

Representative Merlynn T. Newbold proposes the following substitute bill:

SEVERANCE TAX AMENDMENTS

2012 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jim Nielson

Senate Sponsor: Lyle W. Hillyard

LONG TITLE

General Description:

This bill amends provisions related to severance taxes to address the deposit of certain severance tax revenue into the General Fund and the permanent state trust fund.

Highlighted Provisions:

This bill:

- provides that certain severance tax revenue be deposited into the General Fund and 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



26 **59-5-119**, as last amended by Laws of Utah 2007, Chapter 104

27 **59-5-215**, as last amended by Laws of Utah 2008, Chapter 141

28

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

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

31 **9-10-108. Deposits into fund.**

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

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

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

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

43 **51-9-305. Deposit of certain severance tax revenues.**

44 (1) (a) ~~[After]~~ Beginning on July 1, 2012, and ending on June 30, 2016, after making
45 the distributions of oil and gas severance tax revenues as required under Sections 59-5-116 and
46 59-5-119, the Division of Finance shall make the distributions required under ~~[Subsections]~~
47 Subsection (2) [through (5)].

48 (2) If authorized by law, the Division of Finance shall credit to the permanent state
49 trust fund all revenue collected in a fiscal year from a tax imposed under Title 59, Chapter 5,
50 Severance Tax on Oil, Gas, and Mining, that:

51 (a) for fiscal year 2012-13, exceeds \$76,720,000;

52 (b) for fiscal year 2013-14, exceeds \$57,540,000;

53 (c) for fiscal year 2014-15, exceeds \$38,360,000; and

54 (d) for fiscal year 2015-16, exceeds \$19,180,000.

55 (3) Beginning on July 1, 2016, after making the distributions of oil and gas severance
56 tax revenues as required under Sections 59-5-116 and 59-5-119, the Division of Finance shall

57 deposit revenue collected from a tax imposed under Title 59, Chapter 5, Severance Tax on Oil,
58 Gas, and Mining, into the permanent state trust fund.

59 ~~[(b)] (4)~~ For purposes of this section, revenue collected from ~~[severance taxes on oil~~
60 ~~and gas]~~ a tax imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas, and Mining, does
61 not include revenue that is distributed under Section 59-5-116 or 59-5-119.

62 ~~[(2)(a) Beginning with fiscal year 2008-09 and ending with fiscal year 2010-11, if~~
63 ~~authorized by law, the Division of Finance shall credit to the permanent state trust fund all~~
64 ~~revenue collected in a fiscal year from severance taxes on oil and gas imposed under Title 59,~~
65 ~~Chapter 5, Severance Tax on Oil, Gas, and Mining, that exceed \$71,000,000.]~~

66 ~~[(b) Beginning with fiscal year 2011-12, if authorized by law, the Division of Finance~~
67 ~~shall credit to the permanent state trust fund all revenue collected in a fiscal year from~~
68 ~~severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil, Gas,~~
69 ~~and Mining, that exceed \$77,000,000.]~~

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

74 ~~[(4)] (5)~~ The state treasurer shall invest and separately account for the earnings on
75 funds that are deposited into the permanent state trust fund under this section.

76 ~~[(5)] (6)~~ (a) In accordance with Utah Constitution Article XXII, Section 4, the interest
77 and dividends earned annually on revenue from severance taxes that are deposited into the
78 permanent state trust fund shall be deposited in the General Fund.

79 (b) Interest and dividends earned on revenue from severance taxes that are deposited in
80 the General Fund pursuant to Subsection ~~[(5)] (6)~~(a) shall be credited to the Infrastructure and
81 Economic Diversification Investment Account created in Section 51-9-303.

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

83 **59-5-115. Disposition of taxes collected -- Credit to permanent state trust fund.**

84 ~~[All taxes]~~ (1) Beginning on July 1, 2012, and ending on June 30, 2016, except as
85 provided in Section 51-9-305, 59-5-116, or 59-5-119, a tax imposed and collected under
86 Section 59-5-102 shall be paid to the commission, promptly remitted to the state treasurer, and
87 ~~[except those taxes otherwise allocated under Section 51-9-305, 59-5-116, or 59-5-119;]~~

credited to the General Fund.

(2) Beginning on July 1, 2016, except as provided in Section 59-5-116 or 59-5-119 and in accordance with Section 51-9-305, a tax imposed and collected under Section 59-5-102 shall be paid to the commission, promptly remitted to the state treasurer, and credited to the permanent state trust fund.

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

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

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

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

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

(ii) attributable to interests:

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

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

(b) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other hydrocarbon substances produced from a well:

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

(ii) attributable to interests:

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

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

(c) for taxes imposed under this part, 80% of taxes collected on oil, gas, or other hydrocarbon substances produced from a well:

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

(ii) attributable to interests on lands conveyed to the tribe under the Ute-Moab Land Restoration Act, Pub. L. No. 106-398, Sec. 3303.

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

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

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

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

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

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

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

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

(d) Any amounts in excess of the maximum described in Subsection (2)(a) shall be deposited ~~[into the General Fund]~~ as provided in Sections 51-9-305 and 59-5-115.

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

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

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

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

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

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

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

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

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

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

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

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

152 (b) Any amounts in excess of the maximum described in Subsection (2)(a) shall be
153 deposited ~~[into the General Fund]~~ as provided in Sections 51-9-305 and 59-5-115.

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

155 **59-5-215. Disposition of taxes collected -- Credit to permanent state trust fund.**

156 ~~[All taxes]~~ (1) Beginning on July 1, 2012, and ending on June 30, 2016, except as
157 provided in Section 51-9-305, a tax imposed and collected under Section 59-5-202 shall be
158 paid to the commission, promptly remitted to the state treasurer, and ~~[except those taxes~~
159 ~~otherwise allocated under Section 51-9-305;]~~ credited to the General Fund.

160 (2) Beginning on July 1, 2016, in accordance with Section 51-9-305, a tax imposed and
161 collected under Section 59-5-202 shall be paid to the commission, promptly remitted to the
162 state treasurer, and credited to the permanent state trust fund.

163 Section 7. **Effective date.**

164 This bill takes effect on July 1, 2012.