

1 **MUNICIPAL ENERGY SALES AND USE TAX**

2 **AMENDMENTS**

3 2006 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Gregory H. Hughes**

6 Senate Sponsor: Sheldon L. Killpack

8 **LONG TITLE**

9 **General Description:**

10 This bill modifies provisions of the Municipal Energy Sales and Use Tax Act.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ enacts definitions;
- 14 ▶ enacts provisions relating to a reduction in the municipal energy sales and use tax
- 15 on the sale or use of natural gas;
- 16 ▶ requires a reduction in the amount of the natural gas portion of the municipal energy
- 17 sales and use tax revenues paid to municipalities in December 2006 and December
- 18 2007 in an amount equal to the amount by which sales tax revenues exceed the
- 19 amount of the previous year's revenues plus 10%;
- 20 ▶ requires gas suppliers to reduce the municipal energy sales and use tax rate in
- 21 December 2006 and December 2007 to offset the reduction in the natural gas
- 22 portion of the municipal energy sales and use tax revenues to municipalities; and
- 23 ▶ enacts provisions related to the process for accomplishing those reductions.

24 **Monies Appropriated in this Bill:**

25 None

26 **Other Special Clauses:**

27 None

28 **Utah Code Sections Affected:**

29 AMENDS:

30 **10-1-307**, as last amended by Chapter 255, Laws of Utah 2004



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

33 Section 1. Section **10-1-307** is amended to read:

34 **10-1-307. Collection of taxes by commission -- Distribution of revenues -- Charge**
35 **for services -- Collection of taxes by municipality.**

36 (1) Except for the direct payment provisions provided in Subsection (3), the
37 commission shall collect, enforce, and administer the municipal energy sales and use tax from
38 energy suppliers according to the procedures established in Title 59, Chapter 12, Part 1, Tax
39 Collection, except for Sections 59-12-107.1 through 59-12-107.3.

40 (2) (a) Except as provided in Subsections 10-1-203(3)(d), 10-1-305(5), and
41 10-1-310(2) and subject to Subsection (6), the commission shall pay a municipality the
42 difference between:

43 (i) the entire amount collected by the commission from the municipal energy sales and
44 use tax authorized by this part based on:

45 (A) the point of sale of the taxable energy if a taxable sale occurs in a municipality that
46 imposes a municipal energy sales and use tax as provided in this part; or

47 (B) the point of use of the taxable energy if the use occurs in a municipality that
48 imposes a municipal energy sales and use tax as provided in this part; and

49 (ii) the administration fee charged in accordance with Subsection (2)(c).

50 (b) In accordance with Subsection (2)(a), the commission shall transfer to the
51 municipality monthly by electronic transfer the revenues generated by the municipal energy
52 sales and use tax levied by the municipality and collected by the commission.

53 (c) (i) The commission shall charge a municipality imposing a municipal energy sales
54 and use tax a fee for administering the tax at the percentage provided in Section 59-12-206,
55 except that the commission may not charge a fee for taxes collected by a municipality under
56 Subsection (3).

57 (ii) The fee charged under Subsection (2)(c)(i) shall be:

- 58 (A) deposited in the Sales and Use Tax Administrative Fees Account; and
59 (B) used for sales tax administration as provided in Subsection 59-12-206(2).
60 (3) An energy supplier shall pay the municipal energy sales and use tax revenues it
61 collects from its customers under this part directly to each municipality in which the energy
62 supplier has sales of taxable energy if:
- 63 (a) the municipality is the energy supplier; or
 - 64 (b) (i) the energy supplier estimates that the municipal energy sales and use tax
65 collected annually by the energy supplier from its Utah customers equals \$1,000,000 or more;
66 and
 - 67 (ii) the energy supplier collects the tax imposed by this part.
- 68 (4) An energy supplier paying a tax under this part directly to a municipality may retain
69 the percentage of the tax authorized under Subsection 59-12-108(2) for the energy supplier's
70 costs of collecting and remitting the tax.
- 71 (5) An energy supplier paying the tax under this part directly to a municipality shall file
72 an information return with the commission, at least annually, on a form prescribed by the
73 commission.
- 74 (6) (a) As used in this Subsection (6):
- 75 (i) "2005 base amount" means, for a municipality that imposes a municipal energy
76 sales and use tax, the natural gas portion of municipal energy sales and use tax proceeds paid to
77 the municipality for fiscal year 2005.
 - 78 (ii) "2006 base amount" means, for a municipality that imposes a municipal energy
79 sales and use tax, the natural gas portion of municipal energy sales and use tax proceeds paid to
80 the municipality for fiscal year 2006, reduced by the 2006 rebate amount.
 - 81 (iii) "2006 rebate amount" means, for a municipality that imposes a municipal energy
82 sales and use tax, the difference between:
 - 83 (A) the natural gas portion of municipal energy sales and use tax proceeds paid to the
84 municipality for fiscal year 2006; and
 - 85 (B) the 2005 base amount, plus:

86 (I) 10% of the 2005 base amount; and
87 (II) the natural gas portion of municipal energy sales and use tax proceeds paid to the
88 municipality for fiscal year 2006 attributable to an increase in the rate of the municipal energy
89 sales and use tax implemented by the municipality during fiscal year 2006.

90 (iv) "2007 rebate amount" means, for a municipality that imposes a municipal energy
91 sales and use tax, the difference between:

92 (A) the natural gas portion of municipal energy sales and use tax proceeds paid to the
93 municipality for fiscal year 2007; and

94 (B) the 2006 base amount, plus:

95 (I) 10% of the 2006 base amount; and

96 (II) the natural gas portion of municipal energy sales and use tax proceeds paid to the
97 municipality for fiscal year 2007 attributable to an increase in the rate of the municipal energy
98 sales and use tax implemented by the municipality during fiscal year 2007.

99 (v) "Fiscal year 2005" means the period beginning July 1, 2004 and ending June 30,
100 2005.

101 (vi) "Fiscal year 2006" means the period beginning July 1, 2005 and ending June 30,
102 2006.

103 (vii) "Fiscal year 2007" means the period beginning July 1, 2006 and ending June 30,
104 2007.

105 (viii) "Gas supplier" means an energy supplier that supplies natural gas.

106 (ix) "Natural gas portion" means the amount of municipal energy sales and use tax
107 proceeds attributable to sales and uses of natural gas.

108 (b) (i) In December 2006, each gas supplier shall reduce the natural gas portion of
109 municipal energy sales and use gas proceeds to be paid to a municipality by the 2006 rebate
110 amount.

111 (ii) If the 2006 rebate amount exceeds the amount of the natural gas portion of
112 municipal energy sales and use tax proceeds for December 2006, the gas supplier shall reduce
113 the natural gas portion of municipal energy sales and use tax proceeds to be paid to a

114 municipality each month thereafter until the 2006 rebate amount is exhausted.

115 (iii) For December 2006 and for each month thereafter that the gas supplier is required
116 under Subsection (6)(b)(ii) to reduce the natural gas portion of municipal energy sales and use
117 tax proceeds to be paid to a municipality:

118 (A) each municipality imposing a municipal energy sales and use tax shall provide the
119 gas supplier with the amount by which its municipal energy sales and use tax rate applicable to
120 the sales and uses of natural gas would need to be reduced in order to reduce the natural gas
121 portion of municipal energy sales and use tax proceeds by the same amount as the reduction to
122 the municipality; and

123 (B) each gas supplier shall reduce the municipal energy sales and use tax rate
124 applicable to sales and uses of natural gas by the amount of the tax rate reduction provided by
125 the municipality.

126 (c) (i) In December 2007, each gas supplier shall reduce the natural gas portion of
127 municipal energy sales and use tax proceeds to be paid to a municipality by the 2007 rebate
128 amount.

129 (ii) If the 2007 rebate amount exceeds the amount of the natural gas portion of
130 municipal energy sales and use tax proceeds for December 2007, the gas supplier shall reduce
131 the natural gas portion of municipal energy sales and use tax proceeds to be paid to a
132 municipality each month thereafter until the 2007 rebate amount is exhausted.

133 (iii) For December 2007 and for each month thereafter that the gas supplier is required
134 under Subsection (6)(c)(ii) to reduce the natural gas portion of municipal energy sales and use
135 tax proceeds to be paid to a municipality:

136 (A) each municipality imposing a municipal energy sales and use tax shall provide the
137 gas supplier with the amount by which its municipal energy sales and use tax rate applicable to
138 the sales and uses of natural gas would need to be reduced in order to reduce the natural gas
139 portion of municipal energy sales and use tax proceeds by the same amount as the reduction to
140 the municipality; and

141 (B) each gas supplier shall reduce the municipal energy sales and use tax rate

142 applicable to sales and uses of natural gas by the amount of the tax rate reduction provided by
143 the municipality.
144 (d) Nothing in this Subsection (6) may be construed to require a reduction under
145 Subsection (6)(b) or (c) if the rebate amount is zero or negative.