



APRIL 19, 1991

CONCURRED IN.

THIRD READING, AMENDMENTS  
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *HOUSE* BILL NO. *976*  
 2 INTRODUCED BY *Swygand Hamilton*  
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE  
 5 OF VERMICULITE FOR NET PROCEEDS PROPERTY TAX PURPOSES AND  
 6 FOR RESOURCE INDEMNITY TRUST TAX PURPOSES; ESTABLISHING A  
 7 SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR VERMICULITE;  
 8 REVISING THE INFLATION ADJUSTMENT FOR THE NET PROCEEDS TAX  
 9 ON TALC TO CONFORM WITH THAT FOR VERMICULITE; AMENDING  
 10 SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106,  
 11 15-23-115, 15-23-502, 15-23-503, 15-23-515, 15-23-521,  
 12 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE  
 13 EFFECTIVE DATE AND RETROACTIVE APPLICABILITY DATES."

14  
 15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 NEW SECTION. **Section 1. Net proceeds for vermiculite**  
 17 -- statement -- value. (1) A statement of gross yield and  
 18 value, required in 15-23-502, that is filed by a producer of  
 19 vermiculite must contain the following:

20 (a) the name and address of the owner, lessee, or  
 21 operator of the mine, together with the name and address of  
 22 any person owning or claiming a royalty interest in the  
 23 mineral product of the mine or the proceeds derived from the  
 24 sale of the mineral product, and the amount or amounts paid  
 25 or yielded as royalty to each person during the period

1 covered by the statement;  
 2 (b) the description and location of the mine;  
 3 (c) the number of tons of vermiculite extracted,  
 4 produced, and treated or sold from the mine during the  
 5 period covered by the statement;  
 6 (d) the amount and character of the vermiculite and the  
 7 yield of the vermiculite from the mine, measured in tons,  
 8 yielded to the person engaged in mining and to each royalty  
 9 holder, if any, during the period covered by the statement;  
 10 and  
 11 (e) the gross yield or value in dollars and cents.  
 12 (2) (a) For the purposes of this section, the gross  
 13 yield or value of vermiculite is determined by multiplying  
 14 the number of tons of vermiculite reported under subsection  
 15 (1)(c) by:  
 16 (i) for the taxable year beginning January 1, 1991,  
 17 \$27; and  
 18 (ii) for the taxable years beginning January 1, 1992,  
 19 and thereafter, the product obtained by multiplying \$27 by  
 20 the quotient of the PCE for the first quarter of the year  
 21 previous to the taxable year for which the net proceed value  
 22 is being calculated, divided by the PCE for the first  
 23 quarter of the 1991 taxable year.  
 24 (b) "PCE" means the implicit price deflator for  
 25 personal consumption expenditures as published quarterly in



1 the Survey of Current Business by the bureau of economic  
2 analysis of the U.S. department of commerce.

3 **NEW SECTION. Section 2. Gross value of product for**  
4 **vermiculite.** As used in this part, when referring to  
5 vermiculite, "gross value of product" is the gross yield or  
6 value of vermiculite as determined in [section 1(2)].

7 **Section 3.** Section 15-6-131, MCA, is amended to read:

8 "15-6-131. **Class one property -- description -- taxable**  
9 **percentage.** (1) Class one property includes the annual net  
10 proceeds of all mines and mining claims except coal and  
11 metal mines.

12 (2) Class one property is taxed at 100% of its annual  
13 net proceeds after deducting the expenses specified and  
14 allowed by 15-23-503 or, for talc, as provided in 15-23-515  
15 or, for vermiculite, as provided in [section 1]."

16 **Section 4.** Section 15-8-111, MCA, is amended to read:

17 "15-8-111. **Assessment -- market value standard --**  
18 **exceptions.** (1) All taxable property must be assessed at  
19 100% of its market value except as otherwise provided.

20 (2) (a) Market value is the value at which property  
21 would change hands between a willing buyer and a willing  
22 seller, neither being under any compulsion to buy or to sell  
23 and both having reasonable knowledge of relevant facts.

24 (b) If the department uses construction cost as one  
25 approximation of market value, the department shall fully

1 consider reduction in value caused by depreciation, whether  
2 through physical depreciation, functional obsolescence, or  
3 economic obsolescence.

4 (c) Except as provided in subsection (3), the market  
5 value of all motor trucks; agricultural tools, implements,  
6 and machinery; and vehicles of all kinds, including but not  
7 limited to boats and all watercraft, is the average  
8 wholesale value shown in national appraisal guides and  
9 manuals or the value of the vehicle before reconditioning  
10 and profit margin. The department of revenue shall prepare  
11 valuation schedules showing the average wholesale value when  
12 no national appraisal guide exists.

13 (3) The department of revenue or its agents may not  
14 adopt a lower or different standard of value from market  
15 value in making the official assessment and appraisal of the  
16 value of property, except:

17 (a) the wholesale value for agricultural implements and  
18 machinery is the loan value as shown in the Official Guide,  
19 Tractor and Farm Equipment, published by the national farm  
20 and power equipment dealers association, St. Louis,  
21 Missouri;

22 (b) for agricultural implements and machinery not  
23 listed in the official guide, the department shall prepare a  
24 supplemental manual where the values reflect the same  
25 depreciation as those found in the official guide; and

1 (c) as otherwise authorized in Title 15 and Title 61.  
 2 (4) For purposes of taxation, assessed value is the  
 3 same as appraised value.  
 4 (5) The taxable value for all property is the  
 5 percentage of market or assessed value established for each  
 6 class of property.  
 7 (6) The assessed value of properties in 15-6-131  
 8 through 15-6-133 is as follows:  
 9 (a) Properties in 15-6-131, under class one, are  
 10 assessed at 100% of the annual net proceeds after deducting  
 11 the expenses specified and allowed by 15-23-503 or, if  
 12 applicable, as provided in 15-23-515 or [section 1].  
 13 (b) Properties in 15-6-132, under class two, are  
 14 assessed at 100% of the annual gross proceeds.  
 15 (c) Properties in 15-6-133, under class three, are  
 16 assessed at 100% of the productive capacity of the lands  
 17 when valued for agricultural purposes. All lands that meet  
 18 the qualifications of 15-7-202 are valued as agricultural  
 19 lands for tax purposes.  
 20 (d) Properties in 15-6-143, under class thirteen, are  
 21 assessed at 100% of the combined appraised value of the  
 22 standing timber and grazing productivity of the land when  
 23 valued as timberland.  
 24 (7) Land and the improvements thereon are separately  
 25 assessed when any of the following conditions occur:

1 (a) ownership of the improvements is different from  
 2 ownership of the land;  
 3 (b) the taxpayer makes a written request; or  
 4 (c) the land is outside an incorporated city or town.  
 5 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.  
 6 681, L. 1985.)"  
 7 **Section 5.** Section 15-23-103, MCA, is amended to read:  
 8 "15-23-103. Due date of reports and returns --  
 9 extensions. (1) Except as provided in subsection (2) and  
 10 15-23-602, each report or return described in 15-23-301,  
 11 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the  
 12 department on or before March 31 each year.  
 13 (2) Each report or return for a natural gas or oil  
 14 pipeline described in 15-23-301 must be delivered to the  
 15 department on or before April 15 each year.  
 16 (3) Each report described in 15-23-201, or 15-23-515,  
 17 or [section 1] must be delivered to the department before  
 18 April 15 each year.  
 19 (4) The department may for good cause extend the time  
 20 for filing a return or report for not more than 30 days."  
 21 **Section 6.** Section 15-23-106, MCA, is amended to read:  
 22 "15-23-106. Transmission to the counties. (1) On or  
 23 before July 1, the department shall transmit to its agent in  
 24 each county a statement listing:  
 25 (a) the assessed value of railroad property, as

1 determined under 15-23-202, apportioned to the county,  
2 including the length or other description of such property;

3 (b) the assessed value of utility property, as  
4 determined under 15-23-303, apportioned to the county,  
5 including the length or other description of such property;

6 (c) the assessed value of property of airline  
7 companies, as determined under 15-23-403, apportioned to the  
8 county; 90% of the value of the property of airline  
9 companies apportioned to any county by reason of a state  
10 airport being located in the county shall be stated  
11 separately from the remaining assessed value of the property  
12 of airline companies apportioned to the county;

13 (d) the assessed value of the net proceeds and  
14 royalties from mines and oil and gas wells in the county, as  
15 determined under 15-23-503, 15-23-505, 15-23-515, [section  
16 1], 15-23-603, and 15-23-605; and

17 (e) the assessed value of the gross proceeds from coal  
18 mines, as described in 15-23-701.

19 (2) The agent of the department shall enter the  
20 assessed values so transmitted in the assessment book in a  
21 manner prescribed by the department."

22 **Section 7.** Section 15-23-115, MCA, is amended to read:

23 "15-23-115. Interest. If the department determines that  
24 a taxpayer has incorrectly reported a value under 15-23-502,  
25 15-23-515, [section 1], 15-23-602, 15-23-701, or 15-23-802,

1 the department shall inform its agents at the county level  
2 of such determination, and if any additional tax is due,  
3 there must be added thereto until paid in full interest at  
4 the rate of 1% a month or fraction thereof from the date the  
5 original tax was due and payable. In no instance will a  
6 taxpayer subject to imposition of interest pursuant to this  
7 section be also subject to the penalty and interest  
8 provisions contained in 15-16-102."

9 **Section 8.** Section 15-23-502, MCA, is amended to read:

10 "15-23-502. Net proceeds tax -- statement of yield.  
11 Every person engaged in mining, extracting, or producing  
12 from any quartz vein or lode, placer claim, dump or  
13 tailings, or other place or source whatever precious stones  
14 or gems, vermiculite, bentonite, or other valuable mineral,  
15 except coal and metals, must on or before March 31 each year  
16 make out a statement of the gross yield and value of the  
17 above-named metals or minerals from each mine owned or  
18 worked by such person during the year preceding January 1 of  
19 the year in which such statement is made. Such statement  
20 shall be in the form prescribed by the department of revenue  
21 and must be verified by the oath of the person completing  
22 the statement or the manager, superintendent, agent,  
23 president, or vice-president, if a corporation, association,  
24 or partnership, and must be delivered to the department on  
25 or before March 31. Except as provided in 15-23-515 and

1 [section 1], the statement shall show the following:

- 2 (1) the name and address of the owner or lessee or  
3 operator of the mine, together with the names and addresses  
4 of any and all persons owning or claiming any royalty  
5 interest in the mineral product of such mine or the proceeds  
6 derived from the sale thereof, and the amount or amounts  
7 paid or yielded as royalty to each of such persons during  
8 the period covered by the statement;
- 9 (2) the description and location of the mine;
- 10 (3) the number of tons of ore or other mineral products  
11 or deposits extracted, produced, and treated or sold from  
12 the mine during the period covered by the statement;
- 13 (4) the amount and character of such ores, mineral  
14 products, or deposits and the yield of such ores, mineral  
15 products, or deposits from such mine in constituents of  
16 commercial value; that is, commercially valuable  
17 constituents of the ores, mineral products, or deposits,  
18 measured by standard units of measurement, yielded to such  
19 person so engaged in mining and to each royalty holder, if  
20 any, during the period covered by the statement;
- 21 (5) the gross yield or value in dollars and cents;
- 22 (6) cost of extracting from the mine;
- 23 (7) cost of transporting to place of reduction or sale;
- 24 (8) cost of reduction or sale;
- 25 (9) cost of marketing the product and conversion of

1 same into money;

- 2 (10) cost of construction, repairs, and betterments of  
3 mines and cost of repairs and replacements of reduction  
4 works;
- 5 (11) the assessed valuation of reduction works for the  
6 calendar year for which such return is made;
- 7 (12) cost of fire insurance, workers' compensation  
8 insurance, boiler and machinery insurance, and public  
9 liability insurance paid for the mine, reduction works, or  
10 beneficiation process;
- 11 (13) cost of welfare and retirement fund payments  
12 provided for in wage contracts;
- 13 (14) cost of testing extracted minerals for the purpose  
14 of satisfying federal or state health and safety laws or  
15 regulations, the cost of plant security in Montana, the cost  
16 of assaying and sampling the extracted minerals, and the  
17 costs incurred in Montana for engineering and geological  
18 services for existing mining operations but not including  
19 any such services beyond the stage of reduction and  
20 beneficiation of the minerals; and
- 21 (15) cost of mine reclamation."

22 **Section 9.** Section 15-23-503, MCA, is amended to read:

23 "15-23-503. Net proceeds -- how computed. (1) The  
24 department of revenue shall calculate from the returns the  
25 gross product yielded from a mine and its gross value for

1 the year covered by the statement and shall calculate and  
 2 compute the net proceeds of the mine yielded to the person  
 3 engaged in mining. Except as provided in 15-23-515 and  
 4 [section 1], net proceeds shall be determined by subtracting  
 5 from the value of the gross product of the mine the  
 6 following:

7 (a) all royalty paid or apportioned in cash or in kind  
 8 by the person engaged in mining;

9 (b) all money expended for necessary labor, machinery,  
 10 and supplies needed and used in the mining operations and  
 11 developments;

12 (c) all money expended for improvements, repairs, and  
 13 betterments necessary in and about the working of the mine,  
 14 except as provided in this section;

15 (d) all money expended for costs of repairs and  
 16 replacements of the milling and reduction works used in  
 17 connection with the mine;

18 (e) depreciation in the sum of 6% of the assessed  
 19 valuation of the milling and reduction works for the  
 20 calendar year for which the return is made;

21 (f) all money actually expended for transporting the  
 22 ores and mineral products or deposits from the mines to the  
 23 mill or reduction works or to the place of sale and for  
 24 extracting the metals and minerals and for marketing the  
 25 product and the conversion of the product into money;

1 (g) all money expended for insurance and welfare and  
 2 retirement costs reported in the statement required in  
 3 15-23-502;

4 (h) all money expended for necessary labor, equipment,  
 5 and supplies for testing minerals extracted to satisfy  
 6 federal or state health and safety laws or regulations, for  
 7 plant security in Montana, for assaying and sampling the  
 8 extracted minerals, for the cost of reclamation at the site  
 9 of the mine, and for engineering and geological services  
 10 conducted in Montana for existing mining operations but not  
 11 including services beyond the stage of reduction and  
 12 beneficiation of the minerals.

13 (2) In computing the deductions allowable for repairs,  
 14 improvements, and betterments to the mine, the department  
 15 shall allow 10% of the cost each year for a period of 10  
 16 years.

17 (3) Money invested in mines or improvements may not be  
 18 allowed as a deduction unless all machinery, equipment, and  
 19 buildings represented by the money are returned to the  
 20 county in which the mine is located for assessment purposes  
 21 at the level of assessment of all other property in the  
 22 county.

23 (4) Money invested in the mines and improvements during  
 24 any year except the year for which such statement is made  
 25 and except as provided in this section may not be included



1 in the expenditures, and the expenditures may not include  
 2 the salary or any portion of the salary of any person or  
 3 officer not actually engaged in the working of the mine or  
 4 superintending the management of the mine."

5 **Section 10.** Section 15-23-515, MCA, is amended to read:

6 "15-23-515. **Net proceeds for talc -- statement --**  
 7 **value.** (1) A statement of gross yield and value, required in  
 8 15-23-502, that is filed by a producer of talc must contain  
 9 the following:

10 (a) the name and address of the owner or lessee or  
 11 operator of the mine, together with the name and address of  
 12 any person owning or claiming a royalty interest in the  
 13 mineral product of the mine or the proceeds derived from the  
 14 sale of the mineral product, and the amount or amounts paid  
 15 or yielded as royalty to each person during the period  
 16 covered by the statement;

17 (b) the description and location of the mine;

18 (c) the number of tons of talc extracted, produced, and  
 19 treated or sold from the mine during the period covered by  
 20 the statement;

21 (d) the amount and character of the talc and the yield  
 22 of the talc from the mine, measured in tons, yielded to the  
 23 person engaged in mining and to each royalty holder, if any,  
 24 during the period covered by the statement; and

25 (e) the gross yield or value in dollars and cents.

1 (2) (a) For the purposes of this section, the gross  
 2 yield or value of talc is determined by multiplying the  
 3 number of tons of talc reported under subsection (1)(c) by:

4 (i) for the taxable year beginning January 1, 1989,  
 5 \$4.25; and

6 (ii) for the taxable years beginning January 1, 1990,  
 7 and thereafter, the product obtained by multiplying \$4.25 by  
 8 the quotient of the PCE for the first quarter of the year  
 9 previous to the taxable year for which the net proceed value  
 10 is being calculated, divided by the PCE for the first  
 11 quarter of the 1989 taxable year.

12 (b) "PCE" means the implicit price deflator for  
 13 personal consumption expenditures as published quarterly in  
 14 the Survey of Current Business by the bureau of economic  
 15 analysis of the U.S. department of commerce."

16 **Section 11.** Section 15-23-521, MCA, is amended to read:

17 "15-23-521. **Examination of records by department.** The  
 18 department of revenue may at any time examine the records of  
 19 any person specified in this part as the records may pertain  
 20 to the yield of ore or mineral products or deposit in order  
 21 to verify the statements made by the person. If from the  
 22 examination or from other information, the department finds  
 23 any statement or any material part of a statement willfully  
 24 false or fraudulent, the department must assess in the same  
 25 manner as provided for in 15-23-503, or 15-23-515, or

1 [section 1]."

2 **Section 12.** Section 15-38-103, MCA, is amended to read:

3 **"15-38-103. Definitions.** As used in this chapter, the  
4 following definitions apply:

5 (1) "Department" means department of revenue.

6 (2) "Gross value of product" means, except as provided  
7 in 15-38-126 and [section 2], the market value of any  
8 merchantable mineral extracted or produced during the  
9 taxable year.

10 (3) "Mineral" means any precious stones or gems, gold,  
11 silver, copper, coal, lead, petroleum, natural gas, oil,  
12 uranium, or other nonrenewable merchantable products  
13 extracted from the surface or subsurface of the state of  
14 Montana.

15 (4) "Total environment" means air, water, soil, flora,  
16 and fauna and the social, economic, and cultural conditions  
17 that influence communities and individual citizens."

18 **Section 13.** Section 15-38-104, MCA, is amended to read:

19 **"15-38-104. Tax on mineral production.** (1) Except as  
20 provided in subsection subsections (2) and (3), the annual  
21 tax to be paid by a person engaged in or carrying on the  
22 business of mining, extracting, or producing a mineral is  
23 \$25, plus an additional amount computed on the gross value  
24 of product that was derived from the business work or  
25 operation within this state during the calendar year

1 immediately preceding at the rate of 1/2 of 1% of the amount  
2 of gross value of product at the time of extraction from the  
3 ground, if in excess of \$5,000. Unless otherwise provided in  
4 a contract or lease, the pro rata share of any royalty owner  
5 or owners may be deducted from any settlements under the  
6 lease or leases or division of proceeds orders or other  
7 contracts.

8 (2) The annual tax to be paid by a person engaged in or  
9 carrying on the business of mining, extracting, or producing  
10 talc is \$25 plus an additional amount computed on the gross  
11 value of product for talc derived from the business work or  
12 operation within this state during the calendar year  
13 immediately preceding at the rate of 4%.

14 (3) The annual tax to be paid by a person engaged in or  
15 carrying on the business of mining, extracting, or producing  
16 vermiculite is \$25 plus an additional amount computed on the  
17 gross value of product for vermiculite derived from the  
18 business work or operation within this state during the  
19 calendar year immediately preceding at the rate of 2%."

20 **NEW SECTION. Section 14.** Codification instruction. (1)  
21 [Section 1] is intended to be codified as an integral part  
22 of Title 15, chapter 23, part 5, and the provisions of Title  
23 15, chapter 23, part 5, apply to [section 1].

24 (2) [Section 2] is intended to be codified as an  
25 integral part of Title 15, chapter 38, part 1, and the

1 provisions of Title 15, chapter 38, part 1, apply to  
2 [section 2].

3 NEW SECTION. **Section 15.** Effective date -- retroactive  
4 applicability. (1) [This act] is effective on passage and  
5 approval and, except as provided in subsection (2), applies  
6 retroactively, within the meaning of 1-2-109, to tax years  
7 beginning after December 31, 1990.

8 (2) [Section 10] applies retroactively, within the  
9 meaning of 1-2-109, to talc produced after December 31,  
10 1989.

-End-

STATE OF MONTANA - FISCAL NOTE  
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0976, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing the value of vermiculite for net proceeds property tax purposes and for resource indemnity trust tax purposes; establishing a specific resource indemnity trust tax rate for vermiculite; revising the inflation adjustment for the net proceeds tax on talc to conform with that for vermiculite; and providing an immediate effective date and retroactive applicability dates.

ASSUMPTIONS:

1. Currently, there is no vermiculite production in the state. However, a new vermiculite mine is currently being developed in Beaverhead county.
2. The price of vermiculite for this mine will be \$93.22 in FY92 and \$92.15 in FY93. (DOR)
3. Production at this mine will be 12,750 tons in FY91 and 34,400 tons in FY92. (DOR)
4. Net proceeds for this mine, under current law, will be \$29.55 per ton in FY92 and \$23.50 in FY93. (DOR)
5. Net proceeds, under the proposal, will be equal to gross value, \$27 per ton.
6. The current rate for the RITT is 0.5% of gross value for all minerals, but would become 2.0% for vermiculite only under the proposal.


FISCAL IMPACT:

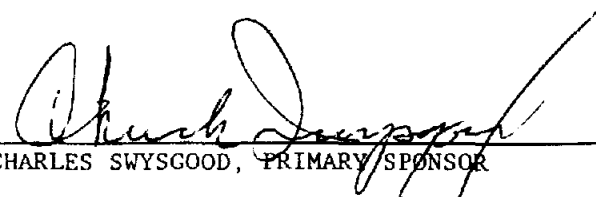
Expenditures:

The proposal will have no impact on Department of Revenue expenditures.

Revenues:

	<u>FY'92</u>			<u>FY'93</u>			
	<u>Mills</u>	<u>(Current)</u>	<u>(Proposed)</u>	<u>Difference</u>	<u>(Current)</u>	<u>(Proposed)</u>	<u>Difference</u>
Foundation Program	95	\$35,793	\$32,704	(\$3,089)	\$76,792	\$88,236	\$11,444
University System	6	\$2,261	\$2,066	(\$195)	\$4,850	\$5,573	\$723
RITT (02)	<u>NA</u>	<u>\$5,943</u>	<u>\$6,885</u>	<u>\$942</u>	<u>\$15,850</u>	<u>\$18,576</u>	<u>\$2,726</u>
TOTAL STATE	101	\$43,997	\$41,655	(\$2,342)	\$97,492	\$112,385	\$14,893

  
ROD SUNDSTED, BUDGET DIRECTOR      3-13-91  
 DATE  
 Office of Budget and Program Planning

  
CHARLES SWYSGOOD, PRIMARY SPONSOR      7-18-91  
 DATE

Fiscal Note Request, HB0976, as introduced

Form BD-15

Page 2

EFFECT ON LOCAL REVENUES:

	<u>FY'92</u>				<u>FY'93</u>		
	<u>Mills</u>	<u>(Current)</u>	<u>(Proposed)</u>	<u>Difference</u>	<u>(Current)</u>	<u>(Proposed)</u>	<u>Difference</u>
County	74.95	\$28,239	\$25,802	(\$2,437)	\$60,585	\$69,614	\$9,029
Elementary School	52.37	\$19,732	\$18,028	(\$1,704)	\$42,333	\$48,641	\$6,308
High School	36.22	\$13,647	\$12,469	(\$1,178)	\$29,278	\$33,641	\$4,363
Misc. Districts	<u>36.09</u>	<u>\$13,598</u>	<u>\$12,424</u>	<u>(\$1,174)</u>	<u>\$29,173</u>	<u>\$33,520</u>	<u>\$4,347</u>
TOTAL LOCAL	199.63	\$75,216	\$68,723	(\$6,493)	\$161,369	\$185,416	\$24,047

HB 976-1

APPROVED BY COMMITTEE  
ON TAXATION

1 House BILL NO. 976  
 2 INTRODUCED BY Supposed Hamilton  
 3  
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 18 value, required in 15-23-502, that is filed by a producer of  
 19 vermiculite must contain the following:  
 20 (a) the name and address of the owner, lessee, or  
 21 operator of the mine, together with the name and address of  
 22 any person owning or claiming a royalty interest in the  
 23 mineral product of the mine or the proceeds derived from the  
 24 sale of the mineral product, and the amount or amounts paid  
 25 or yielded as royalty to each person during the period

1 covered by the statement;  
 2 (b) the description and location of the mine;  
 3 (c) the number of tons of vermiculite extracted,  
 4 produced, and treated or sold from the mine during the  
 5 period covered by the statement;  
 6 (d) the amount and character of the vermiculite and the  
 7 yield of the vermiculite from the mine, measured in tons,  
 8 yielded to the person engaged in mining and to each royalty  
 9 holder, if any, during the period covered by the statement;  
 10 and  
 11 (e) the gross yield or value in dollars and cents.  
 12 (2) (a) For the purposes of this section, the gross  
 13 yield or value of vermiculite is determined by multiplying  
 14 the number of tons of vermiculite reported under subsection  
 15 (1)(c) by:  
 16 (i) for the taxable year beginning January 1, 1991,  
 17 \$27; and  
 18 (ii) for the taxable years beginning January 1, 1992,  
 19 and thereafter, the product obtained by multiplying \$27 by  
 20 the quotient of the PCE for the first quarter of the year  
 21 previous to the taxable year for which the net proceed value  
 22 is being calculated, divided by the PCE for the first  
 23 quarter of the 1991 taxable year.  
 24 (b) "PCE" means the implicit price deflator for  
 25 personal consumption expenditures as published quarterly in

1 the Survey of Current Business by the bureau of economic  
2 analysis of the U.S. department of commerce.

3 **NEW SECTION. Section 2. Gross value of product for**  
4 **vermiculite.** As used in this part, when referring to  
5 vermiculite, "gross value of product" is the gross yield or  
6 value of vermiculite as determined in [section 1(2)].

7 **Section 3.** Section 15-6-131, MCA, is amended to read:

8 "15-6-131. **Class one property -- description -- taxable**  
9 **percentage.** (1) Class one property includes the annual net  
10 proceeds of all mines and mining claims except coal and  
11 metal mines.

12 (2) Class one property is taxed at 100% of its annual  
13 net proceeds after deducting the expenses specified and  
14 allowed by 15-23-503 or, for talc, as provided in 15-23-515  
15 or, for vermiculite, as provided in [section 1]."

16 **Section 4.** Section 15-8-111, MCA, is amended to read:

17 "15-8-111. **Assessment -- market value standard --**  
18 **exceptions.** (1) All taxable property must be assessed at  
19 100% of its market value except as otherwise provided.

20 (2) (a) Market value is the value at which property  
21 would change hands between a willing buyer and a willing  
22 seller, neither being under any compulsion to buy or to sell  
23 and both having reasonable knowledge of relevant facts.

24 (b) If the department uses construction cost as one  
25 approximation of market value, the department shall fully

1 consider reduction in value caused by depreciation, whether  
2 through physical depreciation, functional obsolescence, or  
3 economic obsolescence.

4 (c) Except as provided in subsection (3), the market  
5 value of all motor trucks; agricultural tools, implements,  
6 and machinery; and vehicles of all kinds, including but not  
7 limited to boats and all watercraft, is the average  
8 wholesale value shown in national appraisal guides and  
9 manuals or the value of the vehicle before reconditioning  
10 and profit margin. The department of revenue shall prepare  
11 valuation schedules showing the average wholesale value when  
12 no national appraisal guide exists.

13 (3) The department of revenue or its agents may not  
14 adopt a lower or different standard of value from market  
15 value in making the official assessment and appraisal of the  
16 value of property, except:

17 (a) the wholesale value for agricultural implements and  
18 machinery is the loan value as shown in the Official Guide,  
19 Tractor and Farm Equipment, published by the national farm  
20 and power equipment dealers association, St. Louis,  
21 Missouri;

22 (b) for agricultural implements and machinery not  
23 listed in the official guide, the department shall prepare a  
24 supplemental manual where the values reflect the same  
25 depreciation as those found in the official guide; and

1 (c) as otherwise authorized in Title 15 and Title 61.

2 (4) For purposes of taxation, assessed value is the  
3 same as appraised value.

4 (5) The taxable value for all property is the  
5 percentage of market or assessed value established for each  
6 class of property.

7 (6) The assessed value of properties in 15-6-131  
8 through 15-6-133 is as follows:

9 (a) Properties in 15-6-131, under class one, are  
10 assessed at 100% of the annual net proceeds after deducting  
11 the expenses specified and allowed by 15-23-503 or, if  
12 applicable, as provided in 15-23-515 or [section 1].

13 (b) Properties in 15-6-132, under class two, are  
14 assessed at 100% of the annual gross proceeds.

15 (c) Properties in 15-6-133, under class three, are  
16 assessed at 100% of the productive capacity of the lands  
17 when valued for agricultural purposes. All lands that meet  
18 the qualifications of 15-7-202 are valued as agricultural  
19 lands for tax purposes.

20 (d) Properties in 15-6-143, under class thirteen, are  
21 assessed at 100% of the combined appraised value of the  
22 standing timber and grazing productivity of the land when  
23 valued as timberland.

24 (7) Land and the improvements thereon are separately  
25 assessed when any of the following conditions occur:

1 (a) ownership of the improvements is different from  
2 ownership of the land;

3 (b) the taxpayer makes a written request; or

4 (c) the land is outside an incorporated city or town.  
5 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.  
6 681, L. 1985.)"

7 **Section 5.** Section 15-23-103, MCA, is amended to read:

8 "15-23-103. Due date of reports and returns --  
9 extensions. (1) Except as provided in subsection (2) and  
10 15-23-602, each report or return described in 15-23-301,  
11 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the  
12 department on or before March 31 each year.

13 (2) Each report or return for a natural gas or oil  
14 pipeline described in 15-23-301 must be delivered to the  
15 department on or before April 15 each year.

16 (3) Each report described in 15-23-201, or 15-23-515,  
17 or [section 1] must be delivered to the department before  
18 April 15 each year.

19 (4) The department may for good cause extend the time  
20 for filing a return or report for not more than 30 days."

21 **Section 6.** Section 15-23-106, MCA, is amended to read:

22 "15-23-106. Transmission to the counties. (1) On or  
23 before July 1, the department shall transmit to its agent in  
24 each county a statement listing:

25 (a) the assessed value of railroad property, as



1 determined under 15-23-202, apportioned to the county,  
2 including the length or other description of such property;

3 (b) the assessed value of utility property, as  
4 determined under 15-23-303, apportioned to the county,  
5 including the length or other description of such property;

6 (c) the assessed value of property of airline  
7 companies, as determined under 15-23-403, apportioned to the  
8 county; 90% of the value of the property of airline  
9 companies apportioned to any county by reason of a state  
10 airport being located in the county shall be stated  
11 separately from the remaining assessed value of the property  
12 of airline companies apportioned to the county;

13 (d) the assessed value of the net proceeds and  
14 royalties from mines and oil and gas wells in the county, as  
15 determined under 15-23-503, 15-23-505, 15-23-515, [section  
16 1], 15-23-603, and 15-23-605; and

17 (e) the assessed value of the gross proceeds from coal  
18 mines, as described in 15-23-701.

19 (2) The agent of the department shall enter the  
20 assessed values so transmitted in the assessment book in a  
21 manner prescribed by the department."

22 **Section 7.** Section 15-23-115, MCA, is amended to read:

23 "15-23-115. **Interest.** If the department determines that  
24 a taxpayer has incorrectly reported a value under 15-23-502,  
25 15-23-515, [section 1], 15-23-602, 15-23-701, or 15-23-802,

1 the department shall inform its agents at the county level  
2 of such determination, and if any additional tax is due,  
3 there must be added thereto until paid in full interest at  
4 the rate of 1% a month or fraction thereof from the date the  
5 original tax was due and payable. In no instance will a  
6 taxpayer subject to imposition of interest pursuant to this  
7 section be also subject to the penalty and interest  
8 provisions contained in 15-16-102."

9 **Section 8.** Section 15-23-502, MCA, is amended to read:

10 "15-23-502. **Net proceeds tax -- statement of yield.**  
11 Every person engaged in mining, extracting, or producing  
12 from any quartz vein or lode, placer claim, dump or  
13 tailings, or other place or source whatever precious stones  
14 or gems, vermiculite, bentonite, or other valuable mineral,  
15 except coal and metals, must on or before March 31 each year  
16 make out a statement of the gross yield and value of the  
17 above-named metals or minerals from each mine owned or  
18 worked by such person during the year preceding January 1 of  
19 the year in which such statement is made. Such statement  
20 shall be in the form prescribed by the department of revenue  
21 and must be verified by the oath of the person completing  
22 the statement or the manager, superintendent, agent,  
23 president, or vice-president, if a corporation, association,  
24 or partnership, and must be delivered to the department on  
25 or before March 31. Except as provided in 15-23-515 and

1 [section 1], the statement shall show the following:

- 2 (1) the name and address of the owner or lessee or  
3 operator of the mine, together with the names and addresses  
4 of any and all persons owning or claiming any royalty  
5 interest in the mineral product of such mine or the proceeds  
6 derived from the sale thereof, and the amount or amounts  
7 paid or yielded as royalty to each of such persons during  
8 the period covered by the statement;
- 9 (2) the description and location of the mine;
- 10 (3) the number of tons of ore or other mineral products  
11 or deposits extracted, produced, and treated or sold from  
12 the mine during the period covered by the statement;
- 13 (4) the amount and character of such ores, mineral  
14 products, or deposits and the yield of such ores, mineral  
15 products, or deposits from such mine in constituents of  
16 commercial value; that is, commercially valuable  
17 constituents of the ores, mineral products, or deposits,  
18 measured by standard units of measurement, yielded to such  
19 person so engaged in mining and to each royalty holder, if  
20 any, during the period covered by the statement;
- 21 (5) the gross yield or value in dollars and cents;
- 22 (6) cost of extracting from the mine;
- 23 (7) cost of transporting to place of reduction or sale;
- 24 (8) cost of reduction or sale;
- 25 (9) cost of marketing the product and conversion of

1 same into money;

- 2 (10) cost of construction, repairs, and betterments of  
3 mines and cost of repairs and replacements of reduction  
4 works;
- 5 (11) the assessed valuation of reduction works for the  
6 calendar year for which such return is made;
- 7 (12) cost of fire insurance, workers' compensation  
8 insurance, boiler and machinery insurance, and public  
9 liability insurance paid for the mine, reduction works, or  
10 beneficiation process;
- 11 (13) cost of welfare and retirement fund payments  
12 provided for in wage contracts;
- 13 (14) cost of testing extracted minerals for the purpose  
14 of satisfying federal or state health and safety laws or  
15 regulations, the cost of plant security in Montana, the cost  
16 of assaying and sampling the extracted minerals, and the  
17 costs incurred in Montana for engineering and geological  
18 services for existing mining operations but not including  
19 any such services beyond the stage of reduction and  
20 beneficiation of the minerals; and
- 21 (15) cost of mine reclamation."

22 **Section 9.** Section 15-23-503, MCA, is amended to read:  
23 "15-23-503. Net proceeds -- how computed. (1) The  
24 department of revenue shall calculate from the returns the  
25 gross product yielded from a mine and its gross value for

1 the year covered by the statement and shall calculate and  
 2 compute the net proceeds of the mine yielded to the person  
 3 engaged in mining. Except as provided in 15-23-515 and  
 4 [section 1], net proceeds shall be determined by subtracting  
 5 from the value of the gross product of the mine the  
 6 following:

7 (a) all royalty paid or apportioned in cash or in kind  
 8 by the person engaged in mining;

9 (b) all money expended for necessary labor, machinery,  
 10 and supplies needed and used in the mining operations and  
 11 developments;

12 (c) all money expended for improvements, repairs, and  
 13 betterments necessary in and about the working of the mine,  
 14 except as provided in this section;

15 (d) all money expended for costs of repairs and  
 16 replacements of the milling and reduction works used in  
 17 connection with the mine;

18 (e) depreciation in the sum of 6% of the assessed  
 19 valuation of the milling and reduction works for the  
 20 calendar year for which the return is made;

21 (f) all money actually expended for transporting the  
 22 ores and mineral products or deposits from the mines to the  
 23 mill or reduction works or to the place of sale and for  
 24 extracting the metals and minerals and for marketing the  
 25 product and the conversion of the product into money;

1 (g) all money expended for insurance and welfare and  
 2 retirement costs reported in the statement required in  
 3 15-23-502;

4 (h) all money expended for necessary labor, equipment,  
 5 and supplies for testing minerals extracted to satisfy  
 6 federal or state health and safety laws or regulations, for  
 7 plant security in Montana, for assaying and sampling the  
 8 extracted minerals, for the cost of reclamation at the site  
 9 of the mine, and for engineering and geological services  
 10 conducted in Montana for existing mining operations but not  
 11 including services beyond the stage of reduction and  
 12 beneficiation of the minerals.

13 (2) In computing the deductions allowable for repairs,  
 14 improvements, and betterments to the mine, the department  
 15 shall allow 10% of the cost each year for a period of 10  
 16 years.

17 (3) Money invested in mines or improvements may not be  
 18 allowed as a deduction unless all machinery, equipment, and  
 19 buildings represented by the money are returned to the  
 20 county in which the mine is located for assessment purposes  
 21 at the level of assessment of all other property in the  
 22 county.

23 (4) Money invested in the mines and improvements during  
 24 any year except the year for which such statement is made  
 25 and except as provided in this section may not be included

1 in the expenditures, and the expenditures may not include  
 2 the salary or any portion of the salary of any person or  
 3 officer not actually engaged in the working of the mine or  
 4 superintending the management of the mine."

5 **Section 10.** Section 15-23-515, MCA, is amended to read:

6 "15-23-515. Net proceeds for talc -- statement --  
 7 value. (1) A statement of gross yield and value, required in  
 8 15-23-502, that is filed by a producer of talc must contain  
 9 the following:

10 (a) the name and address of the owner or lessee or  
 11 operator of the mine, together with the name and address of  
 12 any person owning or claiming a royalty interest in the  
 13 mineral product of the mine or the proceeds derived from the  
 14 sale of the mineral product, and the amount or amounts paid  
 15 or yielded as royalty to each person during the period  
 16 covered by the statement;

17 (b) the description and location of the mine;

18 (c) the number of tons of talc extracted, produced, and  
 19 treated or sold from the mine during the period covered by  
 20 the statement;

21 (d) the amount and character of the talc and the yield  
 22 of the talc from the mine, measured in tons, yielded to the  
 23 person engaged in mining and to each royalty holder, if any,  
 24 during the period covered by the statement; and

25 (e) the gross yield or value in dollars and cents.

1 (2) (a) For the purposes of this section, the gross  
 2 yield or value of talc is determined by multiplying the  
 3 number of tons of talc reported under subsection (1)(c) by:

4 (i) for the taxable year beginning January 1, 1989,  
 5 \$4.25; and

6 (ii) for the taxable years beginning January 1, 1990,  
 7 and thereafter, the product obtained by multiplying \$4.25 by  
 8 the quotient of the PCE for the first quarter of the year  
 9 previous to the taxable year for which the net proceed value  
 10 is being calculated, divided by the PCE for the first  
 11 quarter of the 1989 taxable year.

12 (b) "PCE" means the implicit price deflator for  
 13 personal consumption expenditures as published quarterly in  
 14 the Survey of Current Business by the bureau of economic  
 15 analysis of the U.S. department of commerce."

16 **Section 11.** Section 15-23-521, MCA, is amended to read:

17 "15-23-521. Examination of records by department. The  
 18 department of revenue may at any time examine the records of  
 19 any person specified in this part as the records may pertain  
 20 to the yield of ore or mineral products or deposit in order  
 21 to verify the statements made by the person. If from the  
 22 examination or from other information, the department finds  
 23 any statement or any material part of a statement willfully  
 24 false or fraudulent, the department must assess in the same  
 25 manner as provided for in 15-23-503, or 15-23-515, or

1 [section 1]."

2 **Section 12.** Section 15-38-103, MCA, is amended to read:

3 "15-38-103. **Definitions.** As used in this chapter, the  
4 following definitions apply:

5 (1) "Department" means department of revenue.

6 (2) "Gross value of product" means, except as provided  
7 in 15-38-126 and [section 2], the market value of any  
8 merchantable mineral extracted or produced during the  
9 taxable year.

10 (3) "Mineral" means any precious stones or gems, gold,  
11 silver, copper, coal, lead, petroleum, natural gas, oil,  
12 uranium, or other nonrenewable merchantable products  
13 extracted from the surface or subsurface of the state of  
14 Montana.

15 (4) "Total environment" means air, water, soil, flora,  
16 and fauna and the social, economic, and cultural conditions  
17 that influence communities and individual citizens."

18 **Section 13.** Section 15-38-104, MCA, is amended to read:

19 "15-38-104. **Tax on mineral production.** (1) Except as  
20 provided in subsection subsections (2) and (3), the annual  
21 tax to be paid by a person engaged in or carrying on the  
22 business of mining, extracting, or producing a mineral is  
23 \$25, plus an additional amount computed on the gross value  
24 of product that was derived from the business work or  
25 operation within this state during the calendar year

1 immediately preceding at the rate of 1/2 of 1% of the amount  
2 of gross value of product at the time of extraction from the  
3 ground, if in excess of \$5,000. Unless otherwise provided in  
4 a contract or lease, the pro rata share of any royalty owner  
5 or owners may be deducted from any settlements under the  
6 lease or leases or division of proceeds orders or other  
7 contracts.

8 (2) The annual tax to be paid by a person engaged in or  
9 carrying on the business of mining, extracting, or producing  
10 talc is \$25 plus an additional amount computed on the gross  
11 value of product for talc derived from the business work or  
12 operation within this state during the calendar year  
13 immediately preceding at the rate of 4%.

14 (3) The annual tax to be paid by a person engaged in or  
15 carrying on the business of mining, extracting, or producing  
16 vermiculite is \$25 plus an additional amount computed on the  
17 gross value of product for vermiculite derived from the  
18 business work or operation within this state during the  
19 calendar year immediately preceding at the rate of 2%."

20 **NEW SECTION. Section 14.** Codification instruction. (1)  
21 [Section 1] is intended to be codified as an integral part  
22 of Title 15, chapter 23, part 5, and the provisions of Title  
23 15, chapter 23, part 5, apply to [section 1].

24 (2) [Section 2] is intended to be codified as an  
25 integral part of Title 15, chapter 38, part 1, and the

1 provisions of Title 15, chapter 38, part 1, apply to  
2 [section 2].

3 NEW SECTION. **Section 15.** Effective date -- retroactive  
4 applicability. (1) [This act] is effective on passage and  
5 approval and, except as provided in subsection (2), applies  
6 retroactively, within the meaning of 1-2-109, to tax years  
7 beginning after December 31, 1990.

8 (2) [Section 10] applies retroactively, within the  
9 meaning of 1-2-109, to talc produced after December 31,  
10 1989.

-End-

*House* BILL NO. *976*  
*Swygand Herwig*

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE OF VERMICULITE FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE INDEMNITY TRUST TAX PURPOSES; ESTABLISHING A SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR VERMICULITE; REVISING THE INFLATION ADJUSTMENT FOR THE NET PROCEEDS TAX ON TALC TO CONFORM WITH THAT FOR VERMICULITE; AMENDING SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106, 15-23-115, 15-23-502, 15-23-503, 15-23-515, 15-23-521, 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND RETROACTIVE APPLICABILITY DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Net proceeds for vermiculite

-- statement -- value. (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer of vermiculite must contain the following:

(a) the name and address of the owner, lessee, or operator of the mine, together with the name and address of any person owning or claiming a royalty interest in the mineral product of the mine or the proceeds derived from the sale of the mineral product, and the amount or amounts paid or yielded as royalty to each person during the period

covered by the statement;

(b) the description and location of the mine;

(c) the number of tons of vermiculite extracted, produced, and treated or sold from the mine during the period covered by the statement;

(d) the amount and character of the vermiculite and the yield of the vermiculite from the mine, measured in tons, yielded to the person engaged in mining and to each royalty holder, if any, during the period covered by the statement; and

(e) the gross yield or value in dollars and cents.

(2) (a) For the purposes of this section, the gross yield or value of vermiculite is determined by multiplying the number of tons of vermiculite reported under subsection (1)(c) by:

(i) for the taxable year beginning January 1, 1991, \$27; and

(ii) for the taxable years beginning January 1, 1992, and thereafter, the product obtained by multiplying \$27 by the quotient of the PCE for the first quarter of the year previous to the taxable year for which the net proceed value is being calculated, divided by the PCE for the first quarter of the 1991 taxable year.

(b) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in

1 the Survey of Current Business by the bureau of economic  
2 analysis of the U.S. department of commerce.

3 **NEW SECTION. Section 2.** Gross value of product for  
4 vermiculite. As used in this part, when referring to  
5 vermiculite, "gross value of product" is the gross yield or  
6 value of vermiculite as determined in [section 1(2)].

7 **Section 3.** Section 15-6-131, MCA, is amended to read:

8 "15-6-131. **Class one property -- description -- taxable**  
9 **percentage.** (1) Class one property includes the annual net  
10 proceeds of all mines and mining claims except coal and  
11 metal mines.

12 (2) Class one property is taxed at 100% of its annual  
13 net proceeds after deducting the expenses specified and  
14 allowed by 15-23-503 or, for talc, as provided in 15-23-515  
15 or, for vermiculite, as provided in [section 1]."

16 **Section 4.** Section 15-8-111, MCA, is amended to read:

17 "15-8-111. **Assessment -- market value standard --**  
18 **exceptions.** (1) All taxable property must be assessed at  
19 100% of its market value except as otherwise provided.

20 (2) (a) Market value is the value at which property  
21 would change hands between a willing buyer and a willing  
22 seller, neither being under any compulsion to buy or to sell  
23 and both having reasonable knowledge of relevant facts.

24 (b) If the department uses construction cost as one  
25 approximation of market value, the department shall fully

1 consider reduction in value caused by depreciation, whether  
2 through physical depreciation, functional obsolescence, or  
3 economic obsolescence.

4 (c) Except as provided in subsection (3), the market  
5 value of all motor trucks; agricultural tools, implements,  
6 and machinery; and vehicles of all kinds, including but not  
7 limited to boats and all watercraft, is the average  
8 wholesale value shown in national appraisal guides and  
9 manuals or the value of the vehicle before reconditioning  
10 and profit margin. The department of revenue shall prepare  
11 valuation schedules showing the average wholesale value when  
12 no national appraisal guide exists.

13 (3) The department of revenue or its agents may not  
14 adopt a lower or different standard of value from market  
15 value in making the official assessment and appraisal of the  
16 value of property, except:

17 (a) the wholesale value for agricultural implements and  
18 machinery is the loan value as shown in the Official Guide,  
19 Tractor and Farm Equipment, published by the national farm  
20 and power equipment dealers association, St. Louis,  
21 Missouri;

22 (b) for agricultural implements and machinery not  
23 listed in the official guide, the department shall prepare a  
24 supplemental manual where the values reflect the same  
25 depreciation as those found in the official guide; and



1 (c) as otherwise authorized in Title 15 and Title 61.  
 2 (4) For purposes of taxation, assessed value is the  
 3 same as appraised value.  
 4 (5) The taxable value for all property is the  
 5 percentage of market or assessed value established for each  
 6 class of property.  
 7 (6) The assessed value of properties in 15-6-131  
 8 through 15-6-133 is as follows:  
 9 (a) Properties in 15-6-131, under class one, are  
 10 assessed at 100% of the annual net proceeds after deducting  
 11 the expenses specified and allowed by 15-23-503 or, if  
 12 applicable, as provided in 15-23-515 or [section 1].  
 13 (b) Properties in 15-6-132, under class two, are  
 14 assessed at 100% of the annual gross proceeds.  
 15 (c) Properties in 15-6-133, under class three, are  
 16 assessed at 100% of the productive capacity of the lands  
 17 when valued for agricultural purposes. All lands that meet  
 18 the qualifications of 15-7-202 are valued as agricultural  
 19 lands for tax purposes.  
 20 (d) Properties in 15-6-143, under class thirteen, are  
 21 assessed at 100% of the combined appraised value of the  
 22 standing timber and grazing productivity of the land when  
 23 valued as timberland.  
 24 (7) Land and the improvements thereon are separately  
 25 assessed when any of the following conditions occur:

1 (a) ownership of the improvements is different from  
 2 ownership of the land;  
 3 (b) the taxpayer makes a written request; or  
 4 (c) the land is outside an incorporated city or town.  
 5 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.  
 6 681, L. 1985.)"  
 7 **Section 5.** Section 15-23-103, MCA, is amended to read:  
 8 "15-23-103. Due date of reports and returns --  
 9 extensions. (1) Except as provided in subsection (2) and  
 10 15-23-602, each report or return described in 15-23-301,  
 11 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the  
 12 department on or before March 31 each year.  
 13 (2) Each report or return for a natural gas or oil  
 14 pipeline described in 15-23-301 must be delivered to the  
 15 department on or before April 15 each year.  
 16 (3) Each report described in 15-23-201, or 15-23-515,  
 17 or [section 1] must be delivered to the department before  
 18 April 15 each year.  
 19 (4) The department may for good cause extend the time  
 20 for filing a return or report for not more than 30 days."  
 21 **Section 6.** Section 15-23-106, MCA, is amended to read:  
 22 "15-23-106. Transmission to the counties. (1) On or  
 23 before July 1, the department shall transmit to its agent in  
 24 each county a statement listing:  
 25 (a) the assessed value of railroad property, as

1 determined under 15-23-202, apportioned to the county,  
2 including the length or other description of such property;

3 (b) the assessed value of utility property, as  
4 determined under 15-23-303, apportioned to the county,  
5 including the length or other description of such property;

6 (c) the assessed value of property of airline  
7 companies, as determined under 15-23-403, apportioned to the  
8 county; 90% of the value of the property of airline  
9 companies apportioned to any county by reason of a state  
10 airport being located in the county shall be stated  
11 separately from the remaining assessed value of the property  
12 of airline companies apportioned to the county;

13 (d) the assessed value of the net proceeds and  
14 royalties from mines and oil and gas wells in the county, as  
15 determined under 15-23-503, 15-23-505, 15-23-515, [section  
16 1], 15-23-603, and 15-23-605; and

17 (e) the assessed value of the gross proceeds from coal  
18 mines, as described in 15-23-701.

19 (2) The agent of the department shall enter the  
20 assessed values so transmitted in the assessment book in a  
21 manner prescribed by the department."

22 **Section 7.** Section 15-23-115, MCA, is amended to read:

23 "15-23-115. **Interest.** If the department determines that  
24 a taxpayer has incorrectly reported a value under 15-23-502,  
25 15-23-515, [section 1], 15-23-602, 15-23-701, or 15-23-802,

1 the department shall inform its agents at the county level  
2 of such determination, and if any additional tax is due,  
3 there must be added thereto until paid in full interest at  
4 the rate of 1% a month or fraction thereof from the date the  
5 original tax was due and payable. In no instance will a  
6 taxpayer subject to imposition of interest pursuant to this  
7 section be also subject to the penalty and interest  
8 provisions contained in 15-16-102."

9 **Section 8.** Section 15-23-502, MCA, is amended to read:

10 "15-23-502. **Net proceeds tax -- statement of yield.**  
11 Every person engaged in mining, extracting, or producing  
12 from any quartz vein or lode, placer claim, dump or  
13 tailings, or other place or source whatever precious stones  
14 or gems, vermiculite, bentonite, or other valuable mineral,  
15 except coal and metals, must on or before March 31 each year  
16 make out a statement of the gross yield and value of the  
17 above-named metals or minerals from each mine owned or  
18 worked by such person during the year preceding January 1 of  
19 the year in which such statement is made. Such statement  
20 shall be in the form prescribed by the department of revenue  
21 and must be verified by the oath of the person completing  
22 the statement or the manager, superintendent, agent,  
23 president, or vice-president, if a corporation, association,  
24 or partnership, and must be delivered to the department on  
25 or before March 31. Except as provided in 15-23-515 and

1 [section 1], the statement shall show the following:

- 2 (1) the name and address of the owner or lessee or  
3 operator of the mine, together with the names and addresses  
4 of any and all persons owning or claiming any royalty  
5 interest in the mineral product of such mine or the proceeds  
6 derived from the sale thereof, and the amount or amounts  
7 paid or yielded as royalty to each of such persons during  
8 the period covered by the statement;
- 9 (2) the description and location of the mine;
- 10 (3) the number of tons of ore or other mineral products  
11 or deposits extracted, produced, and treated or sold from  
12 the mine during the period covered by the statement;
- 13 (4) the amount and character of such ores, mineral  
14 products, or deposits and the yield of such ores, mineral  
15 products, or deposits from such mine in constituents of  
16 commercial value; that is, commercially valuable  
17 constituents of the ores, mineral products, or deposits,  
18 measured by standard units of measurement, yielded to such  
19 person so engaged in mining and to each royalty holder, if  
20 any, during the period covered by the statement;
- 21 (5) the gross yield or value in dollars and cents;
- 22 (6) cost of extracting from the mine;
- 23 (7) cost of transporting to place of reduction or sale;
- 24 (8) cost of reduction or sale;
- 25 (9) cost of marketing the product and conversion of

1 same into money;

- 2 (10) cost of construction, repairs, and betterments of  
3 mines and cost of repairs and replacements of reduction  
4 works;
- 5 (11) the assessed valuation of reduction works for the  
6 calendar year for which such return is made;
- 7 (12) cost of fire insurance, workers' compensation  
8 insurance, boiler and machinery insurance, and public  
9 liability insurance paid for the mine, reduction works, or  
10 beneficiation process;
- 11 (13) cost of welfare and retirement fund payments  
12 provided for in wage contracts;
- 13 (14) cost of testing extracted minerals for the purpose  
14 of satisfying federal or state health and safety laws or  
15 regulations, the cost of plant security in Montana, the cost  
16 of assaying and sampling the extracted minerals, and the  
17 costs incurred in Montana for engineering and geological  
18 services for existing mining operations but not including  
19 any such services beyond the stage of reduction and  
20 beneficiation of the minerals; and
- 21 (15) cost of mine reclamation."
- 22 **Section 9.** Section 15-23-503, MCA, is amended to read:
- 23 "15-23-503. Net proceeds -- how computed. (1) The  
24 department of revenue shall calculate from the returns the  
25 gross product yielded from a mine and its gross value for

1 the year covered by the statement and shall calculate and  
 2 compute the net proceeds of the mine yielded to the person  
 3 engaged in mining. Except as provided in 15-23-515 and  
 4 [section 1], net proceeds shall be determined by subtracting  
 5 from the value of the gross product of the mine the  
 6 following:

7 (a) all royalty paid or apportioned in cash or in kind  
 8 by the person engaged in mining;

9 (b) all money expended for necessary labor, machinery,  
 10 and supplies needed and used in the mining operations and  
 11 developments;

12 (c) all money expended for improvements, repairs, and  
 13 betterments necessary in and about the working of the mine,  
 14 except as provided in this section;

15 (d) all money expended for costs of repairs and  
 16 replacements of the milling and reduction works used in  
 17 connection with the mine;

18 (e) depreciation in the sum of 6% of the assessed  
 19 valuation of the milling and reduction works for the  
 20 calendar year for which the return is made;

21 (f) all money actually expended for transporting the  
 22 ores and mineral products or deposits from the mines to the  
 23 mill or reduction works or to the place of sale and for  
 24 extracting the metals and minerals and for marketing the  
 25 product and the conversion of the product into money;

1 (g) all money expended for insurance and welfare and  
 2 retirement costs reported in the statement required in  
 3 15-23-502;

4 (h) all money expended for necessary labor, equipment,  
 5 and supplies for testing minerals extracted to satisfy  
 6 federal or state health and safety laws or regulations, for  
 7 plant security in Montana, for assaying and sampling the  
 8 extracted minerals, for the cost of reclamation at the site  
 9 of the mine, and for engineering and geological services  
 10 conducted in Montana for existing mining operations but not  
 11 including services beyond the stage of reduction and  
 12 beneficiation of the minerals.

13 (2) In computing the deductions allowable for repairs,  
 14 improvements, and betterments to the mine, the department  
 15 shall allow 10% of the cost each year for a period of 10  
 16 years.

17 (3) Money invested in mines or improvements may not be  
 18 allowed as a deduction unless all machinery, equipment, and  
 19 buildings represented by the money are returned to the  
 20 county in which the mine is located for assessment purposes  
 21 at the level of assessment of all other property in the  
 22 county.

23 (4) Money invested in the mines and improvements during  
 24 any year except the year for which such statement is made  
 25 and except as provided in this section may not be included

1 in the expenditures, and the expenditures may not include  
2 the salary or any portion of the salary of any person or  
3 officer not actually engaged in the working of the mine or  
4 superintending the management of the mine."

5 **Section 10.** Section 15-23-515, MCA, is amended to read:

6 "15-23-515. Net proceeds for talc -- statement --  
7 value. (1) A statement of gross yield and value, required in  
8 15-23-502, that is filed by a producer of talc must contain  
9 the following:

10 (a) the name and address of the owner or lessee or  
11 operator of the mine, together with the name and address of  
12 any person owning or claiming a royalty interest in the  
13 mineral product of the mine or the proceeds derived from the  
14 sale of the mineral product, and the amount or amounts paid  
15 or yielded as royalty to each person during the period  
16 covered by the statement;

17 (b) the description and location of the mine;

18 (c) the number of tons of talc extracted, produced, and  
19 treated or sold from the mine during the period covered by  
20 the statement;

21 (d) the amount and character of the talc and the yield  
22 of the talc from the mine, measured in tons, yielded to the  
23 person engaged in mining and to each royalty holder, if any,  
24 during the period covered by the statement; and

25 (e) the gross yield or value in dollars and cents.

1 (2) (a) For the purposes of this section, the gross  
2 yield or value of talc is determined by multiplying the  
3 number of tons of talc reported under subsection (1)(c) by:

4 (i) for the taxable year beginning January 1, 1989,  
5 \$4.25; and

6 (ii) for the taxable years beginning January 1, 1990,  
7 and thereafter, the product obtained by multiplying \$4.25 by  
8 the quotient of the PCE for the first quarter of the year  
9 previous to the taxable year for which the net proceed value  
10 is being calculated, divided by the PCE for the first  
11 quarter of the 1989 taxable year.

12 (b) "PCE" means the implicit price deflator for  
13 personal consumption expenditures as published quarterly in  
14 the Survey of Current Business by the bureau of economic  
15 analysis of the U.S. department of commerce."

16 **Section 11.** Section 15-23-521, MCA, is amended to read:

17 "15-23-521. Examination of records by department. The  
18 department of revenue may at any time examine the records of  
19 any person specified in this part as the records may pertain  
20 to the yield of ore or mineral products or deposit in order  
21 to verify the statements made by the person. If from the  
22 examination or from other information, the department finds  
23 any statement or any material part of a statement willfully  
24 false or fraudulent, the department must assess in the same  
25 manner as provided for in 15-23-503, or 15-23-515, or

1 [section 1]."

2 **Section 12.** Section 15-38-103, MCA, is amended to read:

3 **"15-38-103. Definitions.** As used in this chapter, the  
4 following definitions apply:

5 (1) "Department" means department of revenue.

6 (2) "Gross value of product" means, except as provided  
7 in 15-38-126 and [section 2], the market value of any  
8 merchantable mineral extracted or produced during the  
9 taxable year.

10 (3) "Mineral" means any precious stones or gems, gold,  
11 silver, copper, coal, lead, petroleum, natural gas, oil,  
12 uranium, or other nonrenewable merchantable products  
13 extracted from the surface or subsurface of the state of  
14 Montana.

15 (4) "Total environment" means air, water, soil, flora,  
16 and fauna and the social, economic, and cultural conditions  
17 that influence communities and individual citizens."

18 **Section 13.** Section 15-38-104, MCA, is amended to read:

19 **"15-38-104. Tax on mineral production.** (1) Except as  
20 provided in subsection subsections (2) and (3), the annual  
21 tax to be paid by a person engaged in or carrying on the  
22 business of mining, extracting, or producing a mineral is  
23 \$25, plus an additional amount computed on the gross value  
24 of product that was derived from the business work or  
25 operation within this state during the calendar year

1 immediately preceding at the rate of 1/2 of 1% of the amount  
2 of gross value of product at the time of extraction from the  
3 ground, if in excess of \$5,000. Unless otherwise provided in  
4 a contract or lease, the pro rata share of any royalty owner  
5 or owners may be deducted from any settlements under the  
6 lease or leases or division of proceeds orders or other  
7 contracts.

8 (2) The annual tax to be paid by a person engaged in or  
9 carrying on the business of mining, extracting, or producing  
10 talc is \$25 plus an additional amount computed on the gross  
11 value of product for talc derived from the business work or  
12 operation within this state during the calendar year  
13 immediately preceding at the rate of 4%.

14 (3) The annual tax to be paid by a person engaged in or  
15 carrying on the business of mining, extracting, or producing  
16 vermiculite is \$25 plus an additional amount computed on the  
17 gross value of product for vermiculite derived from the  
18 business work or operation within this state during the  
19 calendar year immediately preceding at the rate of 2%."

20 **NEW SECTION. Section 14.** Codification instruction. (1)  
21 [Section 1] is intended to be codified as an integral part  
22 of Title 15, chapter 23, part 5, and the provisions of Title  
23 15, chapter 23, part 5, apply to [section 1].

24 (2) [Section 2] is intended to be codified as an  
25 integral part of Title 15, chapter 38, part 1, and the

1 provisions of Title 15, chapter 38, part 1, apply to  
2 [section 2].

3 NEW SECTION. **Section 15.** Effective date -- retroactive  
4 applicability. (1) [This act] is effective on passage and  
5 approval and, except as provided in subsection (2), applies  
6 retroactively, within the meaning of 1-2-109, to tax years  
7 beginning after December 31, 1990.

8 (2) [Section 10] applies retroactively, within the  
9 meaning of 1-2-109, to talc produced after December 31,  
10 1989.

-End-

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
April 11, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 976 (third reading copy -- blue), respectfully report that House Bill No. 976 be amended and as so amended be concurred in:

1. Page 17, line 6.  
Strike: "tax"  
Insert: "production"

Signed: \_\_\_\_\_

  
Mike Halligan, Chairman

MA 4-11-91  
And. Coord.

SB 4-11-91  
Sec. of Senate

8:30

HB 976  
SENATE



## 1 HOUSE BILL NO. 976

2 INTRODUCED BY SWYSGOOD, HARRINGTON

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE  
5 OF VERMICULITE FOR NET PROCEEDS PROPERTY TAX PURPOSES AND  
6 FOR RESOURCE INDEMNITY TRUST TAX PURPOSES; ESTABLISHING A  
7 SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR VERMICULITE;  
8 REVISING THE INFLATION ADJUSTMENT FOR THE NET PROCEEDS TAX  
9 ON TALC TO CONFORM WITH THAT FOR VERMICULITE; AMENDING  
10 SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106,  
11 15-23-115, 15-23-502, 15-23-503, 15-23-515, 15-23-521,  
12 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE  
13 EFFECTIVE DATE AND RETROACTIVE APPLICABILITY DATES."

14  
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:16 NEW SECTION. Section 1. Net proceeds for vermiculite

17 -- statement -- value. (1) A statement of gross yield and  
18 value, required in 15-23-502, that is filed by a producer of  
19 vermiculite must contain the following:

20 (a) the name and address of the owner, lessee, or  
21 operator of the mine, together with the name and address of  
22 any person owning or claiming a royalty interest in the  
23 mineral product of the mine or the proceeds derived from the  
24 sale of the mineral product, and the amount or amounts paid  
25 or yielded as royalty to each person during the period

1 covered by the statement;

2 (b) the description and location of the mine;

3 (c) the number of tons of vermiculite extracted,  
4 produced, and treated or sold from the mine during the  
5 period covered by the statement;

6 (d) the amount and character of the vermiculite and the  
7 yield of the vermiculite from the mine, measured in tons,  
8 yielded to the person engaged in mining and to each royalty  
9 holder, if any, during the period covered by the statement;  
10 and

11 (e) the gross yield or value in dollars and cents.

12 (2) (a) For the purposes of this section, the gross  
13 yield or value of vermiculite is determined by multiplying  
14 the number of tons of vermiculite reported under subsection  
15 (1)(c) by:

16 (i) for the taxable year beginning January 1, 1991,  
17 \$27; and

18 (ii) for the taxable years beginning January 1, 1992,  
19 and thereafter, the product obtained by multiplying \$27 by  
20 the quotient of the PCE for the first quarter of the year  
21 previous to the taxable year for which the net proceed value  
22 is being calculated, divided by the PCE for the first  
23 quarter of the 1991 taxable year.

24 (b) "PCE" means the implicit price deflator for  
25 personal consumption expenditures as published quarterly in

1 the Survey of Current Business by the bureau of economic  
2 analysis of the U.S. department of commerce.

3 **NEW SECTION. Section 2. Gross value of product for**  
4 **vermiculite.** As used in this part, when referring to  
5 vermiculite, "gross value of product" is the gross yield or  
6 value of vermiculite as determined in [section 1(2)].

7 **Section 3.** Section 15-6-131, MCA, is amended to read:

8 **"15-6-131. Class one property -- description -- taxable**  
9 **percentage.** (1) Class one property includes the annual net  
10 proceeds of all mines and mining claims except coal and  
11 metal mines.

12 (2) Class one property is taxed at 100% of its annual  
13 net proceeds after deducting the expenses specified and  
14 allowed by 15-23-503 or, for talc, as provided in 15-23-515  
15 or, for vermiculite, as provided in [section 1]."

16 **Section 4.** Section 15-8-111, MCA, is amended to read:

17 **"15-8-111. Assessment -- market value standard --**  
18 **exceptions.** (1) All taxable property must be assessed at  
19 100% of its market value except as otherwise provided.

20 (2) (a) Market value is the value at which property  
21 would change hands between a willing buyer and a willing  
22 seller, neither being under any compulsion to buy or to sell  
23 and both having reasonable knowledge of relevant facts.

24 (b) If the department uses construction cost as one  
25 approximation of market value, the department shall fully

1 consider reduction in value caused by depreciation, whether  
2 through physical depreciation, functional obsolescence, or  
3 economic obsolescence.

4 (c) Except as provided in subsection (3), the market  
5 value of all motor trucks; agricultural tools, implements,  
6 and machinery; and vehicles of all kinds, including but not  
7 limited to boats and all watercraft, is the average  
8 wholesale value shown in national appraisal guides and  
9 manuals or the value of the vehicle before reconditioning  
10 and profit margin. The department of revenue shall prepare  
11 valuation schedules showing the average wholesale value when  
12 no national appraisal guide exists.

13 (3) The department of revenue or its agents may not  
14 adopt a lower or different standard of value from market  
15 value in making the official assessment and appraisal of the  
16 value of property, except:

17 (a) the wholesale value for agricultural implements and  
18 machinery is the loan value as shown in the Official Guide,  
19 Tractor and Farm Equipment, published by the national farm  
20 and power equipment dealers association, St. Louis,  
21 Missouri;

22 (b) for agricultural implements and machinery not  
23 listed in the official guide, the department shall prepare a  
24 supplemental manual where the values reflect the same  
25 depreciation as those found in the official guide; and

1 (c) as otherwise authorized in Title 15 and Title 61.  
 2 (4) For purposes of taxation, assessed value is the  
 3 same as appraised value.  
 4 (5) The taxable value for all property is the  
 5 percentage of market or assessed value established for each  
 6 class of property.  
 7 (6) The assessed value of properties in 15-6-131  
 8 through 15-6-133 is as follows:  
 9 (a) Properties in 15-6-131, under class one, are  
 10 assessed at 100% of the annual net proceeds after deducting  
 11 the expenses specified and allowed by 15-23-503 or, if  
 12 applicable, as provided in 15-23-515 or [section 1].  
 13 (b) Properties in 15-6-132, under class two, are  
 14 assessed at 100% of the annual gross proceeds.  
 15 (c) Properties in 15-6-133, under class three, are  
 16 assessed at 100% of the productive capacity of the lands  
 17 when valued for agricultural purposes. All lands that meet  
 18 the qualifications of 15-7-202 are valued as agricultural  
 19 lands for tax purposes.  
 20 (d) Properties in 15-6-143, under class thirteen, are  
 21 assessed at 100% of the combined appraised value of the  
 22 standing timber and grazing productivity of the land when  
 23 valued as timberland.  
 24 (7) Land and the improvements thereon are separately  
 25 assessed when any of the following conditions occur:

1 (a) ownership of the improvements is different from  
 2 ownership of the land;  
 3 (b) the taxpayer makes a written request; or  
 4 (c) the land is outside an incorporated city or town.  
 5 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.  
 6 681, L. 1985.)"  
 7 **Section 5.** Section 15-23-103, MCA, is amended to read:  
 8 "15-23-103. Due date of reports and returns --  
 9 extensions. (1) Except as provided in subsection (2) and  
 10 15-23-602, each report or return described in 15-23-301,  
 11 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the  
 12 department on or before March 31 each year.  
 13 (2) Each report or return for a natural gas or oil  
 14 pipeline described in 15-23-301 must be delivered to the  
 15 department on or before April 15 each year.  
 16 (3) Each report described in 15-23-201, or 15-23-515,  
 17 or [section 1] must be delivered to the department before  
 18 April 15 each year.  
 19 (4) The department may for good cause extend the time  
 20 for filing a return or report for not more than 30 days."  
 21 **Section 6.** Section 15-23-106, MCA, is amended to read:  
 22 "15-23-106. Transmission to the counties. (1) On or  
 23 before July 1, the department shall transmit to its agent in  
 24 each county a statement listing:  
 25 (a) the assessed value of railroad property, as

1 determined under 15-23-202, apportioned to the county,  
 2 including the length or other description of such property;

3 (b) the assessed value of utility property, as  
 4 determined under 15-23-303, apportioned to the county,  
 5 including the length or other description of such property;

6 (c) the assessed value of property of airline  
 7 companies, as determined under 15-23-403, apportioned to the  
 8 county; 90% of the value of the property of airline  
 9 companies apportioned to any county by reason of a state  
 10 airport being located in the county shall be stated  
 11 separately from the remaining assessed value of the property  
 12 of airline companies apportioned to the county;

13 (d) the assessed value of the net proceeds and  
 14 royalties from mines and oil and gas wells in the county, as  
 15 determined under 15-23-503, 15-23-505, 15-23-515, [section  
 16 1], 15-23-603, and 15-23-605; and

17 (e) the assessed value of the gross proceeds from coal  
 18 mines, as described in 15-23-701.

19 (2) The agent of the department shall enter the  
 20 assessed values so transmitted in the assessment book in a  
 21 manner prescribed by the department."

22 **Section 7.** Section 15-23-115, MCA, is amended to read:

23 "15-23-115. **Interest.** If the department determines that  
 24 a taxpayer has incorrectly reported a value under 15-23-502,  
 25 15-23-515, [section 1], 15-23-602, 15-23-701, or 15-23-802,

1 the department shall inform its agents at the county level  
 2 of such determination, and if any additional tax is due,  
 3 there must be added thereto until paid in full interest at  
 4 the rate of 1% a month or fraction thereof from the date the  
 5 original tax was due and payable. In no instance will a  
 6 taxpayer subject to imposition of interest pursuant to this  
 7 section be also subject to the penalty and interest  
 8 provisions contained in 15-16-102."

9 **Section 8.** Section 15-23-502, MCA, is amended to read:

10 "15-23-502. **Net proceeds tax -- statement of yield.**  
 11 Every person engaged in mining, extracting, or producing  
 12 from any quartz vein or lode, placer claim, dump or  
 13 tailings, or other place or source whatever precious stones  
 14 or gems, vermiculite, bentonite, or other valuable mineral,  
 15 except coal and metals, must on or before March 31 each year  
 16 make out a statement of the gross yield and value of the  
 17 above-named metals or minerals from each mine owned or  
 18 worked by such person during the year preceding January 1 of  
 19 the year in which such statement is made. Such statement  
 20 shall be in the form prescribed by the department of revenue  
 21 and must be verified by the oath of the person completing  
 22 the statement or the manager, superintendent, agent,  
 23 president, or vice-president, if a corporation, association,  
 24 or partnership, and must be delivered to the department on  
 25 or before March 31. Except as provided in 15-23-515 and

1 [section 1], the statement shall show the following:

- 2 (1) the name and address of the owner or lessee or  
3 operator of the mine, together with the names and addresses  
4 of any and all persons owning or claiming any royalty  
5 interest in the mineral product of such mine or the proceeds  
6 derived from the sale thereof, and the amount or amounts  
7 paid or yielded as royalty to each of such persons during  
8 the period covered by the statement;
- 9 (2) the description and location of the mine;
- 10 (3) the number of tons of ore or other mineral products  
11 or deposits extracted, produced, and treated or sold from  
12 the mine during the period covered by the statement;
- 13 (4) the amount and character of such ores, mineral  
14 products, or deposits and the yield of such ores, mineral  
15 products, or deposits from such mine in constituents of  
16 commercial value; that is, commercially valuable  
17 constituents of the ores, mineral products, or deposits,  
18 measured by standard units of measurement, yielded to such  
19 person so engaged in mining and to each royalty holder, if  
20 any, during the period covered by the statement;
- 21 (5) the gross yield or value in dollars and cents;
- 22 (6) cost of extracting from the mine;
- 23 (7) cost of transporting to place of reduction or sale;
- 24 (8) cost of reduction or sale;
- 25 (9) cost of marketing the product and conversion of

1 same into money;

- 2 (10) cost of construction, repairs, and betterments of  
3 mines and cost of repairs and replacements of reduction  
4 works;
- 5 (11) the assessed valuation of reduction works for the  
6 calendar year for which such return is made;
- 7 (12) cost of fire insurance, workers' compensation  
8 insurance, boiler and machinery insurance, and public  
9 liability insurance paid for the mine, reduction works, or  
10 beneficiation process;
- 11 (13) cost of welfare and retirement fund payments  
12 provided for in wage contracts;
- 13 (14) cost of testing extracted minerals for the purpose  
14 of satisfying federal or state health and safety laws or  
15 regulations, the cost of plant security in Montana, the cost  
16 of assaying and sampling the extracted minerals, and the  
17 costs incurred in Montana for engineering and geological  
18 services for existing mining operations but not including  
19 any such services beyond the stage of reduction and  
20 beneficiation of the minerals; and
- 21 (15) cost of mine reclamation."

22 **Section 9.** Section 15-23-503, MCA, is amended to read:

- 23 "15-23-503. **Net proceeds -- how computed.** (1) The  
24 department of revenue shall calculate from the returns the  
25 gross product yielded from a mine and its gross value for

1 the year covered by the statement and shall calculate and  
 2 compute the net proceeds of the mine yielded to the person  
 3 engaged in mining. Except as provided in 15-23-515 and  
 4 [section 1], net proceeds shall be determined by subtracting  
 5 from the value of the gross product of the mine the  
 6 following:

7 (a) all royalty paid or apportioned in cash or in kind  
 8 by the person engaged in mining;

9 (b) all money expended for necessary labor, machinery,  
 10 and supplies needed and used in the mining operations and  
 11 developments;

12 (c) all money expended for improvements, repairs, and  
 13 betterments necessary in and about the working of the mine,  
 14 except as provided in this section;

15 (d) all money expended for costs of repairs and  
 16 replacements of the milling and reduction works used in  
 17 connection with the mine;

18 (e) depreciation in the sum of 6% of the assessed  
 19 valuation of the milling and reduction works for the  
 20 calendar year for which the return is made;

21 (f) all money actually expended for transporting the  
 22 ores and mineral products or deposits from the mines to the  
 23 mill or reduction works or to the place of sale and for  
 24 extracting the metals and minerals and for marketing the  
 25 product and the conversion of the product into money;

1 (g) all money expended for insurance and welfare and  
 2 retirement costs reported in the statement required in  
 3 15-23-502;

4 (h) all money expended for necessary labor, equipment,  
 5 and supplies for testing minerals extracted to satisfy  
 6 federal or state health and safety laws or regulations, for  
 7 plant security in Montana, for assaying and sampling the  
 8 extracted minerals, for the cost of reclamation at the site  
 9 of the mine, and for engineering and geological services  
 10 conducted in Montana for existing mining operations but not  
 11 including services beyond the stage of reduction and  
 12 beneficiation of the minerals.

13 (2) In computing the deductions allowable for repairs,  
 14 improvements, and betterments to the mine, the department  
 15 shall allow 10% of the cost each year for a period of 10  
 16 years.

17 (3) Money invested in mines or improvements may not be  
 18 allowed as a deduction unless all machinery, equipment, and  
 19 buildings represented by the money are returned to the  
 20 county in which the mine is located for assessment purposes  
 21 at the level of assessment of all other property in the  
 22 county.

23 (4) Money invested in the mines and improvements during  
 24 any year except the year for which such statement is made  
 25 and except as provided in this section may not be included

1 in the expenditures, and the expenditures may not include  
2 the salary or any portion of the salary of any person or  
3 officer not actually engaged in the working of the mine or  
4 superintending the management of the mine."

5 **Section 10.** Section 15-23-515, MCA, is amended to read:

6 "15-23-515. **Net proceeds for talc -- statement --**  
7 **value.** (1) A statement of gross yield and value, required in  
8 15-23-502, that is filed by a producer of talc must contain  
9 the following:

10 (a) the name and address of the owner or lessee or  
11 operator of the mine, together with the name and address of  
12 any person owning or claiming a royalty interest in the  
13 mineral product of the mine or the proceeds derived from the  
14 sale of the mineral product, and the amount or amounts paid  
15 or yielded as royalty to each person during the period  
16 covered by the statement;

17 (b) the description and location of the mine;

18 (c) the number of tons of talc extracted, produced, and  
19 treated or sold from the mine during the period covered by  
20 the statement;

21 (d) the amount and character of the talc and the yield  
22 of the talc from the mine, measured in tons, yielded to the  
23 person engaged in mining and to each royalty holder, if any,  
24 during the period covered by the statement; and

25 (e) the gross yield or value in dollars and cents.

1 (2) (a) For the purposes of this section, the gross  
2 yield or value of talc is determined by multiplying the  
3 number of tons of talc reported under subsection (1)(c) by:

4 (i) for the taxable year beginning January 1, 1989,  
5 \$4.25; and

6 (ii) for the taxable years beginning January 1, 1990,  
7 and thereafter, the product obtained by multiplying \$4.25 by  
8 the quotient of the PCE for the first quarter of the year  
9 previous to the taxable year for which the net proceed value  
10 is being calculated, divided by the PCE for the first  
11 quarter of the 1989 taxable year.

12 (b) "PCE" means the implicit price deflator for  
13 personal consumption expenditures as published quarterly in  
14 the Survey of Current Business by the bureau of economic  
15 analysis of the U.S. department of commerce."

16 **Section 11.** Section 15-23-521, MCA, is amended to read:

17 "15-23-521. **Examination of records by department.** The  
18 department of revenue may at any time examine the records of  
19 any person specified in this part as the records may pertain  
20 to the yield of ore or mineral products or deposit in order  
21 to verify the statements made by the person. If from the  
22 examination or from other information, the department finds  
23 any statement or any material part of a statement willfully  
24 false or fraudulent, the department must assess in the same  
25 manner as provided for in 15-23-503, or 15-23-515, or

1 [section 1]."

2 **Section 12.** Section 15-38-103, MCA, is amended to read:

3 **"15-38-103. Definitions.** As used in this chapter, the  
4 following definitions apply:

5 (1) "Department" means department of revenue.

6 (2) "Gross value of product" means, except as provided  
7 in 15-38-126 and [section 2], the market value of any  
8 merchantable mineral extracted or produced during the  
9 taxable year.

10 (3) "Mineral" means any precious stones or gems, gold,  
11 silver, copper, coal, lead, petroleum, natural gas, oil,  
12 uranium, or other nonrenewable merchantable products  
13 extracted from the surface or subsurface of the state of  
14 Montana.

15 (4) "Total environment" means air, water, soil, flora,  
16 and fauna and the social, economic, and cultural conditions  
17 that influence communities and individual citizens."

18 **Section 13.** Section 15-38-104, MCA, is amended to read:

19 **"15-38-104. Tax on mineral production.** (1) Except as  
20 provided in subsection subsections (2) and (3), the annual  
21 tax to be paid by a person engaged in or carrying on the  
22 business of mining, extracting, or producing a mineral is  
23 \$25, plus an additional amount computed on the gross value  
24 of product that was derived from the business work or  
25 operation within this state during the calendar year

1 immediately preceding at the rate of 1/2 of 1% of the amount  
2 of gross value of product at the time of extraction from the  
3 ground, if in excess of \$5,000. Unless otherwise provided in  
4 a contract or lease, the pro rata share of any royalty owner  
5 or owners may be deducted from any settlements under the  
6 lease or leases or division of proceeds orders or other  
7 contracts.

8 (2) The annual tax to be paid by a person engaged in or  
9 carrying on the business of mining, extracting, or producing  
10 talc is \$25 plus an additional amount computed on the gross  
11 value of product for talc derived from the business work or  
12 operation within this state during the calendar year  
13 immediately preceding at the rate of 4%.

14 (3) The annual tax to be paid by a person engaged in or  
15 carrying on the business of mining, extracting, or producing  
16 vermiculite is \$25 plus an additional amount computed on the  
17 gross value of product for vermiculite derived from the  
18 business work or operation within this state during the  
19 calendar year immediately preceding at the rate of 2%."

20 **NEW SECTION. Section 14. Codification instruction.** (1)  
21 [Section 1] is intended to be codified as an integral part  
22 of Title 15, chapter 23, part 5, and the provisions of Title  
23 15, chapter 23, part 5, apply to [section 1].

24 (2) [Section 2] is intended to be codified as an  
25 integral part of Title 15, chapter 38, part 1, and the



1 provisions of Title 15, chapter 38, part 1, apply to  
2 [section 2].

3 NEW SECTION. **Section 15.** Effective date -- retroactive  
4 applicability. (1) [This act] is effective on passage and  
5 approval and, except as provided in subsection (2), applies  
6 retroactively, within the meaning of 1-2-109, to tax  
7 PRODUCTION years beginning after December 31, 1990.

8 (2) [Section 10] applies retroactively, within the  
9 meaning of 1-2-109, to talc produced after December 31,  
10 1989.

-End-

HOUSE BILL NO. 976

INTRODUCED BY SWYSGOOD, HARRINGTON

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE OF VERMICULITE FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE INDEMNITY TRUST TAX PURPOSES; ESTABLISHING A SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR VERMICULITE; REVISING THE INFLATION ADJUSTMENT FOR THE NET PROCEEDS TAX ON TALC TO CONFORM WITH THAT FOR VERMICULITE; AMENDING SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106, 15-23-115, 15-23-502, 15-23-503, 15-23-515, 15-23-521, 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND RETROACTIVE APPLICABILITY DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Net proceeds for vermiculite

-- statement -- value. (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer of vermiculite must contain the following:

(a) the name and address of the owner, lessee, or operator of the mine, together with the name and address of any person owning or claiming a royalty interest in the mineral product of the mine or the proceeds derived from the sale of the mineral product, and the amount or amounts paid or yielded as royalty to each person during the period

covered by the statement;

(b) the description and location of the mine;

(c) the number of tons of vermiculite extracted, produced, and treated or sold from the mine during the period covered by the statement;

(d) the amount and character of the vermiculite and the yield of the vermiculite from the mine, measured in tons, yielded to the person engaged in mining and to each royalty holder, if any, during the period covered by the statement; and

(e) the gross yield or value in dollars and cents.

(2) (a) For the purposes of this section, the gross yield or value of vermiculite is determined by multiplying the number of tons of vermiculite reported under subsection (1)(c) by:

(i) for the taxable year beginning January 1, 1991, \$27; and

(ii) for the taxable years beginning January 1, 1992, and thereafter, the product obtained by multiplying \$27 by the quotient of the PCE for the first quarter of the year previous to the taxable year for which the net proceed value is being calculated, divided by the PCE for the first quarter of the 1991 taxable year.

(b) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in



1 the Survey of Current Business by the bureau of economic  
2 analysis of the U.S. department of commerce.

3 **NEW SECTION. Section 2.** Gross value of product for  
4 vermiculite. As used in this part, when referring to  
5 vermiculite, "gross value of product" is the gross yield or  
6 value of vermiculite as determined in [section 1(2)].

7 **Section 3.** Section 15-6-131, MCA, is amended to read:

8 "15-6-131. Class one property -- description -- taxable  
9 percentage. (1) Class one property includes the annual net  
10 proceeds of all mines and mining claims except coal and  
11 metal mines.

12 (2) Class one property is taxed at 100% of its annual  
13 net proceeds after deducting the expenses specified and  
14 allowed by 15-23-503 or, for talc, as provided in 15-23-515  
15 or, for vermiculite, as provided in [section 1]."

16 **Section 4.** Section 15-8-111, MCA, is amended to read:

17 "15-8-111. Assessment -- market value standard --  
18 exceptions. (1) All taxable property must be assessed at  
19 100% of its market value except as otherwise provided.

20 (2) (a) Market value is the value at which property  
21 would change hands between a willing buyer and a willing  
22 seller, neither being under any compulsion to buy or to sell  
23 and both having reasonable knowledge of relevant facts.

24 (b) If the department uses construction cost as one  
25 approximation of market value, the department shall fully

1 consider reduction in value caused by depreciation, whether  
2 through physical depreciation, functional obsolescence, or  
3 economic obsolescence.

4 (c) Except as provided in subsection (3), the market  
5 value of all motor trucks; agricultural tools, implements,  
6 and machinery; and vehicles of all kinds, including but not  
7 limited to boats and all watercraft, is the average  
8 wholesale value shown in national appraisal guides and  
9 manuals or the value of the vehicle before reconditioning  
10 and profit margin. The department of revenue shall prepare  
11 valuation schedules showing the average wholesale value when  
12 no national appraisal guide exists.

13 (3) The department of revenue or its agents may not  
14 adopt a lower or different standard of value from market  
15 value in making the official assessment and appraisal of the  
16 value of property, except:

17 (a) the wholesale value for agricultural implements and  
18 machinery is the loan value as shown in the Official Guide,  
19 Tractor and Farm Equipment, published by the national farm  
20 and power equipment dealers association, St. Louis,  
21 Missouri;

22 (b) for agricultural implements and machinery not  
23 listed in the official guide, the department shall prepare a  
24 supplemental manual where the values reflect the same  
25 depreciation as those found in the official guide; and

1 (c) as otherwise authorized in Title 15 and Title 61.  
 2 (4) For purposes of taxation, assessed value is the  
 3 same as appraised value.  
 4 (5) The taxable value for all property is the  
 5 percentage of market or assessed value established for each  
 6 class of property.  
 7 (6) The assessed value of properties in 15-6-131  
 8 through 15-6-133 is as follows:  
 9 (a) Properties in 15-6-131, under class one, are  
 10 assessed at 100% of the annual net proceeds after deducting  
 11 the expenses specified and allowed by 15-23-503 or, if  
 12 applicable, as provided in 15-23-515 or [section 1].  
 13 (b) Properties in 15-6-132, under class two, are  
 14 assessed at 100% of the annual gross proceeds.  
 15 (c) Properties in 15-6-133, under class three, are  
 16 assessed at 100% of the productive capacity of the lands  
 17 when valued for agricultural purposes. All lands that meet  
 18 the qualifications of 15-7-202 are valued as agricultural  
 19 lands for tax purposes.  
 20 (d) Properties in 15-6-143, under class thirteen, are  
 21 assessed at 100% of the combined appraised value of the  
 22 standing timber and grazing productivity of the land when  
 23 valued as timberland.  
 24 (7) Land and the improvements thereon are separately  
 25 assessed when any of the following conditions occur:

1 (a) ownership of the improvements is different from  
 2 ownership of the land;  
 3 (b) the taxpayer makes a written request; or  
 4 (c) the land is outside an incorporated city or town.  
 5 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.  
 6 681, L. 1985.)"  
 7 **Section 5.** Section 15-23-103, MCA, is amended to read:  
 8 **"15-23-103. Due date of reports and returns --**  
 9 **extensions.** (1) Except as provided in subsection (2) and  
 10 15-23-602, each report or return described in 15-23-301,  
 11 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the  
 12 department on or before March 31 each year.  
 13 (2) Each report or return for a natural gas or oil  
 14 pipeline described in 15-23-301 must be delivered to the  
 15 department on or before April 15 each year.  
 16 (3) Each report described in 15-23-201, or 15-23-515,  
 17 or [section 1] must be delivered to the department before  
 18 April 15 each year.  
 19 (4) The department may for good cause extend the time  
 20 for filing a return or report for not more than 30 days."  
 21 **Section 6.** Section 15-23-106, MCA, is amended to read:  
 22 **"15-23-106. Transmission to the counties.** (1) On or  
 23 before July 1, the department shall transmit to its agent in  
 24 each county a statement listing:  
 25 (a) the assessed value of railroad property, as

1 determined under 15-23-202, apportioned to the county,  
2 including the length or other description of such property;

3 (b) the assessed value of utility property, as  
4 determined under 15-23-303, apportioned to the county,  
5 including the length or other description of such property;

6 (c) the assessed value of property of airline  
7 companies, as determined under 15-23-403, apportioned to the  
8 county; 90% of the value of the property of airline  
9 companies apportioned to any county by reason of a state  
10 airport being located in the county shall be stated  
11 separately from the remaining assessed value of the property  
12 of airline companies apportioned to the county;

13 (d) the assessed value of the net proceeds and  
14 royalties from mines and oil and gas wells in the county, as  
15 determined under 15-23-503, 15-23-505, 15-23-515, [section  
16 1], 15-23-603, and 15-23-605; and

17 (e) the assessed value of the gross proceeds from coal  
18 mines, as described in 15-23-701.

19 (2) The agent of the department shall enter the  
20 assessed values so transmitted in the assessment book in a  
21 manner prescribed by the department."

22 **Section 7.** Section 15-23-115, MCA, is amended to read:

23 "15-23-115. Interest. If the department determines that  
24 a taxpayer has incorrectly reported a value under 15-23-502,  
25 15-23-515, [section 1], 15-23-602, 15-23-701, or 15-23-802,

1 the department shall inform its agents at the county level  
2 of such determination, and if any additional tax is due,  
3 there must be added thereto until paid in full interest at  
4 the rate of 1% a month or fraction thereof from the date the  
5 original tax was due and payable. In no instance will a  
6 taxpayer subject to imposition of interest pursuant to this  
7 section be also subject to the penalty and interest  
8 provisions contained in 15-16-102."

9 **Section 8.** Section 15-23-502, MCA, is amended to read:

10 "15-23-502. Net proceeds tax -- statement of yield.  
11 Every person engaged in mining, extracting, or producing  
12 from any quartz vein or lode, placer claim, dump or  
13 tailings, or other place or source whatever precious stones  
14 or gems, vermiculite, bentonite, or other valuable mineral,  
15 except coal and metals, must on or before March 31 each year  
16 make out a statement of the gross yield and value of the  
17 above-named metals or minerals from each mine owned or  
18 worked by such person during the year preceding January 1 of  
19 the year in which such statement is made. Such statement  
20 shall be in the form prescribed by the department of revenue  
21 and must be verified by the oath of the person completing  
22 the statement or the manager, superintendent, agent,  
23 president, or vice-president, if a corporation, association,  
24 or partnership, and must be delivered to the department on  
25 or before March 31. Except as provided in 15-23-515 and

1 [section 1], the statement shall show the following:

- 2 (1) the name and address of the owner or lessee or  
 3 operator of the mine, together with the names and addresses  
 4 of any and all persons owning or claiming any royalty  
 5 interest in the mineral product of such mine or the proceeds  
 6 derived from the sale thereof, and the amount or amounts  
 7 paid or yielded as royalty to each of such persons during  
 8 the period covered by the statement;
- 9 (2) the description and location of the mine;
- 10 (3) the number of tons of ore or other mineral products  
 11 or deposits extracted, produced, and treated or sold from  
 12 the mine during the period covered by the statement;
- 13 (4) the amount and character of such ores, mineral  
 14 products, or deposits and the yield of such ores, mineral  
 15 products, or deposits from such mine in constituents of  
 16 commercial value; that is, commercially valuable  
 17 constituents of the ores, mineral products, or deposits,  
 18 measured by standard units of measurement, yielded to such  
 19 person so engaged in mining and to each royalty holder, if  
 20 any, during the period covered by the statement;
- 21 (5) the gross yield or value in dollars and cents;
- 22 (6) cost of extracting from the mine;
- 23 (7) cost of transporting to place of reduction or sale;
- 24 (8) cost of reduction or sale;
- 25 (9) cost of marketing the product and conversion of

1 same into money;

- 2 (10) cost of construction, repairs, and betterments of  
 3 mines and cost of repairs and replacements of reduction  
 4 works;
- 5 (11) the assessed valuation of reduction works for the  
 6 calendar year for which such return is made;
- 7 (12) cost of fire insurance, workers' compensation  
 8 insurance, boiler and machinery insurance, and public  
 9 liability insurance paid for the mine, reduction works, or  
 10 beneficiation process;
- 11 (13) cost of welfare and retirement fund payments  
 12 provided for in wage contracts;
- 13 (14) cost of testing extracted minerals for the purpose  
 14 of satisfying federal or state health and safety laws or  
 15 regulations, the cost of plant security in Montana, the cost  
 16 of assaying and sampling the extracted minerals, and the  
 17 costs incurred in Montana for engineering and geological  
 18 services for existing mining operations but not including  
 19 any such services beyond the stage of reduction and  
 20 beneficiation of the minerals; and
- 21 (15) cost of mine reclamation."

22 **Section 9.** Section 15-23-503, MCA, is amended to read:

23 **"15-23-503. Net proceeds -- how computed.** (1) The  
 24 department of revenue shall calculate from the returns the  
 25 gross product yielded from a mine and its gross value for

1 the year covered by the statement and shall calculate and  
 2 compute the net proceeds of the mine yielded to the person  
 3 engaged in mining. Except as provided in 15-23-515 and  
 4 [section 1], net proceeds shall be determined by subtracting  
 5 from the value of the gross product of the mine the  
 6 following:

7 (a) all royalty paid or apportioned in cash or in kind  
 8 by the person engaged in mining;

9 (b) all money expended for necessary labor, machinery,  
 10 and supplies needed and used in the mining operations and  
 11 developments;

12 (c) all money expended for improvements, repairs, and  
 13 betterments necessary in and about the working of the mine,  
 14 except as provided in this section;

15 (d) all money expended for costs of repairs and  
 16 replacements of the milling and reduction works used in  
 17 connection with the mine;

18 (e) depreciation in the sum of 6% of the assessed  
 19 valuation of the milling and reduction works for the  
 20 calendar year for which the return is made;

21 (f) all money actually expended for transporting the  
 22 ores and mineral products or deposits from the mines to the  
 23 mill or reduction works or to the place of sale and for  
 24 extracting the metals and minerals and for marketing the  
 25 product and the conversion of the product into money;

1 (g) all money expended for insurance and welfare and  
 2 retirement costs reported in the statement required in  
 3 15-23-502;

4 (h) all money expended for necessary labor, equipment,  
 5 and supplies for testing minerals extracted to satisfy  
 6 federal or state health and safety laws or regulations, for  
 7 plant security in Montana, for assaying and sampling the  
 8 extracted minerals, for the cost of reclamation at the site  
 9 of the mine, and for engineering and geological services  
 10 conducted in Montana for existing mining operations but not  
 11 including services beyond the stage of reduction and  
 12 beneficiation of the minerals.

13 (2) In computing the deductions allowable for repairs,  
 14 improvements, and betterments to the mine, the department  
 15 shall allow 10% of the cost each year for a period of 10  
 16 years.

17 (3) Money invested in mines or improvements may not be  
 18 allowed as a deduction unless all machinery, equipment, and  
 19 buildings represented by the money are returned to the  
 20 county in which the mine is located for assessment purposes  
 21 at the level of assessment of all other property in the  
 22 county.

23 (4) Money invested in the mines and improvements during  
 24 any year except the year for which such statement is made  
 25 and except as provided in this section may not be included

1 in the expenditures, and the expenditures may not include  
 2 the salary or any portion of the salary of any person or  
 3 officer not actually engaged in the working of the mine or  
 4 superintending the management of the mine."

5 **Section 10.** Section 15-23-515, MCA, is amended to read:

6 "15-23-515. **Net proceeds for talc -- statement --**  
 7 **value.** (1) A statement of gross yield and value, required in  
 8 15-23-502, that is filed by a producer of talc must contain  
 9 the following:

10 (a) the name and address of the owner or lessee or  
 11 operator of the mine, together with the name and address of  
 12 any person owning or claiming a royalty interest in the  
 13 mineral product of the mine or the proceeds derived from the  
 14 sale of the mineral product, and the amount or amounts paid  
 15 or yielded as royalty to each person during the period  
 16 covered by the statement;

17 (b) the description and location of the mine;

18 (c) the number of tons of talc extracted, produced, and  
 19 treated or sold from the mine during the period covered by  
 20 the statement;

21 (d) the amount and character of the talc and the yield  
 22 of the talc from the mine, measured in tons, yielded to the  
 23 person engaged in mining and to each royalty holder, if any,  
 24 during the period covered by the statement; and

25 (e) the gross yield or value in dollars and cents.

1 (2) (a) For the purposes of this section, the gross  
 2 yield or value of talc is determined by multiplying the  
 3 number of tons of talc reported under subsection (1)(c) by:

4 (i) for the taxable year beginning January 1, 1989,  
 5 \$4.25; and

6 (ii) for the taxable years beginning January 1, 1990,  
 7 and thereafter, the product obtained by multiplying \$4.25 by  
 8 the quotient of the PCE for the first quarter of the year  
 9 previous to the taxable year for which the net proceed value  
 10 is being calculated, divided by the PCE for the first  
 11 quarter of the 1989 taxable year.

12 (b) "PCE" means the implicit price deflator for  
 13 personal consumption expenditures as published quarterly in  
 14 the Survey of Current Business by the bureau of economic  
 15 analysis of the U.S. department of commerce."

16 **Section 11.** Section 15-23-521, MCA, is amended to read:

17 "15-23-521. **Examination of records by department.** The  
 18 department of revenue may at any time examine the records of  
 19 any person specified in this part as the records may pertain  
 20 to the yield of ore or mineral products or deposit in order  
 21 to verify the statements made by the person. If from the  
 22 examination or from other information, the department finds  
 23 any statement or any material part of a statement willfully  
 24 false or fraudulent, the department must assess in the same  
 25 manner as provided for in 15-23-503, or 15-23-515, or



1 [section 1]."

2 **Section 12.** Section 15-38-103, MCA, is amended to read:

3 **"15-38-103. Definitions.** As used in this chapter, the  
4 following definitions apply:

5 (1) "Department" means department of revenue.

6 (2) "Gross value of product" means, except as provided  
7 in 15-38-126 and [section 2], the market value of any  
8 merchantable mineral extracted or produced during the  
9 taxable year.

10 (3) "Mineral" means any precious stones or gems, gold,  
11 silver, copper, coal, lead, petroleum, natural gas, oil,  
12 uranium, or other nonrenewable merchantable products  
13 extracted from the surface or subsurface of the state of  
14 Montana.

15 (4) "Total environment" means air, water, soil, flora,  
16 and fauna and the social, economic, and cultural conditions  
17 that influence communities and individual citizens."

18 **Section 13.** Section 15-38-104, MCA, is amended to read:

19 **"15-38-104. Tax on mineral production.** (1) Except as  
20 provided in subsection subsections (2) and (3), the annual  
21 tax to be paid by a person engaged in or carrying on the  
22 business of mining, extracting, or producing a mineral is  
23 \$25, plus an additional amount computed on the gross value  
24 of product that was derived from the business work or  
25 operation within this state during the calendar year

1 immediately preceding at the rate of 1/2 of 1% of the amount  
2 of gross value of product at the time of extraction from the  
3 ground, if in excess of \$5,000. Unless otherwise provided in  
4 a contract or lease, the pro rata share of any royalty owner  
5 or owners may be deducted from any settlements under the  
6 lease or leases or division of proceeds orders or other  
7 contracts.

8 (2) The annual tax to be paid by a person engaged in or  
9 carrying on the business of mining, extracting, or producing  
10 talc is \$25 plus an additional amount computed on the gross  
11 value of product for talc derived from the business work or  
12 operation within this state during the calendar year  
13 immediately preceding at the rate of 4%.

14 (3) The annual tax to be paid by a person engaged in or  
15 carrying on the business of mining, extracting, or producing  
16 vermiculite is \$25 plus an additional amount computed on the  
17 gross value of product for vermiculite derived from the  
18 business work or operation within this state during the  
19 calendar year immediately preceding at the rate of 2%."

20 **NEW SECTION. Section 14. Codification instruction.** (1)

21 [Section 1] is intended to be codified as an integral part  
22 of Title 15, chapter 23, part 5, and the provisions of Title  
23 15, chapter 23, part 5, apply to [section 1].

24 (2) [Section 2] is intended to be codified as an  
25 integral part of Title 15, chapter 38, part 1, and the

1 provisions of Title 15, chapter 38, part 1, apply to  
2 [section 2].

3 NEW SECTION. **Section 15.** Effective date -- retroactive  
4 applicability. (1) [This act] is effective on passage and  
5 approval and, except as provided in subsection (2), applies  
6 retroactively, within the meaning of 1-2-109, to tax  
7 PRODUCTION years beginning after December 31, 1990.

8 (2) [Section 10] applies retroactively, within the  
9 meaning of 1-2-109, to tax produced after December 31,  
10 1989.

-End-