Historical Tax Law Changes
Severance Tax on Metalliferous Minerals

Laws 1982, Chapter 230 repealed the tax on sales of metalliferous minerals and enacted a Severance Tax in its place. Under the provisions of the Severance Tax, metalliferous minerals were taxed at the time of production, not at the time of sale. All metalliferous minerals produced after 1982 were taxed on the greater of the following two values:

(1) The "weighted mineral value" which is essentially the cost of extracting the minerals from the earth and delivering them to the site where they will be processed, or
(2) A specified percentage of the old sales tax base.

The Severance Tax was levied on metalliferous minerals at a rate of 2.5%. Unless otherwise provided by law, the tax was administered in the same manner as the Transaction Privilege Tax. As a result, Severance Tax payments were due on the 1st day of the second month following the month in which the tax accrued. From January 1, 1983 through June 30, 1983, 40% of the Severance Tax was distributed in the same manner as the Transaction Privilege Tax (i.e., 25% to the cities, 33.6% to the counties and 41.4% to the state). In subsequent fiscal years, a progressively larger share of the Severance Tax was distributed in the same manner as the Transaction Privilege Tax. The balance of Severance Tax collections, after making this distribution, was deposited each year in the state General Fund. (EFA - December 31, 1982)

Laws 1983, Chapter 4 changed the due date for payment of the Severance Tax to the 20th day of the month following the month in which the tax accrues. Taxes were delinquent if not received by the Department of Revenue on the day preceding the last day of the month in which they were due. (E - April 1, 1983) The law also changed the interest rate on delinquent tax payments to equal the rate established by Section 6621 of the Internal Revenue Code, compounded annually. (E - February 11, 1983)

Laws 1985, Chapter 298 provided for a new distribution formula by including these tax revenues in the Distribution Base. (E - August 7, 1985, retroactively applicable to July 1, 1985)

Laws 1990, 3rd Special Session, Chapter 3 repealed the accounting allowance offered to businesses for costs associated with accounting and reporting the Transaction Privilege and Severance Taxes. (E - October 1, 1990)

Laws 1994, 8th Special Session, Chapter 8 changed the Transaction Privilege and Severance Tax distribution formula for counties. Collections designated as the Distribution Base by the State Treasurer are divided and shared by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

(1) The proportion that the population of each county bears to the total state population.
(2) The proportion that the Distribution Base monies collected during the calendar month in each county bear to the total Distribution Base monies collected.

For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to counties to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (EFA - June 30, 1994)

Laws 1994, Chapter 314 provided that cities, towns and counties, which submit 1995 population estimates to the Director of the Department of Revenue, the Director of the Department of Transportation and the State Treasurer, may, in lieu of conducting a special census, submit July 1995 population estimates approved by the Director of the Department of Economic Security, Population Statistics Unit. The population estimates are used for the distribution of state shared revenue. The act is repealed on July 1, 2001. (E - July 17, 1994)

Laws 1994, Chapter 346 provided a tax credit for expenses incurred by a taxpayer in accounting and reporting Transaction Privilege and Severance Taxes due. The credit is equal to 1% of the amount of the tax due, but may not exceed $10,000 in any calendar year for any taxpayer. Estimated taxes are not considered as a separate reporting period. A taxpayer shall claim the credit for each tax period on forms prescribed and furnished by the Department of Revenue. A claim for credit is not allowed if the taxpayer fails to pay the tax due, plus any estimated tax liability, before payment becomes delinquent. (ETYBFA - June 30, 1995)

Laws 1994, Chapter 375 provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (E - July 17, 1994)

Laws 1995, Chapter 6 clarified that the accounting allowance credit for Transaction Privilege and Severance Tax expenses is not to exceed a total of $10,000 in any calendar year for the combined total of all business premises of a taxpayer. Also clarified that "taxpayer" means the business entity under which the business reports for state income tax purposes or an entity that is exempt from state income taxes. (RTYBFA - June 30, 1995)

Laws 1995, Chapter 182 authorized municipalities with a population less than 50,000 and counties with a population less than 125,000 to submit their July 1995 populations, as approved by the Director of the Department of Economic Security (DES) Population Statistics Unit, for state revenue sharing purposes without having to contract with DES to conduct a sample survey verification. Allowed any city, town or county to submit a request that the 1990 Decennial Census, plus revisions due to annexation certified by the United States Bureau of the Census, continue to be used for the purposes of state revenue sharing, even if a special census has been conducted. (E - July 13, 1995)

Laws 1999, 1st Special Session, Chapter 5 made a series of tax cuts that are to be triggered only if sufficient excess revenue is collected in FY 1999. Since sufficient revenue was collected, this bill reduced the mining severance tax base to the difference between the gross value of production and the production costs multiplied by 1.337. Taxpayers are allowed to use either the new tax base or the current base, if the new base would result in a tax increase. On July 1, 2001 the new tax base will expire and only the current base will remain. This act was estimated to reduce General Fund revenues by $(4,667,000) in FY 2000 and by another $(3,333,000) in FY 2001. (Effective November 1, 1999)

Laws 2000, Chapter 337 required payers of the mining severance tax to submit a monthly report to the Department of Revenue showing the amount of severance tax that would have been due if their tax liability had been calculated according to the tax law in place before the passage of Laws 1999, 1st Special Session, Chapter 5. In determining the distribution of mining severance tax revenues to the counties, the Department of Revenue is required to calculate point of sale tax collections based on the previous mining severance tax law (not Laws 1999, 1st Special Session, Chapter 5). This legislation only changes the distribution of tax revenues among the counties and has no state revenue impact. (Effective November 1, 1999)