

# HB0226S01 compared with HB0226

~~{deleted text}~~ shows text that was in HB0226 but was deleted in HB0226S01.

inserted text shows text that was not in HB0226 but was inserted into HB0226S01.

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Senator Lyle W. Hillyard proposes the following substitute bill:

## SEVERANCE TAX AMENDMENTS

2014 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Jim Nielson**

Senate Sponsor: ~~{ }~~ Lyle W. Hillyard

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### LONG TITLE

#### General Description:

This bill amends provisions related to severance taxes.

#### Highlighted Provisions:

This bill:

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

#### Money Appropriated in this Bill:

None

#### Other Special Clauses:

~~{ This bill takes effect on July 1, 2014. }~~ None

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### Utah Code Sections Affected:

#### AMENDS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) As used in this section ~~f~~

~~(a)~~, "Aggregate" aggregate annual revenue means the aggregate annual revenue collected in a fiscal year from the taxes imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, after subtracting the amounts required to be distributed under Sections 59-5-116 and 59-5-119.

~~[(1)(a)]~~ ~~(b)~~ "Severance tax base deposit amount" means ~~2)~~ After making the [distributions] deposits of oil and gas severance tax [revenues] revenue as required under

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Sections 59-5-116 and 59-5-119, the Division of Finance shall make the [distributions] credit required under [Subsections (2) through (5)] Subsection (3).

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

[(2) (a) Beginning with fiscal year 2008-09 and ending with fiscal year 2010-11, if authorized by law, the Division of Finance shall credit to the permanent state trust fund all revenue collected in a fiscal year from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed \$71,000,000.]

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

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

(3) Beginning on July 1, 2016, the Division of Finance shall credit to the permanent state trust fund the following aggregate annual revenue { required to be deposited annually, beginning on July 1, 2016, into the permanent state trust fund under Utah Constitution Article XXII, Section 4 }:

- (i) 25% of the first \$50,000,000 of aggregate annual revenue;
- (ii) 50% of the next \$50,000,000 of aggregate annual revenue; and
- (iii) 75% of the aggregate annual revenue that exceeds \$100,000,000.

{ ~~[(1) (a)] (2)~~ After making the [distributions] deposits of oil and gas severance tax [revenues] revenue as required under Sections 59-5-116 and 59-5-119, the Division of Finance shall make the [distributions] credits required under Subsections [(2) through (5)] (3) and (4).

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

\_\_\_\_\_ [(2) (a) Beginning with fiscal year 2008-09 and ending with fiscal year 2010-11, if

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~~authorized by law, the Division of Finance shall credit to the permanent state trust fund all revenue collected in a fiscal year from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed \$71,000,000.]~~

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

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

~~—— (3) To the extent appropriated by the Legislature, the Division of Finance shall credit to the permanent state trust fund the aggregate annual revenue:~~

~~—— (a) for fiscal year 2014-15, equal to 33% of the severance tax base deposit amount; and~~

~~—— (b) for fiscal year 2015-16, equal to 67% of the severance tax base deposit amount.~~

~~—— (4) Beginning on July 1, 2016, the Division of Finance shall credit to the permanent state trust fund the severance tax base deposit amount.~~

‡ ~~{(4)}{(5)}~~ The state treasurer shall invest and separately account for the earnings on funds that are ~~[deposited into]~~ credited to the permanent state trust fund under this section.

~~{(5)}{(6)}~~ (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and dividends earned annually on revenue from severance taxes that are ~~[deposited into]~~ credited to the permanent state trust fund shall be ~~[deposited in]~~ credited to the General Fund.

(b) Interest and dividends earned on revenue from severance taxes that are ~~[deposited in]~~ credited to the General Fund pursuant to Subsection ~~{(5)}{(6)}~~ (a) shall be credited to the Infrastructure and Economic Diversification Investment Account created in Section 51-9-303.

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

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

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

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~~51-9-305, 59-5-116, or 59-5-119;~~] credited to the General Fund.

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

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

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

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

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

(ii) attributable to interests:

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

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

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

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

(ii) attributable to interests:

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

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

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

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

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

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

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

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

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

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

(b) (i) The commission shall increase or decrease the dollar amount described in Subsection (2)(a)(iii) by a percentage equal to the percentage difference between the consumer

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price index for the preceding calendar year and the consumer price index for calendar year 2008; and

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

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

(d) Any amounts in excess of the maximum described in Subsection (2)(a) shall be ~~[deposited into the General Fund]~~ credited as provided in Sections 51-9-305 and 59-5-115.

Section 5. Section **59-5-119** is amended to read:

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

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

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

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

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

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

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

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

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

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

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

(b) Any amounts in excess of the maximum described in Subsection (2)(a) shall be ~~[deposited into the General Fund]~~ credited as provided in Sections 51-9-305 and 59-5-115.

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

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

~~[All taxes]~~ Except as provided in Section 51-9-305, a tax imposed and collected under Section 59-5-202 shall be paid to the commission, promptly remitted to the state treasurer, and  
~~[except those taxes otherwise allocated under Section 51-9-305,]~~ credited to the General Fund.

~~{ Section 7. **Effective date:**~~

~~\_\_\_\_\_ This bill takes effect on July 1, 2014.~~

**Legislative Review Note**

~~\_\_\_\_\_ as of 9-3-13 6:36 AM~~

~~\_\_\_\_\_ **Office of Legislative Research and General Counsel**}~~