

HB0185S04 compared with HB0185

~~{Omitted text}~~ shows text that was in HB0185 but was omitted in HB0185S04
inserted text shows text that was not in HB0185 but was inserted into HB0185S04

DISCLAIMER: This document is provided to assist you in your comparison of the two bills. Sometimes this automated comparison will NOT be completely accurate. Therefore, you need to read the actual bills. This automatically generated document could contain inaccuracies caused by: limitations of the compare program; bad input data; or other causes.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17

Carbon Credit Amendments
2026 GENERAL SESSION
STATE OF UTAH
Chief Sponsor: Troy Shelley
Senate Sponsor:

LONG TITLE

General Description:

This bill addresses requirements ~~{relating}~~ related to the sale of a carbon credit ~~{transaction}~~ .

Highlighted Provisions:

This bill:

- ▶ defines and modifies terms;
- ▶ creates ~~{a 25% tax for}~~ the Carbon Credit Litigation Fund and specifies the ~~{sale of a carbon credit and includes penalties for a violation}~~ purpose of the fund;
- ▶ ~~{creates a licensing requirement for a carbon credit transaction;}~~
- ▶ ~~{creates a tax credit for an in-state carbon credit;}~~
- ▶ establishes reporting requirements for a ~~{person selling}~~ state entity that sells or ~~{exchanging an in-state}~~ exchanges a carbon credit;
- ▶ ~~{creates a right of first refusal for the Office of Energy Development (office) to purchase an in-state carbon credit;}~~
- ▶ ~~{requires the office to submit a proposal for purchasing an in-state carbon credit to:}~~
-

HB0185 compared with HB0185S04

~~{ a committee or commission designated by the Legislative Management Committee; and }~~

- 19 • ~~{ the state treasurer; }~~
- 20 ▶ ~~{ voids a sale or exchange of an in-state carbon credit that violates state requirements; }~~
- 21 ▶ requires ~~{ a }~~ the state ~~{ entity that owns or controls a carbon credit }~~ auditor to report ~~{ a digital identification number and valuation of }~~ on the ~~{ carbon credit }~~ sale of carbon credits by state entities to the ~~{ office; }~~ Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee;
and
- 23 ▶ ~~{ creates a restricted account for the office to purchase in-state carbon credits; and }~~
- 24 ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

16 None

Other Special Clauses:

18 None

Utah Code Sections Affected:

20 AMENDS:

31 ~~{59-1-306, as last amended by Laws of Utah 2025, Chapter 258}~~

21 ~~67-3-1, as last amended by Laws of Utah 2025, First Special Session, Chapter 17~~

22 ~~79-6-1301~~, as enacted by Laws of Utah 2025, Chapters 146, 375

23 ~~79-6-1302~~, as enacted by Laws of Utah 2025, Chapters 146, 375

24 ~~79-6-1303~~, as enacted by Laws of Utah 2025, Chapters 146, 375

25 ENACTS:

36 ~~{59-35-101, Utah Code Annotated 1953}~~

37 ~~{59-35-201, Utah Code Annotated 1953}~~

38 ~~{59-35-202, Utah Code Annotated 1953}~~

39 ~~{59-35-203, Utah Code Annotated 1953}~~

40 ~~{59-35-301, Utah Code Annotated 1953}~~

41 ~~{59-35-302, Utah Code Annotated 1953}~~

42 ~~{59-35-401, Utah Code Annotated 1953}~~

43 ~~{59-35-501, Utah Code Annotated 1953}~~

26 ~~67-5-41, Utah Code Annotated 1953~~

HB0185 compared with HB0185S04

~~{79-6-1304, Utah Code Annotated 1953}~~

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

~~{Section 1. Section 59-1-306 is amended to read: }~~

59-1-306. Definition -- State Tax Commission Administrative Charge Account -- Amount of administrative charge -- Deposit of revenue into the restricted account -- Interest deposited into General Fund -- Expenditure of money deposited into the restricted account.

(1) As used in this section, "qualifying tax, fee, or charge" means a tax, fee, or charge the commission administers under:

- (a) Title 10, Chapter 1, Part 3, Municipal Energy Sales and Use Tax Act;
- (b) Title 10, Chapter 1, Part 4, Municipal Telecommunications License Tax Act;
- (c) Section 19-6-714;
- (d) Section 19-6-805;
- (e) Chapter 12, Sales and Use Tax Act, other than a tax under Chapter 12, Part 1, Tax Collection, or Chapter 12, Part 18, Additional State Sales and Use Tax Act;
- (f) Section 59-27-105;
- (g) Chapter 31, Cannabinoid Licensing and Tax Act;
- (h) Chapter 32, Local Impact Mitigation Tax Act;
- (i) Chapter 33, Wind or Solar Electric Generation Facility Capacity Tax;
- (j) Chapter 35, Carbon Credit Transaction License and Tax Act;
- ~~[(j)]~~ (k) Section 63H-1-205;
- ~~[(k)]~~ (l) Title 63N, Chapter 3, Part 6, Housing and Transit Reinvestment Zone Act; ~~[(l)]~~
- ~~[(l)]~~ (m) Title 69, Chapter 2, Part 4, Prepaid Wireless Telecommunications Service Charges; or
- ~~[(m)]~~ (n) Title 79, Chapter 6, Part 11, Energy Project Assessment.

(2) There is created a restricted account within the General Fund known as the "State Tax Commission Administrative Charge Account."

(3) Subject to the other provisions of this section, the restricted account shall consist of administrative charges the commission retains and deposits in accordance with this section.

(4) For purposes of this section, the administrative charge is a percentage of revenue the commission collects from each qualifying tax, fee, or charge of not to exceed the lesser of:

- (a) 1.5%; or

HB0185 compared with HB0185S04

- 79 (b) an equal percentage of revenue the commission collects from each qualifying tax, fee, or charge
sufficient to cover the cost to the commission of administering the qualifying taxes, fees, or charges.
- 82 (5) The commission shall deposit an administrative charge into the restricted account.
- 83 (6) Interest earned on the restricted account shall be deposited into the General Fund.
- 84 (7) The commission shall expend money appropriated by the Legislature to the commission from the
restricted account to administer qualifying taxes, fees, or charges or to offset general operational
expenses.

87 Section 2. Section 2 is enacted to read:

CHAPTER 35. Carbon Credit Transaction License and Tax Act

Part 1. General Provisions

59-35-101. Definitions.

As used in this chapter:

- 92 (1) "Carbon credit" means the same as that term is defined in Section 79-6-1301.
- 93 (2) "Carbon credit broker" means a person licensed under Part 2, Broker Licensing, that sells, attempts
to sell, or assists in the sale of a carbon credit.
- 95 (3) "Regulatory carbon credit market" means a financial market regulated by a government entity in
which a person may purchase a carbon credit.
- 97 (4) "Voluntary carbon credit market" means a financial market not regulated by a government entity in
which a person may purchase a carbon credit.

99 Section 3. Section 3 is enacted to read:

Part 2. Broker Licensing

59-35-201. Prohibition on the sale of a carbon credit without license.

- 102 (1) A person may not sell, offer to sell, or assist in the sale of a carbon credit in this state without first:
- 104 (a) obtaining a license from the commission under Section 59-35-202; and
- 105 (b) complying with the bonding requirement described in Section 59-35-202.
- 106 (2) It is a class B misdemeanor for a person to violate Subsection (1).

107 Section 4. Section 4 is enacted to read:

59-35-202. Issuance of carbon credit broker license -- Bond required.

109

HB0185 compared with HB0185S04

(1) The commission shall issue a license to sell, offer to sell, or assist in the sale of a carbon credit to a person that submits an application, on a form created by the commission, that includes:

- 112 (a) the applicant's name;
113 (b) the applicant's business address;
114 (c) the applicant's affiliation or registration, if any, with a voluntary carbon credit market or regulatory carbon credit market;
116 (d) payment of the fee amount described in Subsection (5); and
117 (e) any other information the commission requires to implement this chapter.

118 (2) A license is:

- 119 (a) valid for two years; and
120 (b) renewable if a carbon credit broker meets the criteria for licensing described in Subsection (1).

122 (3)

(a) The commission shall require a carbon credit broker to post a bond.

123 (b) Subject to Subsection (3)(c), the commission shall determine the form and amount of the bond.

125 (c) The minimum amount of the bond shall be \$500.

126 (4) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules to establish the additional information described in Subsection (1)(e) that a person shall provide in the application described in Subsection (1).

130 (5) The commission may not charge a fee of more than \$200 for a license under this section.

131 (6)

(a) The commission shall maintain a public list of each carbon credit broker.

132 (b) The commission shall update the list at least once annually.

133 Section 5. Section **5** is enacted to read:

134 **59-35-203. License revocation and reinstatement.**

135 (1) The commission shall revoke the license of a carbon credit broker that violates any provision of this chapter.

137 (2) A license may not be reissued to a carbon credit broker described in Subsection (1) until the carbon credit broker has complied with the requirements of this chapter, including paying any:

140 (a) tax due under Part 3, Carbon Credit Transaction Tax;

141 (b) penalty as provided in Section 59-1-401; and

142 (c) interest as provided in Section 59-1-402.

HB0185 compared with HB0185S04

143 Section 6. Section 6 is enacted to read:

144

Part 3. Carbon Credit Transaction Tax

145 **59-35-301. Taxation of a carbon credit transaction -- Exemption.**

- 146 (1) A tax is imposed on a sale of carbon credit equal to 25% of the amount of the total purchase price of
the carbon credit.
- 148 (2) A carbon credit broker shall collect the tax imposed under Subsection (1) from a purchaser at the
time the carbon credit is sold.
- 150 (3) A carbon credit broker that collects a tax under Subsection (1) shall inform a purchaser of the tax
credit described in Section 59-35-401.
- 152 (4) A sale of a carbon credit is exempt from the tax described in Subsection (1) if purchased under
Subsection 79-6-1302(2).

154 Section 7. Section 7 is enacted to read:

155 **59-35-302. Remittance of carbon credit transaction tax -- Deposit of revenue.**

- 156 (1) A carbon credit broker that collects a tax imposed on a sale of a carbon credit described in Section
59-35-301 shall remit to the commission, in an electronic format approved by the commission:
- 159 (a) the tax due in the previous quarter; and
- 160 (b) the tax return.
- 161 (2) A carbon credit broker shall file a return and remit the tax collected on or before the first day of
April, July, October, and January.
- 163 (3) A carbon credit broker that sells or assists in the sale of a carbon credit shall:
- 164 (a) provide a receipt of sale to the purchaser of the carbon credit; and
- 165 (b) maintain records to determine the amount of tax due under this part for a period of three years.
- 167 (4)
- (a) The commission shall deposit the revenue generated by the tax imposed under this chapter into the
General Fund.
- 169 (b) The commission may retain and deposit an administrative charge in accordance with Section
59-1-306 from the revenues the commission collects from a tax under this chapter.

172 Section 8. Section 8 is enacted to read:

173

Part 4. Tax Credit

174 **59-35-401. Tax credit -- Requirements -- Certification by Office of Energy Development.**

HB0185 compared with HB0185S04

- 176 (1) As used in this section:
- 177 (a) "Carbon credit transaction" means the sale of a carbon credit subject to the tax described in Section
59-35-301.
- 179 (b) "Carbon emission offset" means the same as that term is defined in Section 79-6-1301.
- 180 (c) "In-state carbon credit" means the same as that term is defined in Section 79-6-1301.
- 181 (d) "Office" means the Office of Energy Development created in Section 79-6-401.
- 182 (2) A taxpayer may claim a tax credit against a carbon credit transaction tax described in Section
59-35-301 if:
- 184 (a) the taxpayer is required to pay a tax on a carbon credit transaction under Section 59-35-301;
- 186 (b) the carbon credit transaction is for an in-state carbon credit;
- 187 (c) the taxpayer reports or causes to be reported to the office the information about the carbon credit
transaction required under Subsection 79-6-1302(1)(b); and
- 189 (d) the carbon emission offset that is the subject of the carbon credit transaction:
- 190 (i) originated from a project within the state; and
- 191 (ii) is transferred to or applied to a project within the state.
- 192 (3) The taxpayer may claim a tax credit equal to the amount of tax that the taxpayer owes under Section
59-35-301.
- 194 (4)
- (a) To claim a tax credit, a taxpayer shall follow the procedures and requirements of this Subsection (4).
- 196 (b) The taxpayer shall submit a request to the office to verify, in a form and manner designated by the
office, that:
- 198 (i) the taxpayer completed a carbon credit transaction for an in-state carbon credit;
- 199 (ii) the taxpayer reported the carbon credit transaction to the office in accordance with Subsection
79-6-1302(1)(b); and
- 201 (iii) the carbon emission offset that is the subject of the carbon credit transaction:
- 202 (A) originated from a project within the state; and
- 203 (B) is transferred to or applied to a project within the state.
- 204 (5) The office shall submit to the commission an electronic certificate that includes the name and
identifying information of each taxpayer for which the office completes the verification described in
Subsection (4).

207 Section 9. Section 9 is enacted to read:

HB0185 compared with HB0185S04

208
209
210
213
214
29
30
31
33
35
37
38
39
40
42
43
44
48
50
51

Part 5. Violations

59-35-501. Report of violation to Office of Energy Development.

- (1) If the commission suspects that a person is selling or offering for sale a carbon credit in the state in violation of this chapter, the commission shall report the person's identifying information:
- (a) to the Office of Energy Development created in Section 79-6-401; and
- (b) within 30 days after the day on which the commission becomes aware of the suspected violation.

Section 1. Section 67-3-1 is amended to read:

67-3-1. Functions and duties.

- (1)
- (a) The state auditor is the auditor of public accounts and is independent of any executive or administrative officers of the state.
- (b) The state auditor is not limited in the selection of personnel or in the determination of the reasonable and necessary expenses of the state auditor's office.
- (2) The state auditor shall examine and certify annually in respect to each fiscal year, financial statements showing:
- (a) the condition of the state's finances;
- (b) the revenues received or accrued;
- (c) expenditures paid or accrued;
- (d) the amount of unexpended or unencumbered balances of the appropriations to the agencies, departments, divisions, commissions, and institutions; and
- (e) the cash balances of the funds in the custody of the state treasurer.
- (3)
- (a) The state auditor shall:
- (i) audit each permanent fund, each special fund, the General Fund, and the accounts of any department of state government or any independent agency or public corporation as the law requires, as the auditor determines is necessary, or upon request of the governor or the Legislature;
- (ii) perform the audits in accordance with generally accepted auditing standards and other auditing procedures as promulgated by recognized authoritative bodies; and
- (iii) as the auditor determines is necessary, conduct the audits to determine:
- (A) honesty and integrity in fiscal affairs;

HB0185 compared with HB0185S04

- 52 (B) accuracy and reliability of financial statements;
- 53 (C) effectiveness and adequacy of financial controls; and
- 54 (D) compliance with the law.
- 55 (b) If any state entity receives federal funding, the state auditor shall ensure that the audit is performed
in accordance with federal audit requirements.
- 57 (c)
- (i) The costs of the federal compliance portion of the audit may be paid from an appropriation to the
state auditor from the General Fund.
- 59 (ii) If an appropriation is not provided, or if the federal government does not specifically provide for
payment of audit costs, the costs of the federal compliance portions of the audit shall be allocated
on the basis of the percentage that each state entity's federal funding bears to the total federal funds
received by the state.
- 63 (iii) The allocation shall be adjusted to reflect any reduced audit time required to audit funds passed
through the state to local governments and to reflect any reduction in audit time obtained through
the use of internal auditors working under the direction of the state auditor.
- 67 (4)
- (a) Except as provided in Subsection (4)(b), the state auditor shall, in addition to financial audits, and as
the auditor determines is necessary, conduct performance and special purpose audits, examinations,
and reviews of any entity that receives public funds, including a determination of any or all of the
following:
- 71 (i) the honesty and integrity of all the entity's fiscal affairs;
- 72 (ii) whether the entity's administrators have faithfully complied with legislative intent;
- 73 (iii) whether the entity's operations have been conducted in an efficient, effective, and cost-efficient
manner;
- 75 (iv) whether the entity's programs have been effective in accomplishing the intended objectives;
and
- 77 (v) whether the entity's management, control, and information systems are adequate, effective, and
secure.
- 79 (b) The auditor may not conduct performance and special purpose audits, examinations, and reviews of
any entity that receives public funds if the entity:
- 81 (i) has an elected auditor; and

HB0185 compared with HB0185S04

- 82 (ii) has, within the entity's last budget year, had the entity's financial statements or performance
formally reviewed by another outside auditor.
- 84 (5) The state auditor:
- 85 (a) shall administer any oath or affirmation necessary to the performance of the duties of the auditor's
office; and
- 87 (b) may:
- 88 (i) subpoena witnesses and documents, whether electronic or otherwise; and
- 89 (ii) examine into any matter that the auditor considers necessary.
- 90 (6) The state auditor may require all persons who have had the disposition or management of any
property of this state or its political subdivisions to submit statements regarding the property at the
time and in the form that the auditor requires.
- 93 (7) The state auditor shall:
- 94 (a) except where otherwise provided by law, institute suits in Salt Lake County in relation to the
assessment, collection, and payment of revenues against:
- 96 (i) persons who by any means have become entrusted with public money or property and have failed to
pay over or deliver the money or property; and
- 98 (ii) all debtors of the state;
- 99 (b) collect and pay into the state treasury all fees received by the state auditor;
- 100 (c) perform the duties of a member of all boards of which the state auditor is a member by the
constitution or laws of the state, and any other duties that are prescribed by the constitution and by
law;
- 103 (d) stop the payment of the salary of any state official or state employee who:
- 104 (i) refuses to settle accounts or provide required statements about the custody and disposition of public
funds or other state property;
- 106 (ii) refuses, neglects, or ignores the instruction of the state auditor or any controlling board or
department head with respect to the manner of keeping prescribed accounts or funds; or
- 109 (iii) fails to correct any delinquencies, improper procedures, and errors brought to the official's or
employee's attention;
- 111 (e) establish accounting systems, methods, and forms for public accounts in all taxing or fee-assessing
units of the state in the interest of uniformity, efficiency, and economy;
- 113 (f) superintend the contractual auditing of all state accounts;

HB0185 compared with HB0185S04

- 114 (g) subject to Subsection (8)(a), withhold state allocated funds or the disbursement of property taxes
from a state or local taxing or fee-assessing unit, if necessary, to ensure that officials and employees
in those taxing units comply with state laws and procedures in the budgeting, expenditures, and
financial reporting of public funds;
- 118 (h) subject to Subsection (9), withhold the disbursement of tax money from any county, if necessary, to
ensure that officials and employees in the county comply with Section 59-2-303.1; and
- 121 (i) withhold state allocated funds or the disbursement of property taxes from a local government entity
or a limited purpose entity, as those terms are defined in Section 67-1a-15 if the state auditor finds
the withholding necessary to ensure that the entity registers and maintains the entity's registration
with the lieutenant governor, in accordance with Section 67-1a-15.
- 126 (8)
- (a) Except as otherwise provided by law, the state auditor may not withhold funds under Subsection
(7)(g) until a state or local taxing or fee-assessing unit has received formal written notice of
noncompliance from the auditor and has been given 60 days to make the specified corrections.
- 130 (b) If, after receiving notice under Subsection (8)(a), a state or independent local fee-assessing unit that
exclusively assesses fees has not made corrections to comply with state laws and procedures in the
budgeting, expenditures, and financial reporting of public funds, the state auditor:
- 134 (i) shall provide a recommended timeline for corrective actions;
- 135 (ii) may prohibit the state or local fee-assessing unit from accessing money held by the state; and
- 137 (iii) may prohibit a state or local fee-assessing unit from accessing money held in an account of a
financial institution by filing an action in a court with jurisdiction under Title 78A, Judiciary and
Judicial Administration, requesting an order of the court to prohibit a financial institution from
providing the fee-assessing unit access to an account.
- 142 (c) The state auditor shall remove a limitation on accessing funds under Subsection (8)(b) upon
compliance with state laws and procedures in the budgeting, expenditures, and financial reporting of
public funds.
- 145 (d) If a local taxing or fee-assessing unit has not adopted a budget in compliance with state law, the
state auditor:
- 147 (i) shall provide notice to the taxing or fee-assessing unit of the unit's failure to comply;
- 149 (ii) may prohibit the taxing or fee-assessing unit from accessing money held by the state; and
- 151

HB0185 compared with HB0185S04

- (iii) may prohibit a taxing or fee-assessing unit from accessing money held in an account of a financial institution by:
- 153 (A) contacting the taxing or fee-assessing unit's financial institution and requesting that the institution prohibit access to the account; or
- 155 (B) filing an action in a court with jurisdiction under Title 78A, Judiciary and Judicial Administration, requesting an order of the court to prohibit a financial institution from providing the taxing or fee-assessing unit access to an account.
- 158 (e) If the local taxing or fee-assessing unit adopts a budget in compliance with state law, the state auditor shall eliminate a limitation on accessing funds described in Subsection (8)(d).
- 161 (9) The state auditor may not withhold funds under Subsection (7)(h) until a county has received formal written notice of noncompliance from the auditor and has been given 60 days to make the specified corrections.
- 164 (10)
- (a) The state auditor may not withhold funds under Subsection (7)(i) until the state auditor receives a notice of non-registration, as that term is defined in Section 67-1a-15.
- 167 (b) If the state auditor receives a notice of non-registration, the state auditor may prohibit the local government entity or limited purpose entity, as those terms are defined in Section 67-1a-15, from accessing:
- 170 (i) money held by the state; and
- 171 (ii) money held in an account of a financial institution by:
- 172 (A) contacting the entity's financial institution and requesting that the institution prohibit access to the account; or
- 174 (B) filing an action in a court with jurisdiction under Title 78A, Judiciary and Judicial Administration, requesting an order of the court to prohibit a financial institution from providing the entity access to an account.
- 177 (c) The state auditor shall remove the prohibition on accessing funds described in Subsection (10)(b) if the state auditor received a notice of registration, as that term is defined in Section 67-1a-15, from the lieutenant governor.
- 180 (11) Notwithstanding Subsection (7)(g), (7)(h), (7)(i), (8)(b), (8)(d), or (10)(b), the state auditor:
- 182

HB0185 compared with HB0185S04

- (a) shall authorize a disbursement by a local government entity or limited purpose entity, as those terms are defined in Section 67-1a-15, or a state or local taxing or fee-assessing unit if the disbursement is necessary to:
- 185 (i) avoid a major disruption in the operations of the local government entity, limited purpose entity, or
state or local taxing or fee-assessing unit; or
- 187 (ii) meet debt service obligations; and
- 188 (b) may authorize a disbursement by a local government entity, limited purpose entity, or state or local
taxing or fee-assessing unit as the state auditor determines is appropriate.
- 191 (12)
- (a) The state auditor may seek relief under the Utah Rules of Civil Procedure to take temporary custody
of public funds if an action is necessary to protect public funds from being improperly diverted from
their intended public purpose.
- 194 (b) If the state auditor seeks relief under Subsection (12)(a):
- 195 (i) the state auditor is not required to exhaust the procedures in Subsection (7) or (8); and
- 197 (ii) the state treasurer may hold the public funds in accordance with Section 67-4-1 if a court orders the
public funds to be protected from improper diversion from their public purpose.
- 200 (13) The state auditor shall:
- 201 (a) establish audit guidelines and procedures for audits of local mental health and substance abuse
authorities and their contract providers, conducted [~~pursuant to~~] in accordance with Title 17,
Chapter 77, Local Health and Human [~~Services~~] Service, Title 26B, Chapter 5, Health Care -
Substance Use and Mental Health, and Title 51, Chapter 2a, Accounting Reports from Political
Subdivisions, Interlocal Organizations, and Other Local Entities Act; and
- 207 (b) ensure that those guidelines and procedures provide assurances to the state that:
- 208 (i) state and federal funds appropriated to local mental health authorities are used for mental health
purposes;
- 210 (ii) a private provider under an annual or otherwise ongoing contract to provide comprehensive mental
health programs or services for a local mental health authority is in compliance with state and local
contract requirements and state and federal law;
- 214 (iii) state and federal funds appropriated to local substance abuse authorities are used for substance
abuse programs and services; and
- 216

HB0185 compared with HB0185S04

(iv) a private provider under an annual or otherwise ongoing contract to provide comprehensive substance abuse programs or services for a local substance abuse authority is in compliance with state and local contract requirements, and state and federal law.

220 (14)

(a) The state auditor may, in accordance with the auditor's responsibilities for political subdivisions of the state as provided in Title 51, Chapter 2a, Accounting Reports from Political Subdivisions, Interlocal Organizations, and Other Local Entities Act, initiate audits or investigations of any political subdivision that are necessary to determine honesty and integrity in fiscal affairs, accuracy and reliability of financial statements, effectiveness, and adequacy of financial controls and compliance with the law.

227 (b) If the state auditor receives notice under Subsection 11-41-104(7) from the Governor's Office of Economic Opportunity on or after July 1, 2024, the state auditor may initiate an audit or investigation of the public entity subject to the notice to determine compliance with Section 11-41-103.

231 (15)

(a) The state auditor may not audit work that the state auditor performed before becoming state auditor.

233 (b) If the state auditor has previously been a responsible official in state government whose work has not yet been audited, the Legislature shall:

235 (i) designate how that work shall be audited; and

236 (ii) provide additional funding for those audits, if necessary.

237 (16) The state auditor shall:

238 (a) with the assistance, advice, and recommendations of an advisory committee appointed by the state auditor from among special district boards of trustees, officers, and employees and special service district boards, officers, and employees:

241 (i) prepare a Uniform Accounting Manual for Special Districts that:

242 (A) prescribes a uniform system of accounting and uniform budgeting and reporting procedures for special districts under Title 17B, Limited Purpose Local Government Entities - Special Districts, and special service districts under Title 17D, Chapter 1, Special Service District Act;

246 (B) conforms with generally accepted accounting principles; and

247 (C) prescribes reasonable exceptions and modifications for smaller districts to the uniform system of accounting, budgeting, and reporting;

HB0185 compared with HB0185S04

- 249 (ii) maintain the manual under this Subsection (16)(a) so that the manual continues to reflect generally
accepted accounting principles;
- 251 (iii) conduct a continuing review and modification of procedures in order to improve them;
- 253 (iv) prepare and supply each district with suitable budget and reporting forms; and
- 254 (v)
- (A) prepare instructional materials, conduct training programs, and render other services considered
necessary to assist special districts and special service districts in implementing the uniform
accounting, budgeting, and reporting procedures; and
- 258 (B) ensure that any training described in Subsection (16)(a)(v)(A) complies with Title 63G, Chapter 22,
State Training and Certification Requirements; and
- 260 (b) continually analyze and evaluate the accounting, budgeting, and reporting practices and experiences
of specific special districts and special service districts selected by the state auditor and make the
information available to all districts.
- 263 (17)
- (a) The following records in the custody or control of the state auditor are protected records under Title
63G, Chapter 2, Government Records Access and Management Act:
- 266 (i) records that would disclose information relating to allegations of personal misconduct,
gross mismanagement, or illegal activity of a past or present governmental employee if the
information or allegation cannot be corroborated by the state auditor through other documents
or evidence, and the records relating to the allegation are not relied upon by the state auditor in
preparing a final audit report;
- 272 (ii) records and audit workpapers to the extent the workpapers would disclose the identity of
an individual who during the course of an audit, communicated the existence of any waste
of public funds, property, or manpower, or a violation or suspected violation of a law, rule,
or regulation adopted under the laws of this state, a political subdivision of the state, or any
recognized entity of the United States, if the information was disclosed on the condition that the
identity of the individual be protected;
- 279 (iii) before an audit is completed and the final audit report is released, records or drafts circulated
to an individual who is not an employee or head of a governmental entity for the individual's
response or information;
- 282 (iv) records that would disclose an outline or part of any audit survey plans or audit program; and

HB0185 compared with HB0185S04

- 284 (v) requests for audits, if disclosure would risk circumvention of an audit.
- 285 (b) The provisions of Subsections (17)(a)(i), (ii), and (iii) do not prohibit the disclosure of records
or information that relate to a violation of the law by a governmental entity or employee to a
government prosecutor or peace officer.
- 288 (c) The provisions of this Subsection (17) do not limit the authority otherwise given to the state auditor
to classify a document as public, private, controlled, or protected under Title 63G, Chapter 2,
Government Records Access and Management Act.
- 291 (d)
- (i) As used in this Subsection (17)(d), "record dispute" means a dispute between the state auditor and
the subject of an audit performed by the state auditor as to whether the state auditor may release
a record, as defined in Section 63G-2-103, to the public that the state auditor gained access to in
the course of the state auditor's audit but which the subject of the audit claims is not subject to
disclosure under Title 63G, Chapter 2, Government Records Access and Management Act.
- 297 (ii) The state auditor may submit a record dispute to the director of the Government Records Office,
created in Section 63A-12-202, for a determination of whether the state auditor may, in conjunction
with the state auditor's release of an audit report, release to the public the record that is the subject of
the record dispute.
- 301 (iii) The state auditor or the subject of the audit may seek judicial review of the director's determination,
described in Subsection (17)(d)(ii), as provided in Section 63G-2-404.
- 304 (18) If the state auditor conducts an audit of an entity that the state auditor has previously audited
and finds that the entity has not implemented a recommendation made by the state auditor in a
previous audit, the state auditor shall notify the Legislative Management Committee through the
Legislative Management Committee's Audit Subcommittee that the entity has not implemented that
recommendation.
- 309 (19) The state auditor shall, with the advice and consent of the Senate, appoint the state privacy auditor
described in Section 67-3-13.
- 311 (20) Except as provided in Subsection (21), the state auditor shall report, or ensure that another
government entity reports, on the financial, operational, and performance metrics for the state
system of higher education and the state system of public education, including metrics in relation to
students, programs, and schools within those systems.
- 315 (21)

HB0185 compared with HB0185S04

- 316 (a) Notwithstanding Subsection (20), the state auditor shall conduct regular audits of:
- 318 (i) the scholarship granting organization for the Carson Smith Opportunity Scholarship Program,
created in Section 53E-7-402;
- 320 (ii) the State Board of Education for the Carson Smith Scholarship Program, created in Section
53F-4-302; and
- 325 (iii) the scholarship program manager for the Utah Fits All Scholarship Program, created in
Section 53F-6-402, including an analysis of the cost effectiveness of the program, taking into
consideration the amount of the scholarship and the amount of state and local funds dedicated
on a per-student basis within the traditional public education system.
- 327 (b) Nothing in this subsection limits or impairs the authority of the State Board of Education to
administer the programs described in Subsection (21)(a).
- 330 (22) The state auditor shall, based on the information posted by the Office of Legislative Research and
General Counsel under Subsection 36-12-12.1(2), for each policy, track and post the following
information on the state auditor's website:
- 333 (a) the information posted under Subsections 36-12-12.1(2)(a) through (e);
- 335 (b) an indication regarding whether the policy is timely adopted, adopted late, or not adopted;
- 336 (c) an indication regarding whether the policy complies with the requirements established by law for the
policy; and
- 337 (d) a link to the policy.
- 338 (23)
- 339 (a) A legislator may request that the state auditor conduct an inquiry to determine whether a
government entity, government official, or government employee has complied with a legal
obligation directly imposed, by statute, on the government entity, government official, or
government employee.
- 340 (b) The state auditor may, upon receiving a request under Subsection (23)(a), conduct the inquiry
requested.
- 342 (c) If the state auditor conducts the inquiry described in Subsection (23)(b), the state auditor shall post
the results of the inquiry on the state auditor's website.
- 344 (d) The state auditor may limit the inquiry described in this Subsection (23) to a simple determination,
without conducting an audit, regarding whether the obligation was fulfilled.
- 347 (24) The state auditor shall:

HB0185 compared with HB0185S04

- 348 (a) ensure compliance with Title 63G, Chapter 31, Distinctions on the Basis of Sex, in accordance with
Section 63G-31-401; and
- 350 (b) report to the Legislative Management Committee, upon request, regarding the state auditor's actions
under this Subsection (24).
- 352 (25) The state auditor shall report compliance with Sections 67-27-107, 67-27-108, and 67-27-109 by:
- 354 (a) establishing a process to receive and audit each alleged violation; and
- 355 (b) reporting to the Legislative Management Committee, upon request, regarding the state auditor's
findings and recommendations under this Subsection (25).
- 357 (26) The state auditor shall ensure compliance with Section 63G-1-704 regarding the display of flags in
or on government property.
- 359 (27)
- (a) On or before January 31 each year, the state auditor shall prepare a report that states, for each entity
that holds public funds as defined in Section 51-7-3, the entity's total balance, as of the last day of
the immediately preceding fiscal year, of cash, cash equivalents, and investments, as those terms are
defined under the standards established by the Governmental Accounting Standards Board.
- 364 (b) The state auditor shall make the report described in Subsection (27)(a) publicly available on a
website that the state auditor maintains.
- 366 (28) The state auditor shall:
- 367 (a) maintain a list of carbon credit transaction information reported to the state auditor under Subsection
79-6-1302(1); and
- 369 (b) report carbon credit transaction information to the Natural Resources, Agriculture, and
Environmental Quality Appropriations Subcommittee in accordance with Subsection 79-6-1302(2).
- 372 Section 2. Section 2 is enacted to read:
- 373 **67-5-41. Carbon Credit Litigation Fund -- Report.**
- 374 (1) As used in this section:
- 375 (a) "Carbon credit" means the same as that term is defined in Section 79-6-1301.
- 376 (b) "Fund" means the Carbon Credit Litigation Fund created in Subsection (2).
- 377 (c) "Greenhouse gas" means the same as that term is defined in Section 79-6-1301.
- 378 (2) There is created an expendable special revenue account called the Carbon Credit Litigation Fund.
- 380 (3) The fund consists of:
- 381

HB0185 compared with HB0185S04

- (a) money deposited into the fund as a result of any judgment, settlement, or compromise of claims under Subsection (5);
- 383 (b) interest and dividends earned on money in the fund; and
- 384 (c) money appropriated to the fund by the Legislature.
- 385 (4) The state treasurer shall:
- 386 (a) invest money in the fund in accordance with Title 51, Chapter 7, State Money Management Act; and
- 388 (b) deposit interest or other earnings derived from investment of fund money into the fund.
- 390 (5) Notwithstanding Section 67-5-40, the following shall be deposited into the fund after reimbursement to the attorney general for expenses related to the litigation described in Subsection (5)(a) or (b):
- 393 (a) all money received by the attorney general as a result of any judgment, settlement, or compromise of claims pertaining to alleged violations of law related to the sale or marketing of carbon credits; and
- 396 (b) all money received by the attorney general as a result of any judgment, settlement, or compromise of claims pertaining to alleged violations of law under Title 79, Chapter 6, Part 13, Carbon Credit Transactions.
- 399 (6)
- (a) The attorney general or the attorney general's designee shall authorize the expenditure of fund money in accordance with this section.
- 401 (b) The money in the fund may not be used for an administrative expense of the Office of the Attorney General, unless the administrative expense is directly related to a purpose described in Subsection (7).
- 404 (7) The attorney general may use money in the fund to:
- 405 (a) prevent a federal requirement for the state to adopt or participate in:
- 406 (i) a cap and trade program for carbon credits;
- 407 (ii) mandatory carbon emissions reporting;
- 408 (iii) a claim against the state related to greenhouse gas emissions; or
- 409 (iv) a climate remediation program; and
- 410 (b) recover a carbon credit or the profit of a carbon credit transferred out of the state in a fraudulent sale.
- 412 (8)

HB0185 compared with HB0185S04

(a) By November 30 of each year, the attorney general shall submit an annual report to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee regarding the status of the fund.

415 (b) The report shall include:

416 (i) contributions received, expenditures made, and programs and services funded; and

417 (ii) if the attorney general establishes a task force to study an issue related to this section, activities and programs initiated through the task force.

419 Section 3. Section **79-6-1301** is amended to read:

217

Part 13. Carbon Credit Transactions

421 **79-6-1301. Definitions.**

As used in this part:

220 (1)

(a) "Carbon credit" means a payment or ~~offer of payment, or~~ other financial compensation ~~or benefit,~~ for a carbon emission offset.

425 (b) "Carbon credit" includes a natural asset credit.

222 (b){(c)} "Carbon credit" does not include a payment ~~or offer of payment~~ related to:

223 (i) a right or interest associated with a regulated pollutant, as that term is defined in Title V of the 1990 Clean Air Act; or

225 (ii) an industrial or commercial use of liquefied carbon dioxide.

226 (2) "Carbon emission offset" means:

227 (a) a reduction in the amount of greenhouse gas present in the atmosphere; or

228 (b) an amount of greenhouse gas prevented from entering the atmosphere.

229 [(1)] (3) "Digital identification number" means an identification number assigned to [an environmental commodity] a carbon credit by a governmental or accredited third-party verification entity that certifies or registers [an environmental commodity] a carbon credit for sale or exchange.

233 [(2)]

(a) "Environmental commodity" means a representation of the financial value of:

234 [(i) a reduction in the amount of greenhouse gas present in the atmosphere; or]

235 [(ii) an amount of greenhouse gas prevented from entering the atmosphere.]

236 [(b) "Environmental commodity" does not include a right or interest associated with a regulated pollutant, as that term is defined in Title V of the 1990 Clean Air Act.]

HB0185 compared with HB0185S04

- 238 [(3)] (4) "Greenhouse gas" means:
- 239 (a) carbon dioxide or a gas emission converted into a carbon dioxide equivalent; or
- 240 (b) methane.
- 241 (5) ~~{ "In-state carbon credit" }~~ "Natural asset company" means ~~{ a carbon credit generated from: }~~ the
same as that term is defined in Section 63L-13-101.
- 242 (a) ~~{ (6) }~~
- (a) { a carbon emission offset related to a resource or facility located in the state; } "Natural asset credit"
means a payment or offer of payment, or other financial compensation or benefit:
- 243 (b) ~~{ (i) }~~ { activities receiving state funds. } for the preservation of a natural and biological process on a
parcel of land; or
- 244 ~~{ (4) (6) }~~ by a natural asset company for an activity described in Section 63L-13-203.
- 450 (b) "Natural asset credit" does not include:
- 451 (i) the commercial extraction, production, or sale of a natural or agricultural resource; or
- 453 (ii) a right or interest associated with the beneficial use or appropriation of water.
- 454 ~~{ (4) (7) }~~ "State entity" means a department, commission, board, council, agency, institution of higher
education, officer, corporation, fund, division, office, committee, authority, laboratory, library, unit,
bureau, panel, or other administrative unit of the state.
- 247 [(5)] (7) ~~{ (8) }~~
- (a) "State funds" means:
- 458 (i) money appropriated by the Legislature~~[;]~~ ; and
- 459 (ii) a bond issued by a state entity that creates a carbon emission offset.
- 248 (b) "State funds" does not include money or financial benefit in the form of:
- 249 (i) a tax incentive;
- 250 (ii) a permit or an activity related to the development of a permit issued by a state entity; or
- 252 (iii) a federal grant administered by a state entity.
- 465 Section 4. Section **79-6-1302** is amended to read:
- 466 **79-6-1302. {Reporting requirement} Requirements for sale by state entity -- {Waiting**
period -- Right to purchase -- Sale or exchange in violation void} Administration by state auditor
-- Report.
- 256 [(1) Except as provided in Subsection (2), before a state entity may sell or exchange an environmental
commodity, the state entity shall:]

HB0185 compared with HB0185S04

- 258 [(a) obtain a digital identification number for the environmental commodity;]
259 [(b) report a digital identification number for the environmental commodity to the office; and]
261 [(c) report to the office any state funds that the state entity used for the creation of the environmental
commodity.]
- 263 (1) Before a {person-} state entity may sell or exchange {an in-state-} a carbon credit, the {person-}
state entity shall:
- 264 (a) obtain a digital identification number for the {in-state-} carbon credit;and
265 (b) report to the {office-} state auditor, in a form and manner approved by the {office-} state auditor:
266 (i) a digital identification number for the {in-state-} carbon credit;
267 (ii) a description of the carbon emission offset, including the source of the carbon emission offset, that
is the subject of the {in-state-} carbon credit;and
- 269 {(iii) {any state funds or facilities that the person used for the creation of the in-state carbon credit;}-}
271 (iv){(iii)} the terms of a negotiated sale or exchange of the {in-state-} carbon credit with an attempted
buyer{; and} .
- 273 (v){(2)} {any information required by-} Before November 30 of each year, the {office-related-}
state auditor shall report to {a negotiated sale or exchange of an in-state carbon credit with an
attempted buyer;-} the Natural Resources, Agriculture, and Environmental Quality Appropriations
Subcommittee:
- 275 (c){(a)} {wait at least 90 days after-} the {day on which-} revenue generated from the {person reports a
negotiated sale or exchange of an in-state-} sale of carbon {credit-} credits by state entities reported
under Subsection (1)(b) {before completing the sale or exchange, subject to the requirements of
Subsection (2):} ; and
- 278 (2){(b)}
{(a)} {The office may exercise-} a {right of first refusal to purchase an in-state-} summary of the
carbon credit transactions reported to the {office-} state auditor under Subsection (1)(b) {for the
amount agreed upon between the attempted seller of the in-state carbon credit and the attempted
buyer} .
- 489 {(2)}
- 281 {(b)} {If the office exercises a right of first refusal under Subsection (2)(a), the office shall provide
written notification of the office's decision to exercise the right of first refusal:
{to the person that reports the negotiated sale to the office under Subsection (1)(b); and}

HB0185 compared with HB0185S04

- 286 {(ii)} { ~~within 90 days after the day on which the negotiated sale is reported to the office.~~ }
- 287 {(e)} { ~~If the office fails to provide notification in accordance with Subsection (2)(b), the office may not exercise the right of first refusal described in Subsection (2)(a).~~ }
- 289 {(3)} { ~~Subject to the reporting requirements described in Subsection (1)(b) and the office's right of first refusal described in Subsection (2), the seller of an in-state carbon credit shall execute the sale or exchange of the in-state carbon credit in accordance with the terms the seller reports to the office under Subsection (1)(b)(iv) no later than:~~ }
- 293 {(a)} { ~~30 days after the day on which the seller receives notification that the office waives the office's right of first refusal; or~~ }
- 295 {(b)} { ~~if the office does not provide the notification described in Subsection (2)(b), 120 days after the day on which the seller reports the terms of the negotiated sale to the office.~~ }
- 298 {(4)} { ~~Before purchasing an in-state carbon credit under Subsection (2)(a), the office shall submit a proposal for review to:~~ }
- 300 {(a)} { ~~a committee or commission designated by the Legislative Management Committee; and~~ }
- 302 {(b)} { ~~the state treasurer.~~ }
- 303 {(5)} { ~~In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the office shall make rules regarding:~~ }
- 305 {(a)} { ~~the form and manner of reporting an in-state carbon credit to the office under Subsection (1)(b); and~~ }
- 307 {(b)} { ~~the office's right of first refusal described in Subsection (2).~~ }
- 308 {(6)} { ~~A sale or exchange of an in-state carbon credit that violates a requirement of this part is void.~~ }
- 310 {(2)} This section does not apply to an environmental commodity created from an activity on school and institutional trust lands, as that term is defined in Section 53C-1-103.]

491 Section 5. Section **79-6-1303** is amended to read:

492 **79-6-1303. {Property of the state -- Management -- Valuation of state-owned carbon credit required} Management.**

315 ~~[(1) If the state or a state entity appropriates or expends state funds for the creation of {f} an environmental commodity { } a carbon credit, the state owns a portion of {f} an environmental commodity { } the carbon credit that is proportional to the amount of state funds appropriated or expended {f} for the creation of the environmental commodity {f} .]~~

319 ~~[(2)~~

HB0185 compared with HB0185S04

(a) ~~Except as provided in Subsection (3), the state treasurer may sell, exchange, or hold {f} an environmental commodity{ } a carbon credit~~, or any portion thereof, owned by the state in accordance with Subsection (2)(b).]

322 [(b) The state treasurer shall ensure that {f} an environmental commodity{ } a carbon credit} owned by
the state is sold, exchanged, or held:]

324 [(i) for the benefit of the citizens of the state;]

325 [(ii) to promote energy independence for the state;]

326 [(iii) to maximize the natural resources of the state; and]

327 [(iv) consistent with Part 3, State Energy Policy.]

328 [(3) {f} An environmental commodity] A carbon credit created or purchased by a state entity shall
remain under the control of the state entity.

330 {~~(4) A state entity that owns or controls a carbon credit shall:~~}

331 {~~(a) obtain a digital identification number for the carbon credit;~~}

332 {~~(b) obtain a valuation of the carbon credit from a governmental or accredited third-party verification
entity that appraises a carbon credit for sale or exchange; and~~}

334 {~~(c) report the digital identification number and valuation for the carbon credit to the office.~~}

336 Section 13. Section 13 is enacted to read:

337 **79-6-1304. Carbon Credit Restricted Account.**

338 (1) There is created a restricted account known as the Carbon Credit Restricted Account.

339 (2) The account consists of:

340 (a) appropriations made to the account by the Legislature;

341 (b) private donations, grants, gifts, bequests, or money made available from any other source to
implement this part; and

343 (c) interest or earnings on the money in the restricted account.

344 (3)

(a) The state treasurer shall invest money in the restricted account consistent with Title 51, Chapter 7,
State Money Management Act.

346 (b) The state treasurer shall deposit interest or other earnings derived from investment of restricted
account money into the restricted account.

348 (4) Subject to appropriation by the Legislature, the office may use money in the restricted account to:

350 (a) purchase an in-state carbon credit in accordance with Subsection 79-6-1302(2); and

HB0185 compared with HB0185S04

351 (b) record and track a digital identification number reported to the office under Subsection
79-6-1302(1).

508 Section 6. **Effective date.**

Effective Date.

This bill takes effect on May 6, 2026.

3-2-26 9:30 AM