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Carbon Credit Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Troy Shelley

Senate Sponsor:

2

LONG TITLE

3

General Description:

4 This bill addresses requirements relating to a carbon credit transaction.

5 **Highlighted Provisions:**

6 This bill:

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- 8 ▶ defines and modifies terms;
- 9 ▶ creates a 25% tax for the sale of a carbon credit and includes penalties for a violation;
- 10 ▶ creates a licensing requirement for a carbon credit transaction;
- 11 ▶ creates a tax credit for an in-state carbon credit;
- 12 ▶ establishes reporting requirements for a person selling or exchanging an in-state carbon credit;

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- 14 ▶ creates a right of first refusal for the Office of Energy Development (office) to purchase an in-state carbon credit;

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- 16 ▶ requires the office to submit a proposal for purchasing an in-state carbon credit to:

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- 18 • a committee or commission designated by the Legislative Management Committee;

19 and

- 20 • the state treasurer;
- 21 ▶ voids a sale or exchange of an in-state carbon credit that violates state requirements;
- 22 ▶ requires a state entity that owns or controls a carbon credit to report a digital identification number and valuation of the carbon credit to the office;
- 23 ▶ creates a restricted account for the office to purchase in-state carbon credits; and
- 24 ▶ makes technical and conforming changes.

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Money Appropriated in this Bill:

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None

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Other Special Clauses:

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None

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Utah Code Sections Affected:

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AMENDS:

H.B. 185

31 **59-1-306**, as last amended by Laws of Utah 2025, Chapter 258
32 **79-6-1301**, as enacted by Laws of Utah 2025, Chapters 146, 375
33 **79-6-1302**, as enacted by Laws of Utah 2025, Chapters 146, 375
34 **79-6-1303**, as enacted by Laws of Utah 2025, Chapters 146, 375

35 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
44 **79-6-1304**, Utah Code Annotated 1953

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

47 Section 1. Section **59-1-306** is amended to read:

48 **59-1-306 . Definition -- State Tax Commission Administrative Charge Account --**

49 **Amount of administrative charge -- Deposit of revenue into the restricted account --**

50 **Interest deposited into General Fund -- Expenditure of money deposited into the
51 restricted account.**

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

54 (a) Title 10, Chapter 1, Part 3, Municipal Energy Sales and Use Tax Act;
55 (b) Title 10, Chapter 1, Part 4, Municipal Telecommunications License Tax Act;
56 (c) Section 19-6-714;
57 (d) Section 19-6-805;

58 (e) Chapter 12, Sales and Use Tax Act, other than a tax under Chapter 12, Part 1, Tax
59 Collection, or Chapter 12, Part 18, Additional State Sales and Use Tax Act;

60 (f) Section 59-27-105;

61 (g) Chapter 31, Cannabinoid Licensing and Tax Act;

62 (h) Chapter 32, Local Impact Mitigation Tax Act;

63 (i) Chapter 33, Wind or Solar Electric Generation Facility Capacity Tax;

64 (j) Chapter 35, Carbon Credit Transaction License and Tax Act;

65 [~~(j)~~] (k) Section 63H-1-205;
66 [~~(k)~~] (l) Title 63N, Chapter 3, Part 6, Housing and Transit Reinvestment Zone Act; [~~or~~]
67 [~~(l)~~] (m) Title 69, Chapter 2, Part 4, Prepaid Wireless Telecommunications Service
68 Charges; or
69 [~~(m)~~] (n) Title 79, Chapter 6, Part 11, Energy Project Assessment.

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

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

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

78 (a) 1.5%; or
79 (b) an equal percentage of revenue the commission collects from each qualifying tax,
80 fee, or charge sufficient to cover the cost to the commission of administering the
81 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
85 from the restricted account to administer qualifying taxes, fees, or charges or to offset
86 general operational expenses.

87 Section 2. Section **59-35-101** is enacted to read:

CHAPTER 35. Carbon Credit Transaction License and Tax Act

Part 1. General Provisions

59-35-101 . Definitions.

91 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
94 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
96 entity in which a person may purchase a carbon credit.

97 (4) "Voluntary carbon credit market" means a financial market not regulated by a

98 government entity in which a person may purchase a carbon credit.

99 Section 3. Section **59-35-201** is enacted to read:

100 **Part 2. Broker Licensing**

101 **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
103 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 **59-35-202** is enacted to read:

108 **59-35-202 . Issuance of carbon credit broker license -- Bond required.**

109 (1) The commission shall issue a license to sell, offer to sell, or assist in the sale of a carbon
110 credit to a person that submits an application, on a form created by the commission, that
111 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
115 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
121 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
124 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
127 commission may make rules to establish the additional information described in
128 Subsection (1)(e) that a person shall provide in the application described in Subsection
129 (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 **59-35-203** 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
136 provision of this chapter.

137 (2) A license may not be reissued to a carbon credit broker described in Subsection (1) until
138 the carbon credit broker has complied with the requirements of this chapter, including
139 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.

143 Section 6. Section **59-35-301** 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
147 purchase price of the carbon credit.

148 (2) A carbon credit broker shall collect the tax imposed under Subsection (1) from a
149 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
151 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
153 under Subsection 79-6-1302(2).

154 Section 7. Section **59-35-302** 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
157 in Section 59-35-301 shall remit to the commission, in an electronic format approved by
158 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
162 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

166 three years.

167 (4)(a) The commission shall deposit the revenue generated by the tax imposed under this
168 chapter into the General Fund.

169 (b) The commission may retain and deposit an administrative charge in accordance with
170 Section 59-1-306 from the revenues the commission collects from a tax under this
171 chapter.

172 Section 8. Section **59-35-401** is enacted to read:

173 **Part 4. Tax Credit**

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

175 **Development.**

176 (1) As used in this section:

177 (a) "Carbon credit transaction" means the sale of a carbon credit subject to the tax
178 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
183 Section 59-35-301 if:

184 (a) the taxpayer is required to pay a tax on a carbon credit transaction under Section
185 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
188 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
193 under Section 59-35-301.

194 (4)(a) To claim a tax credit, a taxpayer shall follow the procedures and requirements of
195 this Subsection (4).

196 (b) The taxpayer shall submit a request to the office to verify, in a form and manner
197 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

200 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
205 name and identifying information of each taxpayer for which the office completes the
206 verification described in Subsection (4).

207 Section 9. Section **59-35-501** is enacted to read:

208 **Part 5. Violations**

209 **59-35-501 . Report of violation to Office of Energy Development.**

210 (1) If the commission suspects that a person is selling or offering for sale a carbon credit in
211 the state in violation of this chapter, the commission shall report the person's identifying
212 information:

213 (a) to the Office of Energy Development created in Section 79-6-401; and

214 (b) within 30 days after the day on which the commission becomes aware of the
215 suspected violation.

216 Section 10. Section **79-6-1301** is amended to read:

217 **Part 13. Carbon Credit Transactions**

218 **79-6-1301 . Definitions.**

219 As used in this part:

220 (1)(a) "Carbon credit" means a payment or other financial compensation for a carbon
221 emission offset.

222 (b) "Carbon credit" does not include a payment related to:

223 (i) a right or interest associated with a regulated pollutant, as that term is defined in
224 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 [{4}] (3) "Digital identification number" means an identification number assigned to [an
230 environmental commodity] a carbon credit by a governmental or accredited third-party
231 verification entity that certifies or registers [an environmental commodity] a carbon credit
232 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
237 regulated pollutant, as that term is defined in Title V of the 1990 Clean Air Act.]
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" means a carbon credit generated from:

242 (a) a carbon emission offset related to a resource or facility located in the state; or
243 (b) activities receiving state funds.

244 [({4})] (6) "State entity" means a department, commission, board, council, agency, institution
245 of higher education, officer, corporation, fund, division, office, committee, authority,
246 laboratory, library, unit, bureau, panel, or other administrative unit of the state.

247 [({5})] (7)(a) "State funds" means money appropriated by the Legislature.

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
251 entity; or
252 (iii) a federal grant administered by a state entity.

253 Section 11. Section **79-6-1302** is amended to read:

254 **79-6-1302 . Reporting requirement -- Waiting period -- Right to purchase -- Sale
255 or exchange in violation void.**

256 [({1}) Except as provided in Subsection (2), before a state entity may sell or exchange an
257 environmental commodity, the state entity shall:]

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;
260 and]
261 [({e}) report to the office any state funds that the state entity used for the creation of the
262 environmental commodity.]

263 (1) Before a person may sell or exchange an in-state carbon credit, the person shall:

264 (a) obtain a digital identification number for the in-state carbon credit;
265 (b) report to the office, in a form and manner approved by the office:
266 (i) a digital identification number for the in-state carbon credit;

267 (ii) a description of the carbon emission offset that is the subject of the in-state
268 carbon credit;

269 (iii) any state funds or facilities that the person used for the creation of the in-state
270 carbon credit;

271 (iv) the terms of a negotiated sale or exchange of the in-state carbon credit with an
272 attempted buyer; and

273 (v) any information required by the office related to a negotiated sale or exchange of
274 an in-state carbon credit with an attempted buyer; and

275 (c) wait at least 90 days after the day on which the person reports a negotiated sale or
276 exchange of an in-state carbon credit under Subsection (1)(b) before completing the
277 sale or exchange, subject to the requirements of Subsection (2).

278 (2)(a) The office may exercise a right of first refusal to purchase an in-state carbon credit
279 reported to the office under Subsection (1)(b) for the amount agreed upon between
280 the attempted seller of the in-state carbon credit and the attempted buyer.

281 (b) If the office exercises a right of first refusal under Subsection (2)(a), the office shall
282 provide written notification of the office's decision to exercise the right of first
283 refusal:

284 (i) to the person that reports the negotiated sale to the office under Subsection (1)(b);
285 and

286 (ii) within 90 days after the day on which the negotiated sale is reported to the office.

287 (c) If the office fails to provide notification in accordance with Subsection (2)(b), the
288 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
290 right of first refusal described in Subsection (2), the seller of an in-state carbon credit
291 shall execute the sale or exchange of the in-state carbon credit in accordance with the
292 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
294 the office's right of first refusal; or

295 (b) if the office does not provide the notification described in Subsection (2)(b), 120
296 days after the day on which the seller reports the terms of the negotiated sale to the
297 office.

298 (4) Before purchasing an in-state carbon credit under Subsection (2)(a), the office shall
299 submit a proposal for review to:

300 (a) a committee or commission designated by the Legislative Management Committee;

301 and

302 (b) the state treasurer.

303 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
304 office shall make rules regarding:

305 (a) the form and manner of reporting an in-state carbon credit to the office under
306 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
309 void.

310 [(2) ~~This section does not apply to an environmental commodity created from an activity on~~
311 ~~school and institutional trust lands, as that term is defined in Section 53C-1-103.~~]

312 Section 12. Section **79-6-1303** is amended to read:

313 **79-6-1303 . Property of the state -- Management -- Valuation of state-owned**
314 **carbon credit required.**

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

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

322 (b) The state treasurer shall ensure that [an environmental commodity] a carbon credit
323 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) [An environmental commodity] A carbon credit created or purchased by a state entity
329 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
333 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

335 office.

336 Section 13. Section **79-6-1304** 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
342 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

345 Title 51, Chapter 7, State Money Management Act.

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

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

349 account to:

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

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

353 **Section 14. Effective Date.**

354 This bill takes effect on May 6, 2026.