

**Representative Wayne A. Harper** proposes the following substitute bill:

**USE OF SEVERANCE TAX REVENUES**

2007 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Lyle W. Hillyard**

House Sponsor: Wayne A. Harper

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**LONG TITLE**

**General Description:**

This bill provides for the disposition of certain revenues from severance taxes and appropriates \$20,000,000 to the Severance Tax Holding Account.

**Highlighted Provisions:**

This bill:

- ▶ creates the Infrastructure and Economic Diversification Investment Account;
- ▶ creates the Severance Tax Holding Account;
- ▶ appropriates \$20,000,000 to the Severance Tax Holding Account;
- ▶ provides that severance tax revenues that exceed a base amount are deposited in the permanent state trust fund or the Severance Tax Holding Account;
- ▶ provides that certain earnings are credited to the Infrastructure and Economic Diversification Investment Account; and
- ▶ makes technical changes.

**Monies Appropriated in this Bill:**

This bill appropriates:

- ▶ \$20,000,000 to the Severance Tax Holding Account.

**Other Special Clauses:**

This bill takes effect on July 1, 2007.



26 This bill coordinates with H.B. 370, Severance Tax Revisions, by providing substantive  
27 and technical amendments.

28 **Utah Code Sections Affected:**

29 AMENDS:

30 **59-5-115**, as last amended by Chapter 135, Laws of Utah 1996

31 **59-5-215**, as enacted by Chapter 4, Laws of Utah 1988

32 **63-97-301**, as last amended by Chapter 275, Laws of Utah 2005

33 ENACTS:

34 **63-97a-101**, Utah Code Annotated 1953

35 **63-97a-102**, Utah Code Annotated 1953

36 **63-97a-201**, Utah Code Annotated 1953

37 **63-97a-202**, Utah Code Annotated 1953

38 **63-97a-301**, Utah Code Annotated 1953



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

41 Section 1. Section **59-5-115** is amended to read:

42 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

43 [~~AH~~] (1) Except as provided in Subsection (2), all taxes imposed and collected under  
44 Section 59-5-102 shall be paid to the commission, and promptly remitted to the state treasurer,  
45 and except those taxes otherwise allocated under Section 59-5-116 or 59-5-119, credited to the  
46 General Fund.

47 (2) Taxes imposed and collected under Section 59-5-102 shall not be credited to the  
48 General Fund if those taxes are:

- 49 (a) otherwise allocated under Section 59-5-116 or 59-5-119; or
- 50 (b) credited to the permanent state trust fund under Section 63-97a-301.

51 Section 2. Section **59-5-215** is amended to read:

52 **59-5-215. Disposition of taxes collected -- Credit to General Fund.**

53 [~~AH~~] (1) Except as provided in Subsection (2), all taxes imposed and collected under  
54 Section 59-5-202 shall be paid to the commission, and promptly remitted to the state treasurer,  
55 to be credited to the General Fund.

56 (2) Taxes imposed and collected under Section 59-5-202 shall not be credited to the

57 General Fund if those taxes are credited to the permanent state trust fund under Section  
58 63-97a-301.

59 Section 3. Section **63-97-301** is amended to read:

60 **63-97-301. Permanent state trust fund.**

61 (1) Until July 1, 2003, 50% of all funds of every kind that are received by the state that  
62 are related to the settlement agreement that the state entered into with leading tobacco  
63 manufacturers on November 23, 1998, shall be deposited into the permanent state trust fund  
64 created by and operated under Utah Constitution Article XXII, Section 4.

65 (2) On and after July 1, 2003 and until July 1, 2004 20% of the funds of any kind  
66 received by the state that are related to the settlement agreement that the state entered into with  
67 leading tobacco manufacturers shall be deposited into the permanent state trust fund created by  
68 and operated under Utah Constitution Article XXII, Section 4.

69 (3) On and after July 1, 2004 and until July 1, 2005, 30% of all funds of any kind  
70 received by the state that are related to the settlement agreement that the state entered into with  
71 leading tobacco manufacturers shall be deposited into the General Fund Budget Reserve  
72 Account created in Section 63-38-2.5.

73 (4) On and after July 1, 2005 and until July 1, 2007, 25% of all funds of any kind  
74 received by the state that are related to the settlement agreement that the state entered into with  
75 leading tobacco manufacturers shall be deposited into the permanent state trust fund created by  
76 and operated under Utah Constitution Article XXII, Section 4.

77 (5) On and after July 1, 2007, 40% of all funds of every kind that are received by the  
78 state that are related to the settlement agreement that the state entered into with leading tobacco  
79 manufacturers on November 23, 1998, shall be deposited into the permanent state trust fund  
80 created by and operated under Utah Constitution Article XXII, Section 4.

81 (6) Funds in the permanent state trust fund shall be deposited or invested pursuant to  
82 Section 51-7-12.1.

83 (7) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and  
84 dividends earned annually from the permanent state trust fund shall be deposited in the General  
85 Fund. There shall be transferred on an ongoing basis from the General Fund to the permanent  
86 state trust fund created under Utah Constitution Article XXII, Section 4, an amount equal to  
87 50% of the interest and dividends earned annually from the permanent state trust fund. The

88 amount transferred into the fund under this Subsection (7)(a) shall be treated as principal.

89 (b) Any annual interest or dividends earned from the permanent state trust fund that  
90 remain in the General Fund after Subsection (7)(a) may be appropriated by the Legislature.

91 (c) Any realized or unrealized gains or losses on investments in the permanent state  
92 trust fund shall remain in the permanent state trust fund.

93 (8) This section does not apply to funds deposited under Chapter 97a, Infrastructure  
94 and Economic Diversification Investment Account and Severance Tax Holding Account into  
95 the permanent state trust fund.

96 Section 4. Section **63-97a-101** is enacted to read:

97 **CHAPTER 97a. INFRASTRUCTURE AND ECONOMIC DIVERSIFICATION**  
98 **INVESTMENT ACCOUNT AND SEVERANCE TAX HOLDING ACCOUNT**

99 **Part 1. General Provisions**

100 **63-97a-101. Title.**

101 This chapter is known as the "Infrastructure and Economic Diversification Investment  
102 Account and Severance Tax Holding Account."

103 Section 5. Section **63-97a-102** is enacted to read:

104 **63-97a-102. Definitions.**

105 As used in this chapter:

106 (1) "Infrastructure and Economic Diversification Investment Account" means the  
107 Infrastructure and Economic Diversification Investment Account created in Section  
108 63-97a-201.

109 (2) "Permanent state trust fund" means the permanent state trust fund created under  
110 Utah Constitution Article XXII, Section 4.

111 (3) "Severance Tax Holding Account" means the Severance Tax Holding Account  
112 created in Section 63-97a-202.

113 Section 6. Section **63-97a-201** is enacted to read:

114 **Part 2. Creation of Restricted Accounts**

115 **63-97a-201. Creation of Infrastructure and Economic Diversification Investment**  
116 **Account.**

117 (1) (a) There is created a restricted account within the General Fund known as the  
118 "Infrastructure and Economic Diversification Investment Account."

119 (b) The Infrastructure and Economic Diversification Investment Account shall consist  
120 of:

121 (i) all monies credited to the account under Section 63-97a-301;

122 (ii) appropriations from the Legislature;

123 (iii) grants from private foundations; and

124 (iv) interest and investment earnings on account monies.

125 (2) (a) The Infrastructure and Economic Diversification Investment Account shall earn  
126 interest.

127 (b) All interest earned on monies in the Infrastructure and Economic Diversification  
128 Investment Account shall be deposited into the Infrastructure and Economic Diversification  
129 Investment Account.

130 (3) The Legislature may appropriate monies from the Infrastructure and Economic  
131 Diversification Investment Account for infrastructure and economic diversification investment  
132 projects.

133 Section 7. Section **63-97a-202** is enacted to read:

134 **63-97a-202. Creation of Severance Tax Holding Account.**

135 (1) (a) There is created a restricted account within the General Fund known as the  
136 "Severance Tax Holding Account."

137 (b) The Severance Tax Holding Account shall consist of:

138 (i) appropriations from the Legislature;

139 (ii) grants from private foundations; and

140 (iii) interest and investment earnings on Severance Tax Holding Account monies.

141 (2) (a) The Severance Tax Holding Account shall earn interest.

142 (b) All interest earned on monies in the Severance Tax Holding Account shall be  
143 deposited into the Severance Tax Holding Account.

144 (3) If authorized by law the Division of Finance shall deposit all of the monies in the  
145 Severance Tax Holding Account as of June 30, 2009, into the permanent state trust fund.

146 Section 8. Section **63-97a-301** is enacted to read:

147 **Part 3. Distribution of Certain Severance Tax Revenues**

148 **63-97a-301. Crediting of certain severance tax revenues to the permanent state**  
149 **trust fund and the Severance Tax Holding Account.**

150 (1) After making the distributions of oil and gas severance tax revenues as required  
151 under Sections 59-5-116 and 59-5-119, the Division of Finance shall make the distributions  
152 required under Subsections (2) through (4).

153 (2) For fiscal years beginning with fiscal year 2008-09, if authorized by law, the  
154 Division of Finance shall credit to the permanent state trust fund the lesser of:

155 (a) \$50,000,000; or

156 (b) all revenue:

157 (i) collected in a fiscal year from severance taxes on oil, gas, and mining imposed  
158 under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining; and

159 (ii) not distributed in accordance with Sections 59-5-116 and 59-5-119.

160 (3) The state treasurer shall invest and separately account for the earnings on funds that  
161 are deposited into the permanent state trust fund under this section.

162 (4) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and  
163 dividends earned annually on revenue from severance taxes that are deposited into the  
164 permanent state trust fund shall be deposited in the General Fund.

165 (b) Interest and dividends earned on revenue from severance taxes that are deposited in  
166 the General Fund pursuant to Subsection (4)(a) shall be credited to the Infrastructure and  
167 Economic Diversification Investment Account created in Section 63-97a-201.

168 **Section 9. Appropriation.**

169 For fiscal year 2007-08 only, there is appropriated \$20,000,000 from the General Fund  
170 to the Severance Tax Holding Account created in Section 63-97a-202.

171 **Section 10. Effective date.**

172 This bill takes effect on July 1, 2007.

173 **Section 11. Coordinating S.B. 18 with H.B. 370 -- Substantive and technical**  
174 **amendments.**

175 If this S.B. 18 and H.B. 370, Severance Tax Revisions, both pass, it is the intent of the  
176 Legislature that the Office of Legislative Research and General Counsel prepare the Utah Code  
177 database for publication as follows:

178 (1) replace any reference to "63-97a" enacted by H.B. 370 with "63-97b";

179 (2) modify Subsection 59-5-115(2) to read:

180 "(2) Taxes imposed and collected under Section 59-5-102 shall not be credited to the

181 General Fund if those taxes are:

182 (a) otherwise allocated under Section 59-5-116 or 59-5-119;

183 (b) credited to the permanent state trust fund under Section 63-97a-301; or

184 (c) otherwise allocated under Section 63-97b-104.";

185 (3) modify Subsection 63-97a-301(1) in this bill to read:

186 "(1) After making the distributions of oil and gas severance tax revenues as required  
187 under Sections 59-5-116, 59-5-119, and 63-97b-104, the Division of Finance shall make the  
188 distributions required under Subsections (2) through (4)."; and

189 (4) modify Subsection 63-97a-301(2) in this bill to read:

190 "(2) For fiscal years beginning with fiscal year 2008-09, if authorized by law, the  
191 Division of Finance shall credit to the permanent state trust fund the lesser of:

192 (a) \$50,000,000; or

193 (b) all revenue:

194 (i) collected in a fiscal year from severance taxes on oil, gas, and mining imposed  
195 under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining; and

196 (ii) not distributed in accordance with Sections 59-5-116, 59-5-119, and 63-97b-104."