LEGISLATIVE GENERAL COUNSEL
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SEVERANCE TAX REVISIONS

2007 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John G. Mathis

Senate Sponsor: ____________

LONG TITLE

General Description:

This bill provides for disposition of certain revenues from severance taxes imposed on oil and gas.

Highlighted Provisions:

This bill:

- provides that the lesser of 10% of the revenues collected from oil and gas severance taxes or $10,000,000 shall be distributed to the county legislative bodies of oil and gas producing counties;
- provides that the monies distributed to an oil and gas producing county be deposited in the county's tax stability and trust fund;
- provides the circumstances under which an oil and gas producing county may qualify to receive a distribution pursuant to this bill;
- provides direction to the State Tax Commission to distribute the monies under certain circumstances;
- defines terms; and
- makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

17-36-51, as renumbered and amended by Chapter 133, Laws of Utah 2000

59-5-115, as last amended by Chapter 135, Laws of Utah 1996

ENACTS:

59-5-121, Utah Code Annotated 1953

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

Section 1. Section **17-36-51** is amended to read:

17-36-51. Establishment of tax stability and trust fund -- Increase in tax levy.

(1) (a) Notwithstanding anything to the contrary contained in statute, the legislative body of any county may by ordinance establish and maintain a tax stability and trust fund, for the purpose of preserving funds during years with favorable tax revenues for use during years with less favorable tax revenues.

(b) Each fund under Subsection (1)(a) shall be subject to all of the limitations and restrictions imposed by this section and Sections 17-36-52 and 17-36-53.

(c) The principal of the fund shall consist of:

(i) all sums transferred to [~~it~~] the fund in accordance with Subsection (2) [~~and~~];

(ii) interest or other income retained in the fund under Subsection 17-36-52(2)[~~.~~]; and

(iii) all monies deposited in the fund in accordance with Section 59-5-121.

(2) After establishing a tax stability and trust fund as provided in Subsection (1), the legislative body, in establishing the levy for the property tax levied by the county under Section 59-2-908, may establish the levy at a level not to exceed .0001 per dollar of taxable value of taxable property increase per year that will permit the county to receive during that fiscal year sums in excess of what may be required to provide for the purposes of the county. Any excess sums so received are to be transferred from the General Fund of the county into the tax stability and trust fund.

Section 2. Section **59-5-115** is amended to read:

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

[~~All~~] (1) Except as provided in Subsection (2), all taxes imposed and collected under Section 59-5-102 shall be paid to the commission, and promptly remitted to the state treasurer[~~,~~] and [~~except those taxes otherwise allocated under Section 59-5-116 or 59-5-119,~~] credited to the General Fund.

(2) Taxes imposed and collected under Section 59-5-102 shall not be credited to the General Fund if:

(a) those taxes are otherwise allocated under Section 59-5-116 or 59-5-119; or

(b) those taxes are otherwise allocated under Section 59-5-121.

Section 3. Section **59-5-121** is enacted to read:

59-5-121. Distribution of oil and gas severance tax revenues to oil and gas producing counties -- Expenditure of revenues.

(1) Subject to the other provisions of this section, for fiscal years beginning on or after July 1, 2007, an oil and gas producing county shall receive a portion of an amount equal to the lesser of the following:

(a) 10% of revenue collected from severance taxes during a fiscal year on oil and gas imposed under Title 59, Chapter 5, Part 1, Oil and Gas Severance Tax, and not distributed in accordance with Sections 59-5-116 and 59-5-119; or

(b) $10,000,000.

(2) Subject to Subsections (3), (4), and (5), the commission shall:

(a) on or before September 1, determine the amount a county may receive in accordance with this section in the same average proportion that production volumes for oil and gas within that county are reported to the division for the fiscal year for which the revenues are collected bear to the total production volumes for oil and gas within the state that are reported to the division for that same fiscal year;

(b) notify each county of the amount the county is qualified to received in accordance with Subsection (2)(a); and

(c) distribute the revenues to the county legislative bodies of counties in which oil or gas is produced in accordance with Subsections (3), (4), and (5).

(3) (a) Notwithstanding Subsection (2)(c), before a county legislative body receives a distribution of revenues under this section, during the fiscal year for which the revenues described in Subsection (1) are collected, the county legislative body shall deposit into the county's tax stability and trust fund established under Section 17-36-51 an amount equal to or greater than the amount of revenues the county legislative body is qualified to receive under

Subsection (2)(a).

(b) If during the fiscal year for which the revenues described in Subsection (1) are collected a county legislative body deposits into its county tax stability and trust fund an amount less than the amount of revenues the county legislative body is qualified to receive under Subsection (2)(a), the commission shall distribute to the county legislative body, an amount equal to the amount deposited by the county legislative body into its county tax stability and trust fund during that fiscal year.

(4) The commission shall not distribute the revenues described in Subsection (2)(a) or (3)(b) to a county legislative body if the county reaches or exceeds the total amount limit for its county tax stability and trust fund as described in Section 17-36-53.

(5) The commission shall distribute the revenues described in Subsection (2)(a) or (3)(b) to the county legislative body within five business days after the following occur:

(a) the commission determines the amount the county is qualified to receive as determined in Subsection (2)(a); and

(b) the county submits verification to the commission that it deposited the monies described in Subsection (3) into the county's tax stability and trust fund.

(6) If the commission hasn't received verification from the county on or before August 1 of the year after the fiscal year for which the revenues are collected, the commission shall not distribute the amount described in Subsection (2)(a) to the county.

(7) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the commission may by rule prescribe procedures for making the distributions required by this section.

(8) A county legislative body that receives a distribution of revenues under this section shall deposit the monies into the county's tax stability and trust fund established under Section 17-36-51.

Legislative Review Note
as of 1-26-07 3:04 PM

Office of Legislative Research and General Counsel

Fiscal Note

H.B. 370 - Severance Tax Revisions

2007 General Session

State of Utah

State Impact

Enactment of this bill could reduce the General Fund by $7,255,000 annually.

	FY 2007 Approp.	FY 2008 Approp.	FY 2009 Approp.	FY 2007 Revenue	FY 2008 Revenue	FY 2009 Revenue
General Fund	$0	$0	$0	$0	($7,255,000)	($7,255,000)
Total	**$0**	**$0**	**$0**	**$0**	**($7,255,000)**	**($7,255,000)**

Individual, Business and/or Local Impact

Enactment of this bill could increase local revenues by $7,255,000 annually.

1/31/2007, 11:15:01 AM, Lead Analyst: Wilko, A.

Office of the Legislative Fiscal Analyst