

SEVERANCE TAX REVENUE AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: David P. Hinkins

House Sponsor: Steven J. Lund

LONG TITLE

General Description:

This bill modifies provisions related to the deposit of severance tax revenue into state agency accounts.

Highlighted Provisions:

This bill:

► clarifies the timing for the deposit of severance tax revenue into state agency accounts.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

51-9-306, as enacted by Laws of Utah 2021, Chapter 401

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

Section 1. Section **51-9-306** is amended to read:

51-9-306. Deposit of certain severance tax revenue for specified state agencies.

(1) As used in this section:

(a) "Aggregate annual revenue" means the aggregate annual revenue collected in a



28 fiscal year from the taxes imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and
29 Mining, after subtracting the amounts required to be distributed under Sections 51-9-305,
30 59-5-116, and 59-5-119.

31 (b) "Aggregate annual mining revenue" means the aggregate annual revenue collected
32 in a fiscal year from taxes imposed under Title 59, Chapter 5, Part 2, Mining Severance Tax,
33 after subtracting the amounts required to be distributed under Section 51-9-305.

34 (c) "Aggregate annual oil and gas revenue" means the aggregate annual revenue
35 collected in a fiscal year from the taxes imposed under Title 59, Chapter 5, Part 1, Oil and Gas
36 Severance Tax, after subtracting the amounts required to be distributed under Sections
37 51-9-305, 59-5-116, and 59-5-119.

38 (d) "Average aggregate annual revenue" means the three-year rolling average of the
39 aggregate annual revenue collected in a fiscal year from the taxes imposed under Title 59,
40 Chapter 5, Severance Tax on Oil, Gas, and Mining:

41 (i) after subtracting the amounts required to be distributed under Sections 51-9-305,
42 59-5-116, and 59-5-119; and

43 (ii) ending in the fiscal year immediately preceding the fiscal year of a deposit required
44 by this section.

45 (e) "Average aggregate annual mining revenue" means the three-year rolling average of
46 the aggregate annual revenue collected in a fiscal year from the taxes imposed under Title 59,
47 Chapter 5, Part 2, Mining Severance Tax:

48 (i) after subtracting the amounts required to be distributed under Section 51-9-305; and

49 (ii) ending in the fiscal year immediately preceding the fiscal year of a deposit required
50 by this section.

51 (f) "Average aggregate annual oil and gas revenue" means the three-year rolling
52 average of the aggregate annual revenue collected in a fiscal year from the taxes imposed under
53 Title 59, Chapter 5, Part 1, Oil and Gas Severance Tax:

54 (i) after subtracting the amounts required to be distributed under Sections 51-9-305,
55 59-5-116, and 59-5-119; and

56 (ii) ending in the fiscal year immediately preceding the fiscal year of a deposit required
57 by this section.

58 (2) After making the deposits of oil and gas severance tax revenue as required under

59 Sections 59-5-116 and 59-5-119 and making the credits under Section 51-9-305, for a fiscal
60 year beginning on or after July 1, 2021, the State Tax Commission shall annually make the
61 following deposits:

62 (a) to the Division of Air Quality Oil, Gas, and Mining Restricted Account, created in
63 Section 19-2a-106, the following average aggregate annual revenue:

- 64 (i) 2.75% of the first \$50,000,000 of the average aggregate annual revenue;
- 65 (ii) 1% of the next \$50,000,000 of the average aggregate annual revenue; and
- 66 (iii) .5% of the average aggregate annual revenue that exceeds \$100,000,000;

67 (b) to the Division of Water Quality Oil, Gas, and Mining Restricted Account, created
68 in Section 19-5-126, the following average aggregate annual revenue:

- 69 (i) .4% of the first \$50,000,000 of the average aggregate annual revenue;
- 70 (ii) .15% of the next \$50,000,000 of the average aggregate annual revenue; and
- 71 (iii) .08% of the average aggregate annual revenue that exceeds \$100,000,000;

72 (c) to the Division of Oil, Gas, and Mining Restricted Account, created in Section
73 40-6-23, the following:

- 74 (i) (A) 11.5% of the first \$50,000,000 of the average aggregate annual mining revenue;
- 75 (B) 3% of the next \$50,000,000 of the average aggregate annual mining revenue; and
- 76 (C) 1% of the average aggregate annual mining revenue that exceeds \$100,000,000;

77 and

78 (ii) (A) 18% of the first \$50,000,000 of the average aggregate annual oil and gas
79 revenue;

80 (B) 3% of the next \$50,000,000 of the average aggregate annual oil and gas revenue;

81 and

82 (C) 1% of the average aggregate annual oil and gas revenue that exceeds \$100,000,000;

83 and

84 (d) to the Utah Geological Survey Oil, Gas, and Mining Restricted Account, created in
85 Section 79-3-403, the following average aggregate annual revenue:

- 86 (i) 2.5% of the first \$50,000,000 of the average aggregate annual revenue;
- 87 (ii) 1% of the next \$50,000,000 of the average aggregate annual revenue; and
- 88 (iii) .5% of the average aggregate annual revenue that exceeds \$100,000,000.

89 (3) If the money collected in a fiscal year from the taxes imposed under Title 59,

90 Chapter 5, Severance Tax on Oil, Gas, and Mining, is insufficient to make the deposits
91 required by Subsection (2), the State Tax Commission shall deposit money collected in the
92 fiscal year as follows:

93 (a) to the Division of Air Quality Oil, Gas, and Mining Restricted Account, created in
94 Section 19-2a-106, the following revenue:

- 95 (i) 2.75% of the first \$50,000,000 of the aggregate annual revenue;
- 96 (ii) 1% of the next \$50,000,000 of the aggregate annual revenue; and
- 97 (iii) .5% of the aggregate annual revenue that exceeds \$100,000,000;

98 (b) to the Division of Water Quality Oil, Gas, and Mining Restricted Account, created
99 in Section 19-5-126, the following revenue:

- 100 (i) .4% of the first \$50,000,000 of the aggregate annual revenue;
- 101 (ii) .15% of the next \$50,000,000 of the aggregate annual revenue; and
- 102 (iii) .08% of the aggregate annual revenue that exceeds \$100,000,000;

103 (c) to the Division of Oil, Gas, and Mining Restricted Account, created in Section
104 40-6-23, the following:

- 105 (i) (A) 11.5% of the first \$50,000,000 of the aggregate annual mining revenue;
- 106 (B) 3% of the next \$50,000,000 of the aggregate annual mining revenue; and
- 107 (C) 1% of the aggregate annual mining revenue that exceeds \$100,000,000; and
- 108 (ii) (A) 18% of the first \$50,000,000 of the aggregate annual oil and gas revenue;
- 109 (B) 3% of the next \$50,000,000 of the aggregate annual oil and gas revenue; and
- 110 (C) 1% of the aggregate annual oil and gas revenue that exceeds \$100,000,000; and
- 111 (d) to the Utah Geological Survey Oil, Gas, and Mining Restricted Account, created in

112 Section 79-3-403, the following revenue:

- 113 (i) 2.5% of the first \$50,000,000 of the aggregate annual revenue;
- 114 (ii) 1% of the next \$50,000,000 of the aggregate annual revenue; and
- 115 (iii) .5% of the aggregate annual revenue that exceeds \$100,000,000.

116 (4) The severance tax revenues deposited under this section into restricted accounts for
117 the state agencies specified in Subsection (2) and appropriated from the restricted accounts
118 offset and supplant General Fund appropriations used to pay the costs of programs or projects
119 administered by the state agencies that are primarily related to oil, gas, and mining.

120 Section 2. **Retrospective operation.**

121

This bill provides retrospective operation to July 1, 2021.