

**Effective 3/28/2016**

**59-5-103.1 Valuation of oil or gas -- Deductions.**

- (1)
- (a) For purposes of the tax imposed under Section 59-5-102 and subject to Subsection (2), the value of oil or gas shall be determined at the first point closest to the well at which the fair market value for the oil or gas may be determined by:
    - (i) a sale pursuant to an arm's-length contract; or
    - (ii) for a sale other than a sale described in Subsection (1)(a)(i), comparison to other sales of oil or gas.
  - (b) For purposes of determining the fair market value of oil or gas under this Subsection (1), a person subject to a tax under Section 59-5-102 may deduct:
    - (i) all processing costs from the value of oil or gas, including processing costs attributable to the value of oil and gas that is exempt from taxation under Section 59-5-102; and
    - (ii) except as provided in Subsection (1)(c), all transportation costs from the value of oil or gas, including transportation costs attributable to the value of oil and gas that is exempt from taxation under Section 59-5-102.
  - (c) The deduction for transportation costs may not exceed 50% of the value of the oil or gas.
- (2) Subsection (1)(a)(ii) applies to a sale of oil or gas between:
- (a) a parent company and a subsidiary company;
  - (b) companies wholly owned or partially owned by a common parent company; or
  - (c) companies otherwise affiliated.

Amended by Chapter 324, 2016 General Session