

R865. Tax Commission, Auditing.

R865-16R. Severance Tax.

R865-16R-1. Valuation of Metalliferous Minerals for Severance Tax Purposes Pursuant to Utah Code Ann. Section 59-5-203.

A. Gross proceeds under Section 59-5-203 means the total consideration received by the taxpayer for the sale of metals or metalliferous minerals, including premiums, bonuses, subsidies, or non-cash consideration, with no deductions.

B. The authority for market prices under Subsection 59-5-203(1)(b) shall be an average daily price in U.S. markets, as listed in Metals Week or other market listing, for the quarter in which the products are consumed or shipped out of state. The taxpayer is responsible for calculating average daily price for each tax quarter from the market listing.

C. Valuation of metals or metalliferous minerals under Section 59-5-203(1)(c) and (1)(d) shall be determined as follows:

1. The gross value of ore shall equal the unit value of the first marketable product multiplied by the ratio of direct mining costs and divided by the total direct costs of mining, processing, and manufacturing to produce the first marketable product. This value is then multiplied by the recoverable units of the first marketable product contained in ores or concentrates. This gross value of ore is then reduced by the exemption provided for in 59-5-202(3) and in turn multiplied by the statutory rate of 80 percent to find the taxable value of ore.

2. Direct mining costs shall be those costs, including royalty payments, attributable to the extraction of minerals from their naturally occurring environment and transportation to the point of processing, use, or sale.

3. First marketable product means the first product or group of products produced by the taxpayer in the form or condition in which the product or products are first sold in significant quantities by the taxpayer or by others in the taxpayer's marketing area, provided that the metals or metalliferous mineral products are sold under a bona fide contract of sale between unaffiliated parties.

D. If the first marketable product is an ore or concentrate, an alternative method of valuation under this subsection may be used upon the mutual consent of the Tax Commission and the taxpayer. Under the alternative method, the gross value of metals or concentrates shall equal the unit value of the first marketable product multiplied by the recoverable units of metal or metalliferous minerals in ore or concentrates produced by the taxpayer during the tax period. The gross value of metals or concentrates is then reduced by the exemption provided for in 59-5-202(3) and in turn multiplied by the statutory rate for the applicable metal to find the taxable value of ore.

E. If a sale of metals or metalliferous minerals between affiliated companies is not a bona fide sale because the value received is not proportionate to the fair market value of the metals or metalliferous minerals, the minerals shall be valued using the methods described in B., C., and D. above, in that order.

Effective: 4/23/96