

SEVERANCE TAX AMENDMENTS

2012 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jim Nielson

Senate Sponsor: _____

LONG TITLE

General Description:

This bill amends provisions related to severance taxes to provide that certain severance tax revenue be deposited into the permanent state trust fund.

Highlighted Provisions:

This bill:

- ▶ provides that certain severance tax revenue be deposited into the permanent state trust fund; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides an effective date.

Utah Code Sections Affected:

AMENDS:

- 9-10-108**, as last amended by Laws of Utah 2011, Chapter 303
- 51-9-305**, as last amended by Laws of Utah 2011, Chapter 239
- 59-5-115**, as last amended by Laws of Utah 2008, Chapter 141
- 59-5-116**, as last amended by Laws of Utah 2010, Chapter 28
- 59-5-119**, as last amended by Laws of Utah 2007, Chapter 104
- 59-5-215**, as last amended by Laws of Utah 2008, Chapter 141



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

Section 1. Section **9-10-108** is amended to read:

9-10-108. Deposits into fund.

(1) ~~[All money received]~~ Money required to be deposited into the Uintah Basin Revitalization Fund under Section 59-5-116 shall be deposited ~~[in]~~ into the Uintah Basin Revitalization Fund ~~[provided that no]~~ if a business or activity fee or tax based on gross receipts has not been imposed by a county or the Tribe on oil and gas activities.

(2) (a) Nothing in this section prohibits a county from imposing a charge described in Subsection (1) with respect to any gathering, transmission, or local distribution pipeline in which the county owns an interest.

(b) Nothing in this section prohibits the Tribe from imposing a charge described in Subsection (1) with respect to any gathering, transmission, or local distribution pipeline in which the Tribe owns an interest.

Section 2. Section **51-9-305** is amended to read:

51-9-305. 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)]~~ deposit revenue collected from a tax under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, into the permanent state trust fund.

(b) For purposes of this section, revenue collected from ~~[severance taxes on oil and gas]~~ a tax 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)(a) Beginning with fiscal year 2008-09 and ending with fiscal year 2010-11, 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.]~~

~~[(b) Beginning with fiscal year 2011-12, 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,~~

59 and Mining, that exceed \$77,000,000.]

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

64 [~~(4)~~] (2) The state treasurer shall invest and separately account for the earnings on
65 funds that are deposited into the permanent state trust fund under this section.

66 [~~(5)~~] (3) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest
67 and dividends earned annually on revenue from severance taxes that are deposited into the
68 permanent state trust fund shall be deposited in the General Fund.

69 (b) Interest and dividends earned on revenue from severance taxes that are deposited in
70 the General Fund pursuant to Subsection [~~(5)~~] (3)(a) shall be credited to the Infrastructure and
71 Economic Diversification Investment Account created in Section 51-9-303.

72 Section 3. Section **59-5-115** is amended to read:

73 **59-5-115. Disposition of taxes collected -- Credit to permanent state trust fund.**

74 [~~All taxes~~] Except as provided in Section 59-5-116 or 59-5-119, in accordance with
75 Section 51-9-305, a tax imposed and collected under Section 59-5-102 shall be paid to the
76 commission, promptly remitted to the state treasurer, and [~~except those taxes otherwise~~
77 ~~allocated under Section 51-9-305, 59-5-116, or 59-5-119;~~] credited to the [~~General Fund~~]
78 permanent state trust fund.

79 Section 4. Section **59-5-116** is amended to read:

80 **59-5-116. Disposition of certain taxes collected on Ute Indian land.**

81 (1) Except as provided in Subsection (2), there shall be deposited into the Uintah Basin
82 Revitalization Fund established in Section 9-10-102:

83 (a) for taxes imposed under this part, 33% of the taxes collected on oil, gas, or other
84 hydrocarbon substances produced from a well:

85 (i) for which production began on or before June 30, 1995; and

86 (ii) attributable to interests:

87 (A) held in trust by the United States for the Tribe and its members; or

88 (B) on lands identified in Pub. L. No. 440, 62 Stat. 72 (1948);

89 (b) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other

90 hydrocarbon substances produced from a well:

91 (i) for which production began on or after July 1, 1995; and

92 (ii) attributable to interests:

93 (A) held in trust by the United States for the Tribe and its members; or

94 (B) on lands identified in Pub. L. No. 440, 62 Stat. 72 (1948); and

95 (c) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other

96 hydrocarbon substances produced from a well:

97 (i) for which production began on or after January 1, 2001; and

98 (ii) attributable to interests on lands conveyed to the tribe under the Ute-Moab Land

99 Restoration Act, Pub. L. No. 106-398, Sec. 3303.

100 (2) (a) The maximum amount deposited in the Uintah Basin Revitalization Fund may
101 not exceed:

102 (i) \$3,000,000 in fiscal year 2005-06;

103 (ii) \$5,000,000 in fiscal year 2006-07;

104 (iii) \$6,000,000 in fiscal years 2007-08 and 2008-09; and

105 (iv) for fiscal years beginning with fiscal year 2009-10, the amount determined by the
106 commission as described in Subsection (2)(b).

107 (b) (i) The commission shall increase or decrease the dollar amount described in
108 Subsection (2)(a)(iii) by a percentage equal to the percentage difference between the consumer
109 price index for the preceding calendar year and the consumer price index for calendar year
110 2008; and

111 (ii) after making an increase or decrease under Subsection (2)(b)(i), round the dollar
112 amount to the nearest whole dollar.

113 (c) For purposes of this Subsection (2), "consumer price index" is as described in
114 Section 1(f)(4), Internal Revenue Code, and defined in Section (1)(f)(5), Internal Revenue
115 Code.

116 (d) Any amounts in excess of the maximum described in Subsection (2)(a) shall be
117 deposited into the ~~[General Fund]~~ permanent state trust fund.

118 Section 5. Section **59-5-119** is amended to read:

119 **59-5-119. Disposition of certain taxes collected on Navajo Nation Land located in**
120 **Utah.**

121 (1) Except as provided in Subsection (2), there shall be deposited into the Navajo
122 Revitalization Fund established in Section 9-11-104 for taxes imposed under this part
123 beginning on July 1, 1997:

124 (a) 33% of the taxes collected on oil, gas, or other hydrocarbon substances produced
125 from a well:

126 (i) for which production began on or before June 30, 1996; and

127 (ii) attributable to interests in Utah held in trust by the United States for the Navajo
128 Nation and its members; and

129 (b) 80% of the taxes collected on oil, gas, or other hydrocarbon substances produced
130 from a well:

131 (i) for which production began on or after July 1, 1996; and

132 (ii) attributable to interests in Utah held in trust by the United States for the Navajo
133 Nation and its members.

134 (2) (a) The maximum amount deposited in the Navajo Revitalization Fund may not
135 exceed:

136 (i) \$2,000,000 in fiscal year 2006-07; and

137 (ii) \$3,000,000 for fiscal years beginning with fiscal year 2007-08.

138 (b) Any amounts in excess of the maximum described in Subsection (2)(a) shall be
139 deposited into the ~~[General Fund]~~ permanent state trust fund.

140 Section 6. Section **59-5-215** is amended to read:

141 **59-5-215. Disposition of taxes collected -- Credit to permanent state trust fund.**

142 ~~[All taxes]~~ In accordance with Section 51-9-305, a tax imposed and collected under
143 Section 59-5-202 shall be paid to the commission, promptly remitted to the state treasurer, and
144 ~~[except those taxes otherwise allocated under Section 51-9-305,]~~ credited to the [General Fund]
145 permanent state trust fund.

146 Section 7. **Effective date.**

147 This bill takes effect for a payment due for a taxable year beginning on or after January
148 1, 2013.

Legislative Review Note
as of 11-15-11 2:39 PM

Office of Legislative Research and General Counsel