

**Local Impact Mitigation Amendments**

2025 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Ronald M. Winterton**

House Sponsor: R. Neil Walter

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**LONG TITLE**

**General Description:**

This bill enacts a local impact mitigation tax for oil and gas production.

**Highlighted Provisions:**

This bill:

- defines terms;
- imposes a local impact mitigation tax on oil and gas that is produced within the state within a certain period and is saved, sold, or transported;
- provides for certain exemptions from the tax;
- requires quarterly payment of the tax from oil and gas producers;
- requires the State Tax Commission to distribute tax revenue within a certain time to the counties from which the revenue was collected;
- provides for certain tax revenue distribution requirements for a county that receives tax revenue;
- limits the use of tax revenue to certain transportation-related mitigation projects;
- requires the State Tax Commission to collect an administrative charge from the collected tax revenue;
- prohibits counties from imposing certain oil or gas mitigation fees;
- requires any county that receives tax revenue to report to the Legislature regarding the county's use of the tax revenue; and
- makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

## AMENDS:

**59-1-306**, as last amended by Laws of Utah 2024, Chapter 35

## ENACTS:

**59-32-101**, Utah Code Annotated 1953

**59-32-102**, Utah Code Annotated 1953

**59-32-103**, Utah Code Annotated 1953

**59-32-104**, Utah Code Annotated 1953

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

Section 1. Section **59-1-306** is amended to read:

**59-1-306 . Definition -- State Tax Commission Administrative Charge Account --  
Amount of administrative charge -- Deposit of revenue into the restricted account --  
Interest deposited into General Fund -- Expenditure of money deposited into the  
restricted account.**

(1) As used in this section, "qualifying tax, fee, or charge" means a tax, fee, or charge the commission administers under:

- (a) Title 10, Chapter 1, Part 3, Municipal Energy Sales and Use Tax Act;
- (b) Title 10, Chapter 1, Part 4, Municipal Telecommunications License Tax Act;
- (c) Section 19-6-714;
- (d) Section 19-6-805;
- (e) Chapter 12, Sales and Use Tax Act, other than a tax under Chapter 12, Part 1, Tax Collection, or Chapter 12, Part 18, Additional State Sales and Use Tax Act;
- (f) Section 59-27-105;
- (g) Chapter 31, Cannabinoid Licensing and Tax Act;
- (h) Chapter 32, Local Impact Mitigation Tax Act;
- ~~[(h)]~~ (i) Section 63H-1-205; or
- ~~[(i)]~~ (j) Title 69, Chapter 2, Part 4, Prepaid Wireless Telecommunications Service Charges.

(2) There is created a restricted account within the General Fund known as the "State Tax Commission Administrative Charge Account."

(3) Subject to the other provisions of this section, the restricted account shall consist of administrative charges the commission retains and deposits in accordance with this section.

- (4) For purposes of this section, the administrative charge is a percentage of revenue the commission collects from each qualifying tax, fee, or charge of not to exceed the lesser of:
- (a) 1.5%; or
  - (b) an equal percentage of revenue the commission collects from each qualifying tax, fee, or charge sufficient to cover the cost to the commission of administering the qualifying taxes, fees, or charges.
- (5) The commission shall deposit an administrative charge into the restricted account.
- (6) Interest earned on the restricted account shall be deposited into the General Fund.
- (7) The commission shall expend money appropriated by the Legislature to the commission from the restricted account to administer qualifying taxes, fees, or charges.

Section 2. Section **59-32-101** is enacted to read:

## **CHAPTER 32. LOCAL IMPACT MITIGATION TAX ACT**

### **59-32-101 . Definitions.**

As used in this chapter:

- (1) "Barrel" means an amount equal to 42 gallons of oil at atmospheric pressure and at a temperature of 60 degrees Fahrenheit.
- (2) "Condensate" means hydrocarbons, regardless of gravity, that occur naturally in the gaseous phase in the reservoir and are separated from the natural gas as liquids through the process of condensation either in the reservoir, in the wellbore, or at the surface in field separators.
- (3) "Crude oil" means hydrocarbons, regardless of gravity, that occur naturally in the liquid phase in the reservoir and are produced at the wellhead in liquid form.
- (4) "Development well" means the same at that term is defined in Section 59-5-101.
- (5)(a) "Gas" means:
  - (i) natural gas;
  - (ii) natural gas liquids; or
  - (iii) any mixture of natural gas and natural gas liquids.
- (b) "Gas" does not include any gaseous or liquid substance processed from coal, oil shale, tar sands, or any other hydrocarbon substance that occurs naturally in solid form.
- (6) "MCF" means an amount equal to 1,000 cubic feet of gas at a pressure of 14.73 pounds per square inch and at a temperature of 60 degrees Fahrenheit.
- (7) "Natural gas" means hydrocarbons, other than oil and natural gas liquids, that occur

126 naturally in the gaseous phase in the reservoir and are produced and recovered at the  
127 wellhead in gaseous form.

128 (8) "Natural gas liquids" means hydrocarbons, regardless of gravity, that are separated from  
129 natural gas as liquids in gas processing plants through the process of condensation,  
130 absorption, adsorption, or other methods.

131 (9)(a) "Oil" means:

132 (i) crude oil;

133 (ii) condensate; or

134 (iii) any mixture of crude oil and condensate.

135 (b) "Oil" does not include any gaseous or liquid substance processed from coal, oil  
136 shale, tar sands, or any other hydrocarbon substance that occurs naturally in solid  
137 form.

138 (10)(a) "Oil or gas mitigation fee" means any fee or tax, whether one-time or ongoing,  
139 that is imposed by a county on oil or gas producers for purposes of mitigating the  
140 direct impacts of oil or gas production on county roads.

141 (b) "Oil or gas mitigation fee" includes:

142 (i) a transportation service fee or other fee established under Chapter 27a, County  
143 Land Use, Development, and Management Act, meeting the requirements of  
144 Subsection (10)(a); and

145 (ii) an impact fee established under Title 11, Chapter 36a, Impact Fees Act, meeting  
146 the requirements of Subsection (10)(a).

147 (c) "Oil or gas mitigation fee" does not include the tax imposed by this chapter.

148 (11) "Produced" means extracted at the wellhead.

149 (12) "Producer" means the operator of the well from which oil or gas is produced.

150 (13) "Qualifying road" means a paved public road that is:

151 (a) a class B road as described in Section 72-3-103; or

152 (b) a class C road as described in Section 72-3-104.

153 (14) "Qualifying special service district" means a special service district under Title 17D,  
154 Chapter 1, Special Service District Act, that provides construction, repair, maintenance,  
155 or improvements for public roads.

156 (15) "Recipient county" means a county that receives revenue collected from the tax  
157 imposed by this chapter.

158 (16) "Stripper well" means the same as that term is defined in Section 59-5-101.

159 (17) "Wildcat well" means the same as that term is defined in Section 59-5-101.

Section 3. Section 59-32-102 is enacted to read:

**59-32-102 . Imposition of local impact mitigation tax -- Rate -- Exemptions --  
Shipment out-of-state -- Stockpiling -- Relation to other taxes -- Prohibition on county  
imposition of oil or gas mitigation fee.**

(1)(a) Except as provided in Subsection (2), a local impact mitigation tax is imposed at  
the rate specified in Subsection (1)(b) on the total volume of oil and gas that is:

(i) produced within the state on or after January 1, 2026, and before January 1, 2029;

and

(ii)(A) saved;

(B) sold; or

(C) transported from the field from which the oil or gas was produced.

(b) The rate of the tax under this chapter is:

(i) 5 cents per barrel of oil described in Subsection (1)(a); and

(ii) 1/4 cent per MCF of gas described in Subsection (1)(a).

(2) The tax under this chapter does not apply to:

(a) oil or gas produced by the United States;

(b) oil or gas produced by the state or a political subdivision of the state;

(c) oil or gas produced by an Indian or Indian tribe as defined in Section 9-9-101 from  
land under the jurisdiction of the United States;

(d) oil or gas produced from a stripper well;

(e) oil or gas produced from a wildcat well during the first 12 months of well production;

(f) oil or gas produced from a development well during the first six months of well  
production; or

(g) gas produced or consumed for the purpose of processing oil or gas to a marketable  
state by removing natural gas liquids or contaminants.

(3) If oil or gas is shipped outside the state:

(a) the shipment constitutes a sale; and

(b) the oil or gas is subject to the tax imposed by this chapter.

(4)(a) Except as provided in Subsection (4)(b), if oil or gas is stockpiled, the tax under  
this chapter is not imposed until the oil or gas is:

(i) sold;

(ii) transported; or

(iii) delivered.

(b) If oil or gas is stockpiled for more than two years, the oil or gas is subject to the tax

imposed by this chapter.

(5) The tax under this chapter:

(a) is separate from and in addition to all other taxes provided by law, including the severance tax imposed under Chapter 5, Part 1, Oil and Gas Severance Tax;

(b) does not affect the requirements applicable to the severance tax imposed under Chapter 5, Part 1, Oil and Gas Severance Tax, including the requirements for the disposition of severance tax revenue under Sections 59-5-116 and 59-5-119; and

(c) is not a severance tax for purposes of Utah Constitution, Article XIII, Section 5, Subsection (9).

(6) Unless specifically authorized by statute, a county may not impose an oil or gas mitigation fee.

Section 4. Section **59-32-103** is enacted to read:

**59-32-103 . Payment of tax -- Revenue distribution -- Expenditure of tax revenue -- Administration.**

(1)(a) The tax imposed by this chapter shall be paid:

(i) by the producer of oil or gas subject to the tax to the commission; and

(ii) on a quarterly basis on or before the last day of the month following each calendar quarterly period electronically in a manner prescribed by the commission.

(b) For purposes of this Subsection (1), the commission may require necessary information from producers regarding oil or gas production.

(2) The commission shall distribute the revenue collected from the tax under this chapter:

(a) to the county within which the revenue is collected from oil or gas production; and

(b) within 60 days from the date on which the tax is paid.

(3)(a)(i) If a county has created a qualifying special service district, the county treasurer shall transfer the revenue distributed to the county under Subsection (2) to the qualifying special service district.

(ii) A qualifying special service district described in Subsection (3)(a)(i) shall expend the revenue as provided in Subsection (4).

(b)(i) If a county has not created a qualifying special service district, the county treasurer shall deposit the revenue distributed to the county under Subsection (2) into a special revenue fund that is created to hold the revenue and is separate from the county's general fund.

(ii) A county described in Subsection (3)(b)(i) shall expend the revenue as provided in Subsection (4).

(4) The revenue collected from the tax under this chapter may only be expended for transportation projects that mitigate the direct impacts of oil or gas production on qualifying roads located within the recipient county.

(5) The commission shall:

(a) administer, collect, and enforce the tax under this chapter in accordance with Chapter 1, General Taxation Policies; and

(b) retain and deposit an administrative charge in accordance with Section 59-1-306 from the revenue the commission collects from the tax under this chapter.

Section 5. Section **59-32-104** is enacted to read:

**59-32-104 . County report to Legislature.**

(1) Each recipient county shall submit a written report to the Natural Resources, Agriculture, and Environment Interim Committee on or before September 1, 2029.

(2) The report described in Subsection (1) shall include:

(a) an accounting of the county's use of revenue received by the county from the tax under this chapter, including information regarding each transportation project for which the revenue has provided funding;

(b) for each transportation project described under Subsection (2)(a):

(i) an explanation as to how the transportation project mitigates the direct impacts of oil or gas production on qualifying roads located within the county; and

(ii) a description of any other funding sources in addition to the revenue from the tax under this chapter; and

(c) any recommendations for legislative action to reauthorize the tax for the purpose described in Subsection 59-32-103(4).

(3) The Natural Resources, Agriculture, and Environment Interim Committee shall:

(a) study any recommendations provided by a recipient county under Subsection (2)(c); and

(b) if the Natural Resources, Agriculture, and Environment Interim Committee decides to recommend legislative action to the Legislature, prepare legislation for consideration by the Legislature in the next general session.

Section 6. **Effective Date.**

This bill takes effect on May 7, 2025.