



SEVERANCE TAX DEPOSITS IN THE STATE TRUST FUND

EXECUTIVE APPROPRIATIONS COMMITTEE
STAFF: THOMAS E. YOUNG

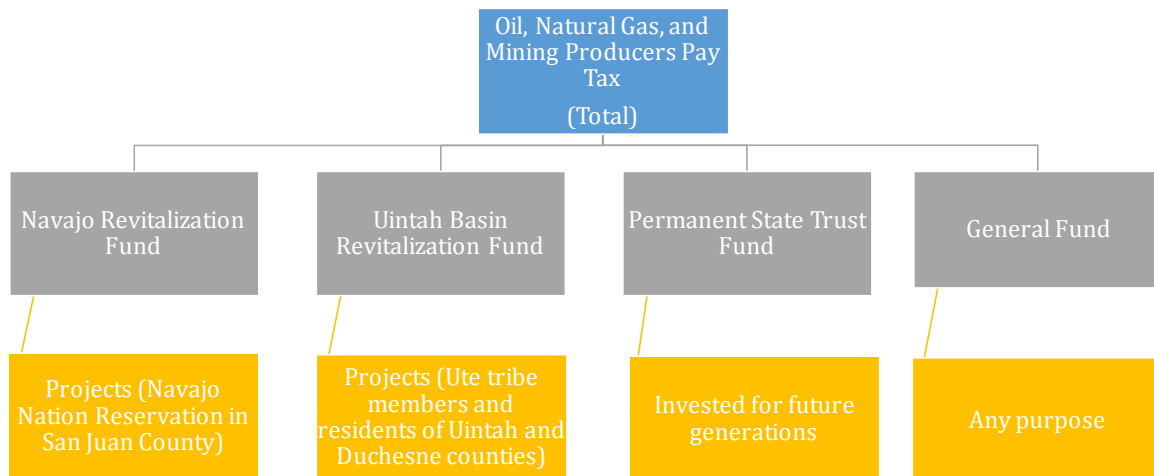
ISSUE BRIEF

The 2012 Joint Resolution on Severance Tax allows a portion of severance tax revenue to be deposited into the Permanent Trust Fund. Beginning on July 1, 2016, the amount of the deposit is:

- 25% of the first \$50 million in severance tax revenue;
- 50% of the next \$50 million in severance tax revenue; and
- 75% of any severance tax revenue above \$100 million.

The anticipated shift in severance tax revenue from the General Fund to the Permanent State Trust Fund is \$9,557,300 in FY 2017.

On a broader picture, severance tax revenue is distributed per the following flow diagram. After the taxes are received by the Tax Commission, it is deposited into four funds – the General Fund, the Navajo Revitalization Fund, the Uintah Basin Revitalization Fund, and the newly authorized Permanent State Trust Fund.



The two left columns are Indian tribes. The automatic **Navajo Revitalization Fund** deposit is governed by [UCA 59-5-1-119](#). For Navajo lands, the Fund receives 33% of severance taxes from wells existing before July 1996 and 80% of taxes from new wells beginning production on or after July 1996. The maximum annual deposit cannot exceed \$3,000,000. If the annual deposit were to exceed \$3,000,000 then the excess would go into the General Fund. [UCA 35A-8-1704](#) allows for up to 4% of the annual revenues for administration of the Fund. Further detail is available in the [Compendium of Budget Information \(COBI\)](#).

Revenue to the **Uintah Basin Revitalization** is governed by [UCA 59-5-1-116](#) and expenditures are governed by [UCA 35A-8-1602](#). For tribal lands, the Fund receives 33% of severance taxes from wells existing before July 1995 and 80% of taxes from new wells beginning production on or after July 1995. The maximum annual deposit cannot exceed \$6,000,000 in FY 2010 with the maximum deposit adjusted annually based on CPI. If the annual deposit were to exceed the maximum, then the excess would go into the General Fund. [UCA 35A-8-1607](#) allows for up to 2% of the annual revenues for administration of the Fund. Further detail is available in the [COBI](#).

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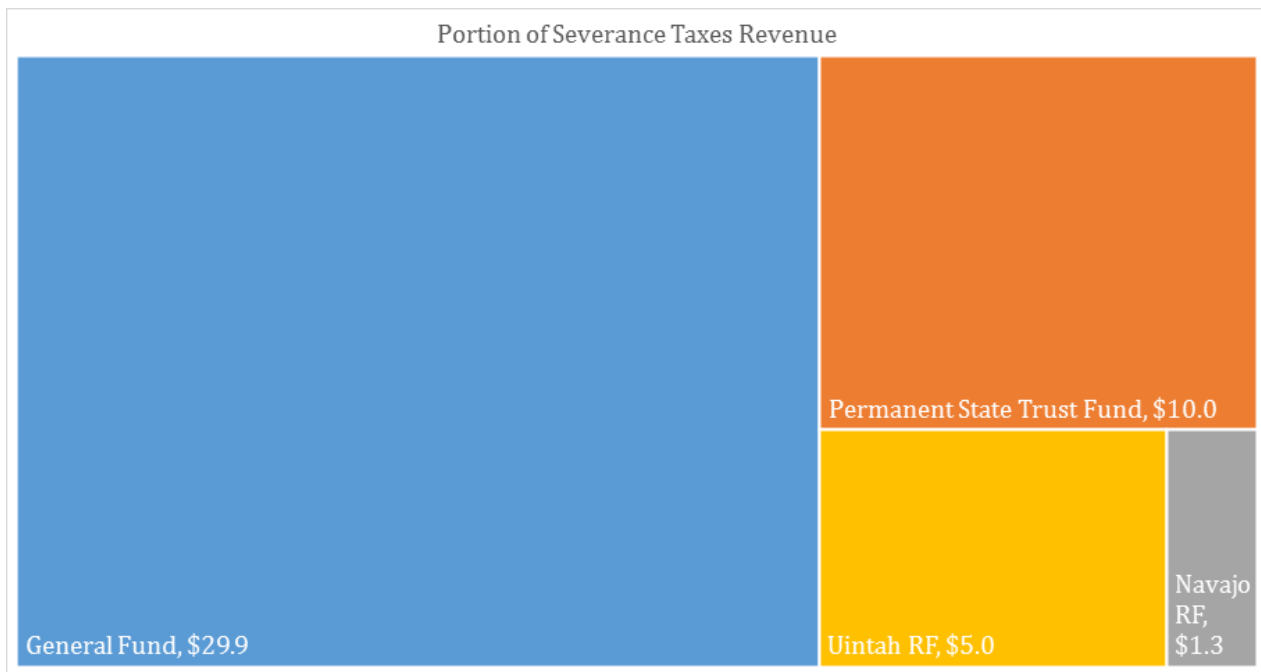
The Permanent State Trust Fund is new to the list. Beginning July 1, 2016, the Fund will [receive](#):

- 25% of the first \$50 million in severance tax revenue;
- 50% of the next \$50 million in severance tax revenue; and
- 75% of any severance tax revenue above \$100 million.

Before calculating the total severance tax revenue for purposes of the transfer to the Permanent State Trust Fund, the total amount is reduced by transfers to the Navajo Revitalization Fund and the Uintah Basin Revitalization Fund.

The anticipated shift in severance tax revenue from the General Fund to the Permanent State Trust Fund is \$9,557,300ⁱ in FY 2017.

Lastly, the **General Fund** receives the majority of the revenue after all other deposits are made. Current expectations have the General Fund receiving \$29,884,000 in total severance tax revenue in FY 2017.



After deposits are made into the funds, rules on uses of the money applies. Uses of severance tax revenue in the Navajo Revitalization Fund and the Uintah Basin Revitalization Fund are governed by the aforementioned sections. Expenses can include capital and infrastructure projects and other non-private, non-operational expenditures. Recipients are intended to be Ute tribe members and residents in Uintah and Duchesne County (Uintah Basin Revitalization Fund) and members of the Navajo National Reservation in San Juan County (Navajo Revitalization Fund).

The severance tax deposited into the Permanent State Trust Fund is invested for future generations. Interest and dividends [\(UCA 51-9-305\(5\)\(a\)\)](#) earned on severance tax revenue deposited into the Permanent State Trust Fund is credited to the General Fund.

Lastly, severance tax deposited into the General Fund can be used for any purpose deemed appropriate by the Legislature.

ⁱ This is based upon the FY 2017 consensus revenue estimates. Prior to the end of FY 2017, this estimate will likely change at least twice before the final transfer is done in August 2017.