

Senator Howard A. Stephenson proposes to substitute the following bill:

**INDIVIDUAL INCOME TAX AND CORPORATE FRANCHISE AND
INCOME TAX CREDITS FOR MINING ESTABLISHMENTS**

2001 GENERAL SESSION

STATE OF UTAH

Sponsor: Howard A. Stephenson

Mike Dmitrich

L. Steven Poulton

This act modifies the Individual Income Tax Act and Corporate Franchise and Income Taxes to enact refundable tax credits for the purchase of certain machinery or equipment purchased by a mining establishment. The act grants rulemaking authority to the State Tax Commission. This act takes effect for taxable years beginning on or after January 1, 2002.

This act affects sections of Utah Code Annotated 1953 as follows:

ENACTS:

59-7-604.1, Utah Code Annotated 1953

59-10-133, Utah Code Annotated 1953

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

Section 1. Section **59-7-604.1** is enacted to read:

59-7-604.1. Refundable credit for machinery or equipment purchased by a mining establishment -- Definitions -- Rulemaking authority.

(1) As used in this section:

(a) "credit amount" means **§ THE PRODUCT OF:**

(i) § the amount of state sales and use tax under Subsection

59-12-103(2)(a)(i) paid during a taxable year by a mining establishment for machinery or equipment or the use of machinery or equipment in a transaction involving a:

§ [(i)] (A) § purchase; or

§ [(ii)] (B) § lease; **§ AND**

§ (ii) (A) 30% FOR THE TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 2002. §



24b § BUT BEGINNING ON OR BEFORE DECEMBER 31, 2002;

24c (B) 60% FOR THE TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 2003, BUT

24d BEGINNING ON OR BEFORE DECEMBER 31, 2003; AND

24e (C) 100% FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2004; §

25 (b) "machinery or equipment" means:

26 (i) machinery;

27 (ii) equipment; or

28 (iii) a part for:

29 (A) machinery; or

30 (B) equipment;

31 (c) § (i) EXCEPT AS PROVIDED IN SUBSECTION (1)(c)(ii), § "mining establishment" means

31-1a an establishment described in § § [f] Sector 21, Mining [f]

31a [~~SUBSECTOR 212, MINING EXCEPT OIL AND GAS~~] § § , of

32 NAICS; and

32a § (ii) NOTWITHSTANDING SUBSECTION (1)(c)(i), "MINING ESTABLISHMENT" DOES

32b NOT INCLUDE AN ESTABLISHMENT DESCRIBED IN INDUSTRY GROUP 2122, METAL ORE MINING,

32c OF NAICS; AND §

33 (d) "NAICS" means the 1997 North American Industry Classification System of the

34 federal Executive Office of the President, Office of Management and Budget.

35 (2) For taxable years beginning on or after January 1, 2002, and subject to Subsection (3),

36 a mining establishment may claim a refundable credit against the § [~~tax~~] TAXES § imposed by this

36a chapter in

37 an amount equal to the credit amount for machinery or equipment:

38 (a) that the mining establishment purchases or leases during the taxable year;

39 (b) for which the mining establishment paid a tax during the taxable year under Section

40 59-12-103;

41 (c) that is used in a mining process; and

42 (d) that has an economic life of three or more years.

43 (3) A mining establishment may not carry forward or carry back a credit authorized by this

44 section.

45 (4) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the

46 commission shall make rules defining the terms:

47 (a) "equipment";

48 (b) "establishment";

49 (c) "machinery"; and

50 (d) "mining process."

51 Section 2. Section 59-10-133 is enacted to read:

52 **59-10-133. Refundable credit for machinery or equipment purchased by a mining**

53 **establishment -- Definitions -- Rulemaking authority.**

54 (1) As used in this section:

55 (a) "credit amount" means § **THE PRODUCT OF:**

55a (i) § the amount of state sales and use tax under Subsection

56 59-12-103(2)(a)(i) paid during a taxable year by a mining establishment for machinery or
 57 equipment or the use of machinery or equipment in a transaction involving a:

58 § [—(i)] (A) § purchase; or

59 § [(ii)] (B) § lease; § AND

59a § (ii) (A) 30% FOR THE TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 2002, BUT
 59b BEGINNING ON OR BEFORE DECEMBER 31, 2002;

59c (B) 60% FOR THE TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 2003, BUT
 59d BEGINNING ON OR BEFORE DECEMBER 31, 2003; AND

59e (C) 100% FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2004; §

60 (b) "machinery or equipment" means:

61 (i) machinery;

62 (ii) equipment; or

63 (iii) a part for:

64 (A) machinery; or

65 (B) equipment;

66 (c) § (i) EXCEPT AS PROVIDED IN SUBSECTION (1)(c)(ii), § "mining establishment" means an

66-1a establishment described in § § [f] Sector 21, Mining [f]

66a [~~SUBSECTOR 212, MINING EXCEPT OIL AND GAS~~] § § .of

67 NAICS; and

67a § (ii) NOTWITHSTANDING SUBSECTION (1)(c)(i), "MINING ESTABLISHMENT" DOES NOT INCLUDE AN
 67b ESTABLISHMENT DESCRIBED IN INDUSTRY GROUP 2122, METAL ORE MINING, OF NAICS; AND §

68 (d) "NAICS" means the 1997 North American Industry Classification System of the
 69 federal Executive Office of the President, Office of Management and Budget.

70 (2) For taxable years beginning on or after January 1, 2002, and subject to Subsection (3),
 71 a mining establishment may claim a refundable credit against the § [tax] TAXES § imposed by this
 71a chapter in

72 an amount equal to the credit amount for machinery or equipment:

73 (a) that the mining establishment purchases or leases during the taxable year;

74 (b) for which the mining establishment paid a tax during the taxable year under Section
 75 59-12-103;

76 (c) that is used in a mining process; and

77 (d) that has an economic life of three or more years.

78 (3) A mining establishment may not carry forward or carry back a credit authorized by this
 79 section.

80 (4) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
 81 commission shall make rules defining the terms:

82 (a) "equipment";

83 (b) "establishment";

84 (c) "machinery"; and

85 (d) "mining process."

86 Section 3. Effective date.

This act takes effect for taxable years beginning on or after January 1, 2002.