



UTAH TAX REVIEW COMMISSION

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Earmarks of the State Sales and Use Tax

Report to:

Revenue and Taxation Interim Committee

November 18, 2015



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November 16, 2015

Senator Deidre M. Henderson, Senate Chair
Representative Daniel McCay, House Chair
Revenue and Taxation Interim Committee
State Capitol
Salt Lake City, Utah

Re: Earmarking of the State Sales and Use Tax

Dear Senator Henderson and Representative McCay:

Introduction

The Utah Tax Review Commission (TRC) was created by the Legislature and is composed of members of the Legislature, executive branch officials, and members of the public. The TRC makes recommendations to the Legislature and Governor on specific tax issues as directed by the Governor, by the Legislature through a joint resolution, or by the Legislative Management Committee. At your request, and as approved by the Legislative Management Committee, the TRC conducted a review of earmarks to the state sales and use tax, particularly the earmarks related to water and transportation.

In conducting its review, the TRC held six meetings where it received extensive testimony and reports from the executive branch agencies that administer programs that are funded with earmarks of the state sales and use tax. The TRC also received testimony from the Governor's office and from certain advocacy organizations.

Unanimous Recommendations

At its November 5, 2015, meeting, the TRC unanimously adopted the following recommendations:

1. In nearly all cases, the TRC opposes earmarks to the state sales and use tax.
2. In reviewing a proposed or existing earmark, the TRC recommends that decision makers consider whether the government activity funded by the earmark is of such importance that revenue certainty and budget predictability outweigh all other considerations.
3. The TRC recommends that a proposal to fund a state program through a sales and use tax earmark be reviewed by the Revenue and Taxation Standing Committees. The TRC recommends that the Legislature adopt appropriate rule changes to assure that the earmark funding mechanism receives review and recommendation by the Revenue and Taxation Standing Committees.
4. The TRC recommends that the Executive Appropriations Committee, when adopting revenue estimates for a new fiscal year, not consider the revenue from an earmark that is scheduled to be repealed during that new fiscal year to be available as unrestricted revenue and as such available for appropriation by the Legislature.

5. The TRC recommends that the earmarks to the state sales and use tax listed on the attached chart be repealed effective July 1, 2016. To implement this recommendation, staff has prepared draft legislation titled "Sales and Use Tax Modifications." However, this draft legislation has not received the formal approval of the TRC. It is submitted today for your review and consideration.

In making this recommendation, the TRC makes no recommendation on whether or not the Legislature should continue to fund in some other way the programs now funded by an earmark. Our recommendation concerns only the appropriateness of using revenue from a sales and use tax earmark.

Other Recommendations and Considerations

1. The TRC voted, with two members voting in opposition, that the 1/16% earmark to the Transportation Fund be retained. The TRC was told that this earmark was instituted when the Legislature changed the distribution of motor fuel tax revenue between cities and counties and the Department of Transportation, providing a greater share of that revenue to cities and counties. The earmark was intended to replace the forgone motor fuel tax revenue.
2. While not adopted by a formal motion, several TRC members expressed support for a regular review by the legislature of all earmarks to the state sales tax. This review could be accomplished either by directing a legislative committee to review earmarks on a regular basis, enacting a future repeal date of an earmark within the Legislative Oversight and Sunset Act, or by enacting a future repeal date of an earmark within the Repeal Dates by Title Act.
3. Three earmarks that we recommend should be repealed provide an annual source of new revenue to three state revolving loan funds: the Water Resources Conservation and Development Fund, the Drinking Water Loan Program Subaccount, and the Utah Wastewater Loan Program Subaccount. The attached chart summarizes the cash balances and annual revenue from principle and interest payments for each of these funds.

Thank you for allowing us to present our recommendations to your committee. For your information, I have also attached a roster of TRC members.

Sincerely,

Curtis Trader
Chair

1 **SALES AND USE TAX MODIFICATIONS**

2 2016 GENERAL SESSION

3 STATE OF UTAH

4

5 **LONG TITLE**

6 **General Description:**

7 This bill amends provisions related to sales and use taxes.

8 **Highlighted Provisions:**

9 This bill:

- 10 ▶ repeals certain earmarks of the state sales and use tax; and
- 11 ▶ makes technical and conforming amendments.

12 **Money Appropriated in this Bill:**

13 None

14 **Other Special Clauses:**

15 This bill provides a special effective date.

16 **Utah Code Sections Affected:**

17 **AMENDS:**

- 18 **4-18-106**, as last amended by Laws of Utah 2014, Chapter 383
- 19 **59-12-103**, as last amended by Laws of Utah 2015, Chapter 283
- 20 **59-12-1201**, as last amended by Laws of Utah 2012, Chapter 121
- 21 **63N-1-301**, as renumbered and amended by Laws of Utah 2015, Chapter 283
- 22 **63N-2-510**, as last amended by Laws of Utah 2015, Chapter 417 and renumbered and
- 23 amended by Laws of Utah 2015, Chapter 283
- 24 **63N-2-512**, as last amended by Laws of Utah 2015, Chapter 417 and renumbered and
- 25 amended by Laws of Utah 2015, Chapter 283
- 26 **72-2-124**, as last amended by Laws of Utah 2015, Chapter 421
- 27 **73-10c-4**, as last amended by Laws of Utah 2007, Chapter 142

28 **REPEALS:**

- 29 **73-10-31**, as enacted by Laws of Utah 1996, Chapter 199

30

31 *Be it enacted by the Legislature of the state of Utah:*

32 Section 1. Section **4-18-106** is amended to read:

33 **4-18-106. Agriculture Resource Development Fund -- Contents -- Use of fund**
 34 **money -- Authority board.**

35 (1) There is created a revolving loan fund known as the Agriculture Resource
 36 Development Fund.

37 (2) The Agriculture Resource Development Fund shall consist of:

38 (a) money appropriated to it by the Legislature;

39 ~~[(b) sales and use tax receipts transferred to the fund in accordance with Section~~
 40 ~~59-12-103;]~~

41 ~~[(c)]~~ (b) money received for the repayment of loans made from the fund;

42 ~~[(d)]~~ (c) money made available to the state for agriculture resource development from
 43 any source; and

44 ~~[(e)]~~ (d) interest earned on the fund.

45 (3) The commission shall make loans from the Agriculture Resource Development
 46 Fund as provided by Subsections 4-18-105(1)(e)(i) through (v).

47 (4) The commission may appoint an advisory board that shall:

48 (a) oversee the award process for loans, as described in this section;

49 (b) make recommendations to the commission regarding loans; and

50 (c) recommend the policies and procedures for the Agriculture Resource Development
 51 Fund, consistent with statute.

52 Section 2. Section **59-12-103** is amended to read:

53 **59-12-103. Sales and use tax base -- Rates -- Effective dates -- Use of sales and use**
 54 **tax revenues.**

55 (1) A tax is imposed on the purchaser as provided in this part for amounts paid or
 56 charged for the following transactions:

57 (a) retail sales of tangible personal property made within the state;

58 (b) amounts paid for:

59 (i) telecommunications service, other than mobile telecommunications service, that
 60 originates and terminates within the boundaries of this state;

61 (ii) mobile telecommunications service that originates and terminates within the
 62 boundaries of one state only to the extent permitted by the Mobile Telecommunications

63 Sourcing Act, 4 U.S.C. Sec. 116 et seq.; or

- 64 (iii) an ancillary service associated with a:
- 65 (A) telecommunications service described in Subsection (1)(b)(i); or
- 66 (B) mobile telecommunications service described in Subsection (1)(b)(ii);
- 67 (c) sales of the following for commercial use:
- 68 (i) gas;
- 69 (ii) electricity;
- 70 (iii) heat;
- 71 (iv) coal;
- 72 (v) fuel oil; or
- 73 (vi) other fuels;
- 74 (d) sales of the following for residential use:
- 75 (i) gas;
- 76 (ii) electricity;
- 77 (iii) heat;
- 78 (iv) coal;
- 79 (v) fuel oil; or
- 80 (vi) other fuels;
- 81 (e) sales of prepared food;
- 82 (f) except as provided in Section 59-12-104, amounts paid or charged as admission or
- 83 user fees for theaters, movies, operas, museums, planetariums, shows of any type or nature,
- 84 exhibitions, concerts, carnivals, amusement parks, amusement rides, circuses, menageries,
- 85 fairs, races, contests, sporting events, dances, boxing matches, wrestling matches, closed circuit
- 86 television broadcasts, billiard parlors, pool parlors, bowling lanes, golf, miniature golf, golf
- 87 driving ranges, batting cages, skating rinks, ski lifts, ski runs, ski trails, snowmobile trails,
- 88 tennis courts, swimming pools, water slides, river runs, jeep tours, boat tours, scenic cruises,
- 89 horseback rides, sports activities, or any other amusement, entertainment, recreation,
- 90 exhibition, cultural, or athletic activity;
- 91 (g) amounts paid or charged for services for repairs or renovations of tangible personal
- 92 property, unless Section 59-12-104 provides for an exemption from sales and use tax for:
- 93 (i) the tangible personal property; and
- 94 (ii) parts used in the repairs or renovations of the tangible personal property described

95 in Subsection (1)(g)(i), regardless of whether:

96 (A) any parts are actually used in the repairs or renovations of that tangible personal
97 property; or

98 (B) the particular parts used in the repairs or renovations of that tangible personal
99 property are exempt from a tax under this chapter;

100 (h) except as provided in Subsection 59-12-104(7), amounts paid or charged for
101 assisted cleaning or washing of tangible personal property;

102 (i) amounts paid or charged for tourist home, hotel, motel, or trailer court
103 accommodations and services that are regularly rented for less than 30 consecutive days;

104 (j) amounts paid or charged for laundry or dry cleaning services;

105 (k) amounts paid or charged for leases or rentals of tangible personal property if within
106 this state the tangible personal property is:

107 (i) stored;

108 (ii) used; or

109 (iii) otherwise consumed;

110 (l) amounts paid or charged for tangible personal property if within this state the
111 tangible personal property is:

112 (i) stored;

113 (ii) used; or

114 (iii) consumed; and

115 (m) amounts paid or charged for a sale:

116 (i) (A) of a product transferred electronically; or

117 (B) of a repair or renovation of a product transferred electronically; and

118 (ii) regardless of whether the sale provides:

119 (A) a right of permanent use of the product; or

120 (B) a right to use the product that is less than a permanent use, including a right:

121 (I) for a definite or specified length of time; and

122 (II) that terminates upon the occurrence of a condition.

123 (2) (a) Except as provided in Subsections (2)(b) through (e), a state tax and a local tax
124 is imposed on a transaction described in Subsection (1) equal to the sum of:

125 (i) a state tax imposed on the transaction at a tax rate equal to the sum of:

- 126 (A) 4.70%; and
- 127 (B) (I) the tax rate the state imposes in accordance with Part 18, Additional State Sales
128 and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211
129 through 59-12-215 is in a county in which the state imposes the tax under Part 18, Additional
130 State Sales and Use Tax Act; and
- 131 (II) the tax rate the state imposes in accordance with Part 20, Supplemental State Sales
132 and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211
133 through 59-12-215 is in a city, town, or the unincorporated area of a county in which the state
134 imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and
- 135 (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
136 transaction under this chapter other than this part.
- 137 (b) Except as provided in Subsection (2)(d) or (e), a state tax and a local tax is imposed
138 on a transaction described in Subsection (1)(d) equal to the sum of:
- 139 (i) a state tax imposed on the transaction at a tax rate of 2%; and
- 140 (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
141 transaction under this chapter other than this part.
- 142 (c) Except as provided in Subsection (2)(d) or (e), a state tax and a local tax is imposed
143 on amounts paid or charged for food and food ingredients equal to the sum of:
- 144 (i) a state tax imposed on the amounts paid or charged for food and food ingredients at
145 a tax rate of 1.75%; and
- 146 (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
147 amounts paid or charged for food and food ingredients under this chapter other than this part.
- 148 (d) (i) For a bundled transaction that is attributable to food and food ingredients and
149 tangible personal property other than food and food ingredients, a state tax and a local tax is
150 imposed on the entire bundled transaction equal to the sum of:
- 151 (A) a state tax imposed on the entire bundled transaction equal to the sum of:
- 152 (I) the tax rate described in Subsection (2)(a)(i)(A); and
- 153 (II) (Aa) the tax rate the state imposes in accordance with Part 18, Additional State
154 Sales and Use Tax Act, if the location of the transaction as determined under Sections
155 59-12-211 through 59-12-215 is in a county in which the state imposes the tax under Part 18,
156 Additional State Sales and Use Tax Act; and

157 (Bb) the tax rate the state imposes in accordance with Part 20, Supplemental State
158 Sales and Use Tax Act, if the location of the transaction as determined under Sections
159 59-12-211 through 59-12-215 is in a city, town, or the unincorporated area of a county in which
160 the state imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and

161 (B) a local tax imposed on the entire bundled transaction at the sum of the tax rates
162 described in Subsection (2)(a)(ii).

163 (ii) If an optional computer software maintenance contract is a bundled transaction that
164 consists of taxable and nontaxable products that are not separately itemized on an invoice or
165 similar billing document, the purchase of the optional computer software maintenance contract
166 is 40% taxable under this chapter and 60% nontaxable under this chapter.

167 (iii) Subject to Subsection (2)(d)(iv), for a bundled transaction other than a bundled
168 transaction described in Subsection (2)(d)(i) or (ii):

169 (A) if the sales price of the bundled transaction is attributable to tangible personal
170 property, a product, or a service that is subject to taxation under this chapter and tangible
171 personal property, a product, or service that is not subject to taxation under this chapter, the
172 entire bundled transaction is subject to taxation under this chapter unless:

173 (I) the seller is able to identify by reasonable and verifiable standards the tangible
174 personal property, product, or service that is not subject to taxation under this chapter from the
175 books and records the seller keeps in the seller's regular course of business; or

176 (II) state or federal law provides otherwise; or

177 (B) if the sales price of a bundled transaction is attributable to two or more items of
178 tangible personal property, products, or services that are subject to taxation under this chapter
179 at different rates, the entire bundled transaction is subject to taxation under this chapter at the
180 higher tax rate unless:

181 (I) the seller is able to identify by reasonable and verifiable standards the tangible
182 personal property, product, or service that is subject to taxation under this chapter at the lower
183 tax rate from the books and records the seller keeps in the seller's regular course of business; or

184 (II) state or federal law provides otherwise.

185 (iv) For purposes of Subsection (2)(d)(iii), books and records that a seller keeps in the
186 seller's regular course of business includes books and records the seller keeps in the regular
187 course of business for nontax purposes.

188 (e) (i) Except as otherwise provided in this chapter and subject to Subsections (2)(e)(ii)
189 and (iii), if a transaction consists of the sale, lease, or rental of tangible personal property, a
190 product, or a service that is subject to taxation under this chapter, and the sale, lease, or rental
191 of tangible personal property, other property, a product, or a service that is not subject to
192 taxation under this chapter, the entire transaction is subject to taxation under this chapter unless
193 the seller, at the time of the transaction:

194 (A) separately states the portion of the transaction that is not subject to taxation under
195 this chapter on an invoice, bill of sale, or similar document provided to the purchaser; or

196 (B) is able to identify by reasonable and verifiable standards, from the books and
197 records the seller keeps in the seller's regular course of business, the portion of the transaction
198 that is not subject to taxation under this chapter.

199 (ii) A purchaser and a seller may correct the taxability of a transaction if:

200 (A) after the transaction occurs, the purchaser and the seller discover that the portion of
201 the transaction that is not subject to taxation under this chapter was not separately stated on an
202 invoice, bill of sale, or similar document provided to the purchaser because of an error or
203 ignorance of the law; and

204 (B) the seller is able to identify by reasonable and verifiable standards, from the books
205 and records the seller keeps in the seller's regular course of business, the portion of the
206 transaction that is not subject to taxation under this chapter.

207 (iii) For purposes of Subsections (2)(e)(i) and (ii), books and records that a seller keeps
208 in the seller's regular course of business includes books and records the seller keeps in the
209 regular course of business for nontax purposes.

210 (f) (i) If the sales price of a transaction is attributable to two or more items of tangible
211 personal property, products, or services that are subject to taxation under this chapter at
212 different rates, the entire purchase is subject to taxation under this chapter at the higher tax rate
213 unless the seller, at the time of the transaction:

214 (A) separately states the items subject to taxation under this chapter at each of the
215 different rates on an invoice, bill of sale, or similar document provided to the purchaser; or

216 (B) is able to identify by reasonable and verifiable standards the tangible personal
217 property, product, or service that is subject to taxation under this chapter at the lower tax rate
218 from the books and records the seller keeps in the seller's regular course of business.

219 (ii) For purposes of Subsection (2)(f)(i), books and records that a seller keeps in the
220 seller's regular course of business includes books and records the seller keeps in the regular
221 course of business for nontax purposes.

222 (g) Subject to Subsections (2)(h) and (i), a tax rate repeal or tax rate change for a tax
223 rate imposed under the following shall take effect on the first day of a calendar quarter:

224 (i) Subsection (2)(a)(i)(A);

225 (ii) Subsection (2)(b)(i);

226 (iii) Subsection (2)(c)(i); or

227 (iv) Subsection (2)(d)(i)(A)(I).

228 (h) (i) A tax rate increase takes effect on the first day of the first billing period that
229 begins on or after the effective date of the tax rate increase if the billing period for the
230 transaction begins before the effective date of a tax rate increase imposed under:

231 (A) Subsection (2)(a)(i)(A);

232 (B) Subsection (2)(b)(i);

233 (C) Subsection (2)(c)(i); or

234 (D) Subsection (2)(d)(i)(A)(I).

235 (ii) The repeal of a tax or a tax rate decrease applies to a billing period if the billing
236 statement for the billing period is rendered on or after the effective date of the repeal of the tax
237 or the tax rate decrease imposed under:

238 (A) Subsection (2)(a)(i)(A);

239 (B) Subsection (2)(b)(i);

240 (C) Subsection (2)(c)(i); or

241 (D) Subsection (2)(d)(i)(A)(I).

242 (i) (i) For a tax rate described in Subsection (2)(i)(ii), if a tax due on a catalogue sale is
243 computed on the basis of sales and use tax rates published in the catalogue, a tax rate repeal or
244 change in a tax rate takes effect:

245 (A) on the first day of a calendar quarter; and

246 (B) beginning 60 days after the effective date of the tax rate repeal or tax rate change.

247 (ii) Subsection (2)(i)(i) applies to the tax rates described in the following:

248 (A) Subsection (2)(a)(i)(A);

249 (B) Subsection (2)(b)(i);

250 (C) Subsection (2)(c)(i); or

251 (D) Subsection (2)(d)(i)(A)(I).

252 (iii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
253 the commission may by rule define the term "catalogue sale."

254 (3) (a) The following state taxes shall be deposited into the General Fund:

255 (i) the tax imposed by Subsection (2)(a)(i)(A);

256 (ii) the tax imposed by Subsection (2)(b)(i);

257 (iii) the tax imposed by Subsection (2)(c)(i); or

258 (iv) the tax imposed by Subsection (2)(d)(i)(A)(I).

259 (b) The following local taxes shall be distributed to a county, city, or town as provided
260 in this chapter:

261 (i) the tax imposed by Subsection (2)(a)(ii);

262 (ii) the tax imposed by Subsection (2)(b)(ii);

263 (iii) the tax imposed by Subsection (2)(c)(ii); and

264 (iv) the tax imposed by Subsection (2)(d)(i)(B).

265 ~~[(4)(a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July~~
266 ~~1, 2003, the lesser of the following amounts shall be expended as provided in Subsections~~
267 ~~(4)(b) through (g):]~~

268 ~~[(i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated:]~~

269 ~~[(A) by a 1/16% tax rate on the transactions described in Subsection (1); and]~~

270 ~~[(B) for the fiscal year; or]~~

271 ~~[(ii) \$17,500,000.]~~

272 ~~[(b) (i) For a fiscal year beginning on or after July 1, 2003, 14% of the amount~~
273 ~~described in Subsection (4)(a) shall be transferred each year as dedicated credits to the~~
274 ~~Department of Natural Resources to:]~~

275 ~~[(A) implement the measures described in Subsections 79-2-303(3)(a) through (d) to~~
276 ~~protect sensitive plant and animal species; or]~~

277 ~~[(B) award grants, up to the amount authorized by the Legislature in an appropriations~~
278 ~~act, to political subdivisions of the state to implement the measures described in Subsections~~
279 ~~79-2-303(3)(a) through (d) to protect sensitive plant and animal species.]~~

280 ~~[(ii) Money transferred to the Department of Natural Resources under Subsection~~

281 ~~(4)(b)(i) may not be used to assist the United States Fish and Wildlife Service or any other~~
282 ~~person to list or attempt to have listed a species as threatened or endangered under the~~
283 ~~Endangered Species Act of 1973, 16 U.S.C. Sec. 1531 et seq.]~~

284 ~~[(iii) At the end of each fiscal year:]~~

285 ~~[(A) 50% of any unexpended dedicated credits shall lapse to the Water Resources~~
286 ~~Conservation and Development Fund created in Section 73-10-24;]~~

287 ~~[(B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan~~
288 ~~Program Subaccount created in Section 73-10c-5; and]~~

289 ~~[(C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan~~
290 ~~Program Subaccount created in Section 73-10c-5.]~~

291 ~~[(e) For a fiscal year beginning on or after July 1, 2003, 3% of the amount described in~~
292 ~~Subsection (4)(a) shall be deposited each year in the Agriculture Resource Development Fund~~
293 ~~created in Section 4-18-106.]~~

294 ~~[(d) (i) For a fiscal year beginning on or after July 1, 2003, 1% of the amount described~~
295 ~~in Subsection (4)(a) shall be transferred each year as dedicated credits to the Division of Water~~
296 ~~Rights to cover the costs incurred in hiring legal and technical staff for the adjudication of~~
297 ~~water rights.]~~

298 ~~[(ii) At the end of each fiscal year:]~~

299 ~~[(A) 50% of any unexpended dedicated credits shall lapse to the Water Resources~~
300 ~~Conservation and Development Fund created in Section 73-10-24;]~~

301 ~~[(B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan~~
302 ~~Program Subaccount created in Section 73-10c-5; and]~~

303 ~~[(C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan~~
304 ~~Program Subaccount created in Section 73-10c-5.]~~

305 ~~[(e) (i) For a fiscal year beginning on or after July 1, 2003, 41% of the amount~~
306 ~~described in Subsection (4)(a) shall be deposited in the Water Resources Conservation and~~
307 ~~Development Fund created in Section 73-10-24 for use by the Division of Water Resources.]~~

308 ~~[(ii) In addition to the uses allowed of the Water Resources Conservation and~~
309 ~~Development Fund under Section 73-10-24, the Water Resources Conservation and~~
310 ~~Development Fund may also be used to:]~~

311 ~~[(A) conduct hydrologic and geotechnical investigations by the Division of Water~~

312 Resources in a cooperative effort with other state, federal, or local entities, for the purpose of
313 quantifying surface and ground water resources and describing the hydrologic systems of an
314 area in sufficient detail so as to enable local and state resource managers to plan for and
315 accommodate growth in water use without jeopardizing the resource;]

316 [(B) fund state required dam safety improvements; and]

317 [(C) protect the state's interest in interstate water compact allocations, including the
318 hiring of technical and legal staff.]

319 [(f) For a fiscal year beginning on or after July 1, 2003, 20.5% of the amount described
320 in Subsection (4)(a) shall be deposited in the Utah Wastewater Loan Program Subaccount
321 created in Section 73-10c-5 for use by the Water Quality Board to fund wastewater projects.]

322 [(g) For a fiscal year beginning on or after July 1, 2003, 20.5% of the amount described
323 in Subsection (4)(a) shall be deposited in the Drinking Water Loan Program Subaccount
324 created in Section 73-10c-5 for use by the Division of Drinking Water to:]

325 [(i) provide for the installation and repair of collection, treatment, storage, and
326 distribution facilities for any public water system, as defined in Section 19-4-102;]

327 [(ii) develop underground sources of water, including springs and wells; and]

328 [(iii) develop surface water sources.]

329 [(5) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July
330 1, 2006, the difference between the following amounts shall be expended as provided in this
331 Subsection (5), if that difference is greater than \$1:]

332 [(i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated for
333 the fiscal year by a 1/16% tax rate on the transactions described in Subsection (1); and]

334 [(ii) \$17,500,000.]

335 [(b) (i) The first \$500,000 of the difference described in Subsection (5)(a) shall be:]

336 [(A) transferred each fiscal year to the Department of Natural Resources as dedicated
337 credits; and]

338 [(B) expended by the Department of Natural Resources for watershed rehabilitation or
339 restoration.]

340 [(ii) At the end of each fiscal year, 100% of any unexpended dedicated credits
341 described in Subsection (5)(b)(i) shall lapse to the Water Resources Conservation and
342 Development Fund created in Section 73-10-24.]

343 ~~[(c) (i) After making the transfer required by Subsection (5)(b)(i), \$150,000 of the~~
344 ~~remaining difference described in Subsection (5)(a) shall be:]~~

345 ~~[(A) transferred each fiscal year to the Division of Water Resources as dedicated~~
346 ~~credits; and]~~

347 ~~[(B) expended by the Division of Water Resources for cloud-seeding projects~~
348 ~~authorized by Title 73, Chapter 15, Modification of Weather:]~~

349 ~~[(ii) At the end of each fiscal year, 100% of any unexpended dedicated credits~~
350 ~~described in Subsection (5)(c)(i) shall lapse to the Water Resources Conservation and~~
351 ~~Development Fund created in Section 73-10-24.]~~

352 ~~[(d) After making the transfers required by Subsections (5)(b) and (c), 94% of the~~
353 ~~remaining difference described in Subsection (5)(a) shall be deposited into the Water~~
354 ~~Resources Conservation and Development Fund created in Section 73-10-24 for use by the~~
355 ~~Division of Water Resources for:]~~

356 ~~[(i) preconstruction costs:]~~

357 ~~[(A) as defined in Subsection 73-26-103(6) for projects authorized by Title 73, Chapter~~
358 ~~26, Bear River Development Act; and]~~

359 ~~[(B) as defined in Subsection 73-28-103(8) for the Lake Powell Pipeline project~~
360 ~~authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act;]~~

361 ~~[(ii) the cost of employing a civil engineer to oversee any project authorized by Title~~
362 ~~73, Chapter 26, Bear River Development Act;]~~

363 ~~[(iii) the cost of employing a civil engineer to oversee the Lake Powell Pipeline project~~
364 ~~authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act; and]~~

365 ~~[(iv) other uses authorized under Sections 73-10-24, 73-10-25.1, 73-10-30, and~~
366 ~~Subsection (4)(e)(ii) after funding the uses specified in Subsections (5)(d)(i) through (iii):]~~

367 ~~[(e) After making the transfers required by Subsections (5)(b) and (c) and subject to~~
368 ~~Subsection (5)(f), 6% of the remaining difference described in Subsection (5)(a) shall be~~
369 ~~transferred each year as dedicated credits to the Division of Water Rights to cover the costs~~
370 ~~incurred for employing additional technical staff for the administration of water rights.]~~

371 ~~[(f) At the end of each fiscal year, any unexpended dedicated credits described in~~
372 ~~Subsection (5)(e) over \$150,000 lapse to the Water Resources Conservation and Development~~
373 ~~Fund created in Section 73-10-24.]~~

374 ~~[(6)]~~ (4) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July
375 1, 2003, and for taxes listed under Subsection (3)(a), the amount of revenue generated by a
376 1/16% tax rate on the transactions described in Subsection (1) for the fiscal year shall be
377 deposited in the Transportation Fund created by Section 72-2-102.

378 ~~[(7) Notwithstanding Subsection (3)(a), beginning on July 1, 2012, the Division of~~
379 ~~Finance shall deposit into the Transportation Investment Fund of 2005 created in Section~~
380 ~~72-2-124 a portion of the taxes listed under Subsection (3)(a) equal to the revenues generated~~
381 ~~by a 1/64% tax rate on the taxable transactions under Subsection (1).]~~

382 ~~[(8)(a) Notwithstanding Subsection (3)(a), in addition to the amounts deposited in~~
383 ~~Subsection (7), and subject to Subsection (8)(b), for a fiscal year beginning on or after July 1,~~
384 ~~2012, the Division of Finance shall deposit into the Transportation Investment Fund of 2005~~
385 ~~created by Section 72-2-124.]~~

386 ~~[(i) a portion of the taxes listed under Subsection (3)(a) in an amount equal to 8.3% of~~
387 ~~the revenues collected from the following taxes, which represents a portion of the~~
388 ~~approximately 17% of sales and use tax revenues generated annually by the sales and use tax~~
389 ~~on vehicles and vehicle-related products:]~~

390 ~~[(A) the tax imposed by Subsection (2)(a)(i)(A);]~~

391 ~~[(B) the tax imposed by Subsection (2)(b)(i);]~~

392 ~~[(C) the tax imposed by Subsection (2)(c)(i); and]~~

393 ~~[(D) the tax imposed by Subsection (2)(d)(i)(A)(I); plus]~~

394 ~~[(ii) an amount equal to 30% of the growth in the amount of revenues collected in the~~
395 ~~current fiscal year from the sales and use taxes described in Subsections (8)(a)(i)(A) through~~
396 ~~(D) that exceeds the amount collected from the sales and use taxes described in Subsections~~
397 ~~(8)(a)(i)(A) through (D) in the 2010-11 fiscal year.]~~

398 ~~[(b) (i) Subject to Subsections (8)(b)(ii) and (iii), in any fiscal year that the portion of~~
399 ~~the sales and use taxes deposited under Subsection (8)(a) represents an amount that is a total~~
400 ~~lower percentage of the sales and use taxes described in Subsections (8)(a)(i)(A) through (D)~~
401 ~~generated in the current fiscal year than the total percentage of sales and use taxes deposited in~~
402 ~~the previous fiscal year, the Division of Finance shall deposit an amount under Subsection~~
403 ~~(8)(a) equal to the product of:]~~

404 ~~[(A) the total percentage of sales and use taxes deposited under Subsection (8)(a) in the~~

405 previous fiscal year; and]

406 [~~(B) the total sales and use tax revenue generated by the taxes described in Subsections~~
407 ~~(8)(a)(i)(A) through (D) in the current fiscal year.]~~

408 [~~(ii) In any fiscal year in which the portion of the sales and use taxes deposited under~~
409 ~~Subsection (8)(a) would exceed 17% of the revenues collected from the sales and use taxes~~
410 ~~described in Subsections (8)(a)(i)(A) through (D) in the current fiscal year, the Division of~~
411 ~~Finance shall deposit 17% of the revenues collected from the sales and use taxes described in~~
412 ~~Subsections (8)(a)(i)(A) through (D) for the current fiscal year under Subsection (8)(a).]~~

413 [~~(iii) In all subsequent fiscal years after a year in which 17% of the revenues collected~~
414 ~~from the sales and use taxes described in Subsections (8)(a)(i)(A) through (D) was deposited~~
415 ~~under Subsection (8)(a), the Division of Finance shall annually deposit 17% of the revenues~~
416 ~~collected from the sales and use taxes described in Subsections (8)(a)(i)(A) through (D) in the~~
417 ~~current fiscal year under Subsection (8)(a).]~~

418 [~~(9) Notwithstanding Subsection (3)(a), and in addition to the amounts deposited under~~
419 ~~Subsections (7) and (8), for a fiscal year beginning on or after July 1, 2012, the Division of~~
420 ~~Finance shall annually deposit \$90,000,000 of the revenues generated by the taxes listed under~~
421 ~~Subsection (3)(a) into the Transportation Investment Fund of 2005 created by Section~~
422 ~~72-2-124.]~~

423 [~~(10)~~ (5) Notwithstanding Subsection (3)(a), for each fiscal year beginning with fiscal
424 year 2009-10, \$533,750 shall be deposited into the Qualified Emergency Food Agencies Fund
425 created by Section 35A-8-1009 and expended as provided in Section 35A-8-1009.

426 [~~(11)(a) Notwithstanding Subsection (3)(a), except as provided in Subsection (11)(b),~~
427 ~~and in addition to any amounts deposited under Subsections (7), (8), and (9), beginning on July~~
428 ~~1, 2012, the Division of Finance shall deposit into the Transportation Investment Fund of 2005~~
429 ~~created by Section 72-2-124 the amount of tax revenue generated by a .025% tax rate on the~~
430 ~~transactions described in Subsection (1).]~~

431 [~~(b) For purposes of Subsection (11)(a), the Division of Finance may not deposit into~~
432 ~~the Transportation Investment Fund of 2005 any tax revenue generated by amounts paid or~~
433 ~~charged for food and food ingredients, except for tax revenue generated by a bundled~~
434 ~~transaction attributable to food and food ingredients and tangible personal property other than~~
435 ~~food and food ingredients described in Subsection (2)(d).]~~

436 ~~[(12)(a) Notwithstanding Subsection (3)(a), and except as provided in Subsection~~
437 ~~(12)(b), beginning on January 1, 2009, the Division of Finance shall deposit into the~~
438 ~~Transportation Fund created by Section 72-2-102 the amount of tax revenue generated by a~~
439 ~~.025% tax rate on the transactions described in Subsection (1) to be expended to address~~
440 ~~chokepoints in construction management.]~~

441 ~~[(b) For purposes of Subsection (12)(a), the Division of Finance may not deposit into~~
442 ~~the Transportation Fund any tax revenue generated by amounts paid or charged for food and~~
443 ~~food ingredients, except for tax revenue generated by a bundled transaction attributable to food~~
444 ~~and food ingredients and tangible personal property other than food and food ingredients~~
445 ~~described in Subsection (2)(d).]~~

446 ~~[(13)]~~ (6) Notwithstanding Subsection (3)(a), beginning the second fiscal year after the
447 fiscal year during which the Division of Finance receives notice under Subsection
448 63N-2-510(3) that construction on a qualified hotel, as defined in Section 63N-2-502, has
449 begun, the Division of Finance shall, for two consecutive fiscal years, annually deposit
450 \$1,900,000 of the revenue generated by the taxes listed under Subsection (3)(a) into the Hotel
451 Impact Mitigation Fund, created in Section 63N-2-512.

452 ~~[(14)]~~ (7) Notwithstanding Subsections (4) through ~~[(13)]~~ (6), an amount required to be
453 expended or deposited in accordance with Subsections (4) through ~~[(13)]~~ (6) may not include
454 an amount the Division of Finance deposits in accordance with Section 59-12-103.2.

455 Section 3. Section **59-12-1201** is amended to read:

456 **59-12-1201. Motor vehicle rental tax -- Rate -- Exemptions -- Administration,**
457 **collection, and enforcement of tax -- Administrative charge -- Deposits.**

458 (1) (a) Except as provided in Subsection (3), there is imposed a tax of 2.5% on all
459 short-term leases and rentals of motor vehicles not exceeding 30 days.

460 (b) The tax imposed in this section is in addition to all other state, county, or municipal
461 fees and taxes imposed on rentals of motor vehicles.

462 (2) (a) Subject to Subsection (2)(b), a tax rate repeal or tax rate change for the tax
463 imposed under Subsection (1) shall take effect on the first day of a calendar quarter.

464 (b) (i) For a transaction subject to a tax under Subsection (1), a tax rate increase shall
465 take effect on the first day of the first billing period:

466 (A) that begins after the effective date of the tax rate increase; and

467 (B) if the billing period for the transaction begins before the effective date of a tax rate
468 increase imposed under Subsection (1).

469 (ii) For a transaction subject to a tax under Subsection (1), the repeal of a tax or a tax
470 rate decrease shall take effect on the first day of the last billing period:

471 (A) that began before the effective date of the repeal of the tax or the tax rate decrease;
472 and

473 (B) if the billing period for the transaction begins before the effective date of the repeal
474 of the tax or the tax rate decrease imposed under Subsection (1).

475 (3) A motor vehicle is exempt from the tax imposed under Subsection (1) if:

476 (a) the motor vehicle is registered for a gross laden weight of 12,001 or more pounds;

477 (b) the motor vehicle is rented as a personal household goods moving van; or

478 (c) the lease or rental of the motor vehicle is made for the purpose of temporarily
479 replacing a person's motor vehicle that is being repaired pursuant to a repair agreement or an
480 insurance agreement.

481 (4) (a) (i) The tax authorized under this section shall be administered, collected, and
482 enforced in accordance with:

483 (A) the same procedures used to administer, collect, and enforce the tax under Part 1,
484 Tax Collection; and

485 (B) Chapter 1, General Taxation Policies.

486 (ii) Notwithstanding Subsection (4)(a)(i), a tax under this part is not subject to
487 Subsections 59-12-103(4) through [~~42~~] (5) or Section 59-12-107.1 or 59-12-123.

488 (b) The commission shall retain and deposit an administrative charge in accordance
489 with Section 59-1-306 from the revenues the commission collects from a tax under this part.

490 (c) Except as provided under Subsection (4)(b), all revenue received by the
491 commission under this section shall be deposited daily with the state treasurer and credited
492 monthly to the Marda Dillree Corridor Preservation Fund under Section 72-2-117.

493 Section 4. Section **63N-1-301** is amended to read:

494 **63N-1-301. Annual report -- Content -- Format.**

495 (1) The office shall prepare and submit to the governor and the Legislature, by October
496 1 of each year, an annual written report of the operations, activities, programs, and services of
497 the office, including the divisions, sections, boards, commissions, councils, and committees

498 established under this title, for the preceding fiscal year.

499 (2) For each operation, activity, program, or service provided by the office, the annual
500 report shall include:

501 (a) a description of the operation, activity, program, or service;

502 (b) data selected and used by the office to measure progress, performance, and scope of
503 the operation, activity, program, or service, including summary data;

504 (c) budget data, including the amount and source of funding, expenses, and allocation
505 of full-time employees for the operation, activity, program, or service;

506 (d) historical data from previous years for comparison with data reported under
507 Subsections (2)(b) and (c);

508 (e) goals, challenges, and achievements related to the operation, activity, program, or
509 service;

510 (f) relevant federal and state statutory references and requirements;

511 (g) contact information of officials knowledgeable and responsible for each operation,
512 activity, program, or service; and

513 (h) other information determined by the office that:

514 (i) may be needed, useful, or of historical significance; or

515 (ii) promotes accountability and transparency for each operation, activity, program, or
516 service with the public and elected officials.

517 (3) The annual report shall be designed to provide clear, accurate, and accessible
518 information to the public, the governor, and the Legislature.

519 (4) The office shall:

520 (a) submit the annual report in accordance with Section 68-3-14; and

521 (b) make the annual report, and previous annual reports, accessible to the public by
522 placing a link to the reports on the office's website.

523 Section 5. Section **63N-2-510** is amended to read:

524 **63N-2-510. Report by office -- Posting of report.**

525 (1) The office shall include the following information in the office's annual written
526 report described in Section 63N-1-301:

527 (a) the state's success in attracting new conventions and corresponding new state
528 revenue;

529 (b) the estimated amount of convention incentive commitments and the associated
530 calculation made by the office and the period of time over which convention incentives are
531 expected to be paid;

532 (c) the economic impact on the state related to generating new state revenue and
533 providing convention incentives; and

534 (d) the estimated and actual costs and economic benefits of the convention incentive
535 commitments that the office made.

536 (2) Upon the commencement of the construction of a qualified hotel, the office shall
537 send a written notice to the Division of Finance:

538 (a) referring to the two annual deposits required under Subsection 59-12-103~~(13)~~(6);
539 and

540 (b) notifying the Division of Finance that construction on the qualified hotel has begun.
541 Section 6. Section **63N-2-512** is amended to read:

542 **63N-2-512. Hotel Impact Mitigation Fund.**

543 (1) As used in this section:

544 (a) "Affected hotel" means a hotel built in the state before July 1, 2014.

545 (b) "Direct losses" means affected hotels' losses of hotel guest business attributable to
546 the qualified hotel room supply being added to the market in the state.

547 (c) "Mitigation fund" means the Hotel Impact Mitigation Fund, created in Subsection
548 (2).

549 (2) There is created an expendable special revenue fund known as the Hotel Impact
550 Mitigation Fund.

551 (3) The mitigation fund shall:

552 (a) be administered by the board;

553 (b) earn interest; and

554 (c) be funded by:

555 (i) payments required to be deposited into the mitigation fund by the Division of
556 Finance under Subsection 59-12-103~~(13)~~(6);

557 (ii) money required to be deposited into the mitigation fund under Subsection
558 17-31-9(2) by the county in which a qualified hotel is located; and

559 (iii) any money deposited into the mitigation fund under Subsection (6).

560 (4) Interest earned by the mitigation fund shall be deposited into the mitigation fund.

561 (5) (a) In accordance with office rules, the board shall annually pay up to \$2,100,000 of
562 money in the mitigation fund:

563 (i) to affected hotels;

564 (ii) for four consecutive years, beginning 12 months after the date of initial occupancy
565 of the qualified hotel occurs; and

566 (iii) to mitigate direct losses.

567 (b) (i) If the amount the board pays under Subsection (5)(a) in any year is less than
568 \$2,100,000, the board shall pay to the Stay Another Day and Bounce Back Fund, created in
569 Section 63N-2-511, the difference between \$2,100,000 and the amount paid under Subsection
570 (5)(a).

571 (ii) The board shall make any required payment under Subsection (5)(b)(i) within 90
572 days after the end of the year for which a determination is made of how much the board is
573 required to pay to affected hotels under Subsection (5)(a).

574 (6) A host local government or qualified hotel owner may make payments to the
575 Division of Finance for deposit into the mitigation fund.

576 (7) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
577 office shall, in consultation with the Utah Hotel and Lodging Association and the county in
578 which the qualified hotel is located, make rules establishing procedures and criteria governing
579 payments under Subsection (5)(a) to affected hotels.

580 Section 7. Section **72-2-124** is amended to read:

581 **72-2-124. Transportation Investment Fund of 2005.**

582 (1) There is created a capital projects fund entitled the Transportation Investment Fund
583 of 2005.

584 (2) The fund consists of money generated from the following sources:

585 (a) any voluntary contributions received for the maintenance, construction,
586 reconstruction, or renovation of state and federal highways;

587 (b) appropriations made to the fund by the Legislature; and

588 [~~(c) the sales and use tax revenues deposited into the fund in accordance with Section~~
589 ~~59-12-103; and]~~

590 [~~(d)~~ (c) registration fees designated under Section 41-1a-1201.

- 591 (3) (a) The fund shall earn interest.
- 592 (b) All interest earned on fund money shall be deposited into the fund.
- 593 (4) (a) Except as provided in Subsection (4)(b), the executive director may use fund
594 money only to pay:
- 595 (i) the costs of maintenance, construction, reconstruction, or renovation to state and
596 federal highways prioritized by the Transportation Commission through the prioritization
597 process for new transportation capacity projects adopted under Section 72-1-304;
- 598 (ii) the costs of maintenance, construction, reconstruction, or renovation to the highway
599 projects described in Subsections 63B-18-401(2), (3), and (4);
- 600 (iii) principal, interest, and issuance costs of bonds authorized by Section 63B-18-401
601 minus the costs paid from the County of the First Class Highway Projects Fund in accordance
602 with Subsection 72-2-121(4)(f);
- 603 (iv) for a fiscal year beginning on or after July 1, 2013, to transfer to the 2010 Salt
604 Lake County Revenue Bond Sinking Fund created by Section 72-2-121.3 the amount certified
605 by Salt Lake County in accordance with Subsection 72-2-121.3(4)(c) as necessary to pay the
606 debt service on \$30,000,000 of the revenue bonds issued by Salt Lake County;
- 607 (v) principal, interest, and issuance costs of bonds authorized by Section 63B-16-101
608 for projects prioritized in accordance with Section 72-2-125;
- 609 (vi) all highway general obligation bonds that are intended to be paid from revenues in
610 the Centennial Highway Fund created by Section 72-2-118; and
- 611 (vii) for fiscal year 2015-16 only, to transfer \$25,000,000 to the County of the First
612 Class Highway Projects Fund created in Section 72-2-121 to be used for the purposes described
613 in Section 72-2-121.
- 614 (b) The executive director may use fund money to exchange for an equal or greater
615 amount of federal transportation funds to be used as provided in Subsection (4)(a).
- 616 (5) (a) Before bonds authorized by Section 63B-18-401 may be issued in any fiscal
617 year, the department and the commission shall appear before the Executive Appropriations
618 Committee of the Legislature and present the amount of bond proceeds that the department
619 needs to provide funding for the projects identified in Subsections 63B-18-401(2), (3), and (4)
620 for the next fiscal year.
- 621 (b) The Executive Appropriations Committee of the Legislature shall review and

622 comment on the amount of bond proceeds needed to fund the projects.

623 (6) The Division of Finance shall, from money deposited into the fund, transfer the
624 amount of funds necessary to pay principal, interest, and issuance costs of bonds authorized by
625 Section 63B-18-401 in the current fiscal year to the appropriate debt service or sinking fund.

626 ~~[(7)(a) The commission shall develop prior to June 30, 2015, a funding plan and
627 identify a highway construction program using the prioritization process for new transportation
628 capacity projects adopted under Section 72-1-304 that meets long-term transportation needs
629 beyond the normal four year programming horizon.]~~

630 ~~[(b) The commission shall report the plan and program established under Subsection
631 (7)(a) to the Transportation Interim Committee of the Legislature by no later than September
632 30, 2015.]~~

633 Section 8. Section **73-10c-4** is amended to read:

634 **73-10c-4. Credit enhancement and interest buy-down agreements -- Loans or**
635 **grants -- Hardship grants.**

636 (1) On behalf of the state, the Water Quality Board and the Drinking Water Board may
637 each enter into credit enhancement agreements with political subdivisions containing terms and
638 provisions that the acting board determines will reasonably improve the security for or
639 marketability of drinking water and wastewater project obligations, including any of the
640 following:

641 (a) a term providing security for drinking water and wastewater project obligations, as
642 provided in Subsection 73-10c-6(2)(b), by agreeing to purchase the drinking water or
643 wastewater project obligations of, or to make loans to, political subdivisions from a subaccount
644 of the security fund for the purpose of preventing defaults in the payment of principal and
645 interest on drinking water and wastewater project obligations;

646 (b) a term making loans to political subdivisions to pay the cost of obtaining:

647 (i) letters of credit from banks, savings and loan institutions, insurance companies, or
648 other financial institutions;

649 (ii) municipal bond insurance; or

650 (iii) other forms of insurance or security to provide security for drinking water and
651 wastewater project obligations; and

652 (c) a term providing other methods and assistance to political subdivisions that are

653 reasonable and proper to enhance the marketability of or security for drinking water and
654 wastewater project obligations.

655 (2) (a) The Drinking Water Board and the Water Quality Board may each make loans
656 from a security fund subaccount to political subdivisions to finance all or part of drinking water
657 and wastewater project costs by following the procedures and requirements of Sections
658 73-10c-4.1 and 73-10c-4.2.

659 (b) These loans may only be made after credit enhancement agreements, interest
660 buy-down agreements, and all other financing alternatives have been evaluated by the acting
661 board and the board determines those options are unavailable or unreasonably expensive for the
662 subdivision requesting assistance.

663 (c) Loans may be made from the security fund subaccount at interest rates determined
664 by the board.

665 (3) (a) The Drinking Water Board and the Water Quality Board may each make loans
666 or grants from the security fund to political subdivisions for interest buy-down agreements for
667 drinking water or wastewater project obligations.

668 (b) The Drinking Water Board may make loans or grants from the security account to
669 political subdivisions for planning for drinking water projects.

670 ~~[(4) (a) Of the total amount of money annually available to the Drinking Water Board
671 and Water Quality Board for financial assistance to political subdivisions, at least 10% shall be
672 allocated by each board for credit enhancement and interest buy-down agreements.]~~

673 ~~[(b) The requirement specified in Subsection (4)(a) shall apply only so long as sales
674 and use tax is transferred to the Utah Wastewater Loan Program Subaccount and Drinking
675 Water Loan Program Subaccount as provided in Section 59-12-103.]~~

676 ~~[(5)]~~ (4) To the extent money is available in the hardship grant subaccounts of the
677 security fund, the Drinking Water Board and the Water Quality Board may each make grants to
678 political subdivisions that meet the drinking water or wastewater project loan considerations
679 respectively, but whose projects are determined by the granting board to not be economically
680 feasible unless grant assistance is provided.

681 ~~[(6)]~~ (5) The Drinking Water and Water Quality Boards may at any time transfer
682 money out of their respective hardship grant subaccounts of the security fund to their respective
683 loan program subaccounts.

684 [(7)] (6) The Water Quality Board may make a grant from the Hardship Grant Program
685 for Wastewater Projects Subaccount created in Subsection 73-10c-5(2)(c) for a nonpoint source
686 project as provided by Section 73-10c-4.5 if:

- 687 (a) money is available in the subaccount; and
- 688 (b) the Water Quality Board determines that the project would not be economically
689 feasible unless a grant were made.

690 Section 9. **Repealer.**

691 This bill repeals:

692 Section **73-10-31, Allocation of funds for credit enhancement and interest**
693 **buy-down agreements.**

694 Section 10. **Effective date.**

695 This bill takes effect on July 1, 2016.

Utah Tax Review Commission
 Recommendations for Repeal -- November 18, 2015
 Earmarks of the State Sales and Use Tax

Earmark	Annual Revenue (FY 2015)	Where is the money deposited?	Purpose	
Earmarks for Road Construction and Maintenance				
1	8.3% of all sales and use tax revenue	\$183 M	Transportation Investment Fund of 2005	Dedicated to the construction, reconstruction, or renovation of highway capacity projects. May also be used for maintenance of highways built with TIF funds.
2	30% of growth above FY 2011 revenue	\$126 M	Transportation Investment Fund of 2005	Dedicated to the construction, reconstruction, or renovation of highway capacity projects. May also be used for maintenance of highways built with TIF funds.
3	\$90,000,000 lump sum	\$90 M	Transportation Investment Fund of 2005	Dedicated to the construction, reconstruction, or renovation of highway capacity projects. May also be used for maintenance of highways built with TIF funds.
5	0.025%	\$11 M	Transportation Fund	Used to address chokepoints in construction management.
6	0.025%	\$11 M	Transportation Investment Fund of 2005	Dedicated to the construction, reconstruction, or renovation of highway capacity projects. May also be used for maintenance of highways built with TIF funds.
7	1/64%	\$8 M	Transportation Investment Fund of 2005	Dedicated to the construction, reconstruction, or renovation of highway capacity projects. May also be used for maintenance of highways built with TIF funds.

Subtotal - Roads	\$429 M	
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Earmarks for Water -- Revenue generated by a 1/16% tax on the sales tax base, but not less than \$17,500,000

Loan Funds

8	3% of the first \$17,500,000	\$525 K	Agriculture Resource Development Fund	Loans to Utah farmers and ranchers for rangeland improvement and other agriculture related purposes.
9	41% of the first \$17,500,000 and \$13,317,977 of the amount above \$17,500,000	\$20.5 M	Water Resource Conservation and Development Fund	"Through the revolving Conservation and Development Fund, the Board of Water Resources helps local water suppliers finance the construction of water projects throughout the state. These projects put the state's water to beneficial use for people, agriculture, and business to maintain standards of living and build local economies. All of these funds are repaid by local water users." (Utah Department of Natural Resources)
10	20.5% of the first \$17,500,000	\$3.587 M	Drinking Water Loan Program Subaccount	Drinking water capital improvement projects to provide service capacity and maintain or achieve compliance with the mandates of the Safe Water Drinking Act.
11	20.5% of the first \$17,500,000	\$3.587 M	Utah Wastewater Loan Program Subaccount	Wastewater capital improvement projects to provide service capacity and maintain or achieve compliance with the mandates of the Clean Water Act.

Department of Natural Resources - Programs

12	14% of the first \$17,500,000	\$2.450 M	Department of Natural Resources	Protect sensitive plant and animal species
13	1% of the first \$17,500,000	\$175 K	Division of Water Rights	Water rights adjudication
14	First \$500,000 of the amount above \$17,500,000	\$500 K	Department of Natural Resources	Watershed rehabilitation or restoration
15	The next \$150,000 of the amount above \$17,500,000	\$150 K	Division of Water Resources	Cloud-seeding projects

16

About 6% (after making above transfers) of the amount above \$17,500,000	\$850 K	Division of Water Rights	Technical staff for the administration of water rights
Subtotal - Water	\$32.324 M		
Grand Total -- All Earmarks	\$461.324 M		

Utah Tax Review Commission

Utah Department of Environmental Quality and Utah Department of Natural Resources

Revolving Loan Funds that Receive Ongoing Revenue from Earmarks of the State Sales and Use Tax

November 18, 2015

	Water Resource Conservation and Development Fund	Drinking Water Loan Program Subaccount	Utah Wastewater Loan Program Subaccount
Annual State Sales and Use Tax Earmark Revenue	\$7,175,000 from the first \$17.5M and \$13,317,977 of the amount above the first \$17.5M FY 2015 Total: \$20,492,977	\$3,587,000	\$3,587,000
Current Balance	\$19,797,000 (cash balance less \$7.5 million in committed projects)	\$5,844,858	\$14,797,771
Number of Outstanding Loans	125	113	34
Total Balance Owing on All Outstanding Loans	\$279,000,000	\$48,431,055	\$46,286,000
FY 2015 Revenue from Interest Payments	\$5,700,000	\$973,670	\$338,495 (through May 2015)
FY 2015 Revenue from Principle Payments	\$12,900,000	\$4,997,827	\$3,044,624

Roster
Utah Tax Review Commission
November 18, 2015

Name	Appointed by	Representing
Curtis Trader, Chair	Governor	Public
Sen. Jim Dabkis	President of the Senate	Senate
Sen. Lyle W. Hillyard	President of the Senate	Senate
Sen. Deidre M. Henderson	Ex-officio	Senate Chair, Revenue and Taxation Interim Committee
Rep. Joel Briscoe	Speaker of the House of Representatives	House of Representatives
Rep. Steve Eliason	Speaker of the House of Representatives	House of Representatives
Rep. Daniel McCay	Ex-officio	House Chair, Revenue and Taxation Interim Committee
Commissioner John Valentine	Utah State Tax Commission	Utah State Tax Commission
K. Tim Larson	Governor	Public
Gregory G. Prawitt	Governor	Public
Lawrence C. Walters	Governor	Public
Phil Dean	Governor	Public
Kathleen Howell	TRC	Public
Troy K. Lewis	TRC	Public
Emily D. Bagley	TRC	Public
Kelly J. Applegate	TRC	Public