

1 **SEVERANCE TAX AMENDMENTS**

2 2009 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: John L. Valentine**

5 House Sponsor: John Dougall

7 **LONG TITLE**

8 **Committee Note:**

9 The Revenue and Taxation Interim Committee recommended this bill.

10 The Utah Tax Review Commission recommended this bill.

11 Membership: 6 legislators 10 non-legislators

12 Legislative Vote: 3 voting for 0 voting against 3 absent

13 **General Description:**

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

15 **Highlighted Provisions:**

16 This bill:

- 17 ▶ amends the provisions relating to the deposition of certain severance tax revenues
- 18 into the permanent state trust fund;
- 19 ▶ increases the amount of revenue to be deposited into the permanent state trust fund
- 20 over a six-year period;
- 21 ▶ defines terms; and
- 22 ▶ makes technical changes.

23 **Monies Appropriated in this Bill:**

24 None

25 **Other Special Clauses:**

26 This bill takes effect on July 1, 2009.

27 **Utah Code Sections Affected:**



28 AMENDS:

29 **51-9-302**, as renumbered and amended by Laws of Utah 2008, Chapter 382

30 **51-9-304**, as last amended by Laws of Utah 2008, Chapters 141, 216 and renumbered
31 and amended by Laws of Utah 2008, Chapter 382

32 **51-9-305**, as enacted by Laws of Utah 2008, Chapter 141



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

35 Section 1. Section **51-9-302** is amended to read:

36 **51-9-302. Definitions.**

37 As used in this part:

38 (1) "Infrastructure and Economic Diversification Investment Account" means the
39 Infrastructure and Economic Diversification Investment Account created in Section 51-9-303.

40 (2) "Mining base amount" means:

- 41 (a) \$27,600,000 for fiscal year 2008-09;
- 42 (b) \$22,600,000 for fiscal year 2009-10;
- 43 (c) \$17,600,000 for fiscal year 2010-11;
- 44 (d) \$12,600,000 for fiscal year 2011-12;
- 45 (e) \$7,600,000 for fiscal year 2012-13; and
- 46 (f) \$2,600,000 for fiscal year 2013-14.

47 (3) "Oil and gas base amount" means:

- 48 (a) \$71,000,000 for fiscal year 2008-09;
- 49 (b) \$56,000,000 for fiscal year 2009-10;
- 50 (c) \$41,000,000 for fiscal year 2010-11;
- 51 (d) \$26,000,000 for fiscal year 2011-12; and
- 52 (e) \$11,000,000 for fiscal year 2012-13.

53 ~~[(2)]~~ (4) "Permanent state trust fund" means the permanent state trust fund created
54 under Utah Constitution Article XXII, Section 4.

55 ~~[(3)]~~ (5) "Severance Tax Holding Account" means the Severance Tax Holding Account
56 created in Section 51-9-304.

57 Section 2. Section **51-9-304** is amended to read:

58 **51-9-304. Creation of Severance Tax Holding Account -- Distribution of funds in**

59 **the account.**

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

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

63 (i) appropriations from the Legislature;

64 (ii) grants from private foundations; and

65 (iii) all monies credited to the Severance Tax Holding Account under Section
66 51-9-305.

67 (2) (a) The state treasurer shall invest monies in the account according to Title 51,
68 Chapter 7, State Money Management Act.

69 (b) The Division of Finance shall deposit interest or other earnings derived from
70 investment of account monies into the General Fund.

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

73 Section 3. Section **51-9-305** is amended to read:

74 **51-9-305. Crediting of certain severance tax revenues to the permanent state**
75 **trust fund.**

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

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

82 (2) [~~Beginning~~] (a) For fiscal years beginning with fiscal year 2008-09[~~, if authorized~~
83 ~~by law~~] and ending with fiscal year 2012-13, the Division of Finance shall credit to the
84 permanent state trust fund all revenue collected in a fiscal year from severance taxes on oil and
85 gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed
86 [~~\$71,000,000.~~] the oil and gas base amount.

87 (b) For fiscal years beginning on or after fiscal year 2013-14, the Division of Finance
88 shall credit all revenue collected in a fiscal year from severance taxes on oil and gas imposed
89 under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining to the permanent state trust

90 fund.

91 (3) [~~Beginning~~] (a) For fiscal years beginning with fiscal year 2008-09[~~, if authorized~~
92 ~~by law~~] and ending with fiscal year 2013-14, the Division of Finance shall credit to the
93 permanent state trust fund all revenue collected in a fiscal year from severance taxes on mining
94 imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed
95 [~~\$27,600,000.~~] the mining base amount.

96 (b) For fiscal years beginning on or after fiscal year 2014-15, the Division of Finance
97 shall credit all revenue collected in a fiscal year from severance taxes on mining imposed under
98 Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining to the permanent state trust fund.

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

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

104 (b) Interest and dividends earned on revenue from severance taxes that are deposited in
105 the General Fund pursuant to Subsection (5)(a) shall be credited to the Infrastructure and
106 Economic Diversification Investment Account created in Section 51-9-303.

107 Section 4. **Effective date.**

108 This bill takes effect on July 1, 2009.

Legislative Review Note
as of 12-18-08 1:23 PM

Office of Legislative Research and General Counsel

S.B. 38 - Severance Tax Amendments

Fiscal Note

2009 General Session
State of Utah

State Impact

Enactment of this bill would transfer funds from the General Fund to the Infrastructure and Economic Diversification Investment Account. The transfer would likely be \$14,500,000 in FY 2010 and \$30,000,000 in FY 2011. When the base amounts become zero in FY 2015, all revenue collected from oil, gas, and mining severance taxes would be credited to the Infrastructure and Economic Diversification Investment Account rather than the General Fund. The expected amount is \$88,000,000 in FY 2015.

	<u>2009</u> <u>Approp.</u>	<u>2010</u> <u>Approp.</u>	<u>2011</u> <u>Approp.</u>	<u>2009</u> <u>Revenue</u>	<u>2010</u> <u>Revenue</u>	<u>2011</u> <u>Revenue</u>
General Fund	\$0	\$0	\$0	\$0	(\$14,500,000)	(\$30,000,000)
Restricted Funds	\$0	\$0	\$0	\$0	\$14,500,000	\$30,000,000
Total	\$0	\$0	\$0	\$0	\$0	\$0

Individual, Business and/or Local Impact

Individuals, businesses, and local taxing entities located in impacted areas will benefit by having greater funds available for projects related to capital and infrastructure development and economic diversification.