

1 **SEVERANCE TAX AMENDMENTS**

2 2014 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Jim Nielson**

5 Senate Sponsor: Lyle W. Hillyard

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7 **LONG TITLE**

8 **General Description:**

9 This bill amends provisions related to severance taxes.

10 **Highlighted Provisions:**

11 This bill:

- 12 ▶ defines terms;
- 13 ▶ provides that certain severance tax revenue be deposited into the General Fund and
- 14 the permanent state trust fund; and
- 15 ▶ makes technical and conforming changes.

16 **Money Appropriated in this Bill:**

17 None

18 **Other Special Clauses:**

19 None

20 **Utah Code Sections Affected:**

21 AMENDS:

22 **35A-8-1608**, as renumbered and amended by Laws of Utah 2012, Chapter 212

23 **51-9-305**, as last amended by Laws of Utah 2011, Chapter 239

24 **59-5-115**, as last amended by Laws of Utah 2008, Chapter 141

25 **59-5-116**, as last amended by Laws of Utah 2012, Chapter 212

26 **59-5-119**, as last amended by Laws of Utah 2012, Chapter 212

27 **59-5-215**, as last amended by Laws of Utah 2008, Chapter 141

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

30 Section 1. Section 35A-8-1608 is amended to read:

31 **35A-8-1608. Deposits into fund.**

32 (1) ~~[All money received]~~ Money required to be deposited into the Uintah Basin  
33 Revitalization Fund under Section 59-5-116 shall be deposited ~~[in]~~ into the Uintah Basin  
34 Revitalization Fund ~~[provided that no]~~ if a business or activity fee or tax based on gross  
35 receipts has not been imposed by a county or the Tribe on oil and gas activities.

36 (2) (a) Nothing in this section prohibits a county from imposing a charge described in  
37 Subsection (1) with respect to any gathering, transmission, or local distribution pipeline in  
38 which the county owns an interest.

39 (b) Nothing in this section prohibits the Tribe from imposing a charge described in  
40 Subsection (1) with respect to any gathering, transmission, or local distribution pipeline in  
41 which the Tribe owns an interest.

42 Section 2. Section 51-9-305 is amended to read:

43 **51-9-305. Deposit and credit of certain severance tax revenue.**

44 (1) As used in this section, "aggregate annual revenue" means the aggregate annual  
45 revenue collected in a fiscal year from the taxes imposed under Title 59, Chapter 5, Severance  
46 Tax on Oil, Gas, and Mining, after subtracting the amounts required to be distributed under  
47 Sections 59-5-116 and 59-5-119.

48 ~~[(1)(a)]~~ (2) After making the ~~[distributions]~~ deposits of oil and gas severance tax  
49 ~~[revenues]~~ revenue as required under Sections 59-5-116 and 59-5-119, the Division of Finance  
50 shall make the ~~[distributions]~~ credit required under ~~[Subsections (2) through (5)]~~ Subsection  
51 (3).

52 ~~[(b) For purposes of this section, revenue collected from severance taxes on oil and gas~~  
53 ~~imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, does not include~~  
54 ~~revenue that is distributed under Section 59-5-116 or 59-5-119.]~~

55 ~~[(2) (a) Beginning with fiscal year 2008-09 and ending with fiscal year 2010-11, if~~  
56 ~~authorized by law, the Division of Finance shall credit to the permanent state trust fund all~~  
57 ~~revenue collected in a fiscal year from severance taxes on oil and gas imposed under Title 59,~~

58 Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed \$71,000,000.]

59 [(b) Beginning with fiscal year 2011-12, if authorized by law, the Division of Finance  
60 shall credit to the permanent state trust fund all revenue collected in a fiscal year from  
61 severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas,  
62 and Mining, that exceed \$77,000,000.]

63 [(3) Beginning with fiscal year 2008-09, if authorized by law, the Division of Finance  
64 shall credit to the permanent state trust fund all revenue collected in a fiscal year from  
65 severance taxes on mining imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and  
66 Mining, that exceed \$27,600,000.]

67 (3) Beginning on July 1, 2016, the Division of Finance shall credit to the permanent  
68 state trust fund the following aggregate annual revenue:

69 (a) 25% of the first \$50,000,000 of aggregate annual revenue;

70 (b) 50% of the next \$50,000,000 of aggregate annual revenue; and

71 (c) 75% of the aggregate annual revenue that exceeds \$100,000,000.

72 (4) The state treasurer shall invest and separately account for the earnings on funds that  
73 are ~~[deposited into]~~ credited to the permanent state trust fund under this section.

74 (5) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and  
75 dividends earned annually on revenue from severance taxes that are ~~[deposited into]~~ credited to  
76 the permanent state trust fund shall be ~~[deposited in]~~ credited to the General Fund.

77 (b) Interest and dividends earned on revenue from severance taxes that are ~~[deposited~~  
78 ~~in]~~ credited to the General Fund pursuant to Subsection (5)(a) shall be credited to the  
79 Infrastructure and Economic Diversification Investment Account created in Section 51-9-303.

80 Section 3. Section 59-5-115 is amended to read:

81 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

82 ~~[All taxes]~~ Except as provided in Section 51-9-305, 59-5-116, or 59-5-119, a tax  
83 imposed and collected under Section 59-5-102 shall be paid to the commission, promptly  
84 remitted to the state treasurer, and ~~[except those taxes otherwise allocated under Section~~  
85 ~~51-9-305, 59-5-116, or 59-5-119;]~~ credited to the General Fund.

86 Section 4. Section **59-5-116** is amended to read:

87 **59-5-116. Disposition of certain taxes collected on Ute Indian land.**

88 (1) Except as provided in Subsection (2), there shall be deposited into the Uintah Basin  
89 Revitalization Fund established in Section **35A-8-1602**:

90 (a) for taxes imposed under this part, 33% of the taxes collected on oil, gas, or other  
91 hydrocarbon substances produced from a well:

92 (i) for which production began on or before June 30, 1995; and

93 (ii) attributable to interests:

94 (A) held in trust by the United States for the Tribe and its members; or

95 (B) on lands identified in Pub. L. No. 440, 62 Stat. 72 (1948);

96 (b) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other  
97 hydrocarbon substances produced from a well:

98 (i) for which production began on or after July 1, 1995; and

99 (ii) attributable to interests:

100 (A) held in trust by the United States for the Tribe and its members; or

101 (B) on lands identified in Pub. L. No. 440, 62 Stat. 72 (1948); and

102 (c) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other  
103 hydrocarbon substances produced from a well:

104 (i) for which production began on or after January 1, 2001; and

105 (ii) attributable to interests on lands conveyed to the tribe under the Ute-Moab Land  
106 Restoration Act, Pub. L. No. 106-398, Sec. 3303.

107 (2) (a) The maximum amount deposited in the Uintah Basin Revitalization Fund may  
108 not exceed:

109 (i) \$3,000,000 in fiscal year 2005-06;

110 (ii) \$5,000,000 in fiscal year 2006-07;

111 (iii) \$6,000,000 in fiscal years 2007-08 and 2008-09; and

112 (iv) for fiscal years beginning with fiscal year 2009-10, the amount determined by the  
113 commission as described in Subsection (2)(b).

114 (b) (i) The commission shall increase or decrease the dollar amount described in  
115 Subsection (2)(a)(iii) by a percentage equal to the percentage difference between the consumer  
116 price index for the preceding calendar year and the consumer price index for calendar year  
117 2008; and

118 (ii) after making an increase or decrease under Subsection (2)(b)(i), round the dollar  
119 amount to the nearest whole dollar.

120 (c) For purposes of this Subsection (2), "consumer price index" is as described in  
121 Section 1(f)(4), Internal Revenue Code, and defined in Section (1)(f)(5), Internal Revenue  
122 Code.

123 (d) Any amounts in excess of the maximum described in Subsection (2)(a) shall be  
124 [~~deposited into the General Fund~~] credited as provided in Sections [51-9-305](#) and [59-5-115](#).  
125 Section 5. Section **59-5-119** is amended to read:

126 **59-5-119. Disposition of certain taxes collected on Navajo Nation land located in**  
127 **Utah.**

128 (1) Except as provided in Subsection (2), there shall be deposited into the Navajo  
129 Revitalization Fund established in Section [35A-8-1704](#) for taxes imposed under this part  
130 beginning on July 1, 1997:

131 (a) 33% of the taxes collected on oil, gas, or other hydrocarbon substances produced  
132 from a well:

133 (i) for which production began on or before June 30, 1996; and

134 (ii) attributable to interests in Utah held in trust by the United States for the Navajo  
135 Nation and its members; and

136 (b) 80% of the taxes collected on oil, gas, or other hydrocarbon substances produced  
137 from a well:

138 (i) for which production began on or after July 1, 1996; and

139 (ii) attributable to interests in Utah held in trust by the United States for the Navajo  
140 Nation and its members.

141 (2) (a) The maximum amount deposited in the Navajo Revitalization Fund may not

142 exceed:

143 (i) \$2,000,000 in fiscal year 2006-07; and

144 (ii) \$3,000,000 for fiscal years beginning with fiscal year 2007-08.

145 (b) Any amounts in excess of the maximum described in Subsection (2)(a) shall be

146 [~~deposited into the General Fund~~] credited as provided in Sections 51-9-305 and 59-5-115.

147 Section 6. Section **59-5-215** is amended to read:

148 **59-5-215. Disposition of taxes collected -- Credit to General Fund.**

149 [~~All taxes~~] Except as provided in Section 51-9-305, a tax imposed and collected under

150 Section 59-5-202 shall be paid to the commission, promptly remitted to the state treasurer, and

151 [~~except those taxes otherwise allocated under Section 51-9-305,~~] credited to the General Fund.