be claimed for the current taxable year.

## Part II – Credit Designation

Complete Lines 3-7, listing each qualifying current year state tax paid to the Virginia Department of Taxation or any other state agency during the taxable year, then enter the total of Lines 3-7 on Line 8. Taxes paid to federal or local government agencies do not qualify.

Qualifying state taxes are those incurred and paid by you. Examples of qualifying taxes paid to the Virginia Department of Taxation are the corporate income tax, tire tax, and retail sales tax (to the extent that the sales tax was paid for nonexempt purchases for use by you). Taxes which are merely collected, held in trust, and then remitted to the Department of Taxation do not qualify for this credit. Examples of non-qualifying taxes include employer withholding tax and retail sales tax paid by your customers. In addition, this credit may not include any addition to tax (computed on Forms 760C, 760F, or 500C), penalty, interest, or prior year taxes.

The credits must first be applied against the income tax shown on your income tax return and then against all other taxes imposed by the Commonwealth of Virginia that were incurred and paid by you during the taxable year.

When completing Lines 3-7, enter the tax shown on your income tax return, less any other tax credits claimed which have a higher priority. (As a general rule, credits are claimed in the order in which they provide the best tax advantage. For example, credits without carryover provisions are generally claimed before credits with carryover provisions.)

**Column A** Enter the name of the state tax for which credit is claimed for tax paid. For example: “corporation income tax.”

**Column B:** Enter the name of the state agency to which the tax in Column A was paid.

**Column C:** Enter the taxpayer name and account number under which the tax was paid. For example, if the tax was paid to the Virginia Department of Taxation, enter your name and the account number used when making the payment. If credit is claimed for a pass-through distribution from a partnership, limited liability company, or subchapter S corporation, enter the name and account number shown on the statement from that entity.

**Column D:** Enter the date that the payment was made and the taxable period for which the payment was applied. For example, if claiming credit for a use tax payment made on April 15, 2021, for the period January through March, enter “1st quarter use tax paid April 15, 2021.” If additional space is required, use an additional page.

**Column E:** Enter the amount of tax that was reported in Column D.

**Line 8:** Add the amounts reported in Column E, Lines 3-7. This is your total tax liability for the taxable year in which the credit will be claimed.

## Part III – Credit Calculation

### Section A — Virginia Coal Employment and Production Incentive Tax Credit

**Line 9:** Check the appropriate box to identify the credit(s) you are claiming. If you are claiming the nonrefundable Virginia Coal Employment and Production Tax Credit, go to Line 10. If you are claiming only the refundable Coalfield Employment Enhancement Tax Credit, skip to Line 13.

**Line 10:** Compute the amount of the Virginia Coal Employment and Production Tax Credit that can be claimed on your return for the current taxable year as follows:

- If the amount on Line 1(a) is greater than Line 8, enter the amount from Line 8. Then, go to Line 11.
- If the amount on Line 8 is greater than Line 1(a), enter the amount from Line 1(a). Then, skip to Line 12.

**Line 11:** Subtract the amount on Line 8 from the amount on Line 1(a). If you are the electricity generator that originally earned the credit, this amount can be carried over for 10 years or until the total remaining credit is taken, whichever is sooner. If you are a person with an economic interest in coal that received a transfer of credits, you may not carry over unused credits or receive refunds of such credits.

If you are only claiming the Virginia Coal Employment and Production Incentive Credit, stop here. If you are also claiming the Coalfield Employment Enhancement Tax Credit, proceed to Section B.

**Line 12:** If the tax liability on Line 8 exceeds the amount of allowable credit for the current tax year, subtract Line 8 from Line 1(a). This is your tax liability remaining after the credit is applied.

### Section B — Virginia Coalfield Employment Enhancement Tax Credit

**Line 13:** Determine the amount of the Coalfield Employment Enhancement Tax Credit that can be redeemed at 100% of face value as follows:

Compare the amount on Line 8 (or Line 12 if also claiming the Virginia Coal Employment and Production Incentive Credit) to the amount on Line 1(b).

- If you are only claiming the Coalfield Employment Enhancement Credit and Line 1(b) is greater than the amount on Line 8, enter the amount from Line 8.

If you are also claiming the Virginia Coal Employment and Production Incentive Credit and Line 1(b) is greater than the amount on Line 12, enter the amount on Line 12.

This is the amount of Coalfield Employment Enhancement Tax Credit that can be redeemed at 100% of face value. Proceed to Line 14 to determine the amount of credit that can be refunded at 85% of face value.

- If the tax liability on Line 8 (or Line 12 if also claiming the Virginia Coal Employment and Production Incentive Credit) is greater than Line 1(b), enter the amount from Line 1(b). The amount remaining after the credit is applied is your tax liability for the current taxable year.

**Line 14:** Subtract Line 8 (or Line 12 if also claiming the Virginia Coal Employment and Production Incentive Credit) from Line 1(b) to determine the excess credit.

**Line 15:** Multiply the amount on Line 14 by 85% (0.85). This is the excess credit amount that can be refunded at 85% of face value.

**Line 16:** Multiply the amount on Line 14 by 15% (0.15). This amount will be deposited into a regional economic development fund.

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## Filing the 2021 Form 306B

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### What to Enclose

Taxpayers claiming coal-related credits must submit:

- Form 306
- Form 306B
- Schedules 306A, 306C, and 306T, if applicable.
- A copy of the document filed with the applicable state agency showing payment of the tax for which the credit is claimed.

### Where to Get Help

For additional information or to order forms, write to the **Virginia Department of Taxation, P.O. Box 5126, Richmond, VA 23220-0126** or call **(804) 367-8031 (individuals)** or **(804) 367-8037 (businesses)**. You can obtain most Virginia income tax forms and additional tax information by visiting [www.tax.virginia.gov](http://www.tax.virginia.gov).

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## Information for Pass-Through Entities

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Pass-through entities must provide their shareholders, partners or members with a copy of the entity's Forms 306 and 306B to enclose with their returns. In addition, all pass-through entities distributing this credit to their owners, shareholders, partners or members must give each a Schedule VK-1, Owner's Share of Income And Virginia Modifications And Credits.

Each partnership or limited liability company distributing this credit must also send a copy of the same partner or member information directly to the **Virginia Department of Taxation, ATTN: Coalfield Employment Enhancement Tax Credit Distribution, P.O. Box 5126, Richmond, Virginia 23220-0126** within 60 days of making the distribution.



**2021 Virginia  
Schedule 306C**

**Recapitulation of Virginia Coal  
Employment and Production  
Incentive Tax Credit Allocation**



Page \_\_\_\_ of \_\_\_\_

Name of Company	FEIN or SSN
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Use this schedule to summarize the information from your Forms 306T. Enclose a separate schedule if more space is needed.

- Column A:** Transferor Name (Form 306T, Section II, B)
- Column B:** Transferor FEIN (Form 306T, Section II, C)
- Column C:** Date coal was sold. (Form 306T, Section I, A)
- Column D:** Invoice Number (Form 306T, Section I, B)
- Column E:** Number of tons sold to transferor (Form 306T, Section I, C)
- Column F:** Amount of credit that is to be allocated to you. This may not exceed \$3 per ton of coal. (Form 306T, Section IV, C)

**Enclose Schedule 306C and all Forms 306T with Form 306B.**

	Column A Transferor Name <small>(Form 306T, Section II, B)</small>	Column B Transferor FEIN <small>(Form 306T, Section II, C)</small>	Column C Date of Sale <small>(Form 306T, Section I, A)</small>	Column D Invoice Number <small>(Form 306T, Section I, B)</small>	Column E Number of Tons Sold <small>(Form 306T, Section I, C)</small>	Column F Portion of Credit <small>(Form 306T, Section IV, C)</small>	
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20							
21						<b>Total Credit:</b>	
						Enter here and on Form 306B, Line 1(a).	