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**Representative John G. Mathis** proposes the following substitute bill:

# SEVERANCE TAX REVISIONS

2007 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: John G. Mathis**

Senate Sponsor: Kevin T. Van Tassell

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**LONG TITLE**

**General Description:**

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

**Highlighted Provisions:**

This bill:

- creates the Oil and Gas Producing Counties Tax Stability Account;
- provides that the lesser of 10% of the revenues collected from oil and gas severance taxes or $10,000,000 shall be deposited into the Oil and Gas Producing Counties Tax Stability Account and 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:

**63-97a-101**, Utah Code Annotated 1953

**63-97a-102**, Utah Code Annotated 1953

**63-97a-103**, Utah Code Annotated 1953

**63-97a-104**, Utah Code Annotated 1953

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*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<u>:</u>

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

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

<u>(iii) all monies deposited in the fund in accordance with Section 63-97a-104.</u>

(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 63-97a-104.

Section 3. Section **63-97a-101** is enacted to read:

**CHAPTER 97a. OIL AND GAS PRODUCING COUNTIES TAX STABILITY ACCOUNT ACT**

**63-97a-101. Title.**

This chapter is known as the "Oil and Gas Producing Counties Tax Stability Account Act."

Section 4. Section **63-97a-102** is enacted to read:

**63-97a-102. Definitions.**

As used in this chapter:

(1) "Account" means the Oil and Gas Producing Counties Tax Stability Account created in Section 63-97a-103.

(2) "Commission" means the State Tax Commission.

(3) "Division" means the Division of Finance.

Section 5. Section **63-97a-103** is enacted to read:

**63-97a-103. Creation of Oil and Gas Producing Counties Tax Stability Account.**

(1) There is created a restricted account within the General Fund known as the "Oil and Gas Producing Counties Tax Stability Account."

(2) The account shall consist of:

(a) all monies credited to the account under Section 63-97a-104; and

(b) appropriations from the Legislature.

Section 6. Section **63-97a-104** is enacted to read:

**63-97a-104. Distribution of certain oil and gas severance tax revenues from the Oil and Gas Producing Counties Tax Stability Account.**

(1) After making the distributions of oil and gas severance tax revenues as required under Sections 59-5-116 and 59-5-119, the commission shall make the distributions required under Subsections (2) and (3).

(2) For fiscal years beginning on or after July 1, 2007, the commission shall deposit the lesser of the following revenues into the Oil and Gas Producing Counties Tax Stability Account:

(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.

(3) Subject to Subsections (4), (5), and (6), 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 of Oil, Gas, and Mining 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 of Oil, Gas, and Mining for that same fiscal year;

(b) on or before October 1 following the fiscal year for which the revenues described in Subsection (1) are collected, notify each county of the amount the county is qualified to receive in accordance with Subsection (3)(a); and

(c) subject to appropriation from the account, distribute the revenues to the county legislative bodies of counties in which oil or gas is produced in accordance with Subsections (4), (5), and (6).

(4) (a) Notwithstanding Subsection (3)(c), before a county legislative body receives a distribution of revenues under this section, on or before January 31 following 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 (3)(a).

(b) If on or before January 31 following 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 (3)(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 by January 31.

(5) The commission shall not distribute the revenues described in Subsection (3)(a) or (4)(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.

(6) The commission shall distribute the revenues described in Subsection (3)(a) or (4)(b) to the county legislative body within 30 days after the following occur:

(a) the commission determines the amount the county is qualified to receive as determined in Subsection (3)(a); and

(b) the county submits verification to the commission that it deposited the monies described in Subsection (4) into the county's tax stability and trust fund.

(7) If the commission hasn't received verification from the county on or before January 31 following the fiscal year for which the revenues described in Subsection (1) are collected, the commission shall not distribute the amount described in Subsection (3)(a) or (4)(b) to the county.

(8) The division shall transfer any remaining funds in the account to the General Fund on or before June 30 following the fiscal year for which the revenues described in Subsection (1) are collected.

(9) 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.

(10) 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.

# Fiscal Note

## H.B. 370 1st Sub. (Buff) - 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.