

COMMONWEALTH OF KENTUCKY  
REVENUE CABINET  
DEPARTMENT OF PROPERTY VALUATION  
FRANKFORT, KENTUCKY 40620



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# 2001 UNMINED COAL PROPERTY TAX INFORMATION RETURN

TO KENTUCKY TAXPAYERS:

The Kentucky Revenue Cabinet is responsible for valuing coal and other mineral resources. This property tax return must be submitted to the Department of Property Valuation by April 16, 2001. Upon completion of the valuation process, an assessment notice will be mailed. This will not be a bill. All property owners will have full appeal rights. **Tax bills will be mailed by the sheriff of each county.**

All information contained in the return and all accompanying documentation (including maps) is strictly confidential (KRS 131.190).

Assistance can be obtained from the Department of Property Valuation, Mineral Resource Valuation Branch, Frankfort, Kentucky 40620, (502) 564-8334 or 564-8335.

## WHAT'S NEW FOR 2001

- **Schedule G will not be accepted for 2001 due to the changes made in the forms. It will be used again next year.** Your tax year 2001 return must include a Schedule A, B or C for **all** properties owned or leased on the assessment date.
- **Even though Schedules A, B or C are required for this 2001 filing year**, please note that new or revised maps **do not** need to be filed if there was no change from the prior year or if there were no changes affecting the assessment of the property.
- The back page of Schedules A, B and C has been redesigned to integrate the coal production information and the coal seam information into a single form. Please provide the Kentucky Department of Mines and Minerals (KDMM) mine file number of the mining operation. The coal seam and production continuation pages used in prior returns are no longer necessary and have been deleted from the return.
- Schedule C now requires the **type of ownership (fee or mineral)** for each leased property. If a lease is terminated in the prior year, file Schedule E.
- Returns **not** filed by the April 16, 2001, deadline will be considered late and subject to possible penalties under the **omitted** statute (KRS 132.290).

**Kentucky Revenue Cabinet  
Mission Statement**

To provide courteous, accurate and efficient services for the benefit of Kentucky and its citizens, and administer the tax laws of the Commonwealth in a fair and impartial manner.

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*The Kentucky Revenue Cabinet does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.*



# FILING INSTRUCTIONS

## 1. Who must file this return?

Corporations, partnerships, individuals or other entities (natural or legal) described under one or more of the following categories as of January 1.

- A. Holders of a coal mining and reclamation permit anywhere in the Commonwealth of Kentucky. (This includes contract miners who hold a permit.)
- B. Owners of coal property.
- C. Holders of coal leases.
- D. Filers for the prior year who no longer own coal properties, or hold coal leases or mine permits (Schedule D or E).

**NOTE:** Contract miners who do not own or lease mineral properties and who do not hold mining permits are *not* required to file.

## 2. What schedule(s) do I file?

Fee Property Ownership .....	<b>Schedule A</b>
Mineral Property Ownership .....	<b>Schedule B</b>
Leased Property (property leased from other party) .....	<b>Schedule C</b>
Property Transfers .....	<b>Schedule D</b>
Lease Terminations .....	<b>Schedule E</b>
Geologic Information .....	<b>Schedule F</b>
Properties with No Changes from Previous Years ( <b>not applicable for 2001</b> ) .....	<b>Schedule G</b>
Agreement Statement for Multiple Parcels .....	<b>Agreement Statement</b>

## 3. What coal properties are to be included in this return?

- A. All properties either owned or leased.
- B. Coal properties purchased or sold during the previous year.
- C. Coal leases terminated during the previous year.



## 4. How do I report property located in more than one county?

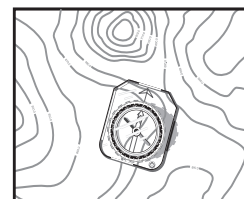
Complete returns must be filed for each county. Those parcels located in two or more counties must be reported in each county with the appropriate acreage adjustments.

## 5. What mapping information do I file?

### A. Map Specifications (for all maps submitted)

The base maps may be purchased from Maps and Publications, Frankfort, Kentucky 40601, (502) 564-4715.

- 1. Map base must be either:
  - a. U.S.G.S. (7.5' topographic quadrangle)
  - b. U.S.G.S. Planimetric (7.5' quadrangle)
- 2. **All** maps must be 1:24,000 (1 inch = 2,000 feet).
- 3. All maps must include a legend which clearly identifies the information provided. Any colors or symbols used for coding purposes must be defined.



**NOTE:** Map base must be a complete individual quad. (Partial quad maps or maps with quads combined are not acceptable.) Individual owners who cannot obtain base maps as outlined in a and b above may provide any map that accurately identifies property boundaries and location. Maps must indicate nearby landmarks (roads, rivers, etc.).

## B. Map Types

There are four distinct types of maps (i.e., fee or mineral ownership, lessee, lessor and mine). The type of map(s) you submit will be dependent upon your filing status. Review the categories below to determine which map(s) should be filed and what information must be included for each type of map.

1. **Fee or Mineral Property Ownership Maps.** These maps must be submitted if you **own** coal properties and must include the following:

- a. Each individual fee or mineral parcel boundary must be clearly outlined. Both fee and mineral properties can be shown on one map if the parcels are clearly identified as fee or mineral. If the boundaries of the ownership in a seam(s) are different from the others in a given parcel, they must be submitted on a separate seam map for identification purposes.
- b. Each parcel must contain only **one** unique identifier and match the information reported on Schedule A or B.
- c. Identify the type of ownership (mineral or fee).
- d. Oil and gas well locations may be plotted and type and status must be indicated (inactive, active or unknown). A separate map must be submitted if the information becomes cluttered. This information requirement is optional.
- e. Geologic core holes and other exploration data points with identifications and exact locations must be plotted (if not previously submitted).
- f. Legend must include:
  - (1) filer's name, filer's federal I.D. or Social Security number;
  - (2) quadrangle name and tax year;
  - (3) type of map (fee or mineral); and
  - (4) coal seam information (The status of ownership of each coal seam must be clearly indicated.).

**Example:** Parcel A — all coal seams are owned  
Parcel B — all coal seams, except Elkhorn 3 are owned  
Parcel C — coal seam 1 only is owned

If the legend information cannot be shown on the map itself, attach an additional sheet to the map which lists the requested information.

2. **Lessee Maps**

These maps must be submitted if you lease coal properties **from another party** and must include the following:

- a. Leased boundaries must be clearly outlined. Properties of different ownership cannot be combined and identified as one parcel. Each individual ownership parcel must be outlined and a unique parcel identifier assigned. Undivided ownership on a distinct property must be identified as one parcel.
- b. A separate map must be submitted where the lease boundaries of a seam or seams are different on each individual parcel.
- c. Each parcel must contain **one** unique identifier and match the information reported on Schedule C.
- d. Oil and gas well locations may be plotted and type and status must be indicated (inactive, active or unknown). A separate map must be submitted if the information becomes cluttered. This information requirement is optional.
- e. Geologic core holes and other exploration data points with identifications and exact locations must be plotted (if not previously submitted).
- f. Legend must include:
  - (1) filer's name, filer's federal I.D. or Social Security number;
  - (2) quadrangle name and tax year;
  - (3) type of map (lessee); and
  - (4) coal seam information (The status of each coal seam leased within each individual parcel must be clearly indicated.).

**Example:** Parcel A — all coal seams are leased  
Parcel B — all coal seams, except Elkhorn 3 are leased  
Parcel C — only coal seam, Elkhorn 3, is leased

If the legend information cannot be shown on the map itself, attach an additional sheet to the map which lists the above requested information.

### 3. Lessor Maps

**NOTE:** If the entire parcel is leased to one lessee, a separate map is not required. However, the information requested below must be shown on the fee and mineral ownership map.

These maps must be submitted if you lease or sublease coal properties **to another party** and must include the following:

- a. Lease boundaries must be clearly outlined and lessee's name indicated for coal property leased.
- b. Legend must include:
  - (1) filer's name, filer's federal I.D. or Social Security number;
  - (2) quadrangle name and tax year;
  - (3) type of map (lessor); and
  - (4) coal seam information (Seams leased for each property must be clearly indicated.).

**Example:** Lessee A — all coal seams are leased  
Lessee B — all coal seams, except Elkhorn 3 are leased  
Lessee C — only coal seam, Elkhorn 3, is leased

If the legend information cannot be shown on the map itself, attach an additional sheet to the map which lists the above requested information.

### 4. Mine Maps

These maps must be submitted on a seam-by-seam basis for each seam reported on Schedules A, B and C. These maps must include the following:

- a. Outline of current tax year's projected mining boundary (one year).
- b. Outline of areas mined in the previous tax year.
- c. Outline of areas of previously mined out coal reserves (prior to the previous year).
- d. Type of mining operation (strip, auger or underground).
- e. Outline of the entire area permitted for mining.
- f. Outline of areas of coal seams that have been determined unmineable. **Examples:** Bad top, faults, wetlands, steep slopes, soft/poor floor conditions, insufficient depth of cover, excessive depth of cover, oil well barrier, coal sterilized by mining in close vertical proximity (above or below), old works barrier, areas where a permit has been denied due to environmental constraints, excessive parting (where the thickness of rock or clay parting exceeds 28 percent of the total seam height), etc. **You must supply separate, specific documentation supporting your determination of unmineable areas.**
- g. Kentucky Department of Mines and Minerals (KDMM) file number and Department of Surface Mining Reclamation and Enforcement (DSMRE) permit number must be shown on the map.
- h. Legend must include:
  - (1) filer's name, filer's federal I.D. or Social Security number;
  - (2) quadrangle name and tax year;
  - (3) type of map (mine);
  - (4) coal seam identification (name); and
  - (5) colors and symbols must be defined.

### 6. How do I report sales and purchases?

Complete Schedule D.

### 7. How do I provide geological information?

Complete Schedule F. Information previously submitted to the Revenue Cabinet should not be resubmitted.

### 8. How do I report leases which were terminated during the previous year?

Complete Schedule E for leases terminated during the previous year.

**9. How do I report properties with no changes from the previous year?**

List properties on Schedule G (**not applicable for 2001**). A Schedule A, B or C must be filed.

**10. Who is responsible for paying this tax?**

The owner (lessor) of the coal is legally responsible for paying the tax; however, if a leasehold interest exists, the lessee may also have a taxable interest in the property. In addition, contractual agreements between lessor and lessee may specify which party is responsible, although **this does not relieve the owner from the tax liability**.

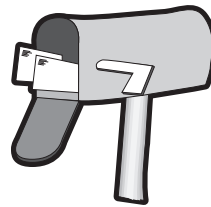
**11. How do I obtain additional copies of this return?**

Any part of this return may be photocopied if necessary. Additional returns and schedules may be obtained from the Department of Property Valuation, Station 33, 200 Fair Oaks Lane, Frankfort, Kentucky 40620, (502) 564-8334 or 564-8335. Forms can be downloaded from the Revenue Cabinet's Web site at <http://www.state.ky.us/agencies/revenue>.



**12. Where do I send the completed return?**

Send the completed return to:  
Revenue Cabinet  
Department of Property Valuation  
Station 33  
200 Fair Oaks Lane  
Frankfort, Kentucky 40620



## DEFINITIONS

- **Assessment Date**—The assessment date for all unmined coal is January 1.
- **Barren Areas**—Areas where a coal seam is absent due to subcrop, nondeposition or erosion and replacement by rock (nontaxable—must be illustrated on mine maps).
- **Fee Property Ownership**—Ownership of both surface and minerals for a defined area of real property.
- **Idle Coal**—Reserves or resources which are not permitted for mining. **Do not reduce reported acreage by recovery factor.**
- **Lease**—An agreement granting use and mining rights for a property from a lessor to a lessee.
- **Leasehold Interest**—Lessee has a valuable economic interest in a leased property because the royalty that he is obligated to pay under the terms of a lease is less than current market royalty for similar properties.
- **Lessee**—Any person, company, corporation, partnership or other entity (either natural or legal) who obtains **from another party** coal mineral rights or mining rights by lease.
- **Lessor**—Any person, company, corporation, partnership or other entity (either natural or legal) who grants to another party coal mineral rights or mining rights by lease.
- **Mineable Coal**—Coal reserves which meet the mining and quality criteria outlined below. However, coal reserves which do not meet the criteria below but which have similar characteristics to those being mined in substantial quantities from the coal field (East or West) where they are located must be classified as mineable.



### A. Mining Criteria:

#### East Kentucky

##### *Deep Mining Reserves (shaft or slope access)*

- 36 inches or more in coal thickness excluding parting

##### *Deep or Auger Mining Reserves (highwall or drift access)*

- 30 inches or more in coal thickness excluding parting

##### *Surface Mining*

- Mountain top or area mining—Ratio of 15 bank cubic yards or less (overburden and interburden) to 1 ton (in-place coal) any seam or combination of seams which would be recovered during mining.
- Contour—Ratio of 10 bank cubic yards or less (overburden and interburden) to 1 ton (in-place coal) any seam or combination of seams which would be recovered during mining.

#### West Kentucky

##### *Deep Mining Reserves (shaft or slope access)*

- 48 inches or more in coal thickness excluding parting

##### *Deep or Auger Mining Reserves (highwall or drift access)*

- 36 inches or more in coal thickness excluding parting

##### *Surface Mining*

- Area Mining—Ratio of 15 bank cubic yards or less (overburden and interburden) to 1 ton (in-place coal) any seam or combination of seams which would be recovered during mining.
- Contour—Ratio of 10 bank cubic yards or less (overburden and interburden) to 1 ton (in-place coal) any seam or combination of seams which would be recovered during mining.

### B. Quality Criteria:

- Coal reserves which have similar quality characteristics (as measured by BTU, moisture content, sulphur content and ash content) to coal reserves being mined and sold in substantial quantities from the coal field (East or West) where they are located.

- **Mined Out Coal**—The portion of the coal reserves which have been subjected to some form or degree of mining extraction. If secondary mining is anticipated, such reserves must be classified as mineable coal.
- **Mineral Property Ownership**—Ownership of mineral rights for a defined area of real property, where the surface is owned by another party.
- **Owner**—Any person, company, corporation, partnership or any other entity (either natural or legal) who owns any interest in coal reserves in Kentucky, either fee or mineral rights.
- **Parcel**—A single, discrete unit of mineral property having defined boundaries. Adjoining tracts or parcels under the same ownership may be combined into one parcel even though their acquisition may have been in two or more deeds and at different times.
- **Permitted Acres**—That portion of the coal reserve which is subject to a permit. **Do not reduce reported acreage by a recovery factor.**
- **Producing Coal**—One year's projected mining. **Do not reduce reported acreage by a recovery factor.**
- **Reserve Area**—That portion of a coal resource that contains mineable coal.
- **Resource Area**—An area which is underlain by coal of any thickness and quality.
- **Sublessee**—Any person, company, corporation, partnership or other entity (either natural or legal) who obtains coal mineral rights or mining rights from a lessee by lease.
- **Taxable Coal**—Reserves or resources which, if offered at a fair and voluntary sale, would bring a cash value in some amount.
- **Taxpayer's Value**—Estimated dollar amount of the value of the coal ownership. This must be provided by the owner when there is not sufficient technical information available to calculate an assessment. This value should be based on other information available to the owner such as purchase price, value of other comparable properties, etc.
- **Unmineable Coal**—Coal reserves which do not meet the mining and quality criteria outlined under mineable coal.





## YOUR RIGHTS AS A KENTUCKY TAXPAYER

The mission of the Kentucky Revenue Cabinet (KRC) is to provide courteous, accurate and efficient services for the benefit of Kentucky and its citizens, and administer the tax laws of the Commonwealth in a fair and impartial manner.

As a Kentucky taxpayer, you have the right to expect the KRC to honor its mission and uphold your rights every time you contact or are contacted by the KRC.

### RIGHTS OF TAXPAYER

**Privacy**—You have the right to privacy of information provided to the KRC.

**Assistance**—You have the right to advice and assistance from the KRC in complying with state tax laws.

**Explanation**—You have the right to a clear and concise explanation of:

- basis of assessment of additional taxes, interest and penalties, or the denial or reduction of any refund or credit claim;
- procedure for protest and appeal of a determination of the KRC; and
- tax laws and changes in tax laws so that you can comply with the law.

**Protest and Appeal**—You have the right to protest and appeal a determination of the KRC if you disagree with an assessment of tax or penalty, reduction or a denial of a refund, a revocation of a license or permit, or other determination made by the KRC.

**Conference**—You have the right to a conference to discuss a tax matter.

**Representation**—You have the right to representation by your authorized agent (attorney, accountant or other person) in any hearing or conference with the KRC. You have the right to be informed of this right prior to the conference or hearing. If you intend for your representative to attend the conference or hearing in your place, you may be required to give your representative a power of attorney before the KRC can discuss tax matters with your authorized agent.

**Recordings**—You have the right to make an audio recording of any meeting, conference or hearing with the KRC, or to be notified in advance if the KRC plans to record the proceedings and to receive a copy of any recording.

**Consideration**—You have the right to consideration of:

- waiver of penalties or collection fees if "reasonable cause" for reduction or waiver is given ("reasonable cause" is defined in KRS 131.010(9) as: "an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the cabinet pursuant to law or administrative regulation");
- installment payments of delinquent taxes, interest and penalties;
- waiver of interest and penalties, but not taxes, resulting from incorrect written advice from the KRC if all facts were given and the law did not change or the courts did not issue a ruling to the contrary;
- extension of time for filing reports or returns; and
- payment of charges incurred resulting from an erroneous filing of a lien or levy by the KRC.

**Guarantee**—You have the right to a guarantee that KRC employees are not paid, evaluated or promoted based on taxes assessed or collected, or a tax assessment or collection quota or goal imposed or suggested.

**Damages**—You have the right to file a claim for actual and direct monetary damages with the Kentucky Board of Claims if a KRC employee willfully, recklessly and intentionally disregards your rights as a Kentucky taxpayer.

**Interest**—You have the right to receive interest on an overpayment of tax, except delinquent property tax, payable at the same rate you would pay if you underpaid your tax.

### REVENUE CABINET RESPONSIBILITIES

The KRC has the responsibility to:

- perform audits, conduct conferences and hearings with you at reasonable times and places;
- authorize, require or conduct an investigation or surveillance of you only if it relates to a tax matter;
- make a written request for payment of delinquent taxes which are due and payable at least 30 days prior to seizure and sale of your assets;
- conduct educational and informational programs to help you understand and comply with the laws;
- publish clear and simple statements to explain tax procedures, remedies, your rights and obligations, and the rights and obligations of the KRC;
- notify you in writing when an erroneous lien or levy is released and, if requested, notify major credit reporting companies in counties where lien was filed;
- advise you of procedures, remedies and your rights and obligations with an original notice of audit or when an original notice of tax due is issued, a refund or credit is denied or reduced, or whenever a license or permit is denied, revoked or canceled;
- notify you in writing prior to termination or modification of a payment agreement;
- furnish copies of the agent's audit workpapers and a written narrative explaining the reason(s) for the assessment; and
- resolve tax controversies on a fair and equitable basis at the administrative level whenever possible.

The KRC has a Taxpayer Ombudsman's Office which consists of the Ombudsman and a staff whose job is to serve as an advocate for taxpayers' rights. One of the main functions of the office is to ensure that your rights as a Kentucky taxpayer are protected by the KRC.

The Taxpayer Ombudsman's Office may be contacted by telephone at (502) 564-7822 (between 8:00 a.m. and 4:30 p.m. weekdays). From a Telecommunication Device for the Deaf (TDD), call (502) 564-3058. The mailing address is: Office of Taxpayer Ombudsman, P.O. Box 930, Frankfort, Kentucky 40602-0930.

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This information merely summarizes your rights as a Kentucky taxpayer and the responsibilities of the Revenue Cabinet. The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041—131.081. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.183, 131.500, 133.120, 133.130, 134.580 and 134.590.