

**Representative John Dougall** proposes the following substitute bill:

**SEVERANCE TAX AMENDMENTS**

2008 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: John Dougall**

Senate Sponsor: Wayne L. Niederhauser

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**LONG TITLE**

**General Description:**

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

**Highlighted Provisions:**

This bill:

- ▶ requires that 10% of the revenue collected from severance taxes be deposited into the permanent state trust fund;
- ▶ requires certain interest earnings to be deposited into the Infrastructure and Economic Diversification Investment Account;
- ▶ appropriates \$20,000,000 to the Severance Tax Holding Account;
- ▶ defines terms; and
- ▶ makes technical changes.

**Monies Appropriated in this Bill:**

This bill appropriates \$20,000,000 to the Severance Tax Holding Account.

**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:**



26 AMENDS:

27 **59-5-115**, as last amended by Laws of Utah 1996, Chapter 135

28 **59-5-215**, as enacted by Laws of Utah 1988, Chapter 4

29 **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

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  
38 commission, ~~and~~ promptly remitted to the state treasurer, and except those taxes otherwise  
39 allocated under 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  
43 commission, ~~and~~ promptly remitted to the state treasurer, ~~to be~~ and except those taxes  
44 otherwise 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.

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

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

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

67 (a) capital and infrastructure development; and

68 (b) economic diversification investment.

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

70 **63-97a-202. Creation of Severance Tax Holding Account -- Distribution of funds**  
71 **in the account.**

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

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

75 (i) appropriations from the Legislature;

76 (ii) grants from private foundations; and

77 (iii) interest and investment earnings on Severance Tax Holding Account monies.

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

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

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

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

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

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

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

92 **63-97a-301. Crediting of certain severance tax revenues to the permanent state**  
93 **trust fund.**

94 (1) (a) After making the distributions of oil and gas severance tax revenues as required  
95 under Sections 59-5-116 and 59-5-119, the Division of Finance shall make the distributions  
96 required under Subsections (2) through (4).

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

100 (2) Beginning with fiscal year 2008-09, if authorized by law the Division of Finance  
101 shall credit to the permanent state trust fund created under Utah Constitution Article XXII,  
102 Section 4, an amount equal to:

103 (a) 10% of all revenue collected during a fiscal year from severance taxes on oil and  
104 gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining; and

105 (b) 10% of all revenue collected during a fiscal year from severance taxes on mining  
106 imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining.

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

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

112 (b) Interest and dividends earned on revenue from severance taxes that are deposited in  
113 the General Fund pursuant to Subsection (4)(a) shall be credited to the Infrastructure and  
114 Economic Diversification Investment Account created in Section 63-97a-201.

115 Section 6. **Appropriation.**

116 For fiscal year 2008-09 only, there is a appropriated \$20,000,000 from the General  
117 Fund to the Severance Tax Holding Account created in Section 63-97a-202.

118 Section 7. **Effective date.**

119           This bill takes effect on July 1, 2008.

120           Section 8. **Coordinating H.B. 58 with H.B. 63 -- Technical renumbering.**

121           If this H.B. 58 and H.B. 63, Recodification of Title 63 State Affairs in General, both

122 pass, it is the intent of the Legislature that the Office of Legislative Research and General

123 Counsel, in preparing the Utah Code database for publication:

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

125           (2) change all internal cross references.

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**H.B. 58 1st Sub. (Buff) - Severance Tax Amendments**

**Fiscal Note**

2008 General Session  
State of Utah

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**State Impact**

Enactment of this bill could reduce the General Fund by \$9,860,000 annually. There will be a corresponding increase in the Severance Tax Holding Account. The bill also appropriates \$20,000,000 one-time to the Severance Tax Holding Account.

	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2009</u> <u>Approp.</u>	<u>FY 2010</u> <u>Approp.</u>	<u>FY 2008</u> <u>Revenue</u>	<u>FY 2009</u> <u>Revenue</u>	<u>FY 2010</u> <u>Revenue</u>
General Fund	\$0	\$0	\$0	\$0	(\$9,860,000)	(\$9,860,000)
General Fund, One-Time	\$0	\$20,000,000	\$0	\$0	\$0	\$0
General Fund Restricted	\$0	\$0	\$0	\$0	\$9,860,000	\$9,860,000
<b>Total</b>	<b>\$0</b>	<b>\$20,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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**Individual, Business and/or Local Impact**

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.

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