

SEVERANCE TAX AMENDMENTS

2008 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Dougall

Senate Sponsor: Wayne L. Niederhauser

LONG TITLE

General Description:

This bill provides for the disposition of certain revenues from severance taxes.

Highlighted Provisions:

This bill:

- ▶ provides that certain severance tax revenues that exceed a base amount are deposited into the permanent state trust fund or the Severance Tax Holding Account;
- ▶ provides that certain interest earnings be deposited into the Infrastructure and Economic Diversification Investment Account;
- ▶ defines terms; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect on July 1, 2008.

This bill coordinates with H.B. 63, Recodification of Title 63 State Affairs in General, changing technical cross references.

Utah Code Sections Affected:

AMENDS:

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

59-5-215, as enacted by Laws of Utah 1988, Chapter 4

63-97a-201, as enacted by Laws of Utah 2007, Chapter 384

30 **63-97a-202**, as enacted by Laws of Utah 2007, Chapter 384

31 ENACTS:

32 **63-97a-301**, Utah Code Annotated 1953

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

35 Section 1. Section **59-5-115** is amended to read:

36 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

37 All taxes imposed and collected under Section 59-5-102 shall be paid to the commission,
38 [and] promptly remitted to the state treasurer, and except those taxes otherwise allocated under
39 Section 59-5-116, ~~or~~ 59-5-119, or 63-97a-301, credited to the General Fund.

40 Section 2. Section **59-5-215** is amended to read:

41 **59-5-215. Disposition of taxes collected -- Credit to General Fund.**

42 All taxes imposed and collected under Section 59-5-202 shall be paid to the commission,
43 [and] promptly remitted to the state treasurer, ~~[to be]~~ and except those taxes otherwise
44 allocated under Section 63-97a-301, credited to the General Fund.

45 Section 3. Section **63-97a-201** is amended to read:

46 **63-97a-201. Creation of Infrastructure and Economic Diversification Investment**
47 **Account.**

48 (1) (a) There is created a restricted account within the General Fund known as the
49 "Infrastructure and Economic Diversification Investment Account."

50 (b) The Infrastructure and Economic Diversification Investment Account shall consist
51 of:

52 (i) all monies credited to the account under Section ~~[63-97a-202]~~ 63-97a-301;

53 (ii) appropriations from the Legislature;

54 (iii) grants from private foundations; and

55 (iv) interest and investment earnings on account monies.

56 (2) (a) The Infrastructure and Economic Diversification Investment Account shall earn
57 interest.

(b) All interest earned on monies in the Infrastructure and Economic Diversification Investment Account shall be deposited into the Infrastructure and Economic Diversification Investment Account.

(3) The Legislature may appropriate monies from the Infrastructure and Economic Diversification Investment Account for infrastructure and economic diversification investment projects.

(4) At least 25% of the monies appropriated in accordance with Subsection (3) shall be used for the following projects within areas of the state that produced the severance tax revenues:

(a) capital and infrastructure development; and

(b) economic diversification investment.

Section 4. Section **63-97a-202** is amended to read:

63-97a-202. Creation of Severance Tax Holding Account -- Distribution of funds in the account.

(1) (a) There is created a restricted account within the General Fund known as the "Severance Tax Holding Account."

(b) The Severance Tax Holding Account shall consist of:

(i) appropriations from the Legislature;

(ii) grants from private foundations; ~~and~~

(iii) interest and investment earnings on Severance Tax Holding Account monies~~[-]; and~~

(iv) all monies credited to the Severance Tax Holding Account under Section 63-97a-301.

(2) (a) The Severance Tax Holding Account shall earn interest.

(b) All interest earned on monies in the Severance Tax Holding Account shall be deposited into the Severance Tax Holding Account.

(3) If authorized by law the Division of Finance shall deposit all of the monies in the Severance Tax Holding Account as of June 30, 2009, into the permanent state trust fund.

~~[(4) The state treasurer shall invest and separately account for the earnings on funds~~

that are deposited into the permanent state trust fund under this section.]

~~[(5) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and dividends earned annually on revenue from severance taxes that are deposited into the permanent state trust fund shall be deposited in the General Fund.]~~

~~[(b) Interest and dividends earned on revenue from severance taxes that are deposited in the General Fund pursuant to Subsection (5)(a) shall be credited to the Infrastructure and Economic Diversification Investment Account created in Section 63-97a-201.]~~

Section 5. Section **63-97a-301** is enacted to read:

63-97a-301. Crediting of certain severance tax revenues to the permanent state trust fund.

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

(b) For purposes of this section, revenue collected from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, does not include revenue that is distributed under Section 59-5-116 or 59-5-119.

(2) Beginning with fiscal year 2008-09, if authorized by law, the Division of Finance shall credit to the permanent state trust fund all revenue collected in a fiscal year from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed \$71,000,000.

(3) Beginning with fiscal year 2008-09, if authorized by law, the Division of Finance shall credit to the permanent state trust fund all revenue collected in a fiscal year from severance taxes on mining imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed \$27,600,000.

(4) The state treasurer shall invest and separately account for the earnings on funds that are deposited into the permanent state trust fund under this section.

(5) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and dividends earned annually on revenue from severance taxes that are deposited into the

permanent state trust fund shall be deposited in the General Fund.

(b) Interest and dividends earned on revenue from severance taxes that are deposited in the General Fund pursuant to Subsection (5)(a) shall be credited to the Infrastructure and Economic Diversification Investment Account created in Section 63-97a-201.

Section 6. Effective date.

This bill takes effect on July 1, 2008.

Section 7. Coordinating H.B. 58 with H.B. 63 -- Technical renumbering.

If this H.B. 58 and H.B. 63, Recodification of Title 63 State Affairs in General, both pass, it is the intent of the Legislature that the Office of Legislative Research and General Counsel, in preparing the Utah Code database for publication:

(1) renumber Section 63-97a-301 in this H.B. 58 to Section 51-9-305; and

(2) change all internal cross references.