

MINERAL AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Derrin R. Owens

House Sponsor: Carl R. Albrecht

LONG TITLE

General Description:

This bill addresses mineral exploration or development.

Highlighted Provisions:

This bill:

- ▶ amends definitions;
- ▶ modifies aggregate value of tax credit certificates that may be issued under certain circumstances;
- ▶ addresses federal agency consultation before certain acts related to federal designations and minerals; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

40-6-24, as enacted by Laws of Utah 2022, Chapter 108

ENACTS:

63L-2-202, Utah Code Annotated 1953



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

29 Section 1. Section **40-6-24** is amended to read:

30 **40-6-24. Tax credit for mining exploration -- Division to issue certificates.**

31 (1) As used in this section:

32 (a) (i) "Certified expenditure" means a cost incurred for an activity in direct support of
33 an exploration activity conducted at a specific site.

34 (ii) "Certified expenditure" includes:

35 (A) the cost of obtaining an approval, a permit, a license, or a certificate for an
36 exploration activity;

37 (B) a direct labor cost and the cost of benefits for employees directly associated with
38 work described in Subsection (1)(a)(i);

39 (C) the cost of leasing equipment from a third party;

40 (D) the cost of owning, maintaining, or operating equipment;

41 (E) insurance and bond premiums associated with the activities described in
42 Subsections (1)(a)(ii)(A) through (D);

43 (F) the cost of a consultant or an independent contractor; and

44 (G) any general expense related to operating the business engaged in the exploration
45 activity to the extent the expense is directly attributable to the work described in Subsection
46 (1)(a)(i).

47 (iii) "Certified expenditure" does not include:

48 (A) return on investment; or

49 (B) insurance or bond premiums not described in Subsection (1)(a)(ii)(E).

50 [~~(b) "Closed mine" means a mine that:~~]

51 [~~(i) previously operated;~~]

52 [~~(ii) does not currently operate; and~~]

53 [~~(iii) for which each mining approval, permit, license, or certificate that allowed the
54 mine to operate is no longer in effect.]~~]

55 [~~(c) "Construction commencement date of a new mine" means the earliest date on
56 which each of the following is true:]~~]

57 [~~(i) the owner or owner's agent obtains for the mine each of the following that a
58 reasonable and prudent person would consider adequate to commence construction of a mine:]~~]

59 ~~[(A) each federal, state, or local government approval, permit, license, and certificate;~~
60 ~~and]~~

61 ~~[(B) each right in land, including each permit, lease, and title;]~~

62 ~~[(ii) each approval, permit, license, and certificate described in Subsection (1)(c)(i)(A)~~
63 ~~is in effect without any modification that might jeopardize the completion or continued~~
64 ~~construction of the mine; and]~~

65 ~~[(iii) the construction, including the continuation of construction, is not temporarily or~~
66 ~~permanently enjoined by an order or other decision of a court or administrative body.]~~

67 ~~[(d)]~~ (b) "Eligible claimant" means a person who:

68 (i) is engaged in the business of mining or extracting minerals;

69 (ii) is subject to a severance tax under Title 59, Chapter 5, Part 2, Mining Severance
70 Tax; and

71 (iii) makes a certified expenditure during the taxable year.

72 ~~[(e)]~~ (c) (i) "Exploration activity" means an activity performed in the state for the
73 purpose of determining the existence, location, extent, or quality of a mineral deposit.

74 (ii) "Exploration activity" includes:

75 (A) surveying by a geophysical method or by a geochemical method;

76 (B) drilling one or more exploration holes;

77 (C) conducting underground exploration;

78 (D) surface trenching or bulk sampling;

79 (E) taking aerial photographs;

80 (F) geological and geophysical logging;

81 (G) sample analysis; ~~[and]~~

82 (H) metallurgical testing~~[-];~~

83 (I) an activity described in Subsection (1)(c)(i) that is associated with producing a
84 mineral from a natural deposit that is not part of a mine that exists at the time the activity
85 begins;

86 (J) an activity described in Subsection (1)(c)(i) that is associated with the production of
87 a mineral not under production within a mine that exists at the time the activity begins;

88 (K) an activity described in Subsection (1)(c)(i) that is associated with recovering a
89 mineral not under production from a secondary source at the time the activity begins, including

90 tails, slag, waste dumps, or another similar secondary source, whether in solution or otherwise;

91 (L) an activity described in Subsection (1)(c)(i) that is associated with expanding
92 production of a mineral using a mining method not used within a mine that exists at the time
93 the activity begins; or

94 (M) an activity described in Subsection (1)(c)(i) that is associated with expanding
95 existing production of a mineral that requires a new exploration or mining permit or the
96 modification of a permit issued before the activity begins.

97 ~~[(iii) "Exploration activity" does not include an activity that occurs:]~~

98 ~~[(A) after the construction commencement date of a new mine; or]~~

99 ~~[(B) if the mine is or was a closed mine, after the mine reopening date.]~~

100 ~~[(f)] (d) "Geochemical method" means a method of gathering geochemical data,~~
101 ~~including collecting soil, rock, water, air, vegetation, or any other similar item and performing~~
102 ~~a chemical analysis on the item.~~

103 ~~[(g)] (e) "Geophysical method" means a method of gathering geophysical data that is~~
104 ~~used in mineral exploration, including seismic, gravity, magnetic, radiometric, radar,~~
105 ~~electromagnetic, and other remote sensing measurements.~~

106 ~~[(h)] (f) "Mine" means the same as that term is defined in Section 59-5-201.~~

107 ~~[(i) "Mine reopening date" means with respect to a closed mine, the earliest date on~~
108 ~~which each of the following is true:]~~

109 ~~[(i) the owner or owner's agent obtains for the closed mine each of the following that a~~
110 ~~reasonable and prudent person would consider adequate to begin operation of a closed mine:]~~

111 ~~[(A) each federal, state, or local government approval, permit, license, and certificate;~~
112 ~~and]~~

113 ~~[(B) each right in land, including each permit, lease, and title;]~~

114 ~~[(ii) each approval, permit, license, and certificate described in Subsection (1)(i)(i)(A)~~
115 ~~is in effect without any modification that might jeopardize resuming operation of the closed~~
116 ~~mine; and]~~

117 ~~[(iii) resuming operation of the closed mine is not temporarily or permanently enjoined~~
118 ~~by an order or other decision of a court or administrative body.]~~

119 ~~[(j)] (g) "Mineral" means:~~

120 (i) a metalliferous mineral as defined in Section 59-5-201; or

- 121 (ii) a metalliferous compound as defined in Section 59-5-202.
122 [~~(k)~~] (h) "Tax credit certificate" means a certificate issued by the division that:
123 (i) lists the eligible claimant's name and taxpayer identification number;
124 (ii) lists the amount of the eligible claimant's tax credit authorized under this section
125 for a taxable year; and
126 (iii) includes other information as determined by the division.
127 (2) An eligible claimant that seeks to claim a tax credit under Section 59-5-216 for a
128 taxable year shall apply to the division for a tax credit certificate.
129 (3) The eligible claimant shall apply for a tax credit certificate on a form provided by
130 the division and approved by the State Tax Commission.
131 (4) The eligible claimant shall include in the application for a tax credit certificate the
132 following information for the taxable year in which the [~~person~~] eligible claimant seeks a tax
133 credit certificate:
134 (a) proof that the eligible claimant satisfies the requirements of Subsection [~~(1)(d)~~]
135 (1)(b);
136 (b) a description of the mine where the exploration activity occurred;
137 (c) proof of each certified expenditure, including the amount; and
138 (d) any other information the division requests.
139 (5) (a) After the division receives an application for a tax credit certificate, for each
140 expenditure in the application, the division shall approve the expenditure as a certified
141 expenditure or deny the expenditure as an expenditure that is not a certified expenditure.
142 (b) If the division denies an expenditure, the division shall provide the person a written
143 explanation that states each reason the division denied the expenditure and give the person an
144 opportunity to correct any deficiency or provide additional information.
145 (6) (a) The tax credit certificate shall state the amount of the tax credit, which is equal
146 to the amount of the eligible claimant's certified expenditures as approved by the division in
147 accordance with Subsection (5).
148 (b) The division may not issue a tax credit certificate for certified expenditures related
149 to exploration activities at a mine if the aggregate value of tax credit certificates issued for
150 certified expenditures related to exploration activities at the same mine exceeds \$20,000,000.
151 (c) Notwithstanding Subsection (6)(b), the division may not issue a tax credit

152 certificate for certified expenditures related to exploration activities at a mine if:

153 (i) the aggregate value of tax credit certificates issued to the same mine exceeds
154 \$30,000,000; and

155 (ii) the exploration activity is undertaken to produce a mineral for which the United
156 States is greater than 50% net import reliant in the calendar year in which an exploration
157 activity is commenced as provided in the Mineral Commodity Summaries published by the
158 United States Geological Survey.

159 (7) (a) An eligible claimant may assign a tax credit certificate to another person if the
160 eligible claimant provides written notice to the division in a form prescribed by the division,
161 that includes:

162 (i) the eligible claimant's written certification or other proof that the eligible claimant
163 irrevocably elects not to claim the tax credit authorized by the tax credit certificate; and

164 (ii) contact information for the person to whom the eligible claimant is assigning the
165 tax credit certificate.

166 (b) If the eligible claimant meets the requirements of Subsection (7)(a), the division
167 shall issue an assigned tax credit certificate to the person identified by the eligible claimant in
168 an amount equal to the eligible claimant's tax credit certificate.

169 (c) A person to whom an eligible claimant assigns a tax credit certificate may claim the
170 tax credit under Section 59-5-216 as if the person met the requirements of Section 59-5-216, if
171 the person files a return under Title 59, Chapter 5, Part 2, Mining Severance Tax.

172 (8) An eligible claimant that receives a tax credit certificate in accordance with this
173 section shall retain the tax credit certificate for the same time period that a person is required to
174 keep books and records under Section 59-1-1406.

175 (9) The division shall annually submit to the State Tax Commission an electronic list
176 that includes:

177 (a) the name and identifying information for:

178 (i) each eligible claimant to whom the division issues a tax credit certificate; and

179 (ii) each person to whom an eligible claimant assigns a tax credit certificate in
180 accordance with Subsection (7);

181 (b) for each person described in Subsection (9)(a), the amount of the tax credit stated
182 on the tax credit certificate; and

183 (c) for each person described in Subsection (9)(a)(ii), information necessary to identify
184 the tax credit certificate that the eligible claimant assigned to the person.

185 (10) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
186 the division may make rules governing the administration of the tax credit certificate process
187 described in this section.

188 Section 2. Section **63L-2-202** is enacted to read:

189 **63L-2-202. Federal impacts related to critical mineral deposits.**

190 (1) As used in this section:

191 (a) "Critical mineral deposit" means a deposit of a mineral, element, substance, or
192 material designated as critical by the Secretary of the Interior in accordance with 30 U.S.C.
193 Sec. 1606.

194 (b) "Federal designation" means the designation of a:

195 (i) national monument;

196 (ii) national conservation area;

197 (iii) wilderness area or wilderness study area;

198 (iv) area of critical environmental concern;

199 (v) research natural area; or

200 (vi) national recreation area.

201 (2) The Legislature requests that a federal agency, including the president of the United
202 States, consult with the state before implementing, announcing, or planning a federal
203 designation that may impact the exploration or development of a critical mineral deposit in the
204 state.

205 Section 3. **Effective date.**

206 This bill takes effect on May 1, 2024.