

HOUSE BILL NO. 982

INTRODUCED BY O'KEEFE, YELLOWTAIL, PECK

IN THE HOUSE

MARCH 8, 1991                   INTRODUCED AND REFERRED TO COMMITTEE  
ON TAXATION.

                                  FIRST READING.

MARCH 21, 1991                   COMMITTEE RECOMMEND BILL  
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 22, 1991                   PRINTING REPORT.

MARCH 23, 1991                   SECOND READING, DO PASS.

MARCH 25, 1991                   ENGROSSING REPORT.

MARCH 26, 1991                   THIRD READING, PASSED.  
AYES, 51; NOES, 49.

                                  TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 26, 1991                   INTRODUCED AND REFERRED TO COMMITTEE  
ON TAXATION.

                                  FIRST READING.

APRIL 9, 1991                    COMMITTEE RECOMMEND BILL BE  
CONCURRED IN. REPORT ADOPTED.

APRIL 10, 1991                   SECOND READING, CONCURRED IN.  
AYES, 21; NOES, 29. MOTION FAILED.

                                  ON MOTION, CONSIDERATION PASSED  
UNTIL THE 77TH LEGISLATIVE DAY.

APRIL 11, 1991                   SECOND READING, CONCURRED IN AS  
AMENDED.

APRIL 12, 1991                   THIRD READING, CONCURRED IN.  
AYES, 28; NOES, 22.

                                  RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 15, 1991

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS  
CONCURRED IN.

APRIL 16, 1991

THIRD READING, AMENDMENTS  
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

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*House* BILL NO. *982*  
*Peck* *Trife* *Yellowtail*

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE TAXATION OF COAL, OIL, AND NATURAL GAS; REIMPOSING THE TAXES ON COAL GROSS PROCEEDS AND ON OIL AND GAS NET PROCEEDS THAT WERE IN EFFECT PRIOR TO THE PASSAGE OF CHAPTER 11, SPECIAL LAWS OF 1989; INCREASING THE SCHOOL MAXIMUM BUDGET SCHEDULES BY 3 PERCENT EACH FISCAL YEAR; APPROPRIATING FUNDING FOR THE SCHEDULE INCREASES; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-6-132, 15-23-601, 15-23-602, 15-23-603, 15-23-605, 15-23-607, 15-23-612, 15-23-703, 15-36-101, 15-36-102, 15-36-105, 15-36-112, 15-36-121, 20-9-141, 20-9-316, 20-9-317, 20-9-318, 20-9-319, 20-9-331, 20-9-333, 20-9-366, 20-9-501, 20-10-144, AND 90-6-402, MCA; AND PROVIDING EFFECTIVE DATES AND A RETROACTIVE APPLICABILITY DATE."

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

**Section 1.** Section 7-1-2111, MCA, is amended to read:

**"7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds, the counties of this state must be classified according to that percentage of the true

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and full valuation of the property in the counties upon which the tax levy is made, except for vehicles subject to taxation under 61-3-504(2), as follows:

- (a) first class--all counties having a taxable valuation of \$50 million or over;
  - (b) second class--all counties having a taxable valuation of more than \$30 million and less than \$50 million;
  - (c) third class--all counties having a taxable valuation of more than \$20 million and less than \$30 million;
  - (d) fourth class--all counties having a taxable valuation of more than \$15 million and less than \$20 million;
  - (e) fifth class--all counties having a taxable valuation of more than \$10 million and less than \$15 million;
  - (f) sixth class--all counties having a taxable valuation of more than \$5 million and less than \$10 million;
  - (g) seventh class--all counties having a taxable valuation of less than \$5 million.
- (2) As used in this section, taxable valuation means the taxable value of taxable property in the county as of the time of determination plus:
- (a) that portion of the taxable value of the county on



1 December 31, 1981, attributable to automobiles and trucks  
2 having a rated capacity of three-quarters of a ton or less;

3 (b) that portion of the taxable value of the county on  
4 December 31, 1989, attributable to automobiles and trucks  
5 having a rated capacity of more than three-quarters of a ton  
6 but less than or equal to 1 ton;

7 (c) the amount of interim production and new production  
8 taxes levied, as provided in 15-23-607, divided by the  
9 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)  
10 and multiplied by 60%; and

11 (d) the amount of value represented by new production  
12 exempted from tax as provided in 15-23-612 ~~multiplied by~~  
13 ~~60% plus the value of any other production occurring after~~  
14 ~~December 31, 1988, multiplied by 60%.~~"

15 **Section 2.** Section 7-7-2101, MCA, is amended to read:

16 "7-7-2101. **Limitation on amount of county indebtedness.**

17 (1) No county may become indebted in any manner or for any  
18 purpose to an amount, including existing indebtedness, in  
19 the aggregate exceeding 23% of the total of the taxable  
20 value of the property therein subject to taxation, plus the  
21 amount of interim production and new production taxes levied  
22 divided by the appropriate tax rates described in  
23 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
24 amount of value represented by new production exempted from  
25 tax as provided in 15-23-612 ~~multiplied by 60%, plus the~~

1 ~~value of any other production occurring after December 31,~~  
2 ~~1988, multiplied by 60%, as ascertained by the last~~  
3 ~~assessment for state and county taxes previous to the~~  
4 ~~incurring of the indebtedness.~~

5 (2) No county may incur indebtedness or liability for  
6 any single purpose to an amount exceeding \$500,000 without  
7 the approval of a majority of the electors thereof voting at  
8 an election to be provided by law, except as provided in  
9 7-21-3413 and 7-21-3414.

10 (3) Nothing in this section shall apply to the  
11 acquisition of conservation easements as set forth in Title  
12 76, chapter 6."

13 **Section 3.** Section 7-7-2203, MCA, is amended to read:

14 "7-7-2203. **Limitation on amount of bonded indebtedness.**

15 (1) Except as provided in subsections (2) through (4), no  
16 county may issue general obligation bonds for any purpose  
17 which, with all outstanding bonds and warrants except county  
18 high school bonds and emergency bonds, will exceed 11.25% of  
19 the total of the taxable value of the property therein, plus  
20 the amount of interim production and new production taxes  
21 levied divided by the appropriate tax rates described in  
22 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
23 amount of value represented by new production exempted from  
24 tax as provided in 15-23-612 ~~multiplied by 60%, plus the~~  
25 ~~value of any other production occurring after December 31,~~

1 ~~1988, multiplied by 60%~~, to be ascertained by the last  
2 assessment for state and county taxes prior to the proposed  
3 issuance of bonds.

4 (2) In addition to the bonds allowed by subsection (1),  
5 a county may issue bonds which, with all outstanding bonds  
6 and warrants, will not exceed 27.75% of the total of the  
7 taxable value of the property in the county subject to  
8 taxation, plus the amount of interim production and new  
9 production taxes levied divided by the appropriate tax rates  
10 described in 15-23-607(2)(a) or (2)(b) and multiplied by  
11 60%, plus the amount of value represented by new production  
12 exempted from tax as provided in 15-23-612 ~~multiplied by~~  
13 ~~60%, when necessary to do so, plus the value of any other~~  
14 ~~production occurring after December 31, 1988, multiplied by~~  
15 ~~60%~~ for the purpose of acquiring land for a site for county  
16 high school buildings and for erecting or acquiring  
17 buildings thereon and furnishing and equipping the same for  
18 county high school purposes.

19 (3) In addition to the bonds allowed by subsections (1)  
20 and (2), a county may issue bonds for the construction or  
21 improvement of a jail which will not exceed 12.5% of the  
22 taxable value of the property in the county subject to  
23 taxation.

24 (4) The limitation in subsection (1) does not apply to  
25 refunding bonds issued for the purpose of paying or retiring

1 county bonds lawfully issued prior to January 1, 1932, or to  
2 bonds issued for the repayment of tax protests lost by the  
3 county."

4 **Section 4.** Section 7-14-2524, MCA, is amended to read:

5 "7-14-2524. Limitation on amount of bonds issued --  
6 excess void. (1) Except as otherwise provided hereafter and  
7 in 7-7-2203 and 7-7-2204, a county may not issue bonds  
8 which, with all outstanding bonds and warrants except county  
9 high school bonds and emergency bonds, will exceed 11.25% of  
10 the total of the taxable value of the property therein, plus  
11 the amount of interim production and new production taxes  
12 levied divided by the appropriate tax rates described in  
13 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
14 amount of value represented by new production exempted from  
15 tax as provided in 15-23-612 ~~multiplied by 60%, plus the~~  
16 ~~value of any other production occurring after December 31,~~  
17 ~~1988, multiplied by 60%.~~ The taxable property and the amount  
18 of interim production and new production taxes levied must  
19 be ascertained by the last assessment for state and county  
20 taxes prior to the issuance of the bonds.

21 (2) A county may issue bonds which, with all  
22 outstanding bonds and warrants except county high school  
23 bonds, will exceed 11.25% but will not exceed 22.5% of the  
24 total of the taxable value of such property, plus the amount  
25 of interim production and new production taxes levied

1 divided by the appropriate tax rates described in  
 2 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
 3 amount of value represented by new production exempted from  
 4 tax as provided in 15-23-612, ~~plus the value of any other~~  
 5 ~~production occurring after December 31, 1988, multiplied by~~  
 6 ~~60%~~ when necessary for the purpose of replacing, rebuilding,  
 7 or repairing county buildings, bridges, or highways which  
 8 have been destroyed or damaged by an act of God, disaster,  
 9 catastrophe, or accident.

10 (3) The value of the bonds issued and all other  
 11 outstanding indebtedness of the county, except county high  
 12 school bonds, shall not exceed 22.5% of the total of the  
 13 taxable value of the property within the county, plus the  
 14 amount of interim production and new production taxes levied  
 15 divided by the appropriate tax rates described in  
 16 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
 17 amount of value represented by new production exempted from  
 18 tax as provided in 15-23-612, ~~plus the value of any other~~  
 19 ~~production occurring after December 31, 1988, multiplied by~~  
 20 ~~60%~~, as ascertained by the last preceding general  
 21 assessment."

22 **Section 5.** Section 7-14-2525, MCA, is amended to read:

23 "7-14-2525. Refunding agreements and refunding bonds  
 24 authorized. (1) Whenever the total indebtedness of a county  
 25 exceeds 22.5% of the total of the taxable value of the

1 property therein, plus the amount of interim production and  
 2 new production taxes levied divided by the appropriate tax  
 3 rates described in 15-23-607(2)(a) or (2)(b) and multiplied  
 4 by 60%, plus the amount of value represented by new  
 5 production exempted from tax as provided in 15-23-612  
 6 ~~multiplied by 60%, plus the value of any other production~~  
 7 ~~occurring after December 31, 1988, multiplied by 60%~~, and  
 8 the board determines that the county is unable to pay the  
 9 indebtedness in full, the board may:

10 (a) negotiate with the bondholders for an agreement  
 11 whereby the bondholders agree to accept less than the full  
 12 amount of the bonds and the accrued unpaid interest thereon  
 13 in satisfaction thereof;

14 (b) enter into such agreement;

15 (c) issue refunding bonds for the amount agreed upon.

16 (2) These bonds may be issued in more than one series,  
 17 and each series may be either amortization or serial bonds.

18 (3) The plan agreed upon between the board and the  
 19 bondholders shall be embodied in full in the resolution  
 20 providing for the issue of the bonds."

21 **Section 6.** Section 7-16-2327, MCA, is amended to read:

22 "7-16-2327. Indebtedness for park purposes. (1) Subject  
 23 to the provisions of subsection (2), a county park board, in  
 24 addition to powers and duties now given under law, has the  
 25 power and duty to contract an indebtedness in behalf of a

1 county, upon the credit thereof, for the purposes of  
2 7-16-2321(1) and (2).

3 (2) (a) The total amount of indebtedness authorized to  
4 be contracted in any form, including the then-existing  
5 indebtedness, must not at any time exceed 13% of the total  
6 of the taxable value of the taxable property in the county,  
7 plus the amount of interim production and new production  
8 taxes levied divided by the appropriate tax rates described  
9 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
10 amount of value represented by new production exempted from  
11 tax as provided in 15-23-612, ~~plus the value of any other~~  
12 ~~production occurring after December 31, 1988, multiplied by~~  
13 ~~60%~~, ascertained by the last assessment for state and county  
14 taxes previous to the incurring of the indebtedness.

15 (b) No money may be borrowed on bonds issued for the  
16 purchase of lands and improving same for any such purpose  
17 until the proposition has been submitted to the vote of  
18 those qualified under the provisions of the state  
19 constitution to vote at such election in the county affected  
20 thereby and a majority vote is cast in favor thereof."

21 **Section 7.** Section 15-1-501, MCA, is amended to read:

22 "15-1-501. **Disposition of money from certain designated**  
23 **license and other taxes.** (1) The state treasurer shall  
24 deposit to the credit of the state general fund all money  
25 received by him from the collection of:

1 (a) fees from driver's licenses, motorcycle  
2 endorsements, and duplicate driver's licenses as provided in  
3 61-5-121;

4 (b) electrical energy producer's license taxes under  
5 chapter 51;

6 (c) severance taxes allocated to the general fund under  
7 chapter 36;

8 (d) liquor license taxes under Title 16;

9 (e) telephone company license taxes under chapter 53;  
10 and

11 (f) inheritance and estate taxes under Title 72,  
12 chapter 16.

13 (2) All money received from the collection of income  
14 taxes under chapter 30 of this title must be deposited as  
15 follows:

16 (a) 57% in fiscal year 1990 and 50% in fiscal year  
17 1991, to the credit of the state general fund;

18 (b) 9.8% in fiscal year 1990 and 8.7% in fiscal year  
19 1991, to the credit of the debt service account for  
20 long-range building program bonds as described in 17-5-408;  
21 and

22 (c) 33.2% in fiscal year 1990 and 41.3% in fiscal year  
23 1991, to the credit of the state special revenue fund for  
24 state equalization aid to the public schools of Montana as  
25 described in 20-9-343.

1 (3) All money received from the collection of  
 2 corporation license and income taxes under chapter 31 of  
 3 this title, except as provided in 15-31-702, must be  
 4 deposited as follows:

5 (a) 64% in fiscal year 1990 and 61% in fiscal year  
 6 1991, to the credit of the state general fund;

7 (b) 11% in fiscal year 1990 and 10.5% in fiscal year  
 8 1991, to the credit of the debt service account for  
 9 long-range building program bonds as described in 17-5-408;  
 10 and

11 (c) 25% in fiscal year 1990 and 28.5% in fiscal year  
 12 1991, to the credit of the state special revenue fund for  
 13 state equalization aid to the public schools of Montana as  
 14 described in 20-9-343.

15 (4) The state treasurer shall also deposit to the  
 16 credit of the state general fund all money received by him  
 17 from the collection of license taxes, fees, and all net  
 18 revenues and receipts from all other sources under the  
 19 operation of the Montana Alcoholic Beverage Code.

20 (5) After the distribution provided for in 15-36-112,  
 21 the remainder of the oil and gas severance tax collections  
 22 must be deposited in the general fund."

23 **Section 8.** Section 15-6-132, MCA, is amended to read:  
 24 "15-6-132. Class two property -- description -- taxable  
 25 percentage. (1) Class two property includes:

- 1 (a) the annual gross proceeds of metal mines;
- 2 (b) the annual gross proceeds of underground coal
- 3 mines; and
- 4 (c) the annual gross proceeds of coal mines using the
- 5 strip-mining method.

6 (2) Class two property is taxed as follows:

7 (a) Property described in subsection (1)(a) is taxed at  
 8 3% of its annual gross proceeds, as defined in 15-23-801.

9 (b) Property described in subsection (1)(b) is taxed at  
 10 33 1/3% of its annual gross proceeds.

11 (c) Property described in subsection (1)(c) is taxed at  
 12 45% of its annual gross proceeds."

13 **Section 9.** Section 15-23-601, MCA, is amended to read:  
 14 "15-23-601. **Definitions.** As used in this part, the  
 15 following definitions apply:

16 (1) "Excise tax" means the windfall profit tax on  
 17 domestic crude oil imposed by Title I of the federal Crude  
 18 Oil Windfall Profit Tax Act of 1980, as enacted or as  
 19 amended.

20 (2) "Interim production" means the production of  
 21 natural gas, petroleum, or other crude or mineral oil from  
 22 any well that:

- 23 (a) has not produced natural gas, petroleum, or other  
 24 crude or mineral oil during the 5 years immediately  
 25 preceding the first month of interim production; and



1 (b) began interim production after June 30, 1985, and  
2 before April 1, 1987.

3 (3) The term "new production" means the production of  
4 natural gas, petroleum, or other crude or mineral oil from  
5 any well:

6 (a) that has not produced natural gas, petroleum, or  
7 other crude or mineral oil during the 5 years immediately  
8 preceding the first month of qualified new production; and

9 (b) on which the notification required in ~~15-36-121(2)~~  
10 15-23-612(1) was given.

11 (4) The terms "operator" and "producer" mean any person  
12 who engages in the business of drilling for, extracting, or  
13 producing any natural gas, petroleum, or other crude or  
14 mineral oil.

15 (5) The term "well" includes each single well or group  
16 of wells, including dry wells, in one field or production  
17 unit and under the control of one operator or producer."

18 **Section 10.** Section 15-23-602, MCA, is amended to read:

19 ~~"15-23-602. Statement of sales proceeds on interim~~  
20 ~~production-and-new production. (1) As Except as provided in~~  
21 ~~subsection (2), each operator or producer of ~~interim~~~~  
22 ~~production-or-new-production-of~~ natural gas, petroleum, or  
23 other crude or mineral oil shall, on or before April 15 in  
24 each year, make out and deliver to the department of revenue  
25 a statement of the gross sales proceeds of ~~interim~~

1 ~~production--or--new-production-of~~ natural gas, petroleum, or  
2 other crude or mineral oil from each well owned or worked by  
3 the person during the preceding calendar year. The gross  
4 sales proceeds must be determined by multiplying the units  
5 of production sold from the well times the royalty unit  
6 value of that production at the well. The statement must be  
7 in the form prescribed by the department and must be  
8 verified by the oath of the operator or producer or the  
9 manager, superintendent, agent, president, or vice-president  
10 of the corporation, association, or partnership. The  
11 statement must show the following:

12 (a) the name and address of the operator, together with  
13 a list in duplicate of the names and addresses of any  
14 persons owning or claiming any royalty interest in the  
15 production from the well or the proceeds derived from the  
16 sale of the production, and the amount paid or yielded as  
17 royalty to each of those persons during the period covered  
18 by the statement;

19 (b) the description and location of the well;

20 (c) the number of cubic feet of natural gas, barrels of  
21 petroleum or other crude or mineral oil sold from the well  
22 during the period covered by the statement; and

23 (d) the gross sales proceeds in dollars and cents or,  
24 in the case of sales between parties not acting at arm's  
25 length, the greater of the gross sales proceeds from or the

1 fair market value of the products sold; and  
 2 (e) except for new production as defined in 15-23-601:  
 3 (i) the actual cost of extracting the product from the  
 4 well;  
 5 (ii) the cost of construction, repairs, and betterments;  
 6 (iii) the actual cost of fire insurance and workers'  
 7 compensation insurance; and  
 8 (iv) the amount paid or withheld in satisfaction of  
 9 liability for excise taxes imposed by the U.S. government on  
 10 the production, sale, or removal of the natural gas,  
 11 petroleum, or other crude or mineral oil reported pursuant  
 12 to subsection (1)(c), including a separate statement of the  
 13 amount of taxes paid or withheld from each royalty owner.  
 14 (2) Each operator having interim production or new  
 15 production as defined in 15-23-601 shall, on or before the  
 16 last day of the months of October, January, April, and July,  
 17 make out and deliver to the department of revenue a  
 18 statement of the gross sales proceeds of the interim  
 19 production or new production from each well owned or worked  
 20 by the person during the preceding calendar quarter. The  
 21 statement must be in the form prescribed by the department  
 22 and verified as provided in subsection (1). The statement  
 23 must show the information required in subsections (1)(a)  
 24 through (1)(d)."

25 **Section 11.** Section 15-23-603, MCA, is amended to read:

1 "15-23-603. Net proceeds -- how computed. (1) As Except  
 2 as provided in subsection (2) (3), the department of revenue  
 3 shall calculate and compute from the returns the gross sales  
 4 proceeds of the product yielded from the well for the year  
 5 covered by the statement and shall calculate the net  
 6 proceeds of the well yielded to the producer, which net  
 7 proceeds are determined by subtracting from the gross sales  
 8 proceeds of the well;

9 (a) all royalty paid in cash by the operator or  
 10 producer and the gross value of all royalty apportioned in  
 11 kind by the operator or producer determined by using as the  
 12 value of a barrel of oil or a cubic foot of gas the average  
 13 selling price for the calendar year of a barrel of oil or a  
 14 cubic foot of gas from the well out of which the royalty was  
 15 paid;

16 (b) all money spent for necessary labor and machinery  
 17 needed and used in the operation and development;

18 (c) except as provided in subsection (5), all money  
 19 spent for necessary supplies used in the operation and  
 20 development;

21 (d) all money spent for improvements, repairs, and  
 22 betterments necessary in and about the working of the well;

23 (e) that portion of all money, including costs of  
 24 insurance, spent for the acquisition and operation of any  
 25 vehicle used in the operation and development of the well,

1 which portion bears the same ratio to all money spent for  
 2 the acquisition and use of the vehicle during the year  
 3 covered by the statement as the number of miles that the  
 4 vehicle is used in operation and development of the well  
 5 during the year covered by the statement bears to the total  
 6 number of miles that the vehicle is used during the year  
 7 covered by the statement;

8 (f) all money spent for fire insurance, workers'  
 9 compensation insurance, liability insurance, and casualty  
 10 insurance directly attributable to the operation and  
 11 development of the well and for payments by operators to  
 12 welfare and retirement funds when provided for in wage  
 13 contracts between operators and employees;

14 (g) all money spent for any performance or indemnity  
 15 bonds required by the laws of this state or the rules of any  
 16 state agency, with respect to the well for which the net  
 17 proceeds are being calculated;

18 (h) 70% of the amount paid or withheld in satisfaction  
 19 of liability for excise taxes imposed by the U.S. government  
 20 on the production, sale, or removal of the natural gas,  
 21 petroleum, or other crude or mineral oil yielded from the  
 22 well, other than the amount of the taxes paid or withheld  
 23 from each royalty owner; and

24 (i) net proceeds determined under subsection (3).

25 (2) Except as provided in [section 28], money invested

1 in the well and improvements during any year except the year  
 2 for which the statement is made may not be included in the  
 3 expenditures listed in subsection (1), and the expenditures  
 4 may not include the salaries or any portion of the salaries  
 5 of any person or officer not actually engaged in the working  
 6 of the well or superintending the management of the well.

7 (2)(3) For interim production or new production, net  
 8 proceeds are the equivalent of the gross sales proceeds,  
 9 without deduction for excise taxes, of the product yielded  
 10 from the well for the quarter covered by the statement,  
 11 except that in computing the total number of barrels of  
 12 petroleum and other mineral or crude oil or cubic feet of  
 13 natural gas produced, there must be deducted so much of the  
 14 product as is used in the operation of the well from which  
 15 the petroleum or other mineral or crude oil or natural gas  
 16 is produced for pumping the petroleum or other mineral or  
 17 crude oil or natural gas from the well to a tank or  
 18 pipeline.

19 (3)(4) In the statement of sales proceeds required  
 20 under 15-23-602 for lease or unitized areas from which  
 21 interim or new production and other production have been  
 22 sold, the deductions allowed in subsections (1)(b) through  
 23 (1)(h) must be prorated on the basis of the number of  
 24 barrels of interim and new production of oil or cubic feet  
 25 of interim or new production of gas must-be-segregated--from

1 ~~and-stated-separately-from~~ to the number of barrels of other  
2 production of oil or cubic feet of other production of gas.

3 ~~(4)~~(5) In calculating the deduction for money expended  
4 for necessary chemical supplies needed and used in a  
5 tertiary recovery project approved by the department of  
6 revenue, as provided in 15-36-101, the department shall  
7 require that the necessary chemical supplies, which include  
8 but are not limited to carbon dioxide supplies, be amortized  
9 over a 10-year period beginning with the year in which the  
10 money was expended."

11 **Section 12.** Section 15-23-605, MCA, is amended to read:  
12 "15-23-605. **Assessment of royalties.** (1) The amount of  
13 royalty received ~~in-cash-paid-by-the-operator-or-producer~~  
14 ~~and-the-gross-value-of-all-royalty-apportioned-in-kind-by~~  
15 ~~the-operator-or-producer-determined-by-using-as-the-value-of~~  
16 ~~a-barrel-of-oil-or-a-cubic-foot-of-gas-the-average-selling~~  
17 ~~price-for-the-calendar-year-of-a-barrel-of-oil-or-a-cubic~~  
18 ~~foot-of-gas-from-the-well-out-of-which-the-royalty-was-paid,~~  
19 valued as provided in 15-23-603(1)(a), less 70% of the  
20 amount of excise taxes paid by or withheld from the royalty  
21 owner as reported pursuant to 15-23-602(1)(e)(iv), must be  
22 considered net proceeds to the recipient and must be  
23 assessed as follows: upon receipt of the lists or schedules  
24 setting forth the names and addresses of any persons owning  
25 or claiming royalty and the amount paid or yielded as

1 royalty to the royalty owners or claimants during the year  
2 for which the return is made, the department of revenue  
3 shall proceed to assess and tax the same as net proceeds of  
4 mines.

5 (2) Net proceeds for new production, as defined in  
6 15-23-601, includes royalties received without the deduction  
7 for excise taxes."

8 **Section 13.** Section 15-23-607, MCA, is amended to read:  
9 "15-23-607. **County assessors to compute taxes.** (1)  
10 Immediately after the board of county commissioners has  
11 fixed tax levies on the second Monday in August, the county  
12 assessor shall, subject to the provisions of 15-23-612,  
13 compute the taxes on net proceeds, as provided in subsection  
14 (2) of this section, and royalty assessments and shall  
15 deliver the book to the county treasurer on or before  
16 September 15. The county treasurer shall proceed to give  
17 full notice of the assessments to the operator and shall  
18 collect the taxes as provided by law.

19 (2) For interim production or new production, as  
20 defined in 15-23-601, the county assessor may not levy or  
21 assess any mills against the value of the interim production  
22 or new production, but shall instead levy a tax as follows:

23 (a) for interim production or new production of  
24 petroleum or other mineral or crude oil, 7% of net proceeds,  
25 as described in 15-23-603~~(2)~~(3); or

1 (b) for interim production or new production of natural  
2 gas, 12% of net proceeds, as described in 15-23-603(2)(3).

3 (3) The amount of tax levied in subsections (2)(a) and  
4 (2)(b), divided by the appropriate tax rate and multiplied  
5 by 60%, must be treated as taxable value for county bonding  
6 purposes.

7 (4) The taxable value of net proceeds for the purpose  
8 of computing guaranteed tax base aid for schools is the  
9 amount of tax received by a district in the previous year  
10 divided by the number of mills levied by the district in the  
11 previous year, multiplied by 1,000. This amount must be  
12 added to the district, county, and statewide taxable value  
13 when computing guaranteed tax base aid under 20-9-368.

14 (5) The operator or producer is liable for the payment  
15 of the taxes that, except as provided in 15-16-121, are  
16 payable by and must be collected from the operators in the  
17 same manner and under the same penalties as provided for the  
18 collection of taxes upon net proceeds of mines. However, the  
19 operator may at his option withhold from the proceeds of  
20 royalty interest, either in kind or in money, an estimated  
21 amount of the tax to be paid by him upon the royalty or  
22 royalty interest. After the withholding, any deviation  
23 between the estimated tax and the actual tax may be  
24 accounted for by adjusting subsequent withholdings from the  
25 proceeds of royalty interests."

1 **Section 14.** Section 15-23-612, MCA, is amended to read:

2 "15-23-612. Certain natural gas, petroleum, or other  
3 crude or mineral oil exempt. (1) New production, as defined  
4 in 15-23-601, from a well during the first 12 months  
5 immediately following the date of notification to the  
6 department of revenue that an oil well is flowing or being  
7 pumped or that a gas well has been connected to a gathering  
8 or distribution system is exempt from the net proceeds tax  
9 imposed by this part ~~for the first 12 months following the~~  
10 ~~last day of the calendar month immediately preceding the~~  
11 ~~month in which.~~

12 ~~(a) natural gas is placed into a natural gas~~  
13 ~~distribution system; or~~

14 ~~(b) production for sale from a crude oil or mineral oil~~  
15 ~~well is pumped or flows if the notification was made after~~  
16 ~~March 31, 1987, and before July 1, 1991.~~

17 (2) After the expiration of the 12-month exemption  
18 period provided in subsection (1), new production of natural  
19 gas, petroleum, or other crude or mineral oil is subject to  
20 net proceeds tax imposed by this part.

21 (3) Notwithstanding the provisions of subsections (1)  
22 and (2), all reporting requirements under the net proceeds  
23 tax remain in effect."

24 **Section 15.** Section 15-23-703, MCA, is amended to read:

25 "15-23-703. Taxation of gross proceeds ~~taxable value~~

1 for bonding and guaranteed tax base aid to schools. (1) The  
 2 county assessor shall compute from the reported gross  
 3 proceeds from coal a tax roll that he shall transmit to the  
 4 county treasurer on or before September 15 each year. The  
 5 county assessor may not levy or assess any mills against the  
 6 reported gross proceeds of coal but shall levy a tax of 5%  
 7 against the value of the reported gross proceeds as provided  
 8 in 15-23-701(1)(d). The county treasurer shall proceed to  
 9 give full notice to each coal producer of the taxes due and  
 10 to collect the taxes as provided in 15-16-101.

11 (2) For bonding, county classification, and all nontax  
 12 purposes, the taxable value of the gross proceeds of coal is  
 13 45% of the contract sales price as defined in 15-35-102(5).

14 (3) The taxable value of gross proceeds for the purpose  
 15 of computing guaranteed tax base aid for schools is the  
 16 amount of tax received by a district in the previous year  
 17 divided by the number of mills levied by the district in the  
 18 previous year, multiplied by 1,000. This amount must be  
 19 added to the district, county, and statewide taxable value  
 20 when computing guaranteed tax base aid under 20-9-368.

21 (4) The county treasurer shall credit all taxes  
 22 collected under this part:

23 (a) to the state and to the counties that levied mills  
 24 against production in the relative proportions required by  
 25 the levies for state and county purposes in the same manner

1 as property taxes were distributed in the year 1989 in the  
 2 taxing jurisdiction, and

3 (b) to school districts in the county that either  
 4 levied mills against production or used nontax revenue, such  
 5 as Public Law 81-874 money, in lieu of levying mills against  
 6 production, in the same manner that property taxes collected  
 7 or property taxes that would have been collected would have  
 8 been distributed in 1989 in the school district.

9 Section 16. Section 15-36-101, MCA, is amended to read:

10 "15-36-101. Definitions and rate of tax ---- state  
 11 severance tax ----- local government severance tax ----  
 12 assessment of nonworking interest owner ----- exemption. (1)  
 13 Every person engaging in or carrying on the business of  
 14 producing petroleum, other mineral or crude oil, or natural  
 15 gas within this state or engaging in or carrying on the  
 16 business of owning, controlling, managing, leasing, or  
 17 operating within this state any well or wells from which any  
 18 merchantable or marketable petroleum, other mineral or crude  
 19 oil, or natural gas is extracted or produced shall, except  
 20 as provided in 15-36-121, each year when engaged in or  
 21 carrying on the business in this state pay to the department  
 22 of revenue a state severance tax for the exclusive use and  
 23 benefit of the state of Montana plus a local government  
 24 severance tax in lieu of a tax on net proceeds for the  
 25 exclusive use and benefit of local government. Except as

1 ~~provided in subsection (3), the state severance tax and the~~  
 2 ~~local government severance tax are as follows, computed at~~  
 3 ~~the following rates:~~

4 (a) except as provided in subsections (1)(b) and  
 5 (1)(c), and (1)(d), a 5% state severance tax on of the total  
 6 gross taxable value of all the petroleum and other mineral  
 7 or crude oil produced by the person, plus the local  
 8 government severance tax of 8.4% on the gross taxable value  
 9 of all the petroleum and other mineral or crude oil produced  
 10 by the person other than interim production and new  
 11 production, from each lease or unit; but in determining the  
 12 amount of the state severance tax and local government  
 13 severance tax, there must be excluded from consideration all  
 14 petroleum or other crude or mineral oil produced and used by  
 15 the person during the year in connection with his operations  
 16 in prospecting for, developing, and producing the petroleum  
 17 or crude or mineral oil;

18 (b) a except as provided in section 15-36-121(1), 2.65%  
 19 state severance tax on of the total gross taxable value of  
 20 all natural gas produced by the person, plus the local  
 21 government severance tax of 15.25% on the total gross  
 22 taxable value of all natural gas produced by the person  
 23 other than interim production or new production, from each  
 24 lease or unit; but in determining the amount of the state  
 25 severance tax and the local government severance tax, there

1 must be excluded from consideration all gas produced and  
 2 used by the person during the year in connection with his  
 3 operations in prospecting for, developing, and producing the  
 4 gas or petroleum or crude or mineral oil; and there must  
 5 also be excluded from consideration all gas, including  
 6 carbon dioxide gas, recycled or reinjected into the ground;

7 (c) a 2.5% state severance tax on of the total gross  
 8 taxable value of the incremental petroleum and other mineral  
 9 or crude oil produced by the person, plus the local  
 10 government severance tax of 5% on the total gross taxable  
 11 value of the incremental petroleum and other mineral or  
 12 crude oil produced by the person other than interim  
 13 production and new production, from each lease or unit in a  
 14 tertiary recovery project after July 1, 1985. For purposes  
 15 of this section, a tertiary recovery project must meet the  
 16 following requirements:

17 (i) the project must be approved as a tertiary recovery  
 18 project by the department of revenue. The approval may be  
 19 extended only after notice and hearing in accordance with  
 20 Title 2, chapter 4.

21 (ii) the property to be affected by the project must be  
 22 adequately delineated according to the specifications  
 23 required by the department; and

24 (iii) the project must involve the application of one or  
 25 more tertiary recovery methods that can reasonably be

1 expected to result in an increase, determined by the  
2 department to be significant in light of all the facts and  
3 circumstances, in the amount of crude oil which may  
4 potentially be recovered. For purposes of this section,  
5 tertiary recovery methods include but are not limited to:

- 6 (A) miscible fluid displacement;
- 7 (B) steam drive injection;
- 8 (C) micellar/emulsion flooding;
- 9 (D) in situ combustion;
- 10 (E) polymer augmented water flooding;
- 11 (F) cyclic steam injection;
- 12 (G) alkaline or caustic flooding;
- 13 (H) carbon dioxide water flooding;
- 14 (I) immiscible carbon dioxide displacement; or
- 15 (J) any other method approved by the department as a  
16 tertiary recovery method.

17 ~~(d) -- a 5% local government severance tax on the total~~  
18 ~~gross taxable value of all petroleum and other mineral or~~  
19 ~~crude oil produced by the person other than interim and new~~  
20 ~~production produced by a stripper well as defined in~~  
21 ~~15-36-121.~~

22 (2) For purposes of this section, the term "incremental  
23 petroleum and other mineral or crude oil" means the amount  
24 of oil, as determined by the department of revenue, to be in  
25 excess of what would have been produced by primary and

1 secondary methods. The determination arrived at by the  
2 department must be made only after notice and hearing and  
3 shall specify through the life of a tertiary project,  
4 calendar year by calendar year, the combined amount of  
5 primary and secondary production that must be used to  
6 establish the incremental production from each lease or unit  
7 in a tertiary recovery project.

8 ~~(3) -- (a) A local government severance tax is imposed on~~  
9 ~~the gross value paid in cash or apportioned in kind to a~~  
10 ~~nonworking interest owner by the operator or producer of~~  
11 ~~extracted marketable petroleum, other mineral or crude oil,~~  
12 ~~or natural gas subject to local government severance taxes~~  
13 ~~imposed under this chapter. The local government severance~~  
14 ~~tax on nonworking interest owners is computed at the~~  
15 ~~following rates:~~

16 ~~(i) -- 12.5% on the gross value paid in cash or~~  
17 ~~apportioned in kind to a nonworking interest owner by the~~  
18 ~~operator or producer of extracted marketable petroleum and~~  
19 ~~other mineral or crude oil;~~

20 ~~(ii) -- 15.25% on the gross value paid in cash or~~  
21 ~~apportioned in kind to a nonworking interest owner by the~~  
22 ~~operator or producer of extracted or marketable natural gas;~~

23 ~~(b) -- The amounts paid or apportioned in kind to~~  
24 ~~nonworking interest owners are exempt from the local~~  
25 ~~government severance taxes imposed under 15-36-121(2) and~~



1 ~~under subsections (1)(a) through (1)(d) of this section.~~

2       ~~(4)(3)~~ Nothing in this part may be construed as  
3 requiring laborers or employees hired or employed by any  
4 person to drill any oil or natural gas well or to work in or  
5 about any oil or natural gas well or prospect or explore for  
6 or do any work for the purpose of developing any petroleum,  
7 other mineral or crude oil, or natural gas to pay the  
8 severance tax, nor may work done or the drilling of a well  
9 or wells for the purpose of prospecting or exploring for  
10 petroleum, other mineral or crude oil, or natural gas or for  
11 the purpose of developing them be considered to be the  
12 engaging in or carrying on of the business. If, in the doing  
13 of any work, in the drilling of any oil or natural gas well,  
14 or in prospecting, exploring, or development work, any  
15 merchantable or marketable petroleum, other mineral or crude  
16 oil, or natural gas in excess of the quantity required by  
17 the person for carrying on the operation is produced  
18 sufficient in quantity to justify the marketing of the  
19 petroleum, other mineral or crude oil, or natural gas, the  
20 work, drilling, prospecting, exploring, or development work  
21 is considered to be the engaging in and carrying on of the  
22 business of producing petroleum, other mineral or crude oil,  
23 or natural gas within this state within the meaning of this  
24 section.

25       ~~(5)(4)~~ Every person required to pay the ~~state or local~~

1 government severance tax under this section shall pay the  
2 tax in full for his own account and for the account of each  
3 of the other owner or owners of the gross proceeds in value  
4 or in kind of all the marketable petroleum or other mineral  
5 or crude oil or natural gas extracted and produced,  
6 including owner or owners of working interest, royalty  
7 interest, overriding royalty interest, carried working  
8 interest, net proceeds interest, production payments, and  
9 all other interest or interests owned or carved out of the  
10 total gross proceeds in value or in kind of the extracted  
11 marketable petroleum or other mineral or crude oil or  
12 natural gas, except that any of the interests that are owned  
13 by the federal, state, county, or municipal governments are  
14 exempt from taxation under this chapter. Unless otherwise  
15 provided in a contract or lease, the pro rata share of any  
16 royalty owner or owners will be deducted from any  
17 settlements under the lease or leases or division of  
18 proceeds orders or other contracts.

19       ~~(6)(5)~~ For purposes of this section, ~~the following~~  
20 ~~definitions apply:~~

21       ~~(a)~~ "Gross gross taxable value" means the gross value  
22 of the product as determined in 15-36-103 ~~less the gross~~  
23 ~~value paid in cash or apportioned in kind to a nonworking~~  
24 ~~interest owner by the operator or producer of extracted~~  
25 ~~marketable petroleum, other mineral or crude oil, or natural~~

1 gas:

2 (b) ~~---"Nonworking--interest--owner"---means--any--interest~~  
 3 ~~owner--who--does--not--share--in--the--development--and--operation~~  
 4 ~~costs--of--the--lease--or--unit."~~

5 **Section 17.** Section 15-36-102, MCA, is amended to read:

6 "15-36-102. Quarterly payment of tax ~~---delayed-payment~~  
 7 ~~of--local--government--severance--tax. (1)---Except--as--provided--in~~  
 8 ~~subsection--(2),~~ The severance tax must be paid in quarterly  
 9 installments for the quarterly periods ending, respectively,  
 10 March 31, June 30, September 30, and December 31 of each  
 11 year, and the amount of the tax for each quarterly period  
 12 must be paid to the department of revenue within 60 days  
 13 after the end of each quarterly period.

14 (2) ~~---Local--government--severance--tax--must--be--paid--in~~  
 15 ~~quarterly--installments--1--year--after--the--end--of--each--quarter~~  
 16 ~~for---which---a---statement---is---completed---as---required---by~~  
 17 ~~15-36-105."~~

18 **Section 18.** Section 15-36-105, MCA, is amended to read:

19 "15-36-105. Statement to accompany payment -- records  
 20 -- collection of tax -- refunds. (1) Each person shall,  
 21 within 60 days after the end of each following quarter,  
 22 complete on forms prescribed by the department of revenue a  
 23 statement showing the total number of barrels of  
 24 merchantable or marketable petroleum and other mineral or  
 25 crude oil or cubic feet of natural gas produced or extracted

1 by the person in the state during each month of the quarter  
 2 and during the whole quarter, the average value of the  
 3 production during each month, and the total value of the  
 4 production for the whole quarter, together with the total  
 5 amount due to the state as severance taxes ~~and--local~~  
 6 ~~government--severance--taxes~~ for the quarter, and shall within  
 7 such 60 days deliver the statement and, except as provided  
 8 in ~~15-36-102(2)~~ and 15-36-121, pay to the department the  
 9 amount of the taxes shown by the statement to be due to the  
 10 state for the quarter for which the statement is made. The  
 11 statement must be signed by the individual or the president,  
 12 vice-president, treasurer, assistant treasurer, or managing  
 13 agent in this state of the association, corporation,  
 14 joint-stock company, or syndicate making the statement. Any  
 15 person engaged in carrying on business at more than one  
 16 place in this state or owning, leasing, controlling, or  
 17 operating more than one oil or gas well in this state may  
 18 include all operations in one statement. The department  
 19 shall receive and file all statements and collect and  
 20 receive from the person making and filing a statement the  
 21 amount of tax payable by the person, if any, as appears in  
 22 the statement.

23 (2) It is the duty of the department to examine each of  
 24 the statements and compute the taxes thereon, and the amount  
 25 computed by the department is the tax imposed, assessed

1 against, and payable by the taxpayer making the statement  
 2 for the quarter for which the statement is filed. If the tax  
 3 found to be due is greater than the amount paid, the excess  
 4 must be paid by the taxpayer to the department within 10  
 5 days after written notice of the amount of the deficiency is  
 6 mailed by the department to the taxpayer. If the tax imposed  
 7 is less than the amount paid, the difference must be applied  
 8 as a credit against tax liability for subsequent quarters or  
 9 refunded if there is no subsequent tax liability.

10 (3) If the tax is not paid on or before the due date,  
 11 there must be assessed a penalty of 10% of the amount of the  
 12 tax, unless it is shown that the failure was due to  
 13 reasonable cause and not due to neglect. If any tax under  
 14 this chapter is not paid when due, interest must be added to  
 15 the tax at the rate of 1% a month or fraction thereof,  
 16 computed on the total amount of severance tax and penalty  
 17 from the due date until paid."

18 **Section 19.** Section 15-36-112, MCA, is amended to read:

19 "15-36-112. Disposition of oil and gas ~~state-and-local~~  
 20 ~~government-severance taxes ---calculation-of-unit-value-for~~  
 21 ~~local-government-severance-tax.~~ (1) Each year the department  
 22 of revenue shall determine the amount of tax collected under  
 23 this chapter from within each taxing-unit county.

24 (2) ~~For purposes of the distribution of local~~  
 25 ~~government-severance taxes collected under this chapter, the~~

1 ~~department shall determine the unit value of oil and gas for~~  
 2 ~~each taxing unit as follows:~~

3 ~~(a) The unit value for petroleum and other mineral or~~  
 4 ~~crude oil for each taxing unit is the quotient obtained by~~  
 5 ~~dividing the net proceeds taxes calculated on petroleum or~~  
 6 ~~mineral or crude oil produced in that taxing unit in~~  
 7 ~~calendar year 1988 by the number of barrels of petroleum or~~  
 8 ~~other mineral or crude oil produced in that taxing unit~~  
 9 ~~during 1988, excluding new and interim production.~~

10 ~~(b) The unit value for natural gas is the quotient~~  
 11 ~~obtained by dividing the net proceeds taxes calculated on~~  
 12 ~~natural gas produced in that taxing unit in calendar year~~  
 13 ~~1988 by the number of cubic feet of natural gas produced in~~  
 14 ~~that taxing unit during 1988, excluding new and interim~~  
 15 ~~production.~~

16 ~~(3) The state and local government severance taxes~~  
 17 ~~collected under this chapter are allocated as follows:~~

18 ~~(a) The local government severance tax~~ the amount, if  
 19 any, by which the tax collected from within a county for any  
 20 fiscal year exceeds, by reason of increased production, the  
 21 total amount collected from within that county for the  
 22 previous fiscal year is statutorily appropriated, as  
 23 provided in 17-7-502, for allocation to the general fund of  
 24 the county for distribution as provided in subsection ~~(4)~~  
 25 ~~(3); and~~

1 (b) ~~The state severance tax~~ any amount not allocated to  
2 the county under subsection (2)(a) is allocated to the state  
3 general fund.

4 ~~(4)(3)~~ (a) For the purpose of distribution of the local  
5 government severance tax, the department shall adjust the  
6 unit value determined under this section according to the  
7 ratio that the local government severance taxes collected  
8 during the quarters to be distributed plus accumulated  
9 interest earned by the state and penalties and interest on  
10 delinquent local government severance taxes bears to the  
11 total liability for local government severance taxes for the  
12 quarters to be distributed. The taxes must be calculated and  
13 distributed as follows:

14 (i) By November 30 of each year, the department shall  
15 calculate and distribute to each eligible county the amount  
16 of local government severance tax, determined by multiplying  
17 unit value as adjusted in this subsection (4)(a) times the  
18 units of production on which the local government severance  
19 tax was owed during the calendar quarters ending March 31  
20 and June 30 of the preceding calendar year.

21 (ii) By May 31 of each year, the department shall  
22 calculate and distribute to each eligible county the amount  
23 of local government severance tax, determined by multiplying  
24 unit value as adjusted in this subsection (4)(a) times the  
25 units of production on which the local government severance

1 tax was owed during the 2 calendar quarters immediately  
2 following those quarters referred to in subsection  
3 (4)(a)(i).

4 (b) Any amount by which the total tax liability exceeds  
5 or is less than the total distributions determined in  
6 subsections (4)(a)(i) and (4)(a)(ii) must be calculated and  
7 distributed in the following manner:

8 (i) The excess amount or shortage must be divided by  
9 the total distribution determined for that period to obtain  
10 an excess or shortage percentage.

11 (ii) The excess percentage must be multiplied by the  
12 distribution to each taxing unit, and this amount must be  
13 added to the distribution to each respective taxing unit.

14 (iii) The shortage percentage must be multiplied by the  
15 distribution to each taxing unit, and this amount must be  
16 subtracted from the distribution to each respective taxing  
17 unit.

18 (5) The county treasurer shall distribute the money  
19 received under subsection (4) (2)(a) to the taxing units  
20 that levied mills in fiscal year 1990 against calendar year  
21 1988 production in the same manner that all other property  
22 tax proceeds were distributed during fiscal year 1990 in the  
23 taxing unit, except that no distribution may be made to a  
24 municipal taxing unit county and to all the incorporated  
25 cities and towns within the county as provided in this

1 subsection. The county receives the available money  
 2 multiplied by the ratio of the rural population to the  
 3 county population. Each incorporated municipality receives  
 4 the available money multiplied by the ratio of the  
 5 population of the incorporated municipality to the county  
 6 population. The rural population is that population of the  
 7 county living outside the boundaries of an incorporated  
 8 municipality. Population must be based on the most recent  
 9 figures as determined by the department of commerce.

10 (b) The money distributed under subsection (3)(a) may  
 11 be used for any purpose as determined by the governing body  
 12 of the county, city, or town."

13 **Section 20.** Section 15-36-121, MCA, is amended to read:

14 "15-36-121. Exemption from state severance tax --  
 15 ~~imposition--of-local-government-severance-tax. (1)--It-is-the~~  
 16 ~~public-policy-of-this-state-to-promote-a-sufficient-supply~~  
 17 ~~of-natural-gas-to-provide-for-the-residents-of-this-state,~~  
 18 ~~to-lessen-Montana's-dependence-on-imported-natural-gas,--and~~  
 19 ~~to--encourage--the--expioration--for--and--development--and~~  
 20 ~~production-of-natural-gas,--petroleum,--and-other-mineral--and~~  
 21 ~~crude-oil-within-the-state;~~

22 ~~(2)(1)~~ All the natural gas produced from any well that  
 23 has produced 60,000 cubic feet or less of natural gas a day  
 24 for the calendar year prior to the current year shall be  
 25 taxed as provided in this section. Production must be

1 determined by dividing the amount of production from a lease  
 2 or unitized area for the year prior to the current calendar  
 3 year by the number of producing wells in the lease or  
 4 unitized area and by dividing the resulting quotient by 365.  
 5 The first 30,000 cubic feet of average daily production per  
 6 well is exempt from all of the state severance tax imposed  
 7 by 15-36-101. ~~The-first-30,000-cubic-feet-of-average-daily~~  
 8 ~~production--per--well--is--subject--to--a--local--government~~  
 9 ~~severance-tax-of-10%.~~ Everything over 30,000 cubic feet of  
 10 gas produced is taxed at 1.59% ~~plus-a-local-government~~  
 11 ~~severance-tax-of-10%.~~

12 ~~(3)--For-the-purposes-of-this-section,--"stripper-well"~~  
 13 ~~means--a--well--that--produces-less-than-10-barrels-per-day,~~  
 14 ~~determined-by-dividing-the-amount-of-production-from-a-lease~~  
 15 ~~or-unitized-area-for-the-year-prior-to-the-current--calendar~~  
 16 ~~year--by--the--number--of--producing--wells--in-the-lease-or~~  
 17 ~~unitized-area,--and-by-dividing--the--resulting--quotient--by~~  
 18 ~~365.~~

19 ~~(4)(2)~~ Notwithstanding the provisions of subsection ~~(2)~~  
 20 ~~(1)~~, all reporting requirements under the state severance  
 21 tax remain in effect."

22 **Section 21.** Section 20-9-141, MCA, is amended to read:

23 "20-9-141. Computation of general fund net levy  
 24 requirement by county superintendent. (1) The county  
 25 superintendent shall compute the levy requirement for each

1 district's general fund on the basis of the following  
2 procedure:

3 (a) Determine the funding required for the district's  
4 final general fund budget less the amount established by the  
5 schedules in 20-9-316 through 20-9-321 by totaling:

6 (i) the district's nonisolated school foundation  
7 program requirement to be met by a district levy as provided  
8 in 20-9-303; and

9 (ii) any additional general fund budget amount adopted  
10 by the trustees of the district under the provisions of  
11 20-9-353, including any additional levies authorized by the  
12 electors of the district.

13 (b) Determine the money available for the reduction of  
14 the property tax on the district for the general fund by  
15 totaling:

16 (i) anticipated federal money received under the  
17 provisions of Title I of Public Law 81-874 or other  
18 anticipated federal money received in lieu of that federal  
19 act;

20 (ii) anticipated tuition payments for out-of-district  
21 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,  
22 and 20-5-313;

23 (iii) general fund cash reappropriated, as established  
24 under the provisions of 20-9-104;

25 (iv) anticipated or reappropriated state impact aid

1 received under the provisions of 20-9-304;

2 (v) anticipated or reappropriated revenue from property  
3 taxes and fees imposed under 23-2-517, 23-2-803,  
4 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

5 (vi) anticipated net proceeds taxes for interim  
6 production-and new production, as defined in 15-23-601;

7 ~~(vii) anticipated---revenue---from---local---government~~  
8 ~~severance-taxes-as-provided-in-15-36-112;~~

9 ~~(viii)-anticipated--revenue--from--coal--gross--proceeds~~  
10 ~~under-15-23-703;~~

11 ~~(ix)~~ anticipated interest to be earned or reappropriated  
12 interest earned by the investment of general fund cash in  
13 accordance with the provisions of 20-9-213(4);

14 ~~(x)(viii)~~ anticipated revenue from corporation license  
15 taxes collected from financial institutions under the  
16 provisions of 15-31-702; and

17 ~~(xi)(ix)~~ any other revenue anticipated by the trustees  
18 to be received during the ensuing school fiscal year which  
19 may be used to finance the general fund.

20 (c) Subtract the money available to reduce the property  
21 tax required to finance the general fund that has been  
22 determined in subsection (1)(b) from the total requirement  
23 determined in subsection (1)(a).

24 (2) The net general fund levy requirement determined in  
25 subsection (1)(c) must be reported to the county

1 commissioners on the second Monday of August by the county  
2 superintendent as the general fund levy requirement for the  
3 district, and a levy must be made by the county  
4 commissioners in accordance with 20-9-142."

5 **Section 22.** Section 20-9-316, MCA, is amended to read:

6 "**20-9-316. Elementary school maximum budget schedule**  
7 **for 1989-90 fiscal year 1992.** (1) For each elementary school  
8 having an ANB of nine or fewer pupils, the maximum is  
9 ~~\$20,763~~ \$24,355 if the school is approved as an isolated  
10 school.

11 (2) For schools with an ANB of 10 pupils but less than  
12 18 pupils, the maximum is ~~\$20,763~~ \$24,355 plus ~~\$868~~ \$1,018  
13 per pupil on the basis of the average number belonging over  
14 nine.

15 (3) For schools with an ANB of at least 14 pupils but  
16 less than 18 pupils that qualify for instructional aide  
17 funding under 20-9-322, the maximum is ~~\$34,033~~ \$39,922 plus  
18 ~~\$868~~ \$1,018 per pupil on the basis of the average number  
19 belonging over 14.

20 (4) For schools with an ANB of 18 pupils and employing  
21 one teacher, the maximum is ~~\$20,573~~ \$33,517 plus ~~\$868~~ \$1,018  
22 per pupil on the basis of the average number belonging over  
23 18, not to exceed an ANB of 25.

24 (5) For schools with an ANB of 18 pupils and employing  
25 two full-time teachers, the maximum is ~~\$45,619~~ \$53,512 plus

1 ~~\$543~~ \$638 per pupil on the basis of the average number  
2 belonging over 18, not to exceed an ANB of 50.

3 (6) For schools having an ANB in excess of 40, the  
4 maximum, on the basis of the total pupils (ANB) in the  
5 district, for elementary pupils is as follows:

6 (a) For a school having an ANB of more than 40 and  
7 employing a minimum of three teachers, the maximum of ~~\$2,016~~  
8 \$2,365 must be decreased at the rate of ~~\$1.96~~ \$2.30 for each  
9 additional pupil until the total number (ANB) reaches 100  
10 pupils.

11 (b) For a school having an ANB of more than 100 pupils,  
12 the maximum of ~~\$1,898~~ \$2,227 must be decreased at the rate  
13 of ~~\$1.79~~ \$1.26 for each additional pupil until the ANB  
14 reaches 300 pupils.

15 (c) For a school having an ANB of more than 300 pupils,  
16 the maximum may not exceed ~~\$1,541~~ \$1,970 for each pupil.

17 (7) The maximum per pupil for all pupils (ANB) and for  
18 all elementary schools must be computed on the basis of the  
19 amount allowed in this section on account of the last  
20 eligible pupil (ANB). All elementary schools operated within  
21 the incorporated limits of a city or town must be treated as  
22 one school for the purpose of this schedule."

23 **Section 23.** Section 20-9-317, MCA, is amended to read:

24 "**20-9-317. High school maximum budget schedule for**  
25 **1989-90 fiscal year 1992.** (1) For each high school having an

1 ANB of 24 or fewer pupils, the maximum is ~~\$110,290~~ \$148,107.

2 (2) For a high school having an ANB of more than 24  
3 pupils, the maximum of ~~\$4,929~~ \$6,171 must be decreased at  
4 the rate of ~~\$26.88~~ \$33.66 for each additional pupil until  
5 the ANB reaches 40 pupils.

6 (3) For a school having an ANB of more than 40 pupils,  
7 the maximum of ~~\$4,499~~ \$5,633 must be decreased at the rate  
8 of ~~\$26.88~~ \$33.66 for each additional pupil until the ANB  
9 reaches 100 pupils.

10 (4) For a school having an ANB of more than 100 pupils,  
11 the maximum of ~~\$2,886~~ \$3,613 must be decreased at the rate  
12 of ~~\$4.58~~ \$5.63 for each additional pupil until the ANB  
13 reaches 200 pupils.

14 (5) For a school having an ANB of more than 200 pupils,  
15 the maximum of ~~\$2,436~~ \$3,050 must be decreased by ~~\$2.47~~  
16 \$3.09 for each additional pupil until the ANB reaches 300  
17 pupils.

18 (6) For a school having an ANB of more than 300 pupils,  
19 the maximum of ~~\$2,189~~ \$2,740 must be decreased at the rate  
20 of ~~45~~ 57 cents for each additional pupil until the ANB  
21 reaches 600 pupils.

22 (7) For a school having an ANB of more than 600 pupils,  
23 the maximum may not exceed ~~\$2,053~~ \$2,570 per pupil.

24 (8) The maximum per pupil for all pupils (ANB) and for  
25 all high schools must be computed on the basis of the amount

1 allowed in this section on account of the last eligible  
2 pupil (ANB). All high schools and junior high schools which  
3 have been approved and accredited as junior high schools,  
4 operated within the incorporated limits of a city or town,  
5 must be treated as one school for the purpose of this  
6 schedule."

7 **Section 24.** Section 20-9-318, MCA, is amended to read:  
8 "20-9-318. Elementary school foundation program  
9 schedule for school fiscal year ~~1991~~ 1993 and succeeding  
10 years. For the school fiscal year ending June 30, ~~1991~~ 1993,  
11 and succeeding school years, the elementary school  
12 foundation program schedule is as follows:

13 (1) For each elementary school having an ANB of nine or  
14 fewer pupils, the maximum is ~~\$23,646~~ \$25,086 if the school  
15 is approved as an isolated school.

16 (2) For schools with an ANB of 10 pupils but less than  
17 18 pupils, the maximum is ~~\$23,646~~ \$25,086 plus ~~\$988~~ \$1,048  
18 per pupil on the basis of the average number belonging over  
19 nine.

20 (3) For schools with an ANB of at least 14 pupils but  
21 less than 18 pupils that qualify for instructional aide  
22 funding under 20-9-322, the maximum is ~~\$30,759~~ \$41,119 plus  
23 ~~\$988~~ \$1,048 per pupil on the basis of the average number  
24 belonging over 14.

25 (4) For schools with an ANB of 18 pupils and employing



1 one teacher, the maximum is ~~932,541~~ \$34,523 plus ~~9988~~ \$1,048  
 2 per pupil on the basis of the average number belonging over  
 3 18, not to exceed an ANB of 25.

4 (5) For schools with an ANB of 18 pupils and employing  
 5 two full-time teachers, the maximum is ~~51,953~~ \$55,117 plus  
 6 ~~6619~~ \$657 per pupil on the basis of the average number  
 7 belonging over 18, not to exceed an ANB of 50.

8 (6) For schools having an ANB in excess of 40, the  
 9 maximum, on the basis of the total pupils (ANB) in the  
 10 district, is as follows:

11 (a) For a school having an ANB of more than 40 and  
 12 employing a minimum of three teachers, the maximum of ~~27,296~~  
 13 \$2,436 is decreased at the rate of ~~27,23~~ \$2.37 for each  
 14 additional pupil until the total number (ANB) reaches a  
 15 total of 100 pupils.

16 (b) For a school having an ANB of more than 100 pupils,  
 17 the maximum of ~~27,162~~ \$2,294 is decreased at the rate of  
 18 ~~17,22~~ \$1.29 for each additional pupil until the ANB reaches  
 19 300 pupils.

20 (c) For a school having an ANB of more than 300 pupils,  
 21 the maximum may not exceed ~~17,913~~ \$2,030 for each pupil.

22 (7) The maximum per pupil for all pupils (ANB) and for  
 23 all elementary schools must be computed on the basis of the  
 24 amount allowed in this section on account of the last  
 25 eligible pupil (ANB). All elementary schools operated within

1 the incorporated limits of a city or town must be treated as  
 2 one school for the purpose of this schedule."

3 **Section 25.** Section 20-9-319, MCA, is amended to read:

4 "20-9-319. High school foundation program schedule for  
 5 school fiscal year ~~1991~~ 1993 and succeeding years. For the  
 6 school fiscal year ending June 30, ~~1991~~ 1993, and succeeding  
 7 school years, the high school foundation program schedule is  
 8 as follows:

9 (1) For each high school having an ANB of 24 or fewer  
 10 pupils, the maximum is ~~143,793~~ \$152,550.

11 (2) For a high school having an ANB of more than 24  
 12 pupils, the maximum of ~~57,991~~ \$6,356 is decreased at the  
 13 rate of ~~32,68~~ \$34.67 for each additional pupil until the  
 14 ANB reaches a total of 40 pupils.

15 (3) For a school having an ANB of more than 40 pupils,  
 16 the maximum of ~~57,469~~ \$5,802 is decreased at the rate of  
 17 ~~32,68~~ \$34.67 for each additional pupil until the ANB  
 18 reaches 100 pupils.

19 (4) For a school having an ANB of more than 100 pupils,  
 20 the maximum of ~~37,500~~ \$3,722 is decreased at the rate of  
 21 ~~57,47~~ \$5.80 for each additional pupil until the ANB reaches  
 22 200 pupils.

23 (5) For a school having an ANB of more than 200 pupils,  
 24 the maximum of ~~27,961~~ \$3,141 is decreased by ~~33,00~~ \$3.18 for  
 25 each additional pupil until the ANB reaches 300 pupils.

1 (6) For a school having an ANB of more than 300 pupils,  
2 the maximum of ~~\$2,660~~ \$2,822 is decreased at the rate of 55  
3 58 cents for each additional pupil until the ANB reaches 600  
4 pupils.

5 (7) For a school having an ANB of more than 600 pupils,  
6 the maximum may not exceed ~~\$2,495~~ \$2,647 per pupil.

7 (8) The maximum per pupil for all pupils (ANB) and for  
8 all high schools must be computed on the basis of the amount  
9 allowed in this section on account of the last eligible  
10 pupil (ANB). All high schools and junior high schools which  
11 have been approved and accredited as junior high schools,  
12 operated within the incorporated limits of a city or town,  
13 must be treated as one school for the purpose of this  
14 schedule."

15 **Section 26.** Section 20-9-331, MCA, is amended to read:

16 "20-9-331. Basic county tax and other revenues for  
17 county equalization of the elementary district foundation  
18 program. (1) The county commissioners of each county shall  
19 levy an annual basic tax of 33 mills on the dollar of the  
20 taxable value of all taxable property within the county,  
21 except for property subject to a tax or fee under 23-2-517,  
22 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, for  
23 the purposes of local and state foundation program support.  
24 The revenue collected from this levy must be apportioned to  
25 the support of the foundation programs of the elementary

1 school districts in the county and to the state special  
2 revenue fund, state equalization aid account, in the  
3 following manner:

4 (a) In order to determine the amount of revenue raised  
5 by this levy which is retained by the county, the sum of the  
6 estimated revenue identified in subsection (2) must be  
7 subtracted from the total of the foundation programs of all  
8 elementary districts of the county.

9 (b) If the basic levy prescribed by this section  
10 produces more revenue than is required to finance the  
11 difference determined in subsection (1)(a), the county  
12 treasurer shall remit the surplus funds to the state  
13 treasurer for deposit to the state special revenue fund,  
14 state equalization aid account, immediately upon occurrence  
15 of a surplus balance and each subsequent month thereafter,  
16 with any final remittance due no later than June 20 of the  
17 fiscal year for which the levy has been set.

18 (c) If revenue from the basic levy prescribed by this  
19 section when combined with the other revenue from subsection  
20 (2) is insufficient to fully fund the percentage determined  
21 in 20-9-347(1)(b) and the county is eligible for an  
22 apportionment of state equalization aid under the provisions  
23 of 20-9-347(1)(c), the county superintendent shall notify  
24 the superintendent of public instruction of the deficiency.  
25 The superintendent of public instruction shall increase the

1 state equalization aid payments to the districts in the  
2 affected county to offset the deficiency. A payment may not  
3 be made under this subsection (c) that allows a district to  
4 receive foundation program funding in excess of the  
5 foundation program amount of the district.

6 (2) The revenue realized from the county's portion of  
7 the levy prescribed by this section and the revenue from the  
8 following sources must be used for the equalization of the  
9 elementary district foundation programs of the county as  
10 prescribed in 20-9-334, and a separate accounting must be  
11 kept of the revenue by the county treasurer in accordance  
12 with 20-9-212(1):

13 (a) the portion of the federal Taylor Grazing Act funds  
14 distributed to a county and designated for the common school  
15 fund under the provisions of 17-3-222;

16 (b) the portion of the federal flood control act funds  
17 distributed to a county and designated for expenditure for  
18 the benefit of the county common schools under the  
19 provisions of 17-3-232;

20 (c) all money paid into the county treasury as a result  
21 of fines for violations of law, except money paid to a  
22 justice's court, and the use of which is not otherwise  
23 specified by law;

24 (d) any money remaining at the end of the immediately  
25 preceding school fiscal year in the county treasurer's

1 accounts for the various sources of revenue established or  
2 referred to in this section;

3 (e) any federal or state money distributed to the  
4 county as payment in lieu of property taxation, including  
5 federal forest reserve funds allocated under the provisions  
6 of 17-3-213;

7 (f) ~~gross-proceeds-taxes-from-coal-under-15-23-703;~~  
8 ~~fg) net proceeds taxes for interim-production-and new~~  
9 ~~production, as defined in 15-23-6017--and--local--government~~  
10 ~~severance--taxes--on--any--other--production-occurring-after~~  
11 ~~December-31-1988; and~~

12 ~~rh)g) anticipated revenue from property taxes and fees~~  
13 ~~imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,~~  
14 ~~61-3-537, and 67-3-204."~~

15 **Section 27.** Section 20-9-333, MCA, is amended to read:

16 **"20-9-333. Basic special levy and other revenues for**  
17 **county equalization of high school district foundation**  
18 **program.** (1) The county commissioners of each county shall  
19 levy an annual basic special tax for high schools of 22  
20 mills on the dollar of the taxable value of all taxable  
21 property within the county, except for property subject to a  
22 tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
23 61-3-537, and 67-3-204, for the purposes of local and state  
24 foundation program support. The revenue collected from this  
25 levy must be apportioned to the support of the foundation

1 programs of high school districts in the county and to the  
2 state special revenue fund, state equalization aid account,  
3 in the following manner:

4 (a) In order to determine the amount of revenue raised  
5 by this levy which is retained by the county, the sum of the  
6 estimated revenue identified in subsection (2) must be  
7 subtracted from the sum of the county's high school tuition  
8 obligation and the total of the foundation programs of all  
9 high school districts of the county.

10 (b) If the basic levy prescribed by this section  
11 produces more revenue than is required to finance the  
12 difference determined in subsection (1)(a), the county  
13 treasurer shall remit the surplus funds to the state  
14 treasurer for deposit to the state special revenue fund,  
15 state equalization aid account, immediately upon occurrence  
16 of a surplus balance and each subsequent month thereafter,  
17 with any final remittance due no later than June 20 of the  
18 fiscal year for which the levy has been set.

19 (c) If revenue from the basic levy prescribed by this  
20 section when combined with the other revenue from subsection  
21 (2) is insufficient to fully fund the percentage determined  
22 in 20-9-347(1)(b) and the county is eligible for an  
23 apportionment of state equalization aid under the provisions  
24 of 20-9-347(1)(c), the county superintendent shall notify  
25 the superintendent of public instruction of the deficiency.

1 The superintendent of public instruction shall increase the  
2 state equalization aid payments to the districts in the  
3 affected county to offset the deficiency. A payment may not  
4 be made under this subsection (c) that allows a district to  
5 receive foundation program funding in excess of the  
6 foundation program amount of the district.

7 (2) The revenue realized from the county's portion of  
8 the levy prescribed in this section and the revenue from the  
9 following sources must be used for the equalization of the  
10 high school district foundation programs of the county as  
11 prescribed in 20-9-334, and a separate accounting must be  
12 kept of the revenue by the county treasurer in accordance  
13 with 20-9-212(1):

14 (a) any money remaining at the end of the immediately  
15 preceding school fiscal year in the county treasurer's  
16 accounts for the various sources of revenue established in  
17 this section;

18 (b) any federal or state money distributed to the  
19 county as payment in lieu of property taxation, including  
20 federal forest reserve funds allocated under the provisions  
21 of 17-3-213;

22 ~~(c) gross proceeds taxes from coal under 15-23-703;~~

23 ~~(d) net proceeds taxes for interim production and new~~  
24 ~~production, as defined in 15-23-601, and local government~~  
25 ~~severance taxes on any other production occurring after~~

1 ~~December 31, 1988~~; and

2 ~~(e)~~(d) anticipated revenue from property taxes and fees  
3 imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
4 61-3-537, and 67-3-204."

5 **Section 28.** Section 20-9-366, MCA, is amended to read:

6 "20-9-366. Definitions. As used in 20-9-366 through  
7 20-9-369, the following definitions apply:

8 (1) "County mill value per elementary ANB" or "county  
9 mill value per high school ANB" means the sum of the current  
10 taxable valuation of all property in the county plus the  
11 taxable value of oil and gas net proceeds determined under  
12 15-23-607(4) for production occurring after March 31, 1990,  
13 ~~plus the taxable value of coal gross proceeds determined~~  
14 ~~under 15-23-703(3)~~ plus all the taxable value of nonlevy  
15 revenue for the support of schools, other than Public Law  
16 81-874 funds, divided by 1,000, with the quotient divided by  
17 the total county elementary ANB count or the total county  
18 high school ANB count used to calculate the elementary  
19 school districts' and high school districts' current year  
20 foundation program amounts. The taxable value of nonlevy  
21 revenue for the purpose of computing guaranteed tax base aid  
22 for schools is the amount of nonlevy revenue received by a  
23 district in the previous year, including for fiscal year  
24 1991 the revenue received in fiscal year 1990 from the net  
25 proceeds taxation of oil and natural gas and including for

1 fiscal year 1992 ~~and thereafter~~ the local government  
2 severance tax, divided by the number of mills levied by the  
3 district in the previous year, multiplied by 1,000.

4 (2) "District mill value per ANB" means the current  
5 taxable valuation of all property in the district plus the  
6 taxable value of oil and gas net proceeds determined under  
7 15-23-607(4) for production occurring after March 31, 1990,  
8 ~~plus the taxable value of coal gross proceeds determined~~  
9 ~~under 15-23-703(3)~~ plus all the taxable value of nonlevy  
10 revenue for the support of schools, other than Public Law  
11 81-874 funds, divided by 1,000, with the quotient divided by  
12 the ANB count of the district used to calculate the  
13 district's current year foundation program schedule amount.  
14 The taxable value of nonlevy revenue for the purpose of  
15 computing guaranteed tax base aid for schools is the amount  
16 of nonlevy revenue received by a district in the previous  
17 year, including for fiscal year 1991 the revenue received in  
18 fiscal year 1990 from the net proceeds taxation of oil and  
19 natural gas and including for fiscal year 1992 ~~and~~  
20 ~~thereafter~~ the local government severance tax, divided by  
21 the number of mills levied by the district in the previous  
22 year, multiplied by 1,000.

23 (3) "Guaranteed overschedule general fund budget" means  
24 that portion of a district's general fund budget in excess  
25 of the foundation program amount for the district, as

1 provided in 20-9-316 through 20-9-321, but not exceeding  
 2 ~~±35%~~ 35% of the district's foundation program amount, and  
 3 which excess is authorized under the provisions of 20-9-145  
 4 and 20-9-353.

5 (4) "Statewide mill value per elementary ANB" or  
 6 "statewide mill value per high school ANB" means the sum of  
 7 the current taxable valuation of all property in the state  
 8 plus the taxable value of oil and gas net proceeds  
 9 determined under 15-23-607(4) for production occurring after  
 10 March 31, 1990, ~~plus--the--taxable--value--of--coal--gross~~  
 11 ~~proceeds--determined--under--15-23-703(3)~~ plus all the taxable  
 12 value of nonlevy revenue for the support of schools, other  
 13 than Public Law 81-874 funds, divided by 1,000, with the  
 14 quotient divided by the total state elementary ANB count or  
 15 the total state high school ANB count used to calculate the  
 16 elementary school districts' and high school districts'  
 17 current year foundation program amounts. The taxable value  
 18 of nonlevy revenue for the purpose of computing guaranteed  
 19 tax base aid for schools is the amount of nonlevy revenue  
 20 received by a district in the previous year, including for  
 21 fiscal year 1991 the revenue received in fiscal year 1990  
 22 from the net proceeds taxation of oil and natural gas and  
 23 including for fiscal year 1992 ~~and--thereafter~~ the local  
 24 government severance tax, divided by the number of mills  
 25 levied by the district in the previous year, multiplied by

1 1,000."

2 **Section 29.** Section 20-9-501, MCA, is amended to read:

3 "20-9-501. Retirement fund. (1) The trustees of any  
 4 district employing personnel who are members of the  
 5 teachers' retirement system or the public employees'  
 6 retirement system or who are covered by unemployment  
 7 insurance or who are covered by any federal social security  
 8 system requiring employer contributions shall establish a  
 9 retirement fund for the purposes of budgeting and paying the  
 10 employer's contributions to such systems. The district's  
 11 contribution for each employee who is a member of the  
 12 teachers' retirement system must be calculated in accordance  
 13 with Title 19, chapter 4, part 6. The district's  
 14 contribution for each employee who is a member of the public  
 15 employees' retirement system must be calculated in  
 16 accordance with 19-3-801. The district's contributions for  
 17 each employee covered by any federal social security system  
 18 must be paid in accordance with federal law and regulation.  
 19 The district's contribution for each employee who is covered  
 20 by unemployment insurance must be paid in accordance with  
 21 Title 39, chapter 51, part 11.

22 (2) The trustees of any district required to make a  
 23 contribution to any system referred to in subsection (1)  
 24 shall include in the retirement fund of the preliminary  
 25 budget the estimated amount of the employer's contribution.

1 After the final retirement fund budget has been adopted, the  
2 trustees shall pay the employer contributions to such  
3 systems in accordance with the financial administration  
4 provisions of this title.

5 (3) When the final retirement fund budget has been  
6 adopted, the county superintendent shall establish the levy  
7 requirement by:

8 (a) determining the sum of the money available to  
9 reduce the retirement fund levy requirement by adding:

10 (i) any anticipated money that may be realized in the  
11 retirement fund during the ensuing school fiscal year,  
12 including anticipated revenue from property taxes and fees  
13 imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
14 61-3-537, and 67-3-204;

15 (ii) anticipated guaranteed tax base aid in support of  
16 retirement;

17 (iii) net proceeds taxes ~~and local government severance~~  
18 ~~taxes on any other oil and gas production occurring after~~  
19 ~~December 31, 1988; and~~

20 (iv) ~~coal gross proceeds taxes under 15-29-703; and~~

21 ~~(v) any cash available for reappropriation as~~  
22 ~~determined by subtracting the amount of the end-of-the-year~~  
23 ~~cash balance earmarked as the retirement fund cash reserve~~  
24 ~~for the ensuing school fiscal year by the trustees from the~~  
25 ~~end-of-the-year cash balance in the retirement fund. The~~

1 retirement fund cash reserve may not be more than 35% of the  
2 final retirement fund budget for the ensuing school fiscal  
3 year and must be used for the purpose of paying retirement  
4 fund warrants issued by the district under the final  
5 retirement fund budget.

6 (b) subtracting the money available for reduction of  
7 the levy requirement, as determined in subsection (3)(a),  
8 from the budgeted amount for expenditures in the final  
9 retirement fund budget.

10 (4) The county superintendent shall:

11 (a) total the net retirement fund levy requirements  
12 separately for all elementary school districts, all high  
13 school districts, and all community college districts of the  
14 county, including any prorated joint district or special  
15 education cooperative agreement levy requirements; and

16 (b) report each levy requirement to the county  
17 commissioners on the second Monday of August as the  
18 respective county levy requirements for elementary district,  
19 high school district, and community college district  
20 retirement funds.

21 (5) The county commissioners shall fix and set the  
22 county levy in accordance with 20-9-142.

23 (6) The net retirement fund levy requirement for a  
24 joint elementary district or a joint high school district  
25 must be prorated to each county in which a part of the

1 district is located in the same proportion as the district  
 2 ANB of the joint district is distributed by pupil residence  
 3 in each county. The county superintendents of the counties  
 4 affected shall jointly determine the net retirement fund  
 5 levy requirement for each county as provided in 20-9-151.

6 (7) The net retirement fund levy requirement for  
 7 districts that are members of special education cooperative  
 8 agreements must be prorated to each county in which the  
 9 district is located in the same proportion as the budget for  
 10 the special education cooperative agreement of the district  
 11 bears to the total budget of the cooperative. The county  
 12 superintendents of the counties affected shall jointly  
 13 determine the net retirement fund levy requirement for each  
 14 county in the same manner as provided in 20-9-151 and fix  
 15 and levy the net retirement fund levy for each county in the  
 16 same manner as provided in 20-9-152."

17 **Section 30.** Section 20-10-144, MCA, is amended to read:

18 "20-10-144. **Computation of revenues and net tax levy**  
 19 **requirements for the transportation fund budget.** Before the  
 20 fourth Monday of July and in accordance with 20-9-123, the  
 21 county superintendent shall compute the revenue available to  
 22 finance the transportation fund budget of each district. The  
 23 county superintendent shall compute the revenue for each  
 24 district on the following basis:

25 (1) The "schedule amount" of the preliminary budget

1 expenditures that is derived from the rate schedules in  
 2 20-10-141 and 20-10-142 must be determined by adding the  
 3 following amounts:

4 (a) the sum of the maximum reimbursable expenditures  
 5 for all approved school bus routes maintained by the  
 6 district (to determine the maximum reimbursable expenditure,  
 7 multiply the applicable rate per bus mile by the total  
 8 number of miles to be traveled during the ensuing school  
 9 fiscal year on each bus route approved by the county  
 10 transportation committee and maintained by such district);  
 11 plus

12 (b) the total of all individual transportation per diem  
 13 reimbursement rates for the district as determined from the  
 14 contracts submitted by the district multiplied by the number  
 15 of pupil-instruction days scheduled for the ensuing school  
 16 attendance year; plus

17 (c) any estimated costs for supervised home study or  
 18 supervised correspondence study for the ensuing school  
 19 fiscal year; plus

20 (d) the amount budgeted on the preliminary budget for  
 21 the contingency amount permitted in 20-10-143, except if the  
 22 amount exceeds 10% of the total of subsections (1)(a),  
 23 (1)(b), and (1)(c) or \$100, whichever is larger, the  
 24 contingency amount on the preliminary budget must be reduced  
 25 to the limitation amount and used in this determination of



1 the schedule amount.

2 (2) The schedule amount determined in subsection (1) or  
3 the total preliminary transportation fund budget, whichever  
4 is smaller, is divided by 3 and the resulting one-third  
5 amount is used to determine the available state and county  
6 revenue to be budgeted on the following basis:

7 (a) the resulting one-third amount is the budgeted  
8 state transportation reimbursement, except that the state  
9 transportation reimbursement for the transportation of  
10 special education pupils under the provisions of 20-7-442  
11 must be two-thirds of the schedule amount attributed to the  
12 transportation of special education pupils;

13 (b) the resulting one-third amount, except as provided  
14 for joint elementary districts in subsection (2)(e), is the  
15 budgeted county transportation reimbursement for elementary  
16 districts and must be financed by the basic county tax under  
17 the provisions of 20-9-334;

18 (c) the resulting one-third amount multiplied by 2 is  
19 the budgeted county transportation reimbursement amount for  
20 high school districts financed under the provisions of  
21 subsection (5), except as provided for joint high school  
22 districts in subsection (2)(e), and except that the county  
23 transportation reimbursement for the transportation of  
24 special education pupils under the provisions of 20-7-442  
25 must be one-third of the schedule amount attributed to the

1 transportation of special education pupils;

2 (d) when the district has a sufficient amount of cash  
3 for reappropriation and other sources of district revenue,  
4 as determined in subsection (3), to reduce the total  
5 district obligation for financing to zero, any remaining  
6 amount of district revenue and cash reappropriated must be  
7 used to reduce the county financing obligation in subsection  
8 (2)(b) or (2)(c) and, if the county financing obligations  
9 are reduced to zero, to reduce the state financial  
10 obligation in subsection (2)(a); and

11 (e) the county revenue requirement for a joint  
12 district, after the application of any district money under  
13 subsection (2)(d), must be prorated to each county  
14 incorporated by the joint district in the same proportion as  
15 the ANB of the joint district is distributed by pupil  
16 residence in each county.

17 (3) The total of the money available for the reduction  
18 of property tax on the district for the transportation fund  
19 must be determined by totaling:

20 (a) anticipated federal money received under the  
21 provisions of Title I of Public Law 81-874 or other  
22 anticipated federal money received in lieu of that federal  
23 act; plus

24 (b) anticipated payments from other districts for  
25 providing school bus transportation services for the

1 district; plus

2 (c) anticipated payments from a parent or guardian for  
3 providing school bus transportation services for his child;  
4 plus

5 (d) anticipated or reappropriated interest to be earned  
6 by the investment of transportation fund cash in accordance  
7 with the provisions of 20-9-213(4); plus

8 (e) anticipated or reappropriated revenue from property  
9 taxes and fees imposed under 23-2-517, 23-2-803,  
10 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204; plus

11 ~~(f) gross-proceeds-taxes--from--coal--under--15-23-703;~~  
12 plus

13 ~~(g) net proceeds taxes for interim-production-and new~~  
14 ~~production, as defined in 15-23-601--and--local--government~~  
15 ~~severance--taxes--on--any--other--production-occurring-after~~  
16 ~~December-31-1988; plus~~

17 ~~(h)(g)~~ any other revenue anticipated by the trustees to  
18 be earned during the ensuing school fiscal year which may be  
19 used to finance the transportation fund; plus

20 ~~(i)(h)~~ any cash available for reappropriation as  
21 determined by subtracting the amount of the end-of-the-year  
22 cash balance earmarked as the transportation fund cash  
23 reserve for the ensuing school fiscal year by the trustees  
24 from the end-of-the-year cash balance in the transportation  
25 fund. The cash reserve may not be more than 20% of the final

1 transportation fund budget for the ensuing school fiscal  
2 year and is for the purpose of paying transportation fund  
3 warrants issued by the district under the final  
4 transportation fund budget.

5 (4) The district levy requirement for each district's  
6 transportation fund must be computed by:

7 (a) subtracting the schedule amount calculated in  
8 subsection (1) from the total preliminary transportation  
9 budget amount and, for an elementary district, adding the  
10 difference to the district obligation to finance one-third  
11 of the schedule amount as determined in subsection (2); and

12 (b) subtracting the amount of money available to reduce  
13 the property tax on the district, as determined in  
14 subsection (3), from the amount determined in subsection  
15 (4)(a).

16 (5) The county levy requirement for the financing of  
17 the county transportation reimbursement to high school  
18 districts is computed by adding all requirements for all the  
19 high school districts of the county, including the county's  
20 obligation for reimbursements in joint high school  
21 districts.

22 (6) The transportation fund levy requirements  
23 determined in subsection (4) for each district and in  
24 subsection (5) for the county must be reported to the county  
25 commissioners on the second Monday of August by the county

1 superintendent as the transportation fund levy requirements  
 2 for the district and for the county, and the levies must be  
 3 made by the county commissioners in accordance with  
 4 20-9-142."

5 **Section 31.** Section 90-6-402, MCA, is amended to read:

6 "90-6-402. Definitions. As used in this part, the  
 7 following definitions apply:

8 (1) "Affected local government unit" means a local  
 9 government unit that will experience a need to increase  
 10 services or facilities as a result of the commencement of  
 11 large-scale mineral development or within which a  
 12 large-scale mineral development is located in accordance  
 13 with an impact plan adopted pursuant to 90-6-307.

14 (2) "Board" means the hard-rock mining impact board  
 15 established in 2-15-1822.

16 (3) "Mineral development employee" means a person who  
 17 resides within the jurisdiction of an affected local  
 18 government unit as a result of employment with a large-scale  
 19 mineral development or its contractors or subcontractors.

20 (4) "Mineral development student" means a student whose  
 21 parent or guardian resides within the jurisdiction of an  
 22 affected local government unit as a result of employment  
 23 with a large-scale mineral development or its contractors or  
 24 subcontractors.

25 (5) "Jurisdictional revenue disparity" means property

1 tax revenues resulting from a large-scale hard-rock mineral  
 2 development that are inequitably distributed among affected  
 3 local government units as finally determined by the board in  
 4 an approved impact plan.

5 (6) "Large-scale mineral development", for the purposes  
 6 of this part, is defined in 90-6-302.

7 (7) "Local government unit", for the purposes of this  
 8 part, means a county, municipality, or school district.

9 (8) "Taxable valuation" of a mineral development means  
 10 the total of the gross proceeds taxable percentage specified  
 11 in 15-6-132(2)(a) when added to the taxable percentages of  
 12 real property, improvements, machinery, equipment, and other  
 13 property classified under Title 15, chapter 6, part 1."

14 NEW SECTION. **Section 32.** Deduction of drilling costs  
 15 and capital expenditures. (1) Unless an operator or producer  
 16 proceeds under subsection (2), the department of revenue, in  
 17 computing the deductions allowable for cost of drilling  
 18 wells completed during the period and for other capital  
 19 expenditures, shall allow a deduction of 10% of the cost  
 20 each year for a period of 10 years, beginning with:

21 (a) the year natural gas from a natural gas well is  
 22 first placed into a natural gas distribution system; or

23 (b) the year the pumping unit is installed on a crude  
 24 oil well or the well flows.

25 (2) The operator or producer may elect to amortize the

1 cost over a period of 2 years if the well is less than 3,000  
2 feet deep.

3 (3) The deduction of the costs in subsection (1) is not  
4 allowed on wells that are producing new production, as  
5 defined in 15-23-601, and may not be prorated on wells that  
6 are not producing new production when a lease or unitized  
7 area has new production and other production.

8 NEW SECTION. Section 33. Adjustment of certain  
9 deductions -- when. (1) The department of revenue may adjust  
10 the 70% percentage provided in 15-23-603 and 15-23-605 to  
11 reflect the actual excise taxes imposed by the United States  
12 government on production, sale, or removal of natural gas,  
13 petroleum, or other crude or mineral oil whenever:

14 (a) requested to do so by the taxpayer; or  
15 (b) the department determines that the percentage does  
16 not accurately reflect the actual excise taxes paid by the  
17 operator.

18 (2) When a taxpayer requests under subsection (1) that  
19 the department adjust the percentage deduction allowed, the  
20 taxpayer shall provide the data reasonably necessary for the  
21 department to make a determination under subsection (1).

22 (3) An adjustment made under subsection (1) must be  
23 reflected in the net proceeds and royalty values certified  
24 to the county in the taxable year following the year of the  
25 final determination under subsection (1).

1 NEW SECTION. Section 34. Legislative policy. (1) It is  
2 the policy of the legislature that in determining the  
3 taxable rate applicable to railroad transportation property  
4 described in 15-6-145, the department of revenue should seek  
5 to obtain the highest taxable rate allowable under the  
6 Railroad Revitalization and Regulatory Reform Act of 1976.  
7 Similarly, it is the policy of the legislature that in  
8 determining the taxable rate applicable to airline  
9 transportation property described in 15-6-147, the  
10 department of revenue should seek to obtain the highest  
11 taxable rate allowable under the Tax Equity and Fiscal  
12 Responsibility Act of 1982.

13 (2) To implement the policy described in subsection  
14 (1), it is the intent of the legislature that net proceeds  
15 and gross proceeds are an integral part of the taxable  
16 valuation and collection of property taxes within the state.  
17 Property classified in Montana as the net proceeds of mines  
18 included in 15-6-131 and the gross proceeds of mines  
19 included in 15-6-132 are to be included in the formulas used  
20 to determine the taxable rates applicable to property in  
21 15-6-145 and 15-6-147.

22 NEW SECTION. Section 35. Appropriation. There is  
23 appropriated \$275 million from the general fund for school  
24 equalization aid for the biennium ending June 30, 1993.

25 NEW SECTION. Section 36. Codification instruction.

1 [Sections 32, 33, and 34] are intended to be codified as an  
2 integral part of Title 15, chapter 23, part 6, and the  
3 provisions of Title 15, chapter 23, part 6, apply to  
4 [sections 32, 33, and 34].

5 NEW SECTION. **Section 37.** Saving clause. [This act]  
6 does not affect rights and duties that matured, penalties  
7 that were incurred, or proceedings that were begun before  
8 [the effective date of this act].

9 NEW SECTION. **Section 38.** Effective dates. (1)  
10 [Sections 8 through 20, 32 through 34, 36, 37, 39, and this  
11 section] are effective on passage and approval.

12 (2) [Sections 1 through 7 and 21 through 31] are  
13 effective July 1, 1992.

14 (3) [Section 35] is effective July 1, 1991.

15 NEW SECTION. **Section 39.** Retroactive applicability.  
16 [This act] applies retroactively, within the meaning of  
17 1-2-109, to coal, oil, and natural gas produced after  
18 December 31, 1990.

-End-

STATE OF MONTANA - FISCAL NOTE  
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0982, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:


An act to generally revise the taxation of coal, oil, and natural gas; reimposing the taxes on coal gross proceeds and on oil and gas net proceeds that were in effect prior to the passage of Chapter 11, Special Laws of 1989; increasing the school maximum budget schedules by 3 percent each fiscal year; appropriating funding for the schedule increases; and providing effective dates and a retroactive applicability date.

ASSUMPTIONS:

1. The total distribution of LGST receipts for oil and natural gas will be \$33,551,185 in FY91. (DOR)
2. The total taxable value of "old production" (pre-1985) oil and gas would be \$196,321,442 under the proposal (DOR).
3. The average mill levy applicable to oil/gas net proceeds under the proposal is 221.79 mills. Of these mills, 53.62 mills are for counties, 95 mills are for the foundation program, 64.55 mills are for schools, 6 mills are for universities, and 2.62 mills are for miscellaneous districts.
4. Total coal gross proceeds (current law) based on the 1990 production year are \$262,489,706; total coal gross proceeds tax under current law is \$13,124,485 (DOR).
5. The taxable value of coal under the proposal is \$118,120,368.
6. The average mill levy applicable to coal under the proposal is 174.23 mills. Of these mills, 37.88 mills are for counties, 95 mills are for the foundation program, 30.04 mills are for local schools, 6 mills are for universities, and 5.31 mills are for miscellaneous districts.
7. Current law taxable value for railroad and airline property, adjusted for scheduled current law changes in airlines property, is \$60,064,290; taxable value for airline and railroad property under the proposal is \$79,952,066 (DOR).
8. The average mill levy applicable to railroad/airline property under the proposal is 291.66 mills. Of these mills, 72.03 mills are for counties, 95 mills are for the foundation program, 108.68 mills are for local schools, 6 mills are for universities, 6.64 mills are for cities and towns, and 3.31 mills are for state assumption of welfare.
9. The annual impacts shown below for oil, gas, and coal net and gross proceeds do not impact fiscal year 1992, only fiscal year 1993.
10. The distribution across taxing jurisdictions of net proceeds from new production is the same as that for old production.
11. The taxable value of local government severance taxes for purposes of GTB would be the same in FY93 as calculated for FY92.

FISCAL IMPACT:

see next page

 3-16-91  
ROD SUNDSTED, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

 3-9-91  
MARK O'KEEFE, PRIMARY SPONSOR      DATE

Fiscal Note for HB0982, as introduced

**HB 982-1**

Fiscal Note Request, HB0982, as introduced

Form BD-15

Page 2

FISCAL IMPACT:

Expenditures:

The cost of permissive GTB payments will be reduced by \$2.93 million each year.

REVENUES:

SECTION 1 - OIL, GAS, AND COAL NET AND GROSS PROCEEDS; RAILROAD/AIRLINES PROPERTY.

The following annual impacts on state-level revenues are based on the most recent production year data, and mill levy information available. For oil and gas the production year is 1989, for coal the production year is 1990; all mills used for net and gross proceeds under the proposal are 1990 mills.

A. OIL/NATURAL GAS.

The impact of the proposed change in the taxation of oil and natural gas on state government revenues is illustrated by the table below. The proposed change would increase state revenues to the foundation program and the university system by \$10,732,377.

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
Foundation Program	\$8,025,961	\$18,650,537	\$10,624,576
University System	<u>1,070,128</u>	<u>1,177,929</u>	<u>107,801</u>
TOTAL	\$9,096,089	\$19,828,466	\$10,732,377

B. COAL.

The impact of the proposed change in the taxation of coal on state government revenues is illustrated by the table below. The proposed change would increase state revenues by \$5,665,093.

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
Foundation Program	\$5,527,998	\$11,221,435	\$5,693,437
University System	<u>737,066</u>	<u>708,722</u>	<u>(28,344)</u>
TOTAL	\$6,265,064	\$11,930,157	\$5,665,093

C. RAILROADS/AIRLINES.

(Note: The following impacts shown for railroads/airlines reflect the change in tax liability for changes in taxable values and mill levies. Actual tax impacts will depend on the extent to which railroad taxes are established under negotiated settlement proceedings.)

The impact of the proposed change in the taxation of railroads and airlines on state government revenues is illustrated by the table below. The proposed change would increase state revenues by \$2,074,580.

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
Foundation Program	\$5,706,108	\$7,595,447	\$1,889,339
University System	360,386	479,712	119,326
State/Welfare	<u>199,072</u>	<u>264,987</u>	<u>65,915</u>
TOTAL	\$6,265,566	\$8,340,146	\$2,074,580

HB 982-1

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

A. OIL/NATURAL GAS.

The impact of the proposed change in the taxation of oil and natural gas on local government revenues is illustrated by the table below. The proposed change would decrease local government revenues by \$740,807.

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
County	\$10,859,595	\$10,526,522	(\$333,073)
Local Schools	13,153,036	12,672,760	(480,276)
Miscellaneous	<u>442,465</u>	<u>515,007</u>	<u>72,542</u>
TOTAL	\$24,455,096	\$23,714,289	(\$740,807)

B. COAL.

The impact of the proposed change in the taxation of coal on local government revenues is illustrated by the table below. The proposed change would increase local government revenues by \$1,790,211.

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
County	\$2,964,508	\$4,474,704	\$1,510,196
Local Schools	3,431,430	3,548,195	116,765
Miscellaneous	<u>463,482</u>	<u>626,732</u>	<u>163,250</u>
TOTAL	\$6,859,420	\$8,649,631	\$1,790,211

C. RAILROAD/AIRLINES.

The impact of the proposed change in the taxation of railroads and airlines on local government revenues is illustrated by the table below. The proposed change would increase local government revenues by \$3,725,854.

(Note: The following impacts shown for railroads/airlines reflect the change in tax liability for changes in taxable values and mill levies. Actual tax impacts will depend on the extent to which railroad taxes are established under negotiated settlement proceedings.)

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
County	\$4,326,242	\$5,758,696	\$1,432,454
Schools	6,527,859	8,689,287	2,161,428
Cities & Towns	<u>398,573</u>	<u>530,545</u>	<u>131,972</u>
TOTAL	\$11,252,674	\$14,978,528	\$3,725,854

HB 982-1



OVERALL IMPACT ON STATE AND LOCAL GOVERNMENT REVENUES.

The following table shows the overall annual impact of this proposal on state and local government revenues, based on current production levels and mill levies:

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
County	\$18,150,345	\$20,759,922	\$ 2,609,577
Foundation Program	19,260,067	37,467,418	18,207,351
Schools	23,112,325	24,910,242	1,797,917
Cities & Towns	398,573	530,545	131,972
State Welfare	199,072	264,987	65,915
Universities	2,167,580	2,366,363	198,784
Miscellaneous	<u>905,947</u>	<u>1,141,739</u>	<u>235,792</u>
TOTAL	\$64,193,909	\$87,441,217	\$23,247,308

REVENUES:

SECTION 2 - NET PROCEEDS ON NEW PRODUCTION OIL AND GAS.

The bill provides that new production of oil or gas is eligible for a 12-month exemption from net proceeds taxes only if notification was made before July 1, 1991. New production begun after that date would no longer be eligible for the exemption. This results in a revenue increase in FY92 and FY93, as shown in the following table:

	<u>FY92</u>	<u>FY93</u>
Counties	\$ 181,500	\$ 242,000
Foundation Program	321,000	428,000
Schools	218,250	291,000
Universities	20,250	27,000
Misc. Districts	<u>9,000</u>	<u>12,000</u>
TOTAL	\$ 750,000	\$1,000,000

This impact is based on 1989 data showing that the revenue loss from exempt new production net proceeds was \$1,000,000; and on the assumption that, given an effective date of July 1, 1991, three-quarters of the impact will be felt in FY92, and all of the impact will be felt in FY93.

HB 982-1

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0982, third reading.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise the taxation of coal, oil, and natural gas; reimposing the taxes on coal gross proceeds and on oil and gas net proceeds that were in effect prior to the passage of Chapter 11, Special Laws of 1989; increasing the school maximum budget schedules by 3 percent each fiscal year; appropriating funding for the schedule increases; and providing effective dates and a retroactive applicability date.

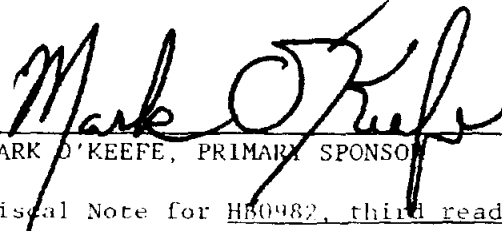
ASSUMPTIONS:

1. The total distribution of LGST receipts for oil and natural gas will be \$33,551,185 in FY91. (DOR)
2. The total taxable value of "old production" (pre-1985) oil and gas would be \$196,321,442 under the proposal (DOR).
3. The average mill levy applicable to oil/gas net proceeds under the proposal is 221.79 mills. Of these mills, 53.62 mills are for counties, 95 mills are for the foundation program, 64.55 mills are for schools, 6 mills are for universities, and 2.62 mills are for miscellaneous districts.
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9. The annual impacts shown below for oil, gas, and coal net and gross proceeds do not impact fiscal year 1992, only fiscal year 1993.
10. The distribution across taxing jurisdictions of net proceeds from new production is the same as that for old production.
11. The taxable value of local government severance taxes for purposes of GTB would be the same in FY93 as calculated for FY92.

FISCAL IMPACT:

see next page

 4-1-91  
ROD SUNDSTED, BUDGET DIRECTOR DATE  
Office of Budget and Program Planning

 4/3/91  
MARK O'KEEFE, PRIMARY SPONSOR DATE  
Fiscal Note for HB0982, third reading

HB 982-2

FISCAL IMPACT:

Expenditures:

The cost of increasing the foundation program schedules by 3% each fiscal year will be \$11.341 million in FY92 and \$23.148 million in FY93. The state cost of guaranteed tax base aid will be reduced in FY93 if the statewide value of net and gross proceeds is less than the computed taxable value of flat tax revenues received by the districts.

REVENUES:

**SECTION 1 - OIL, GAS, AND COAL NET AND GROSS PROCEEDS; RAILROAD/AIRLINES PROPERTY.**

The following annual impacts on state-level revenues are based on the most recent production year data, and mill levy information available. For oil and gas the production year is 1989, for coal the production year is 1990; all mills used for net and gross proceeds under the proposal are 1990 mills.

A. OIL/NATURAL GAS.

The impact of the proposed change in the taxation of oil and natural gas on state government revenues is illustrated by the table below. The proposed change would increase state revenues to the foundation program and the university system by \$10,732,377.

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Foundation Program	\$8,025,961	\$18,650,537	\$10,624,576
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TOTAL	\$6,265,064	\$11,930,157	\$5,665,093

C. RAILROADS/AIRLINES.

(Note: The following impacts shown for railroads/airlines reflect the change in tax liability for changes in taxable values and mill levies. Actual tax impacts will depend on the extent to which railroad taxes are established under negotiated settlement proceedings.)

The impact of the proposed change in the taxation of railroads and airlines on state government revenues is illustrated by the table below. The proposed change would increase state revenues by \$2,074,580.

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TOTAL	\$6,265,566	\$8,340,146	\$2,074,580

HB 982-2

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

A. OIL/NATURAL GAS.

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TOTAL	\$24,455,096	\$23,714,289	(\$740,807)

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TOTAL	\$6,859,420	\$8,649,631	\$1,790,211

C. RAILROAD/AIRLINES.

The impact of the proposed change in the taxation of railroads and airlines on local government revenues is illustrated by the table below. The proposed change would increase local government revenues by \$3,725,854.

(Note: The following impacts shown for railroads/airlines reflect the change in tax liability for changes in taxable values and mill levies. Actual tax impacts will depend on the extent to which railroad taxes are established under negotiated settlement proceedings.)

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
County	\$4,326,242	\$5,758,696	\$1,432,454
Schools	6,527,859	8,689,287	2,161,428
Cities & Towns	<u>398,573</u>	<u>530,545</u>	<u>131,972</u>
TOTAL	\$11,252,674	\$14,978,528	\$3,725,854

HB 982-2

OVERALL IMPACT ON STATE AND LOCAL GOVERNMENT REVENUES.

The following table shows the overall FY93 impact of this proposal on state and local government revenues, based on current production levels and mill levies:

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>
County	\$18,150,345	\$20,759,922	\$ 2,609,577
Foundation Program	19,260,067	37,467,418	18,207,351
Schools	23,112,325	24,910,242	1,797,917
Cities & Towns	398,573	530,545	131,972
State Welfare	199,072	264,987	65,915
Universities	2,167,580	2,366,363	198,784
Miscellaneous	905,947	1,141,739	235,792
TOTAL	<u>\$64,193,909</u>	<u>\$87,441,217</u>	<u>\$23,247,308</u>

General Fund Impact	<u>FY92</u>	<u>FY93</u>	<u>Total</u>
<u>Expenditure:</u>			
Foundation Program	11,341,000	23,148,000	34,489,000
<u>Revenue:</u>			
Foundation Program	0	18,207,351	18,207,351
University Levy	0	198,784	198,784
Net General Fund Impact	(11,341,000)	(4,741,865)	(16,082,865)

APPROVED BY COMMITTEE  
ON TAXATION

HOUSE BILL NO. 982

INTRODUCED BY O'KEEFE, YELLOWTAIL, PECK

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE TAXATION OF COAL, OIL, AND NATURAL GAS; REIMPOSING THE TAXES ON COAL GROSS PROCEEDS AND ON OIL AND GAS NET PROCEEDS THAT WERE IN EFFECT PRIOR TO THE PASSAGE OF CHAPTER 11, SPECIAL LAWS OF 1989; EXTENDING THE NET PROCEEDS TAX EXEMPTION FOR NEW OIL AND GAS PRODUCTION WHILE THE PRICE OF OIL IS LESS THAN \$25 A BARREL; INCREASING THE SCHOOL MAXIMUM BUDGET SCHEDULES BY 3 PERCENT EACH FISCAL YEAR; APPROPRIATING FUNDING FOR THE SCHEDULE INCREASES; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-6-132, 15-23-601, 15-23-602, 15-23-603, 15-23-605, 15-23-607, 15-23-612, 15-23-703, 15-36-101, 15-36-102, 15-36-105, 15-36-112, 15-36-121, 20-9-141, 20-9-316, 20-9-317, 20-9-318, 20-9-319, 20-9-331, 20-9-333, 20-9-366, 20-9-501, 20-10-144, AND 90-6-402, MCA; AND PROVIDING EFFECTIVE DATES AND A RETROACTIVE APPLICABILITY DATE."

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

**Section 1.** Section 7-1-2111, MCA, is amended to read:

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all

county officers, not otherwise provided for, and for fixing the penalties of officers' bonds, the counties of this state must be classified according to that percentage of the true and full valuation of the property in the counties upon which the tax levy is made, except for vehicles subject to taxation under 61-3-504(2), as follows:

(a) first class--all counties having a taxable valuation of \$50 million or over;

(b) second class--all counties having a taxable valuation of more than \$30 million and less than \$50 million;

(c) third class--all counties having a taxable valuation of more than \$20 million and less than \$30 million;

(d) fourth class--all counties having a taxable valuation of more than \$15 million and less than \$20 million;

(e) fifth class--all counties having a taxable valuation of more than \$10 million and less than \$15 million;

(f) sixth class--all counties having a taxable valuation of more than \$5 million and less than \$10 million;

(g) seventh class--all counties having a taxable valuation of less than \$5 million.

(2) As used in this section, taxable valuation means

1 the taxable value of taxable property in the county as of  
2 the time of determination plus:

3 (a) that portion of the taxable value of the county on  
4 December 31, 1981, attributable to automobiles and trucks  
5 having a rated capacity of three-quarters of a ton or less;

6 (b) that portion of the taxable value of the county on  
7 December 31, 1989, attributable to automobiles and trucks  
8 having a rated capacity of more than three-quarters of a ton  
9 but less than or equal to 1 ton;

10 (c) the amount of interim production and new production  
11 taxes levied, as provided in 15-23-607, divided by the  
12 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)  
13 and multiplied by 60%; and

14 (d) the amount of value represented by new production  
15 exempted from tax as provided in 15-23-612 ~~multiplied by~~  
16 ~~60%, plus the value of any other production occurring after~~  
17 ~~December 31, 1988, multiplied by 60%."~~

18 **Section 2.** Section 7-7-2101, MCA, is amended to read:

19 "7-7-2101. **Limitation on amount of county indebtedness.**

20 (1) No county may become indebted in any manner or for any  
21 purpose to an amount, including existing indebtedness, in  
22 the aggregate exceeding 23% of the total of the taxable  
23 value of the property therein subject to taxation, plus the  
24 amount of interim production and new production taxes levied  
25 divided by the appropriate tax rates described in

1 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
2 amount of value represented by new production exempted from  
3 tax as provided in 15-23-612 ~~multiplied by 60%, plus the~~  
4 ~~value of any other production occurring after December 31,~~  
5 ~~1988, multiplied by 60%~~, as ascertained by the last  
6 assessment for state and county taxes previous to the  
7 incurring of the indebtedness.

8 (2) No county may incur indebtedness or liability for  
9 any single purpose to an amount exceeding \$500,000 without  
10 the approval of a majority of the electors thereof voting at  
11 an election to be provided by law, except as provided in  
12 7-21-3413 and 7-21-3414.

13 (3) Nothing in this section shall apply to the  
14 acquisition of conservation easements as set forth in Title  
15 76, chapter 6."

16 **Section 3.** Section 7-7-2203, MCA, is amended to read:

17 "7-7-2203. **Limitation on amount of bonded indebtedness.**

18 (1) Except as provided in subsections (2) through (4), no  
19 county may issue general obligation bonds for any purpose  
20 which, with all outstanding bonds and warrants except county  
21 high school bonds and emergency bonds, will exceed 11.25% of  
22 the total of the taxable value of the property therein, plus  
23 the amount of interim production and new production taxes  
24 levied divided by the appropriate tax rates described in  
25 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the

1 amount of value represented by new production exempted from  
 2 tax as provided in 15-23-612 ~~multiplied-by-60% plus the~~  
 3 ~~value-of-any-other-production-occurring-after--December--31,~~  
 4 ~~1988--multiplied--by--60%~~, to be ascertained by the last  
 5 assessment for state and county taxes prior to the proposed  
 6 issuance of bonds.

7 (2) In addition to the bonds allowed by subsection (1),  
 8 a county may issue bonds which, with all outstanding bonds  
 9 and warrants, will not exceed 27.75% of the total of the  
 10 taxable value of the property in the county subject to  
 11 taxation, plus the amount of interim production and new  
 12 production taxes levied divided by the appropriate tax rates  
 13 described in 15-23-607(2)(a) or (2)(b) and multiplied by  
 14 60%, plus the amount of value represented by new production  
 15 exempted from tax as provided in 15-23-612 ~~multiplied-by~~  
 16 ~~60%~~, when necessary to do so, ~~plus-the-value--of--any--other~~  
 17 ~~production--occurring-after-December-31,-1988,-multiplied-by~~  
 18 ~~60%~~ for the purpose of acquiring land for a site for county  
 19 high school buildings and for erecting or acquiring  
 20 buildings thereon and furnishing and equipping the same for  
 21 county high school purposes.

22 (3) In addition to the bonds allowed by subsections (1)  
 23 and (2), a county may issue bonds for the construction or  
 24 improvement of a jail which will not exceed 12.5% of the  
 25 taxable value of the property in the county subject to

1 taxation.

2 (4) The limitation in subsection (1) does not apply to  
 3 refunding bonds issued for the purpose of paying or retiring  
 4 county bonds lawfully issued prior to January 1, 1932, or to  
 5 bonds issued for the repayment of tax protests lost by the  
 6 county."

7 **Section 4.** Section 7-14-2524, MCA, is amended to read:

8 "7-14-2524. Limitation on amount of bonds issued --  
 9 excess void. (1) Except as otherwise provided hereafter and  
 10 in 7-7-2203 and 7-7-2204, a county may not issue bonds  
 11 which, with all outstanding bonds and warrants except county  
 12 high school bonds and emergency bonds, will exceed 11.25% of  
 13 the total of the taxable value of the property therein, plus  
 14 the amount of interim production and new production taxes  
 15 levied divided by the appropriate tax rates described in  
 16 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
 17 amount of value represented by new production exempted from  
 18 tax as provided in 15-23-612 ~~multiplied-by-60% plus the~~  
 19 ~~value-of-any-other-production-occurring-after--December--31,~~  
 20 ~~1988--multiplied-by-60%~~. The taxable property and the amount  
 21 of interim production and new production taxes levied must  
 22 be ascertained by the last assessment for state and county  
 23 taxes prior to the issuance of the bonds.

24 (2) A county may issue bonds which, with all  
 25 outstanding bonds and warrants except county high school



1 bonds, will exceed 11.25% but will not exceed 22.5% of the  
 2 total of the taxable value of such property, plus the amount  
 3 of interim production and new production taxes levied  
 4 divided by the appropriate tax rates described in  
 5 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
 6 amount of value represented by new production exempted from  
 7 tax as provided in 15-23-612, ~~plus the value of any other~~  
 8 ~~production occurring after December 31, 1988, multiplied by~~  
 9 ~~60%~~ when necessary for the purpose of replacing, rebuilding,  
 10 or repairing county buildings, bridges, or highways which  
 11 have been destroyed or damaged by an act of God, disaster,  
 12 catastrophe, or accident.

13 (3) The value of the bonds issued and all other  
 14 outstanding indebtedness of the county, except county high  
 15 school bonds, shall not exceed 22.5% of the total of the  
 16 taxable value of the property within the county, plus the  
 17 amount of interim production and new production taxes levied  
 18 divided by the appropriate tax rates described in  
 19 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
 20 amount of value represented by new production exempted from  
 21 tax as provided in 15-23-612, ~~plus the value of any other~~  
 22 ~~production occurring after December 31, 1988, multiplied by~~  
 23 ~~60%~~ as ascertained by the last preceding general  
 24 assessment."

25 **Section 5.** Section 7-14-2525, MCA, is amended to read:

1 **"7-14-2525. Refunding agreements and refunding bonds**  
 2 **authorized.** (1) Whenever the total indebtedness of a county  
 3 exceeds 22.5% of the total of the taxable value of the  
 4 property therein, plus the amount of interim production and  
 5 new production taxes levied divided by the appropriate tax  
 6 rates described in 15-23-607(2)(a) or (2)(b) and multiplied  
 7 by 60%, plus the amount of value represented by new  
 8 production exempted from tax as provided in 15-23-612  
 9 ~~multiplied by 60%, plus the value of any other production~~  
 10 ~~occurring after December 31, 1988, multiplied by 60%~~, and  
 11 the board determines that the county is unable to pay the  
 12 indebtedness in full, the board may:

13 (a) negotiate with the bondholders for an agreement  
 14 whereby the bondholders agree to accept less than the full  
 15 amount of the bonds and the accrued unpaid interest thereon  
 16 in satisfaction thereof;

17 (b) enter into such agreement;

18 (c) issue refunding bonds for the amount agreed upon.

19 (2) These bonds may be issued in more than one series,  
 20 and each series may be either amortization or serial bonds.

21 (3) The plan agreed upon between the board and the  
 22 bondholders shall be embodied in full in the resolution  
 23 providing for the issue of the bonds."

24 **Section 6.** Section 7-16-2327, MCA, is amended to read:

25 **"7-16-2327. Indebtedness for park purposes.** (1) Subject

1 to the provisions of subsection (2), a county park board, in  
2 addition to powers and duties now given under law, has the  
3 power and duty to contract an indebtedness in behalf of a  
4 county, upon the credit thereof, for the purposes of  
5 7-16-2321(1) and (2).

6 (2) (a) The total amount of indebtedness authorized to  
7 be contracted in any form, including the then-existing  
8 indebtedness, must not at any time exceed 13% of the total  
9 of the taxable value of the taxable property in the county,  
10 plus the amount of interim production and new production  
11 taxes levied divided by the appropriate tax rates described  
12 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
13 amount of value represented by new production exempted from  
14 tax as provided in 15-23-612, ~~plus the value of any other~~  
15 ~~production occurring after December 31, 1987, multiplied by~~  
16 ~~60%~~, ascertained by the last assessment for state and county  
17 taxes previous to the incurring of the indebtedness.

18 (b) No money may be borrowed on bonds issued for the  
19 purchase of lands and improving same for any such purpose  
20 until the proposition has been submitted to the vote of  
21 those qualified under the provisions of the state  
22 constitution to vote at such election in the county affected  
23 thereby and a majority vote is cast in favor thereof."

24 **Section 7.** Section 15-1-501, MCA, is amended to read:

25 "15-1-501. Disposition of money from certain designated

1 **license and other taxes.** (1) The state treasurer shall  
2 deposit to the credit of the state general fund all money  
3 received by him from the collection of:

4 (a) fees from driver's licenses, motorcycle  
5 endorsements, and duplicate driver's licenses as provided in  
6 61-5-121;

7 (b) electrical energy producer's license taxes under  
8 chapter 51;

9 (c) severance taxes allocated to the general fund under  
10 chapter 36;

11 (d) liquor license taxes under Title 16;

12 (e) telephone company license taxes under chapter 53;

13 and

14 (f) inheritance and estate taxes under Title 72,  
15 chapter 16.

16 (2) All money received from the collection of income  
17 taxes under chapter 30 of this title must be deposited as  
18 follows:

19 (a) 57% in fiscal year 1990 and 50% in fiscal year  
20 1991, to the credit of the state general fund;

21 (b) 9.8% in fiscal year 1990 and 8.7% in fiscal year  
22 1991, to the credit of the debt service account for  
23 long-range building program bonds as described in 17-5-408;  
24 and

25 (c) 33.2% in fiscal year 1990 and 41.3% in fiscal year

1 1991, to the credit of the state special revenue fund for  
2 state equalization aid to the public schools of Montana as  
3 described in 20-9-343.

4 (3) All money received from the collection of  
5 corporation license and income taxes under chapter 31 of  
6 this title, except as provided in 15-31-702, must be  
7 deposited as follows:

8 (a) 64% in fiscal year 1990 and 61% in fiscal year  
9 1991, to the credit of the state general fund;

10 (b) 11% in fiscal year 1990 and 10.5% in fiscal year  
11 1991, to the credit of the debt service account for  
12 long-range building program bonds as described in 17-5-408;  
13 and

14 (c) 25% in fiscal year 1990 and 28.5% in fiscal year  
15 1991, to the credit of the state special revenue fund for  
16 state equalization aid to the public schools of Montana as  
17 described in 20-9-343.

18 (4) The state treasurer shall also deposit to the  
19 credit of the state general fund all money received by him  
20 from the collection of license taxes, fees, and all net  
21 revenues and receipts from all other sources under the  
22 operation of the Montana Alcoholic Beverage Code.

23 (5) After the distribution provided for in 15-36-112,  
24 the remainder of the oil and gas severance tax collections  
25 must be deposited in the general fund."

1 **Section 8.** Section 15-6-132, MCA, is amended to read:

2 "15-6-132. Class two property -- description -- taxable  
3 percentage. (1) Class two property includes:

4 (a) the annual gross proceeds of metal mines;

5 (b) the annual gross proceeds of underground coal  
6 mines; and

7 (c) the annual gross proceeds of coal mines using the  
8 strip-mining method.

9 (2) Class two property is taxed as follows:

10 (a) Property described in subsection (1)(a) is taxed at  
11 3% of its annual gross proceeds, as defined in 15-23-801.

12 (b) Property described in subsection (1)(b) is taxed at  
13 33 1/3% of its annual gross proceeds.

14 (c) Property described in subsection (1)(c) is taxed at  
15 45% of its annual gross proceeds."

16 **Section 9.** Section 15-23-601, MCA, is amended to read:

17 "15-23-601. Definitions. As used in this part, the  
18 following definitions apply:

19 (1) "~~Excise tax~~" means ~~the windfall profit tax on~~  
20 ~~domestic crude oil imposed by Title I of the federal Crude~~  
21 ~~Oil Windfall Profit Tax Act of 1980, as enacted or as~~  
22 ~~amended:~~

23 (2)(1) "Interim production" means the production of  
24 natural gas, petroleum, or other crude or mineral oil from  
25 any well that:

1 (a) has not produced natural gas, petroleum, or other  
 2 crude or mineral oil during the 5 years immediately  
 3 preceding the first month of interim production; and

4 (b) began interim production after June 30, 1985, and  
 5 before April 1, 1987.

6 ~~(3)~~(2) The term "new production" means the production  
 7 of natural gas, petroleum, or other crude or mineral oil  
 8 from any well:

9 (a) that has not produced natural gas, petroleum, or  
 10 other crude or mineral oil during the 5 years immediately  
 11 preceding the first month of qualified new production; and

12 (b) on which the notification required in ~~15-36-121~~(2)  
 13 15-23-612(1) was given.

14 ~~(4)~~(3) The terms "operator" and "producer" mean any  
 15 person who engages in the business of drilling for,  
 16 extracting, or producing any natural gas, petroleum, or  
 17 other crude or mineral oil.

18 ~~(5)~~(4) The term "well" includes each single well or  
 19 group of wells, including dry wells, in one field or  
 20 production unit and under the control of one operator or  
 21 producer."

22 **Section 10.** Section 15-23-602, MCA, is amended to read:

23 "15-23-602. Statement of sales proceeds on interim  
 24 ~~production-and-new~~ production. (1) As Except as provided in  
 25 subsection (2), each operator or producer of interim

1 ~~production-or-new-production-of~~ natural gas, petroleum, or  
 2 other crude or mineral oil shall, on or before April 15 in  
 3 each year, make out and deliver to the department of revenue  
 4 a statement of the gross sales proceeds of ~~interim~~  
 5 ~~production--or--new-production-of~~ natural gas, petroleum, or  
 6 other crude or mineral oil from each well owned or worked by  
 7 the person during the preceding calendar year. The gross  
 8 sales proceeds must be determined by multiplying the units  
 9 of production sold from the well times the royalty unit  
 10 value of that production at the well. The statement must be  
 11 in the form prescribed by the department and must be  
 12 verified by the oath of the operator or producer or the  
 13 manager, superintendent, agent, president, or vice-president  
 14 of the corporation, association, or partnership. The  
 15 statement must show the following:

16 (a) the name and address of the operator, together with  
 17 a list in duplicate of the names and addresses of any  
 18 persons owning or claiming any royalty interest in the  
 19 production from the well or the proceeds derived from the  
 20 sale of the production, and the amount paid or yielded as  
 21 royalty to each of those persons during the period covered  
 22 by the statement;

23 (b) the description and location of the well;

24 (c) the number of cubic feet of natural gas, barrels of  
 25 petroleum or other crude or mineral oil sold from the well

1 during the period covered by the statement; and

2 (d) the gross sales proceeds in dollars and cents or,  
3 in the case of sales between parties not acting at arm's  
4 length, the greater of the gross sales proceeds from or the  
5 fair market value of the products sold; and

6 (e) except for new production as defined in 15-23-601:

7 (i) the actual cost of extracting the product from the  
8 well; AND

9 (ii) the cost of construction, repairs, and betterments;

10 (iii) the actual cost of fire insurance and workers'  
11 compensation insurance; and.

12 ~~(iv) the amount paid or withheld in satisfaction of~~  
13 ~~liability for excise taxes imposed by the U.S. government on~~  
14 ~~the production, sale or removal of the natural gas or~~  
15 ~~petroleum or other crude or mineral oil reported pursuant~~  
16 ~~to subsection (1)(c) including a separate statement of the~~  
17 ~~amount of taxes paid or withheld from each royalty owner.~~

18 (2) Each operator having interim production or new  
19 production as defined in 15-23-601 shall, on or before the  
20 last day of the months of October, January, April, and July,  
21 make out and deliver to the department of revenue a  
22 statement of the gross sales proceeds of the interim  
23 production or new production from each well owned or worked  
24 by the person during the preceding calendar quarter. The  
25 statement must be in the form prescribed by the department

1 and verified as provided in subsection (1). The statement  
2 must show the information required in subsections (1)(a)  
3 through (1)(d)."

4 **Section 11.** Section 15-23-603, MCA, is amended to read:

5 "15-23-603. Net proceeds -- how computed. (1) As Except  
6 as provided in subsection (2) (3), the department of revenue  
7 shall calculate and compute from the returns the gross sales  
8 proceeds of the product yielded from the well for the year  
9 covered by the statement and shall calculate the net  
10 proceeds of the well yielded to the producer, which net  
11 proceeds are determined by subtracting from the gross sales  
12 proceeds of the well;

13 (a) all royalty paid in cash by the operator or  
14 producer and the gross value of all royalty apportioned in  
15 kind by the operator or producer determined by using as the  
16 value of a barrel of oil or a cubic foot of gas the average  
17 selling price for the calendar year of a barrel of oil or a  
18 cubic foot of gas from the well out of which the royalty was  
19 paid;

20 (b) all money spent for necessary labor and machinery  
21 needed and used in the operation and development;

22 (c) except as provided in subsection (5), all money  
23 spent for necessary supplies used in the operation and  
24 development;

25 (d) all money spent for improvements, repairs, and

1 betterments necessary in and about the working of the well;

2 (e) that portion of all money, including costs of  
3 insurance, spent for the acquisition and operation of any  
4 vehicle used in the operation and development of the well,  
5 which portion bears the same ratio to all money spent for  
6 the acquisition and use of the vehicle during the year  
7 covered by the statement as the number of miles that the  
8 vehicle is used in operation and development of the well  
9 during the year covered by the statement bears to the total  
10 number of miles that the vehicle is used during the year  
11 covered by the statement;

12 (f) all money spent for fire insurance, workers'  
13 compensation insurance, liability insurance, and casualty  
14 insurance directly attributable to the operation and  
15 development of the well and for payments by operators to  
16 welfare and retirement funds when provided for in wage  
17 contracts between operators and employees;

18 (g) all money spent for any performance or indemnity  
19 bonds required by the laws of this state or the rules of any  
20 state agency, with respect to the well for which the net  
21 proceeds are being calculated; AND

22 ~~(h) 70% of the amount paid or withheld in satisfaction~~  
23 ~~of liability for excise taxes imposed by the U.S. government~~  
24 ~~on the production, sale, or removal of the natural gas,~~  
25 ~~petroleum, or other crude or mineral oil yielded from the~~

1 ~~well; other than the amount of the taxes paid or withheld~~  
2 ~~from each royalty owner; and~~

3 ~~(1)(H) net proceeds determined under subsection (3).~~

4 ~~(2) Except as provided in [section 28], money invested~~  
5 ~~in the well and improvements during any year except the year~~  
6 ~~for which the statement is made may not be included in the~~  
7 ~~expenditures listed in subsection (1), and the expenditures~~  
8 ~~may not include the salaries or any portion of the salaries~~  
9 ~~of any person or officer not actually engaged in the working~~  
10 ~~of the well or superintending the management of the well.~~

11 ~~(2)(3) For interim production or new production, net~~  
12 ~~proceeds are the equivalent of the gross sales proceeds,~~  
13 ~~without deduction for excise taxes, of the product yielded~~  
14 ~~from the well for the quarter covered by the statement,~~  
15 ~~except that in computing the total number of barrels of~~  
16 ~~petroleum and other mineral or crude oil or cubic feet of~~  
17 ~~natural gas produced, there must be deducted so much of the~~  
18 ~~product as is used in the operation of the well from which~~  
19 ~~the petroleum or other mineral or crude oil or natural gas~~  
20 ~~is produced for pumping the petroleum or other mineral or~~  
21 ~~crude oil or natural gas from the well to a tank or~~  
22 ~~pipeline.~~

23 ~~(3)(4) In the statement of sales proceeds required~~  
24 ~~under 15-23-602 for lease or unitized areas from which~~  
25 ~~interim or new production and other production have been~~

1 sold, the deductions allowed in subsections (1)(b) through  
2 (1)(h) must be prorated on the basis of the number of  
3 barrels of interim and new production of oil or cubic feet  
4 of interim or new production of gas ~~must be segregated from~~  
5 ~~and stated separately from~~ to the number of barrels of other  
6 production of oil or cubic feet of other production of gas.

7 ~~(4)(5)~~ In calculating the deduction for money expended  
8 for necessary chemical supplies needed and used in a  
9 tertiary recovery project approved by the department of  
10 revenue, as provided in 15-36-101, the department shall  
11 require that the necessary chemical supplies, which include  
12 but are not limited to carbon dioxide supplies, be amortized  
13 over a 10-year period beginning with the year in which the  
14 money was expended."

15 **Section 12.** Section 15-23-605, MCA, is amended to read:

16 ~~"15-23-605. Assessment of royalties. (1) The amount of~~  
17 ~~royalty received in cash paid by the operator or producer~~  
18 ~~and the gross value of all royalty apportioned in kind by~~  
19 ~~the operator or producer determined by using as the value of~~  
20 ~~a barrel of oil or a cubic foot of gas the average selling~~  
21 ~~price for the calendar year of a barrel of oil or a cubic~~  
22 ~~foot of gas from the well out of which the royalty was paid,~~  
23 ~~valued as provided in 15-23-603(1)(a), less 70% of the~~  
24 ~~amount of excise taxes paid by or withheld from the royalty~~  
25 ~~owner as reported pursuant to 15-23-602(1)(e)(iv),~~ must be

1 considered net proceeds to the recipient and must be  
2 assessed as follows: upon receipt of the lists or schedules  
3 setting forth the names and addresses of any persons owning  
4 or claiming royalty and the amount paid or yielded as  
5 royalty to the royalty owners or claimants during the year  
6 for which the return is made, the department of revenue  
7 shall proceed to assess and tax the same as net proceeds of  
8 mines.

9 ~~(2) Net proceeds for new production as defined in~~  
10 ~~15-23-601 includes royalties received without the deduction~~  
11 ~~for excise taxes."~~

12 **Section 13.** Section 15-23-607, MCA, is amended to read:

13 "15-23-607. County assessors to compute taxes. (1)  
14 Immediately after the board of county commissioners has  
15 fixed tax levies on the second Monday in August, the county  
16 assessor shall, subject to the provisions of 15-23-612,  
17 compute the taxes on net proceeds, as provided in subsection  
18 (2) of this section, and royalty assessments and shall  
19 deliver the book to the county treasurer on or before  
20 September 15. The county treasurer shall proceed to give  
21 full notice of the assessments to the operator and shall  
22 collect the taxes as provided by law.

23 (2) For interim production or new production, as  
24 defined in 15-23-601, the county assessor may not levy or  
25 assess any mills against the value of the interim production

1 or new production, but shall instead levy a tax as follows:

2 (a) for interim production or new production of  
3 petroleum or other mineral or crude oil, 7% of net proceeds,  
4 as described in 15-23-603~~(2)~~(3); or

5 (b) for interim production or new production of natural  
6 gas, 12% of net proceeds, as described in 15-23-603~~(2)~~(3).

7 (3) The amount of tax levied in subsections (2)(a) and  
8 (2)(b), divided by the appropriate tax rate and multiplied  
9 by 60%, must be treated as taxable value for county bonding  
10 purposes.

11 (4) The taxable value of net proceeds for the purpose  
12 of computing guaranteed tax base aid for schools is the  
13 amount of tax received by a district in the previous year  
14 divided by the number of mills levied by the district in the  
15 previous year, multiplied by 1,000. This amount must be  
16 added to the district, county, and statewide taxable value  
17 when computing guaranteed tax base aid under 20-9-368.

18 (5) The operator or producer is liable for the payment  
19 of the taxes that, except as provided in 15-16-121, are  
20 payable by and must be collected from the operators in the  
21 same manner and under the same penalties as provided for the  
22 collection of taxes upon net proceeds of mines. However, the  
23 operator may at his option withhold from the proceeds of  
24 royalty interest, either in kind or in money, an estimated  
25 amount of the tax to be paid by him upon the royalty or

1 royalty interest. After the withholding, any deviation  
2 between the estimated tax and the actual tax may be  
3 accounted for by adjusting subsequent withholdings from the  
4 proceeds of royalty interests."

5 **Section 14.** Section 15-23-612, MCA, is amended to read:

6 "15-23-612. Certain natural gas, petroleum, or other  
7 crude or mineral oil exempt -- LIMITATION. (1) New  
8 production, as defined in 15-23-601, from a well during the  
9 first 12 months immediately following the date of  
10 notification to the department of revenue that an oil well  
11 is flowing or being pumped or that a gas well has been  
12 connected to a gathering or distribution system is exempt  
13 from the net proceeds tax imposed by this part for-the-first  
14 12--months--following--the--last--day--of--the--calendar--month  
15 immediately-preceding-the-month-in-which:

16 (a) --natural--gas--is--placed--into--a--natural--gas  
17 distribution-system;--or

18 (b) --production-for-sale-from-a-crude-oil-or-mineral-oil  
19 well--is--pumped-or-flows if the notification was made after  
20 March 31, 1987--and-before-July-17-1991.

21 (2) After the expiration of the 12-month exemption  
22 period provided in subsection (1), new production of natural  
23 gas, petroleum, or other crude or mineral oil is subject to  
24 net proceeds tax imposed by this part.

25 (3) Notwithstanding the provisions of subsections (1)



1 and (2), all reporting requirements under the net proceeds  
2 tax remain in effect.

3 (4) THE EXEMPTION PROVIDED IN SUBSECTION (1) APPLIES TO  
4 PRODUCTION IN THIS STATE IN ANY QUARTER ONLY IF THE PRICE  
5 PER BARREL FOR WEST TEXAS INTERMEDIATE CRUDE OIL IS LESS  
6 THAN \$25 A BARREL AS REPORTED IN THE WALL STREET JOURNAL."

7 **Section 15.** Section 15-23-703, MCA, is amended to read:

8 "15-23-703. Taxation of gross proceeds ---taxable-value  
9 for-bonding-and-guaranteed-tax-base-aid-to-schools. (1) The  
10 county assessor shall compute from the reported gross  
11 proceeds from coal a tax roll that he shall transmit to the  
12 county treasurer on or before September 15 each year. The  
13 county-assessor-may-not-levy-or-assess-any-mills-against-the  
14 reported-gross-proceeds-of-coal-but-shall-levy-a-tax-of-5%  
15 against-the-value-of-the-reported-gross-proceeds-as-provided  
16 in-15-23-701(1)(d). The county treasurer shall proceed to  
17 give full notice to each coal producer of the taxes due and  
18 to collect the taxes as provided in 15-16-101.

19 (2) For-bonding, county-classification, and-all-nontax  
20 purposes, the-taxable-value-of-the-gross-proceeds-of-coal-is  
21 45% of-the-contract-sales-price-as-defined-in-15-35-102(5):

22 (3) The-taxable-value-of-gross-proceeds-for-the-purpose  
23 of-computing-guaranteed-tax-base-aid-for-schools-is-the  
24 amount-of-tax-received-by-a-district-in-the-previous-year  
25 divided-by-the-number-of-mills-levied-by-the-district-in-the

1 previous-year, multiplied-by-1,000. This-amount-must-be  
2 added-to-the-district, county, and-statewide-taxable-value  
3 when-computing-guaranteed-tax-base-aid-under-20-9-368.

4 (4) The-county-treasurer-shall-credit-all-taxes  
5 collected-under-this-part:

6 (a) to-the-state-and-to-the-counties-that-levied-mills  
7 against-production-in-the-relative-proportions-required-by  
8 the-levies-for-state-and-county-purposes-in-the-same-manner  
9 as-property-taxes-were-distributed-in-the-year-1989-in-the  
10 taxing-jurisdiction; and

11 (b) to-school-districts-in-the-county-that-either  
12 levied-mills-against-production-or-used-nontax-revenue, such  
13 as-Public-law-81-874-money, in-lieu-of-levying-mills-against  
14 production, in-the-same-manner-that-property-taxes-collected  
15 or-property-taxes-that-would-have-been-collected-would-have  
16 been-distributed-in-1989-in-the-school-district."

17 **Section 16.** Section 15-36-101, MCA, is amended to read:

18 "15-36-101. Definitions and rate of tax -----state  
19 severance-tax-----local-government-severance-tax-----  
20 assessment-of-nonworking-interest-owner-----exemption. (1)  
21 Every person engaging in or carrying on the business of  
22 producing petroleum, other mineral or crude oil, or natural  
23 gas within this state or engaging in or carrying on the  
24 business of owning, controlling, managing, leasing, or  
25 operating within this state any well or wells from which any

1 merchantable or marketable petroleum, other mineral or crude  
 2 oil, or natural gas is extracted or produced shall, ~~except~~  
 3 ~~as provided in 15-36-121,~~ each year when engaged in or  
 4 carrying on the business in this state pay to the department  
 5 of revenue a state severance tax for the exclusive use and  
 6 benefit of the state of Montana ~~plus a local government~~  
 7 ~~severance tax in lieu of a tax on net proceeds for the~~  
 8 ~~exclusive use and benefit of local government.~~ Except as  
 9 ~~provided in subsection (3), the state severance tax and the~~  
 10 ~~local government severance tax are as follows, computed at~~  
 11 the following rates:

12 (a) except as provided in subsections (1)(b), and  
 13 (1)(c), ~~and (d),~~ a 5% state severance tax on of the total  
 14 gross taxable value of all the petroleum and other mineral  
 15 or crude oil produced by the person, ~~plus the local~~  
 16 ~~government severance tax of 8.4% on the gross taxable value~~  
 17 ~~of all the petroleum and other mineral or crude oil produced~~  
 18 ~~by the person other than interim production and new~~  
 19 ~~production,~~ from each lease or unit; but in determining the  
 20 amount of the state severance tax ~~and local government~~  
 21 ~~severance tax,~~ there must be excluded from consideration all  
 22 petroleum or other crude or mineral oil produced and used by  
 23 the person during the year in connection with his operations  
 24 in prospecting for, developing, and producing the petroleum  
 25 or crude or mineral oil;

1 (b) a except as provided in section 15-36-121(1), 2.65%  
 2 ~~state severance tax on~~ of the total gross taxable value of  
 3 all natural gas produced by the person, ~~plus the local~~  
 4 ~~government severance tax of 15.25% on the total gross~~  
 5 ~~taxable value of all natural gas produced by the person~~  
 6 ~~other than interim production or new production,~~ from each  
 7 lease or unit; but in determining the amount of ~~the state~~  
 8 ~~severance tax and the local government severance tax,~~ there  
 9 must be excluded from consideration all gas produced and  
 10 used by the person during the year in connection with his  
 11 operations in prospecting for, developing, and producing the  
 12 gas or petroleum or crude or mineral oil; and there must  
 13 also be excluded from consideration all gas, including  
 14 carbon dioxide gas, recycled or reinjected into the ground;

15 (c) a 2.5% ~~state severance tax on~~ of the total gross  
 16 taxable value of the incremental petroleum and other mineral  
 17 or crude oil produced by the person, ~~plus the local~~  
 18 ~~government severance tax of 5% on the total gross taxable~~  
 19 ~~value of the incremental petroleum and other mineral or~~  
 20 ~~crude oil produced by the person other than interim~~  
 21 ~~production and new production,~~ from each lease or unit in a  
 22 tertiary recovery project after July 1, 1985. For purposes  
 23 of this section, a tertiary recovery project must meet the  
 24 following requirements:

25 (i) the project must be approved as a tertiary recovery

1 project by the department of revenue. The approval may be  
 2 extended only after notice and hearing in accordance with  
 3 Title 2, chapter 4.

4 (ii) the property to be affected by the project must be  
 5 adequately delineated according to the specifications  
 6 required by the department; and

7 (iii) the project must involve the application of one or  
 8 more tertiary recovery methods that can reasonably be  
 9 expected to result in an increase, determined by the  
 10 department to be significant in light of all the facts and  
 11 circumstances, in the amount of crude oil which may  
 12 potentially be recovered. For purposes of this section,  
 13 tertiary recovery methods include but are not limited to:

- 14 (A) miscible fluid displacement;
- 15 (B) steam drive injection;
- 16 (C) micellar/emulsion flooding;
- 17 (D) in situ combustion;
- 18 (E) polymer augmented water flooding;
- 19 (F) cyclic steam injection;
- 20 (G) alkaline or caustic flooding;
- 21 (H) carbon dioxide water flooding;
- 22 (I) immiscible carbon dioxide displacement; or
- 23 (J) any other method approved by the department as a  
 24 tertiary recovery method.

25 ~~(d) a 5% local government severance tax on the total~~

1 ~~gross taxable value of all petroleum and other mineral or~~  
 2 ~~crude oil produced by the person other than interim and new~~  
 3 ~~production produced by a stripper well, as defined in~~  
 4 ~~15-36-121.~~

5 (2) For purposes of this section, the term "incremental  
 6 petroleum and other mineral or crude oil" means the amount  
 7 of oil, as determined by the department of revenue, to be in  
 8 excess of what would have been produced by primary and  
 9 secondary methods. The determination arrived at by the  
 10 department must be made only after notice and hearing and  
 11 shall specify through the life of a tertiary project,  
 12 calendar year by calendar year, the combined amount of  
 13 primary and secondary production that must be used to  
 14 establish the incremental production from each lease or unit  
 15 in a tertiary recovery project.

16 ~~(3) (a) A local government severance tax is imposed on~~  
 17 ~~the gross value paid in cash or apportioned in kind to a~~  
 18 ~~nonworking interest owner by the operator or producer of~~  
 19 ~~extracted marketable petroleum, other mineral or crude oil,~~  
 20 ~~or natural gas subject to local government severance taxes~~  
 21 ~~imposed under this chapter. The local government severance~~  
 22 ~~tax on nonworking interest owners is computed at the~~  
 23 ~~following rates:~~

24 ~~(i) 12.5% on the gross value paid in cash or~~  
 25 ~~apportioned in kind to a nonworking interest owner by the~~

1 operator--or--producer-of-extracted-marketable-petroleum-and  
2 other-mineral-or-crude-oil;

3 (ii)-15-25%-on--the--gross--value--paid--in---cash---or  
4 apportioned--in--kind--to-a-nonworking-interest-owner-by-the  
5 operator-or-producer-of-extracted-or-marketable-natural-gas-

6 (b)--The--amounts--paid--or--apportioned--in---kind---to  
7 nonworking---interest--owners--are--exempt--from--the--local  
8 government-severance-taxes-imposed--under--15-36-121(2)--and  
9 under-subsections-(1)(a)-through-(1)(d)-of-this-section-

10 (4)(3) Nothing in this part may be construed as  
11 requiring laborers or employees hired or employed by any  
12 person to drill any oil or natural gas well or to work in or  
13 about any oil or natural gas well or prospect or explore for  
14 or do any work for the purpose of developing any petroleum,  
15 other mineral or crude oil, or natural gas to pay the  
16 severance tax, nor may work done or the drilling of a well  
17 or wells for the purpose of prospecting or exploring for  
18 petroleum, other mineral or crude oil, or natural gas or for  
19 the purpose of developing them be considered to be the  
20 engaging in or carrying on of the business. If, in the doing  
21 of any work, in the drilling of any oil or natural gas well,  
22 or in prospecting, exploring, or development work, any  
23 merchantable or marketable petroleum, other mineral or crude  
24 oil, or natural gas in excess of the quantity required by  
25 the person for carrying on the operation is produced

1 sufficient in quantity to justify the marketing of the  
2 petroleum, other mineral or crude oil, or natural gas, the  
3 work, drilling, prospecting, exploring, or development work  
4 is considered to be the engaging in and carrying on of the  
5 business of producing petroleum, other mineral or crude oil,  
6 or natural gas within this state within the meaning of this  
7 section.

8 (5)(4) Every person required to pay the state-or-local  
9 government severance tax under this section shall pay the  
10 tax in full for his own account and for the account of each  
11 of the other owner or owners of the gross proceeds in value  
12 or in kind of all the marketable petroleum or other mineral  
13 or crude oil or natural gas extracted and produced,  
14 including owner or owners of working interest, royalty  
15 interest, overriding royalty interest, carried working  
16 interest, net proceeds interest, production payments, and  
17 all other interest or interests owned or carved out of the  
18 total gross proceeds in value or in kind of the extracted  
19 marketable petroleum or other mineral or crude oil or  
20 natural gas, except that any of the interests that are owned  
21 by the federal, state, county, or municipal governments are  
22 exempt from taxation under this chapter. Unless otherwise  
23 provided in a contract or lease, the pro rata share of any  
24 royalty owner or owners will be deducted from any  
25 settlements under the lease or leases or division of

1 proceeds orders or other contracts.

2 ~~(6)(5)~~ For purposes of this section, the following  
3 definitions apply:

4 (a) "~~Gross gross taxable value~~" means the gross value  
5 of the product as determined in 15-36-103 ~~less the gross~~  
6 ~~value paid in cash or apportioned in kind to a nonworking~~  
7 ~~interest owner by the operator or producer of extracted~~  
8 ~~marketable petroleum, other mineral or crude oil, or natural~~  
9 ~~gas.~~

10 (b) ~~"Nonworking interest owner" means any interest~~  
11 ~~owner who does not share in the development and operation~~  
12 ~~costs of the lease or unit."~~

13 **Section 17.** Section 15-36-102, MCA, is amended to read:

14 "~~15-36-102. Quarterly payment of tax ---delayed-payment~~  
15 ~~of local government severance tax. (1) Except as provided in~~  
16 ~~subsection (2), The severance tax must be paid in quarterly~~  
17 ~~installments for the quarterly periods ending, respectively,~~  
18 ~~March 31, June 30, September 30, and December 31 of each~~  
19 ~~year, and the amount of the tax for each quarterly period~~  
20 ~~must be paid to the department of revenue within 60 days~~  
21 ~~after the end of each quarterly period.~~

22 (2) ~~Local government severance tax must be paid in~~  
23 ~~quarterly installments 1 year after the end of each quarter~~  
24 ~~for which a statement is completed as required by~~  
25 ~~15-36-105."~~

1 **Section 18.** Section 15-36-105, MCA, is amended to read:

2 "~~15-36-105. Statement to accompany payment -- records~~  
3 ~~-- collection of tax -- refunds. (1) Each person shall,~~  
4 ~~within 60 days after the end of each following quarter,~~  
5 ~~complete on forms prescribed by the department of revenue a~~  
6 ~~statement showing the total number of barrels of~~  
7 ~~merchantable or marketable petroleum and other mineral or~~  
8 ~~crude oil or cubic feet of natural gas produced or extracted~~  
9 ~~by the person in the state during each month of the quarter~~  
10 ~~and during the whole quarter, the average value of the~~  
11 ~~production during each month, and the total value of the~~  
12 ~~production for the whole quarter, together with the total~~  
13 ~~amount due to the state as severance taxes and local~~  
14 ~~government severance taxes for the quarter, and shall within~~  
15 ~~such 60 days deliver the statement and, except as provided~~  
16 ~~in 15-36-102(2) and 15-36-121, pay to the department the~~  
17 ~~amount of the taxes shown by the statement to be due to the~~  
18 ~~state for the quarter for which the statement is made. The~~  
19 ~~statement must be signed by the individual or the president,~~  
20 ~~vice-president, treasurer, assistant treasurer, or managing~~  
21 ~~agent in this state of the association, corporation,~~  
22 ~~joint-stock company, or syndicate making the statement. Any~~  
23 ~~person engaged in carrying on business at more than one~~  
24 ~~place in this state or owning, leasing, controlling, or~~  
25 ~~operating more than one oil or gas well in this state may~~

1 include all operations in one statement. The department  
2 shall receive and file all statements and collect and  
3 receive from the person making and filing a statement the  
4 amount of tax payable by the person, if any, as appears in  
5 the statement.

6 (2) It is the duty of the department to examine each of  
7 the statements and compute the taxes thereon, and the amount  
8 computed by the department is the tax imposed, assessed  
9 against, and payable by the taxpayer making the statement  
10 for the quarter for which the statement is filed. If the tax  
11 found to be due is greater than the amount paid, the excess  
12 must be paid by the taxpayer to the department within 10  
13 days after written notice of the amount of the deficiency is  
14 mailed by the department to the taxpayer. If the tax imposed  
15 is less than the amount paid, the difference must be applied  
16 as a credit against tax liability for subsequent quarters or  
17 refunded if there is no subsequent tax liability.

18 (3) If the tax is not paid on or before the due date,  
19 there must be assessed a penalty of 10% of the amount of the  
20 tax, unless it is shown that the failure was due to  
21 reasonable cause and not due to neglect. If any tax under  
22 this chapter is not paid when due, interest must be added to  
23 the tax at the rate of 1% a month or fraction thereof,  
24 computed on the total amount of severance tax and penalty  
25 from the due date until paid."

1 **Section 19.** Section 15-36-112, MCA, is amended to read:

2 ~~"15-36-112. Disposition of oil and gas state-and--local~~  
3 ~~government--severance taxes ---calculation-of-unit-value-for~~  
4 ~~local-government-severance-tax. (1) Each year the department~~  
5 ~~of revenue shall determine the amount of tax collected under~~  
6 ~~this chapter from within each taxing-unit county.~~

7 ~~(2) For--purposes--of--the--distribution--of--local~~  
8 ~~government-severance-taxes-collected-under-this-chapter--the~~  
9 ~~department-shall-determine-the-unit-value-of-oil-and-gas-for~~  
10 ~~each-taxing-unit-as-follows:~~

11 ~~(a)--The--unit--value--for--petroleum-and-other-mineral-or~~  
12 ~~crude-oil--for--each--taxing--unit--is--the--quotient--obtained--by~~  
13 ~~dividing--the--net--proceeds--taxes--calculated--on--petroleum--or~~  
14 ~~mineral--or--crude--oil--produced--in--that--taxing--unit--in~~  
15 ~~calendar--year--1988--by--the--number--of--barrels--of--petroleum--or~~  
16 ~~other--mineral--or--crude--oil--produced--in--that--taxing--unit~~  
17 ~~during--1988--excluding--new--and--interim--production.~~

18 ~~(b)--The--unit--value--for--natural--gas--is--the--quotient~~  
19 ~~obtained--by--dividing--the--net--proceeds--taxes--calculated--on~~  
20 ~~natural--gas--produced--in--that--taxing--unit--in--calendar--year~~  
21 ~~1988--by--the--number--of--cubic--feet--of--natural--gas--produced--in~~  
22 ~~that--taxing--unit--during--1988--excluding--new--and--interim~~  
23 ~~production.~~

24 ~~(3) The state--and--local--government severance taxes~~  
25 ~~collected under this chapter are allocated as follows:~~

1       (a) ~~The local government severance tax~~ the amount, if  
 2 any, by which the tax collected from within a county for any  
 3 fiscal year exceeds, by reason of increased production, the  
 4 total amount collected from within that county for the  
 5 previous fiscal year is statutorily appropriated, as  
 6 provided in 17-7-502, for allocation to the general fund of  
 7 the county for distribution as provided in subsection (4)  
 8 (3); and

9       (b) ~~The state severance tax~~ any amount not allocated to  
 10 the county under subsection (2)(a) is allocated to the state  
 11 general fund.

12       ~~(4)(3)~~ (a) ~~For the purpose of distribution of the local~~  
 13 ~~government severance tax, the department shall adjust the~~  
 14 ~~unit value determined under this section according to the~~  
 15 ~~ratio that the local government severance taxes collected~~  
 16 ~~during the quarters to be distributed plus accumulated~~  
 17 ~~interest earned by the state and penalties and interest on~~  
 18 ~~delinquent local government severance taxes bears to the~~  
 19 ~~total liability for local government severance taxes for the~~  
 20 ~~quarters to be distributed, the taxes must be calculated and~~  
 21 ~~distributed as follows:~~

22       ~~(i)~~ ~~By November 30 of each year, the department shall~~  
 23 ~~calculate and distribute to each eligible county the amount~~  
 24 ~~of local government severance tax, determined by multiplying~~  
 25 ~~unit value as adjusted in this subsection (4)(a) times the~~

1       ~~units of production on which the local government severance~~  
 2 ~~tax was owed during the calendar quarters ending March 31~~  
 3 ~~and June 30 of the preceding calendar year;~~

4       ~~(ii)~~ ~~By May 31 of each year, the department shall~~  
 5 ~~calculate and distribute to each eligible county the amount~~  
 6 ~~of local government severance tax, determined by multiplying~~  
 7 ~~unit value as adjusted in this subsection (4)(a) times the~~  
 8 ~~units of production on which the local government severance~~  
 9 ~~tax was owed during the two calendar quarters immediately~~  
 10 ~~following those quarters referred to in subsection~~  
 11 ~~(4)(a)(i);~~

12       ~~(b)~~ ~~Any amount by which the total tax liability exceeds~~  
 13 ~~or is less than the total distributions determined in~~  
 14 ~~subsections (4)(a)(i) and (4)(a)(ii) must be calculated and~~  
 15 ~~distributed in the following manner:~~

16       ~~(i)~~ ~~The excess amount or shortage must be divided by~~  
 17 ~~the total distribution determined for that period to obtain~~  
 18 ~~an excess or shortage percentage;~~

19       ~~(ii)~~ ~~The excess percentage must be multiplied by the~~  
 20 ~~distribution to each taxing unit, and this amount must be~~  
 21 ~~added to the distribution to each respective taxing unit;~~

22       ~~(iii)~~ ~~The shortage percentage must be multiplied by the~~  
 23 ~~distribution to each taxing unit, and this amount must be~~  
 24 ~~subtracted from the distribution to each respective taxing~~  
 25 ~~unit;~~

1       ~~{5}~~ The county treasurer shall distribute the money  
 2 received under subsection ~~{4}~~ (2)(a) to the taxing--units  
 3 ~~that--levied--mills--in--fiscal--year--1990--against--calendar--year~~  
 4 ~~1988--production--in--the--same--manner--that--all--other--property~~  
 5 ~~tax--proceeds--were--distributed--during--fiscal--year--1990--in--the~~  
 6 ~~taxing--unit;--except--that--no--distribution--may--be--made--to--a~~  
 7 ~~municipal--taxing--unit~~ county and to all the incorporated  
 8 ~~cities and towns within the county as provided in this~~  
 9 ~~subsection. The county receives the available money~~  
 10 ~~multiplied by the ratio of the rural population to the~~  
 11 ~~county population. Each incorporated municipality receives~~  
 12 ~~the available money multiplied by the ratio of the~~  
 13 ~~population of the incorporated municipality to the county~~  
 14 ~~population. The rural population is that population of the~~  
 15 ~~county living outside the boundaries of an incorporated~~  
 16 ~~municipality. Population must be based on the most recent~~  
 17 ~~figures as determined by the department of commerce.~~

18       (b) The money distributed under subsection (3)(a) may  
 19 be used for any purpose as determined by the governing body  
 20 of the county, city, or town."

21       **Section 20.** Section 15-36-121, MCA, is amended to read:

22       "15-36-121. Exemption from state severance tax --  
 23 ~~imposition--of--local--government--severance--tax. {1}~~ It is the  
 24 ~~public--policy--of--this--state--to--promote--a--sufficient--supply~~  
 25 ~~of--natural--gas--to--provide--for--the--residents--of--this--state;~~

1       ~~to--lessen--Montana's--dependence--on--imported--natural--gas;--and~~  
 2 ~~to--encourage--the--exploration--for--and--development--and~~  
 3 ~~production--of--natural--gas;--petroleum;--and--other--mineral--and~~  
 4 ~~crude--oil--within--the--state.~~

5       ~~{2}~~(1) All the natural gas produced from any well that  
 6 has produced 60,000 cubic feet or less of natural gas a day  
 7 for the calendar year prior to the current year shall be  
 8 taxed as provided in this section. Production must be  
 9 determined by dividing the amount of production from a lease  
 10 or unitized area for the year prior to the current calendar  
 11 year by the number of producing wells in the lease or  
 12 unitized area and by dividing the resulting quotient by 365.  
 13 The first 30,000 cubic feet of average daily production per  
 14 well is exempt from all of the state severance tax imposed  
 15 by 15-36-101. ~~The first 30,000 cubic feet of average daily~~  
 16 ~~production--per--well--is--subject--to--a--local--government~~  
 17 ~~severance--tax--of--10%.~~ Everything over 30,000 cubic feet of  
 18 gas produced is taxed at 1.59% ~~plus a local government~~  
 19 ~~severance tax of 10%.~~

20       ~~{3}~~ ~~For the purposes of this section, "stripper well"~~  
 21 ~~means--a--well--that--produces--less--than--10--barrels--per--day;~~  
 22 ~~determined--by--dividing--the--amount--of--production--from--a--lease~~  
 23 ~~or--unitized--area--for--the--year--prior--to--the--current--calendar~~  
 24 ~~year--by--the--number--of--producing--wells--in--the--lease--or~~  
 25 ~~unitized--area;--and--by--dividing--the--resulting--quotient--by~~



1 365-

2 ~~(4)~~(2) Notwithstanding the provisions of subsection ~~(2)~~  
3 (1), all reporting requirements under the state severance  
4 tax remain in effect."

5 **Section 21.** Section 20-9-141, MCA, is amended to read:

6 "20-9-141. Computation of general fund net levy  
7 requirement by county superintendent. (1) The county  
8 superintendent shall compute the levy requirement for each  
9 district's general fund on the basis of the following  
10 procedure:

11 (a) Determine the funding required for the district's  
12 final general fund budget less the amount established by the  
13 schedules in 20-9-316 through 20-9-321 by totaling:

14 (i) the district's nonisolated school foundation  
15 program requirement to be met by a district levy as provided  
16 in 20-9-303; and

17 (ii) any additional general fund budget amount adopted  
18 by the trustees of the district under the provisions of  
19 20-9-353, including any additional levies authorized by the  
20 electors of the district.

21 (b) Determine the money available for the reduction of  
22 the property tax on the district for the general fund by  
23 totaling:

24 (i) anticipated federal money received under the  
25 provisions of Title I of Public Law 81-874 or other

1 anticipated federal money received in lieu of that federal  
2 act;

3 (ii) anticipated tuition payments for out-of-district  
4 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,  
5 and 20-5-313;

6 (iii) general fund cash reappropriated, as established  
7 under the provisions of 20-9-104;

8 (iv) anticipated or reappropriated state impact aid  
9 received under the provisions of 20-9-304;

10 (v) anticipated or reappropriated revenue from property  
11 taxes and fees imposed under 23-2-517, 23-2-803,  
12 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

13 (vi) anticipated net proceeds taxes for interim  
14 production-and new production, as defined in 15-23-601;

15 ~~(vii) anticipated---revenue---from---local---government~~  
16 ~~severance-taxes-as-provided-in-15-36-112;~~

17 ~~(viii)-anticipated--revenue--from--coal--gross--proceeds~~  
18 ~~under-15-23-703;~~

19 ~~(ix)~~ anticipated interest to be earned or reappropriated  
20 interest earned by the investment of general fund cash in  
21 accordance with the provisions of 20-9-213(4);

22 ~~(x)~~(viii) anticipated revenue from corporation license  
23 taxes collected from financial institutions under the  
24 provisions of 15-31-702; and

25 ~~(xi)~~(ix) any other revenue anticipated by the trustees

1 to be received during the ensuing school fiscal year which  
2 may be used to finance the general fund.

3 (c) Subtract the money available to reduce the property  
4 tax required to finance the general fund that has been  
5 determined in subsection (1)(b) from the total requirement  
6 determined in subsection (1)(a).

7 (2) The net general fund levy requirement determined in  
8 subsection (1)(c) must be reported to the county  
9 commissioners on the second Monday of August by the county  
10 superintendent as the general fund levy requirement for the  
11 district, and a levy must be made by the county  
12 commissioners in accordance with 20-9-142."

13 **Section 22.** Section 20-9-316, MCA, is amended to read:

14 "20-9-316. Elementary school maximum budget schedule  
15 for ~~1989-90~~ fiscal year 1992. (1) For each elementary school  
16 having an ANB of nine or fewer pupils, the maximum is  
17 ~~\$20,763~~ \$24,355 if the school is approved as an isolated  
18 school.

19 (2) For schools with an ANB of 10 pupils but less than  
20 18 pupils, the maximum is ~~\$20,763~~ \$24,355 plus ~~\$068~~ \$1,018  
21 per pupil on the basis of the average number belonging over  
22 nine.

23 (3) For schools with an ANB of at least 14 pupils but  
24 less than 18 pupils that qualify for instructional aide  
25 funding under 20-9-322, the maximum is ~~\$34,033~~ \$39,922 plus

1 ~~\$068~~ \$1,018 per pupil on the basis of the average number  
2 belonging over 14.

3 (4) For schools with an ANB of 18 pupils and employing  
4 one teacher, the maximum is ~~\$20,573~~ \$33,517 plus ~~\$868~~ \$1,018  
5 per pupil on the basis of the average number belonging over  
6 18, not to exceed an ANB of 25.

7 (5) For schools with an ANB of 18 pupils and employing  
8 two full-time teachers, the maximum is ~~\$45,619~~ \$53,512 plus  
9 ~~\$543~~ \$638 per pupil on the basis of the average number  
10 belonging over 18, not to exceed an ANB of 50.

11 (6) For schools having an ANB in excess of 40, the  
12 maximum, on the basis of the total pupils (ANB) in the  
13 district, for elementary pupils is as follows:

14 (a) For a school having an ANB of more than 40 and  
15 employing a minimum of three teachers, the maximum of ~~\$2,016~~  
16 \$2,365 must be decreased at the rate of ~~\$1.96~~ \$2.30 for each  
17 additional pupil until the total number (ANB) reaches 100  
18 pupils.

19 (b) For a school having an ANB of more than 100 pupils,  
20 the maximum of ~~\$1,898~~ \$2,227 must be decreased at the rate  
21 of ~~\$1.79~~ \$1.26 for each additional pupil until the ANB  
22 reaches 300 pupils.

23 (c) For a school having an ANB of more than 300 pupils,  
24 the maximum may not exceed ~~\$1,541~~ \$1,970 for each pupil.

25 (7) The maximum per pupil for all pupils (ANB) and for

1 all elementary schools must be computed on the basis of the  
2 amount allowed in this section on account of the last  
3 eligible pupil (ANB). All elementary schools operated within  
4 the incorporated limits of a city or town must be treated as  
5 one school for the purpose of this schedule."

6 **Section 23.** Section 20-9-317, MCA, is amended to read:

7 "20-9-317. High school maximum budget schedule for  
8 ~~1989-90~~ fiscal year 1992. (1) For each high school having an  
9 ANB of 24 or fewer pupils, the maximum is ~~\$118,290~~ \$148,107.

10 (2) For a high school having an ANB of more than 24  
11 pupils, the maximum of ~~\$4,929~~ \$6,171 must be decreased at  
12 the rate of ~~\$26.88~~ \$33.66 for each additional pupil until  
13 the ANB reaches 40 pupils.

14 (3) For a school having an ANB of more than 40 pupils,  
15 the maximum of ~~\$4,499~~ \$5,633 must be decreased at the rate  
16 of ~~\$26.88~~ \$33.66 for each additional pupil until the ANB  
17 reaches 100 pupils.

18 (4) For a school having an ANB of more than 100 pupils,  
19 the maximum of ~~\$2,886~~ \$3,613 must be decreased at the rate  
20 of ~~\$4.50~~ \$5.63 for each additional pupil until the ANB  
21 reaches 200 pupils.

22 (5) For a school having an ANB of more than 200 pupils,  
23 the maximum of ~~\$2,436~~ \$3,050 must be decreased by ~~\$2.47~~  
24 \$3.09 for each additional pupil until the ANB reaches 300  
25 pupils.

1 (6) For a school having an ANB of more than 300 pupils,  
2 the maximum of ~~\$2,189~~ \$2,740 must be decreased at the rate  
3 of ~~45~~ 57 cents for each additional pupil until the ANB  
4 reaches 600 pupils.

5 (7) For a school having an ANB of more than 600 pupils,  
6 the maximum may not exceed ~~\$2,053~~ \$2,570 per pupil.

7 (8) The maximum per pupil for all pupils (ANB) and for  
8 all high schools must be computed on the basis of the amount  
9 allowed in this section on account of the last eligible  
10 pupil (ANB). All high schools and junior high schools which  
11 have been approved and accredited as junior high schools,  
12 operated within the incorporated limits of a city or town,  
13 must be treated as one school for the purpose of this  
14 schedule."

15 **Section 24.** Section 20-9-318, MCA, is amended to read:

16 "20-9-318. Elementary school foundation program  
17 schedule for school fiscal year ~~1991~~ 1993 and succeeding  
18 years. For the school fiscal year ending June 30, ~~1991~~ 1993,  
19 and succeeding school years, the elementary school  
20 foundation program schedule is as follows:

21 (1) For each elementary school having an ANB of nine or  
22 fewer pupils, the maximum is ~~\$23,646~~ \$25,086 if the school  
23 is approved as an isolated school.

24 (2) For schools with an ANB of 10 pupils but less than  
25 18 pupils, the maximum is ~~\$23,646~~ \$25,086 plus ~~\$988~~ \$1,048

1 per pupil on the basis of the average number belonging over  
2 nine.

3 (3) For schools with an ANB of at least 14 pupils but  
4 less than 18 pupils that qualify for instructional aide  
5 funding under 20-9-322, the maximum is ~~\$30,759~~ \$41,119 plus  
6 ~~\$900~~ \$1,048 per pupil on the basis of the average number  
7 belonging over 14.

8 (4) For schools with an ANB of 18 pupils and employing  
9 one teacher, the maximum is ~~\$32,544~~ \$34,523 plus ~~\$900~~ \$1,048  
10 per pupil on the basis of the average number belonging over  
11 18, not to exceed an ANB of 25.

12 (5) For schools with an ANB of 18 pupils and employing  
13 two full-time teachers, the maximum is ~~\$51,953~~ \$55,117 plus  
14 ~~\$619~~ \$657 per pupil on the basis of the average number  
15 belonging over 18, not to exceed an ANB of 50.

16 (6) For schools having an ANB in excess of 40, the  
17 maximum, on the basis of the total pupils (ANB) in the  
18 district, is as follows:

19 (a) For a school having an ANB of more than 40 and  
20 employing a minimum of three teachers, the maximum of ~~\$2,296~~  
21 \$2,436 is decreased at the rate of ~~\$2,23~~ \$2.37 for each  
22 additional pupil until the total number (ANB) reaches a  
23 total of 100 pupils.

24 (b) For a school having an ANB of more than 100 pupils,  
25 the maximum of ~~\$2,162~~ \$2,294 is decreased at the rate of

1 ~~\$1,22~~ \$1.29 for each additional pupil until the ANB reaches  
2 300 pupils.

3 (c) For a school having an ANB of more than 300 pupils,  
4 the maximum may not exceed ~~\$1,913~~ \$2,030 for each pupil.

5 (7) The maximum per pupil for all pupils (ANB) and for  
6 all elementary schools must be computed on the basis of the  
7 amount allowed in this section on account of the last  
8 eligible pupil (ANB). All elementary schools operated within  
9 the incorporated limits of a city or town must be treated as  
10 one school for the purpose of this schedule."

11 **Section 25.** Section 20-9-319, MCA, is amended to read:

12 **"20-9-319. High school foundation program schedule for**  
13 **school fiscal year ~~1991~~ 1993 and succeeding years.** For the  
14 school fiscal year ending June 30, ~~1991~~ 1993, and succeeding  
15 school years, the high school foundation program schedule is  
16 as follows:

17 (1) For each high school having an ANB of 24 or fewer  
18 pupils, the maximum is ~~\$143,793~~ \$152,550.

19 (2) For a high school having an ANB of more than 24  
20 pupils, the maximum of ~~\$5,991~~ \$6,356 is decreased at the  
21 rate of ~~\$32,68~~ \$34.67 for each additional pupil until the  
22 ANB reaches a total of 40 pupils.

23 (3) For a school having an ANB of more than 40 pupils,  
24 the maximum of ~~\$5,469~~ \$5,802 is decreased at the rate of  
25 ~~\$32,68~~ \$34.67 for each additional pupil until the ANB

1 reaches 100 pupils.

2 (4) For a school having an ANB of more than 100 pupils,  
3 the maximum of ~~\$3,508~~ \$3,722 is decreased at the rate of  
4 ~~\$5.47~~ \$5.80 fo. each additional pupil until the ANB reaches  
5 200 pupils.

6 (5) For a school having an ANB of more than 200 pupils,  
7 the maximum of ~~\$2,961~~ \$3,141 is decreased by ~~\$3.00~~ \$3.18 for  
8 each additional pupil until the ANB reaches 300 pupils.

9 (6) For a school having an ANB of more than 300 pupils,  
10 the maximum of ~~\$2,660~~ \$2,822 is decreased at the rate of 55  
11 58 cents for each additional pupil until the ANB reaches 600  
12 pupils.

13 (7) For a school having an ANB of more than 600 pupils,  
14 the maximum may not exceed ~~\$2,495~~ \$2,647 per pupil.

15 (8) The maximum per pupil for all pupils (ANB) and for  
16 all high schools must be computed on the basis of the amount  
17 allowed in this section on account of the last eligible  
18 pupil (ANB). All high schools and junior high schools which  
19 have been approved and accredited as junior high schools,  
20 operated within the incorporated limits of a city or town,  
21 must be treated as one school for the purpose of this  
22 schedule."

23 **Section 26.** Section 20-9-331, MCA, is amended to read:

24 "20-9-331. Basic county tax and other revenues for  
25 county equalization of the elementary district foundation

1 program. (1) The county commissioners of each county shall  
2 levy an annual basic tax of 33 mills on the dollar of the  
3 taxable value of all taxable property within the county,  
4 except for property subject to a tax or fee under 23-2-517,  
5 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, for  
6 the purposes of local and state foundation program support.  
7 The revenue collected from this levy must be apportioned to  
8 the support of the foundation programs of the elementary  
9 school districts in the county and to the state special  
10 revenue fund, state equalization aid account, in the  
11 following manner:

12 (a) In order to determine the amount of revenue raised  
13 by this levy which is retained by the county, the sum of the  
14 estimated revenue identified in subsection (2) must be  
15 subtracted from the total of the foundation programs of all  
16 elementary districts of the county.

17 (b) If the basic levy prescribed by this section  
18 produces more revenue than is required to finance the  
19 difference determined in subsection (1)(a), the county  
20 treasurer shall remit the surplus funds to the state  
21 treasurer for deposit to the state special revenue fund,  
22 state equalization aid account, immediately upon occurrence  
23 of a surplus balance and each subsequent month thereafter,  
24 with any final remittance due no later than June 20 of the  
25 fiscal year for which the levy has been set.

1 (c) If revenue from the basic levy prescribed by this  
 2 section when combined with the other revenue from subsection  
 3 (2) is insufficient to fully fund the percentage determined  
 4 in 20-9-347(1)(b) and the county is eligible for an  
 5 apportionment of state equalization aid under the provisions  
 6 of 20-9-347(1)(c), the county superintendent shall notify  
 7 the superintendent of public instruction of the deficiency.  
 8 The superintendent of public instruction shall increase the  
 9 state equalization aid payments to the districts in the  
 10 affected county to offset the deficiency. A payment may not  
 11 be made under this subsection (c) that allows a district to  
 12 receive foundation program funding in excess of the  
 13 foundation program amount of the district.

14 (2) The revenue realized from the county's portion of  
 15 the levy prescribed by this section and the revenue from the  
 16 following sources must be used for the equalization of the  
 17 elementary district foundation programs of the county as  
 18 prescribed in 20-9-334, and a separate accounting must be  
 19 kept of the revenue by the county treasurer in accordance  
 20 with 20-9-212(1):

21 (a) the portion of the federal Taylor Grazing Act funds  
 22 distributed to a county and designated for the common school  
 23 fund under the provisions of 17-3-222;

24 (b) the portion of the federal flood control act funds  
 25 distributed to a county and designated for expenditure for

1 the benefit of the county common schools under the  
 2 provisions of 17-3-232;

3 (c) all money paid into the county treasury as a result  
 4 of fines for violations of law, except money paid to a  
 5 justice's court, and the use of which is not otherwise  
 6 specified by law;

7 (d) any money remaining at the end of the immediately  
 8 preceding school fiscal year in the county treasurer's  
 9 accounts for the various sources of revenue established or  
 10 referred to in this section;

11 (e) any federal or state money distributed to the  
 12 county as payment in lieu of property taxation, including  
 13 federal forest reserve funds allocated under the provisions  
 14 of 17-3-213;

15 (f) ~~gross-proceeds-taxes-from-coal-under-15-23-703;~~

16 (g) ~~net proceeds taxes for interim-production-and new~~  
 17 ~~production, as defined in 15-23-601,--and--local--government~~  
 18 ~~severance--taxes--on--any--other--production-occurring-after~~  
 19 ~~December-31,--1988; and~~

20 (h) ~~(g)~~ anticipated revenue from property taxes and fees  
 21 imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
 22 61-3-537, and 67-3-204."

23 **Section 27.** Section 20-9-333, MCA, is amended to read:

24 "20-9-333. Basic special levy and other revenues for  
 25 county equalization of high school district foundation

1 program. (1) The county commissioners of each county shall  
 2 levy an annual basic special tax for high schools of 22  
 3 mills on the dollar of the taxable value of all taxable  
 4 property within the county, except for property subject to a  
 5 tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
 6 61-3-537, and 67-3-204, for the purposes of local and state  
 7 foundation program support. The revenue collected from this  
 8 levy must be apportioned to the support of the foundation  
 9 programs of high school districts in the county and to the  
 10 state special revenue fund, state equalization aid account,  
 11 in the following manner:

12 (a) In order to determine the amount of revenue raised  
 13 by this levy which is retained by the county, the sum of the  
 14 estimated revenue identified in subsection (2) must be  
 15 subtracted from the sum of the county's high school tuition  
 16 obligation and the total of the foundation programs of all  
 17 high school districts of the county.

18 (b) If the basic levy prescribed by this section  
 19 produces more revenue than is required to finance the  
 20 difference determined in subsection (1)(a), the county  
 21 treasurer shall remit the surplus funds to the state  
 22 treasurer for deposit to the state special revenue fund,  
 23 state equalization aid account, immediately upon occurrence  
 24 of a surplus balance and each subsequent month thereafter,  
 25 with any final remittance due no later than June 20 of the

1 fiscal year for which the levy has been set.

2 (c) If revenue from the basic levy prescribed by this  
 3 section when combined with the other revenue from subsection  
 4 (2) is insufficient to fully fund the percentage determined  
 5 in 20-9-347(1)(b) and the county is eligible for an  
 6 apportionment of state equalization aid under the provisions  
 7 of 20-9-347(1)(c), the county superintendent shall notify  
 8 the superintendent of public instruction of the deficiency.  
 9 The superintendent of public instruction shall increase the  
 10 state equalization aid payments to the districts in the  
 11 affected county to offset the deficiency. A payment may not  
 12 be made under this subsection (c) that allows a district to  
 13 receive foundation program funding in excess of the  
 14 foundation program amount of the district.

15 (2) The revenue realized from the county's portion of  
 16 the levy prescribed in this section and the revenue from the  
 17 following sources must be used for the equalization of the  
 18 high school district foundation programs of the county as  
 19 prescribed in 20-9-334, and a separate accounting must be  
 20 kept of the revenue by the county treasurer in accordance  
 21 with 20-9-212(1):

22 (a) any money remaining at the end of the immediately  
 23 preceding school fiscal year in the county treasurer's  
 24 accounts for the various sources of revenue established in  
 25 this section;

1 (b) any federal or state money distributed to the  
 2 county as payment in lieu of property taxation, including  
 3 federal forest reserve funds allocated under the provisions  
 4 of 17-3-213;

5 ~~(c) gross-proceeds-taxes-from-coal-under-15-23-703;~~

6 ~~(d) net proceeds taxes for interim-production-and new~~  
 7 ~~production, as defined in 15-23-6017--and--local--government~~  
 8 ~~severance--taxes--on--any--other--production-occurring-after~~  
 9 ~~December-31-1988; and~~

10 ~~(e)~~(d) anticipated revenue from property taxes and fees  
 11 imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
 12 61-3-537, and 67-3-204."

13 **Section 28.** Section 20-9-366, MCA, is amended to read:

14 "20-9-366. Definitions. As used in 20-9-366 through  
 15 20-9-369, the following definitions apply:

16 (1) "County mill value per elementary ANB" or "county  
 17 mill value per high school ANB" means the sum of the current  
 18 taxable valuation of all property in the county plus the  
 19 taxable value of oil and gas net proceeds determined under  
 20 15-23-607(4) for production occurring after March 31, 1990,  
 21 ~~plus-the-taxable-value-of--coal--gross-proceeds--determined~~  
 22 ~~under--15-23-703(3)~~ plus all the taxable value of nonlevy  
 23 revenue for the support of schools, other than Public Law  
 24 81-874 funds, divided by 1,000, with the quotient divided by  
 25 the total county elementary ANB count or the total county

1 high school ANB count used to calculate the elementary  
 2 school districts' and high school districts' current year  
 3 foundation program amounts. The taxable value of nonlevy  
 4 revenue for the purpose of computing guaranteed tax base aid  
 5 for schools is the amount of nonlevy revenue received by a  
 6 district in the previous year, including for fiscal year  
 7 1991 the revenue received in fiscal year 1990 from the net  
 8 proceeds taxation of oil and natural gas and including for  
 9 fiscal year 1992 ~~and--thereafter~~ the local government  
 10 severance tax, divided by the number of mills levied by the  
 11 district in the previous year, multiplied by 1,000.

12 (2) "District mill value per ANB" means the current  
 13 taxable valuation of all property in the district plus the  
 14 taxable value of oil and gas net proceeds determined under  
 15 15-23-607(4) for production occurring after March 31, 1990,  
 16 ~~plus--the--taxable--value--of--coal--gross-proceeds-determined~~  
 17 ~~under-15-23-703(3)~~ plus all the taxable value of nonlevy  
 18 revenue for the support of schools, other than Public Law  
 19 81-874 funds, divided by 1,000, with the quotient divided by  
 20 the ANB count of the district used to calculate the  
 21 district's current year foundation program schedule amount.  
 22 The taxable value of nonlevy revenue for the purpose of  
 23 computing guaranteed tax base aid for schools is the amount  
 24 of nonlevy revenue received by a district in the previous  
 25 year, including for fiscal year 1991 the revenue received in



1 fiscal year 1990 from the net proceeds taxation of oil and  
 2 natural gas and including for fiscal year 1992 and  
 3 thereafter the local government severance tax, divided by  
 4 the number of mills levied by the district in the previous  
 5 year, multiplied by 1,000.

6 (3) "Guaranteed overschedule general fund budget" means  
 7 that portion of a district's general fund budget in excess  
 8 of the foundation program amount for the district, as  
 9 provided in 20-9-316 through 20-9-321, but not exceeding  
 10 ~~±35%~~ 35% of the district's foundation program amount, and  
 11 which excess is authorized under the provisions of 20-9-145  
 12 and 20-9-353.

13 (4) "Statewide mill value per elementary ANB" or  
 14 "statewide mill value per high school ANB" means the sum of  
 15 the current taxable valuation of all property in the state  
 16 plus the taxable value of oil and gas net proceeds  
 17 determined under 15-23-607(4) for production occurring after  
 18 March 31, 1990, ~~plus--the--taxable--value--of--coal--gross~~  
 19 ~~proceeds-determined-under-15-23-703(3)~~ plus all the taxable  
 20 value of nonlevy revenue for the support of schools, other  
 21 than Public Law 81-874 funds, divided by 1,000, with the  
 22 quotient divided by the total state elementary ANB count or  
 23 the total state high school ANB count used to calculate the  
 24 elementary school districts' and high school districts'  
 25 current year foundation program amounts. The taxable value

1 of nonlevy revenue for the purpose of computing guaranteed  
 2 tax base aid for schools is the amount of nonlevy revenue  
 3 received by a district in the previous year, including for  
 4 fiscal year 1991 the revenue received in fiscal year 1990  
 5 from the net proceeds taxation of oil and natural gas and  
 6 including for fiscal year 1992 ~~and--thereafter~~ the local  
 7 government severance tax, divided by the number of mills  
 8 levied by the district in the previous year, multiplied by  
 9 1,000."

10 **Section 29.** Section 20-9-501, MCA, is amended to read:

11 **"20-9-501. Retirement fund.** (1) The trustees of any  
 12 district employing personnel who are members of the  
 13 teachers' retirement system or the public employees'  
 14 retirement system or who are covered by unemployment  
 15 insurance or who are covered by any federal social security  
 16 system requiring employer contributions shall establish a  
 17 retirement fund for the purposes of budgeting and paying the  
 18 employer's contributions to such systems. The district's  
 19 contribution for each employee who is a member of the  
 20 teachers' retirement system must be calculated in accordance  
 21 with Title 19, chapter 4, part 6. The district's  
 22 contribution for each employee who is a member of the public  
 23 employees' retirement system must be calculated in  
 24 accordance with 19-3-801. The district's contributions for  
 25 each employee covered by any federal social security system

1 must be paid in accordance with federal law and regulation.  
2 The district's contribution for each employee who is covered  
3 by unemployment insurance must be paid in accordance with  
4 Title 39, chapter 51, part 11.

5 (2) The trustees of any district required to make a  
6 contribution to any system referred to in subsection (1)  
7 shall include in the retirement fund of the preliminary  
8 budget the estimated amount of the employer's contribution.  
9 After the final retirement fund budget has been adopted, the  
10 trustees shall pay the employer contributions to such  
11 systems in accordance with the financial administration  
12 provisions of this title.

13 (3) When the final retirement fund budget has been  
14 adopted, the county superintendent shall establish the levy  
15 requirement by:

16 (a) determining the sum of the money available to  
17 reduce the retirement fund levy requirement by adding:

18 (i) any anticipated money that may be realized in the  
19 retirement fund during the ensuing school fiscal year,  
20 including anticipated revenue from property taxes and fees  
21 imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
22 61-3-537, and 67-3-204;

23 (ii) anticipated guaranteed tax base aid in support of  
24 retirement;

25 (iii) net proceeds taxes ~~and local government severance~~

1 ~~taxes on any other oil and gas production occurring after~~  
2 ~~December 31, 1988; and~~

3 (iv) ~~coal gross proceeds taxes under 15-23-703; and~~  
4 (v) any cash available for reappropriation as  
5 determined by subtracting the amount of the end-of-the-year  
6 cash balance earmarked as the retirement fund cash reserve  
7 for the ensuing school fiscal year by the trustees from the  
8 end-of-the-year cash balance in the retirement fund. The  
9 retirement fund cash reserve may not be more than 35% of the  
10 final retirement fund budget for the ensuing school fiscal  
11 year and must be used for the purpose of paying retirement  
12 fund warrants issued by the district under the final  
13 retirement fund budget.

14 (b) subtracting the money available for reduction of  
15 the levy requirement, as determined in subsection (3)(a),  
16 from the budgeted amount for expenditures in the final  
17 retirement fund budget.

18 (4) The county superintendent shall:

19 (a) total the net retirement fund levy requirements  
20 separately for all elementary school districts, all high  
21 school districts, and all community college districts of the  
22 county, including any prorated joint district or special  
23 education cooperative agreement levy requirements; and

24 (b) report each levy requirement to the county  
25 commissioners on the second Monday of August as the

1 respective county levy requirements for elementary district,  
2 high school district, and community college district  
3 retirement funds.

4 (5) The county commissioners shall fix and set the  
5 county levy in accordance with 20-9-142.

6 (6) The net retirement fund levy requirement for a  
7 joint elementary district or a joint high school district  
8 must be prorated to each county in which a part of the  
9 district is located in the same proportion as the district  
10 ANB of the joint district is distributed by pupil residence  
11 in each county. The county superintendents of the counties  
12 affected shall jointly determine the net retirement fund  
13 levy requirement for each county as provided in 20-9-151.

14 (7) The net retirement fund levy requirement for  
15 districts that are members of special education cooperative  
16 agreements must be prorated to each county in which the  
17 district is located in the same proportion as the budget for  
18 the special education cooperative agreement of the district  
19 bears to the total budget of the cooperative. The county  
20 superintendents of the counties affected shall jointly  
21 determine the net retirement fund levy requirement for each  
22 county in the same manner as provided in 20-9-151 and fix  
23 and levy the net retirement fund levy for each county in the  
24 same manner as provided in 20-9-152."

25 **Section 30.** Section 20-10-144, MCA, is amended to read:

1 "20-10-144. Computation of revenues and net tax levy  
2 requirements for the transportation fund budget. Before the  
3 fourth Monday of July and in accordance with 20-9-123, the  
4 county superintendent shall compute the revenue available to  
5 finance the transportation fund budget of each district. The  
6 county superintendent shall compute the revenue for each  
7 district on the following basis:

8 (1) The "schedule amount" of the preliminary budget  
9 expenditures that is derived from the rate schedules in  
10 20-10-141 and 20-10-142 must be determined by adding the  
11 following amounts:

12 (a) the sum of the maximum reimbursable expenditures  
13 for all approved school bus routes maintained by the  
14 district (to determine the maximum reimbursable expenditure,  
15 multiply the applicable rate per bus mile by the total  
16 number of miles to be traveled during the ensuing school  
17 fiscal year on each bus route approved by the county  
18 transportation committee and maintained by such district);  
19 plus

20 (b) the total of all individual transportation per diem  
21 reimbursement rates for the district as determined from the  
22 contracts submitted by the district multiplied by the number  
23 of pupil-instruction days scheduled for the ensuing school  
24 attendance year; plus

25 (c) any estimated costs for supervised home study or

1 supervised correspondence study for the ensuing school  
2 fiscal year; plus

3 (d) the amount budgeted on the preliminary budget for  
4 the contingency amount permitted in 20-10-143, except if the  
5 amount exceeds 10% of the total of subsections (1)(a),  
6 (1)(b), and (1)(c) or \$100, whichever is larger, the  
7 contingency amount on the preliminary budget must be reduced  
8 to the limitation amount and used in this determination of  
9 the schedule amount.

10 (2) The schedule amount determined in subsection (1) or  
11 the total preliminary transportation fund budget, whichever  
12 is smaller, is divided by 3 and the resulting one-third  
13 amount is used to determine the available state and county  
14 revenue to be budgeted on the following basis:

15 (a) the resulting one-third amount is the budgeted  
16 state transportation reimbursement, except that the state  
17 transportation reimbursement for the transportation of  
18 special education pupils under the provisions of 20-7-442  
19 must be two-thirds of the schedule amount attributed to the  
20 transportation of special education pupils;

21 (b) the resulting one-third amount, except as provided  
22 for joint elementary districts in subsection (2)(e), is the  
23 budgeted county transportation reimbursement for elementary  
24 districts and must be financed by the basic county tax under  
25 the provisions of 20-9-334;

1 (c) the resulting one-third amount multiplied by 2 is  
2 the budgeted county transportation reimbursement amount for  
3 high school districts financed under the provisions of  
4 subsection (5), except as provided for joint high school  
5 districts in subsection (2)(e), and except that the county  
6 transportation reimbursement for the transportation of  
7 special education pupils under the provisions of 20-7-442  
8 must be one-third of the schedule amount attributed to the  
9 transportation of special education pupils;

10 (d) when the district has a sufficient amount of cash  
11 for reappropriation and other sources of district revenue,  
12 as determined in subsection (3), to reduce the total  
13 district obligation for financing to zero, any remaining  
14 amount of district revenue and cash reappropriated must be  
15 used to reduce the county financing obligation in subsection  
16 (2)(b) or (2)(c) and, if the county financing obligations  
17 are reduced to zero, to reduce the state financial  
18 obligation in subsection (2)(a); and

19 (e) the county revenue requirement for a joint  
20 district, after the application of any district money under  
21 subsection (2)(d), must be prorated to each county  
22 incorporated by the joint district in the same proportion as  
23 the ANB of the joint district is distributed by pupil  
24 residence in each county.

25 (3) The total of the money available for the reduction

1 of property tax on the district for the transportation fund  
2 must be determined by totaling:

3 (a) anticipated federal money received under the  
4 provisions of Title I of Public Law 81-874 or other  
5 anticipated federal money received in lieu of that federal  
6 act; plus

7 (b) anticipated payments from other districts for  
8 providing school bus transportation services for the  
9 district; plus

10 (c) anticipated payments from a parent or guardian for  
11 providing school bus transportation services for his child;  
12 plus

13 (d) anticipated or reappropriated interest to be earned  
14 by the investment of transportation fund cash in accordance  
15 with the provisions of 20-9-213(4); plus

16 (e) anticipated or reappropriated revenue from property  
17 taxes and fees imposed under 23-2-517, 23-2-803,  
18 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204; plus

19 (f) ~~gross-proceeds-taxes--from--coal--under--15-23-703;~~  
20 plus

21 (g) net proceeds taxes for ~~interim-production-and~~ new  
22 production, as defined in 15-23-601, ~~and--local--government~~  
23 ~~severance--taxes--on--any--other--production-occurring-after~~  
24 ~~December-31-1988~~; plus

25 (h)(g) any other revenue anticipated by the trustees to

1 be earned during the ensuing school fiscal year which may be  
2 used to finance the transportation fund; plus

3 (i)(h) any cash available for reappropriation as  
4 determined by subtracting the amount of the end-of-the-year  
5 cash balance earmarked as the transportation fund cash  
6 reserve for the ensuing school fiscal year by the trustees  
7 from the end-of-the-year cash balance in the transportation  
8 fund. The cash reserve may not be more than 20% of the final  
9 transportation fund budget for the ensuing school fiscal  
10 year and is for the purpose of paying transportation fund  
11 warrants issued by the district under the final  
12 transportation fund budget.

13 (4) The district levy requirement for each district's  
14 transportation fund must be computed by:

15 (a) subtracting the schedule amount calculated in  
16 subsection (1) from the total preliminary transportation  
17 budget amount and, for an elementary district, adding the  
18 difference to the district obligation to finance one-third  
19 of the schedule amount as determined in subsection (2); and

20 (b) subtracting the amount of money available to reduce  
21 the property tax on the district, as determined in  
22 subsection (3), from the amount determined in subsection  
23 (4)(a).

24 (5) The county levy requirement for the financing of  
25 the county transportation reimbursement to high school

1 districts is computed by adding all requirements for all the  
2 high school districts of the county, including the county's  
3 obligation for reimbursements in joint high school  
4 districts.

5 (6) The transportation fund levy requirements  
6 determined in subsection (4) for each district and in  
7 subsection (5) for the county must be reported to the county  
8 commissioners on the second Monday of August by the county  
9 superintendent as the transportation fund levy requirements  
10 for the district and for the county, and the levies must be  
11 made by the county commissioners in accordance with  
12 20-9-142."

13 **Section 31.** Section 90-6-402, MCA, is amended to read:

14 **"90-6-402. Definitions.** As used in this part, the  
15 following definitions apply:

16 (1) "Affected local government unit" means a local  
17 government unit that will experience a need to increase  
18 services or facilities as a result of the commencement of  
19 large-scale mineral development or within which a  
20 large-scale mineral development is located in accordance  
21 with an impact plan adopted pursuant to 90-6-307.

22 (2) "Board" means the hard-rock mining impact board  
23 established in 2-15-1822.

24 (3) "Mineral development employee" means a person who  
25 resides within the jurisdiction of an affected local

1 government unit as a result of employment with a large-scale  
2 mineral development or its contractors or subcontractors.

3 (4) "Mineral development student" means a student whose  
4 parent or guardian resides within the jurisdiction of an  
5 affected local government unit as a result of employment  
6 with a large-scale mineral development or its contractors or  
7 subcontractors.

8 (5) "Jurisdictional revenue disparity" means property  
9 tax revenues resulting from a large-scale hard-rock mineral  
10 development that are inequitably distributed among affected  
11 local government units as finally determined by the board in  
12 an approved impact plan.

13 (6) "Large-scale mineral development", for the purposes  
14 of this part, is defined in 90-6-302.

15 (7) "Local government unit", for the purposes of this  
16 part, means a county, municipality, or school district.

17 (8) "Taxable valuation" of a mineral development means  
18 the total of the gross proceeds taxable percentage specified  
19 in 15-6-132(2)(a) when added to the taxable percentages of  
20 real property, improvements, machinery, equipment, and other  
21 property classified under Title 15, chapter 6, part 1."

22 **NEW SECTION. Section 32. Deduction of drilling costs**  
23 **and capital expenditures.** (1) Unless an operator or producer  
24 proceeds under subsection (2), the department of revenue, in  
25 computing the deductions allowable for cost of drilling

1 wells completed during the period and for other capital  
2 expenditures, shall allow a deduction of 10% of the cost  
3 each year for a period of 10 years, beginning with:

4 (a) the year natural gas from a natural gas well is  
5 first placed into a natural gas distribution system; or

6 (b) the year the pumping unit is installed on a crude  
7 oil well or the well flows.

8 (2) The operator or producer may elect to amortize the  
9 cost over a period of 2 years if the well is less than 3,000  
10 feet deep.

11 (3) The deduction of the costs in subsection (1) is not  
12 allowed on wells that are producing new production, as  
13 defined in 15-23-601, and may not be prorated on wells that  
14 are not producing new production when a lease or unitized  
15 area has new production and other production.

16 ~~NEW SECTION. Section 33. Adjustment of certain~~  
17 ~~deductions when: (1) The department of revenue may adjust~~  
18 ~~the 70% percentage provided in 15-23-603 and 15-23-605 to~~  
19 ~~reflect the actual excise taxes imposed by the United States~~  
20 ~~government on production, sale, or removal of natural gas,~~  
21 ~~petroleum, or other crude or mineral oil whenever:~~

22 (a) requested to do so by the taxpayer; or  
23 (b) the department determines that the percentage does  
24 not accurately reflect the actual excise taxes paid by the  
25 operator.

1 ~~(2) When a taxpayer requests under subsection (1) that~~  
2 ~~the department adjust the percentage deduction allowed, the~~  
3 ~~taxpayer shall provide the data reasonably necessary for the~~  
4 ~~department to make a determination under subsection (1);~~

5 ~~(3) An adjustment made under subsection (1) must be~~  
6 ~~reflected in the net proceeds and royalty values certified~~  
7 ~~to the county in the taxable year following the year of the~~  
8 ~~final determination under subsection (1);~~

9 ~~NEW SECTION. Section 34. Legislative policy. (1) It is~~  
10 ~~the policy of the legislature that in determining the~~  
11 ~~taxable rate applicable to railroad transportation property~~  
12 ~~described in 15-6-145, the department of revenue should seek~~  
13 ~~to obtain the highest taxable rate allowable under the~~  
14 ~~Railroad Revitalization and Regulatory Reform Act of 1976.~~  
15 ~~Similarly, it is the policy of the legislature that in~~  
16 ~~determining the taxable rate applicable to airline~~  
17 ~~transportation property described in 15-6-147, the~~  
18 ~~department of revenue should seek to obtain the highest~~  
19 ~~taxable rate allowable under the Tax Equity and Fiscal~~  
20 ~~Responsibility Act of 1982.~~

21 ~~(2) To implement the policy described in subsection~~  
22 ~~(1), it is the intent of the legislature that net proceeds~~  
23 ~~and gross proceeds are an integral part of the taxable~~  
24 ~~valuation and collection of property taxes within the state.~~  
25 ~~Property classified in Montana as the net proceeds of mines~~

1 included--in--15-6-131--and--the--gross--proceeds--of--mines  
2 included-in-15-6-132-are-to-be-included-in-the-formulas-used  
3 to--determine--the--taxable--rates-applicable-to-property-in  
4 15-6-145-and-15-6-147;

5 NEW SECTION. Section 33. Appropriation. There is  
6 appropriated \$275 \$254 million from the general fund for  
7 school equalization aid for the biennium ending June 30,  
8 1993.

9 NEW SECTION. Section 34. Codification instruction.  
10 [Sections SECTION 327-337-and-34] are IS intended to be  
11 codified as an integral part of Title 15, chapter 23, part  
12 6, and the provisions of Title 15, chapter 23, part 6, apply  
13 to [sections SECTION 327-337-and-34].

14 NEW SECTION. Section 35. Saving clause. [This act]  
15 does not affect rights and duties that matured, penalties  
16 that were incurred, or proceedings that were begun before  
17 [the effective date of this act].

18 NEW SECTION. SECTION 36. COORDINATION INSTRUCTION. IF  
19 SENATE BILL NO. 17 IS PASSED AND APPROVED AND IF IT INCLUDES  
20 A SECTION THAT AMENDS 15-1-501, THE APPROPRIATION IN  
21 [SECTION 33] IS REDUCED FROM \$254 MILLION TO \$23 MILLION.

22 NEW SECTION. SECTION 37. NONSEVERABILITY. IT IS THE  
23 INTENT OF THE LEGISLATURE THAT EACH PART OF [THIS ACT] IS  
24 ESSENTIALLY DEPENDENT UPON EVERY OTHER PART, AND IF ONE PART  
25 IS HELD UNCONSTITUTIONAL OR INVALID, ALL OTHER PARTS ARE

1 INVALID.

2 NEW SECTION. Section 38. Effective dates. (1)  
3 [Sections 8 through 20, 32 through, 347-367, THROUGH 37, 39,  
4 and this section] are effective on passage and approval.

5 (2) [Sections 1 through 7 and 21 through 31] are  
6 effective July 1, 1992.

7 (3) [Section 35 33] is effective July 1, 1991.

8 NEW SECTION. Section 39. Retroactive applicability.  
9 (1) [This act] applies retroactively, within the meaning of  
10 1-2-109, to coal, oil, and natural gas produced after  
11 December 31, 1990.

12 (2) COAL, OIL, AND NATURAL GAS PRODUCED AFTER DECEMBER  
13 31, 1988, AND BEFORE JANUARY 1, 1991, ARE SUBJECT TO  
14 TAXATION AS PROVIDED BY CHAPTER 11, SPECIAL LAWS OF 1989, AS  
15 AMENDED BY CHAPTER 3, SPECIAL LAWS OF 1990. COAL, OIL, AND  
16 NATURAL GAS PRODUCED AFTER DECEMBER 31, 1990, ARE SUBJECT TO  
17 TAXATION AS PROVIDED IN [THIS ACT].

-End-



## 1 HOUSE BILL NO. 982

2 INTRODUCED BY O'KEEFE, YELLOWTAIL, PECK

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE  
5 TAXATION OF COAL, OIL, AND NATURAL GAS; REIMPOSING THE TAXES  
6 ON COAL GROSS PROCEEDS AND ON OIL AND GAS NET PROCEEDS THAT  
7 WERE IN EFFECT PRIOR TO THE PASSAGE OF CHAPTER 11, SPECIAL  
8 LAWS OF 1989; EXTENDING THE NET PROCEEDS TAX EXEMPTION FOR  
9 NEW OIL AND GAS PRODUCTION WHILE THE PRICE OF OIL IS LESS  
10 THAN \$25 A BARREL; INCREASING THE SCHOOL MAXIMUM BUDGET  
11 SCHEDULES BY 3 PERCENT EACH FISCAL YEAR; APPROPRIATING  
12 FUNDING FOR THE SCHEDULE INCREASES; AMENDING SECTIONS  
13 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525,  
14 7-16-2327, 15-1-501, 15-6-132, 15-23-601, 15-23-602,  
15 15-23-603, 15-23-605, 15-23-607, 15-23-612, 15-23-703,  
16 15-36-101, 15-36-102, 15-36-105, 15-36-112, 15-36-121,  
17 20-9-141, 20-9-316, 20-9-317, 20-9-318, 20-9-319, 20-9-331,  
18 20-9-333, 20-9-366, 20-9-501, 20-10-144, AND 90-6-402, MCA;  
19 AND PROVIDING EFFECTIVE DATES AND A RETROACTIVE  
20 APPLICABILITY DATE."

21

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

23 Section 1. Section 7-1-2111, MCA, is amended to read:

24 "7-1-2111. Classification of counties. (1) For the  
25 purpose of regulating the compensation and salaries of all

There are no changes in this bill,  
and will not be reprinted. Please  
refer to yellow copy for complete  
text.

SENATE COMMITTEE OF THE WHOLE AMENDMENT

April 11, 1991 2:02 pm  
Mr. Chairman: I move to amend House Bill No. 982 (third reading copy -- blue) as follows:

April 11, 1991  
Page 2 of 2

1. Title, lines 4 through 10.  
Strike: "TO" on line 4 through "BARREL;" on line 10
2. Title, lines 13 through 17.  
Strike: "7-1-2111" on line 13 through "20-9-141," on line 17
3. Title, lines 17 and 18.  
Following: "20-9-318,"  
Insert: "AND"  
Strike: "20-9-331" on line 17 through "90-6-402," on line 18
4. Title, lines 19 and 20.  
Following: "PROVIDING" on line 19  
Insert: "AN"  
Strike: "DATES" on line 19 through "APPLICABILITY" on line 20
5. Page 1, line 23 through page 41, line 12.  
Strike: sections 1 through 21 in their entirety  
Renumber: subsequent sections
6. Page 47, line 23 through page 67, line 15.  
Strike: sections 26 through 32 in their entirety  
Renumber: subsequent sections
7. Page 69, line 6.  
Strike: "§254"  
Insert: "§267"
8. Page 69, lines 9 through 17.  
Strike: sections 34 and 35 in their entirety  
Renumber: subsequent sections
9. Page 69, line 21.  
Strike: "33"  
Insert: "5"  
Strike: "§254"  
Insert: "§267"  
Strike: "§23"  
Insert: "§37"
10. Page 69, line 22 through page 70, line 1.  
Strike: section 37 in its entirety  
Renumber: subsequent sections

11. Page 70, line 2.  
Strike: "dates"  
Insert: "date"

12. Page 70, lines 2 through 7.  
Strike: "{1}" on line 2 through "]" on line 7  
Insert: "[This act]"

13. Page 70, lines 8 through 17.  
Strike: section 39 in its entirety

ADOPT

REJECT

Signed: Van Valkenburg  
Senator Van Valkenburg

771401CW.Sji

4/11/91  
Amd. Coord.  
SB 411 2:30  
Sec. of Senate

SENATE  
HB 982

SENATE COMMITTEE OF THE WHOLE AMENDMENT

April 11, 1991  
Page 2 of 5

April 11, 1991 3:23 pm  
Mr. Chairman: I move to amend House Bill No. 982 (third reading copy -- blue) as follows:

Amend Senator Van Valkenburg amendment set #1 as follows:  
Strike: amendment #'s 7 and 9 in their entirety

1. Title, line 11.  
Following: "BY"  
Strike: "3"  
Insert: "2"

2. Page 41, line 17.  
Strike: "\$24,355"  
Insert: "\$24,119"

3. Page 41, line 20.  
Strike: "\$24,355"  
Insert: "\$24,119"  
Strike: "\$1,018"  
Insert: "\$1,008"

4. Page 41, line 25.  
Strike: "\$39,922"  
Insert: "\$39,534"

5. Page 42, line 1.  
Strike: "\$1,018"  
Insert: "\$1,008"

6. Page 42, line 4.  
Strike: "\$33,517"  
Insert: "\$33,192"  
Strike: "\$1,018"  
Insert: "\$1,008"

7. Page 42, line 8.  
Strike: "\$53,512"  
Insert: "\$52,992"

8. Page 42, line 9.  
Strike: "\$638"  
Insert: "\$631"

9. Page 42, line 16.  
Strike: "\$2,365"  
Insert: "\$2,342"  
Strike: "\$2.30"  
Insert: "\$2.27"

10. Page 42, line 20.  
Strike: "\$2,227"  
Insert: "\$2,205"

11. Page 42, line 21.  
Strike: "\$1.26"  
Insert: "\$1.24"

12. Page 42, line 24.  
Strike: "\$1,970"  
Insert: "\$1,951"

13. Page 43, line 9.  
Strike: "\$148,107"  
Insert: "\$146,669"

14. Page 43, line 11.  
Strike: "\$6,171"  
Insert: "\$6,111"

15. Page 43, line 12.  
Strike: "\$33.66"  
Insert: "\$33.33"

16. Page 43, line 15.  
Strike: "\$5,633"  
Insert: "\$5,578"

17. Page 43, line 16.  
Strike: "\$33.66"  
Insert: "\$33.33"

18. Page 43, line 19.  
Strike: "\$3,613"  
Insert: "\$3,578"

19. Page 43, line 20.  
Strike: "\$5.63"  
Insert: "\$5.58"

20. Page 43, line 23.  
Strike: "\$3,050"  
Insert: "\$3,020"

21. Page 43, line 24.  
Strike: "\$3.09"  
Insert: "\$3.06"

22. Page 44, line 2.  
Strike: "\$2,740"  
Insert: "\$2,713"

23. Page 44, line 3.  
Strike: "57"  
Insert: "56"

24. Page 44, line 6.  
Strike: "~~\$2,570~~"  
Insert: "\$2,545"

25. Page 44, line 22.  
Strike: "~~\$25,086~~"  
Insert: "\$24,601"

26. Page 44, line 25.  
Strike: "~~\$25,086~~"  
Insert: "\$24,601"  
Strike: "~~\$1,048~~"  
Insert: "\$1,028"

27. Page 45, line 5.  
Strike: "~~\$41,119~~"  
Insert: "\$40,325"

28. Page 45, line 6.  
Strike: "~~\$1,048~~"  
Insert: "\$1,028"

29. Page 45, line 9.  
Strike: "~~\$34,523~~"  
Insert: "\$33,856"  
Strike: "~~\$1,048~~"  
Insert: "\$1,028"

30. Page 45, line 13.  
Strike: "~~\$55,117~~"  
Insert: "\$54,052"

31. Page 45, line 14.  
Strike: "~~\$657~~"  
Insert: "\$644"

32. Page 45, line 21.  
Strike: "~~\$2,436~~"  
Insert: "\$2,389"  
Strike: "~~\$2.37~~"  
Insert: "\$2.32"

33. Page 45, line 25.  
Strike: "~~\$2,294~~"  
Insert: "\$2,249"

34. Page 46, line 1.  
Strike: "~~\$1.29~~"  
Insert: "\$1.27"

35. Page 46, line 4.  
Strike: "~~\$2,030~~"  
Insert: "\$1,990"

36. Page 46, line 18.  
Strike: "~~\$152,550~~"  
Insert: "\$149,602"

37. Page 46, line 20.  
Strike: "~~\$6,356~~"  
Insert: "\$6,233"

38. Page 46, line 21.  
Strike: "~~\$34.67~~"  
Insert: "\$34"

39. Page 46, line 24.  
Strike: "~~\$5,802~~"  
Insert: "\$5,690"

40. Page 46, line 25.  
Strike: "~~\$34.67~~"  
Insert: "\$34"

41. Page 47, line 3.  
Strike: "~~\$3,722~~"  
Insert: "\$3,650"

42. Page 47, line 4.  
Strike: "~~\$5.80~~"  
Insert: "\$5.69"

43. Page 47, line 7.  
Strike: "~~\$3,141~~"  
Insert: "\$3,081"  
Strike: "~~\$3.18~~"  
Insert: "\$3.12"

44. Page 47, line 10.  
Strike: "~~\$2,822~~"  
Insert: "\$2,767"

45. Page 47, line 11.  
Strike: "~~58~~"  
Insert: "57"

46. Page 47, line 14.  
Strike: "~~\$2,647~~"  
Insert: "\$2,596"

April 11, 1991  
Page 5 of 5

#3

47. Page 69, line 6.  
Strike: "\$254"  
Insert: "\$255"

48. Page 69, line 21.  
Strike: "33"  
Insert: "5"  
Strike: "\$254"  
Insert: "\$255"  
Strike: "\$23"  
Insert: "\$25"

SENATE COMMITTEE OF THE WHOLE AMENDMENT

April 11, 1991 3:41 pm

Mr. Chairman: I move to amend House Bill No. 982 (third reading copy -- blue) as follows:

- 1. Page 69.  
Following: line 21  
Insert: "NEW SECTION. Section 37. Contingent voidness. If House Bill No. 1007 is not passed and approved, then [this act] is void."  
Renumber: subsequent sections

ADOPT

REJECT

Signed: V. Valkenburg  
Senator Van Valkenburg

ADOPT

REJECT

Signed: V. Valkenburg  
Senator Van Valkenburg

4-11-91  
Amd. Coord.

S. 154-11 2:30  
Sec. of Senate

4-11-91  
Amd. Coord.

S. 154-11 3:45  
Sec. of Senate

HOUSE BILL NO. 982

INTRODUCED BY O'KEEFE, YELLOWTAIL, PECK

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE TAXATION OF COAL, OIL, AND NATURAL GAS; REIMPOSING THE TAXES ON COAL GROSS PROCEEDS AND ON OIL AND GAS NET PROCEEDS THAT WERE IN EFFECT PRIOR TO THE PASSAGE OF CHAPTER 117 SPECIAL LAWS OF 1989; EXTENDING THE NET PROCEEDS TAX EXEMPTION FOR NEW OIL AND GAS PRODUCTION WHILE THE PRICE OF OIL IS LESS THAN \$25 A BARREL; INCREASING THE SCHOOL MAXIMUM BUDGET SCHEDULES BY 3 2 PERCENT EACH FISCAL YEAR; APPROPRIATING FUNDING FOR THE SCHEDULE INCREASES; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-6-192, 15-23-601, 15-23-602, 15-23-603, 15-23-605, 15-23-607, 15-23-612, 15-23-703, 15-36-101, 15-36-102, 15-36-105, 15-36-112, 15-36-121, 20-9-141, 20-9-316, 20-9-317, 20-9-318, AND 20-9-319, 20-9-331, 20-9-333, 20-9-366, 20-9-501, 20-10-144, AND 90-6-402 MCA; AND PROVIDING AN EFFECTIVE DATES AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1, Section 7-1-2111, MCA, is amended to read:

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all

county officers, not otherwise provided for and for fixing the penalties of officers' bonds, the counties of this state must be classified according to that percentage of the true and full valuation of the property in the counties upon which the tax levy is made, except for vehicles subject to taxation under 61-3-504(2), as follows:

(a) first class all counties having a taxable valuation of \$50 million or over;

(b) second class all counties having a taxable valuation of more than \$30 million and less than \$50 million;

(c) third class all counties having a taxable valuation of more than \$20 million and less than \$30 million;

(d) fourth class all counties having a taxable valuation of more than \$15 million and less than \$20 million;

(e) fifth class all counties having a taxable valuation of more than \$10 million and less than \$15 million;

(f) sixth class all counties having a taxable valuation of more than \$5 million and less than \$10 million;

(g) seventh class all counties having a taxable valuation of less than \$5 million.

(2) As used in this section, taxable valuation means



1 the taxable value of taxable property in the county as of  
2 the time of determination plus:

3 (a) that portion of the taxable value of the county on  
4 December 31, 1981, attributable to automobiles and trucks  
5 having a rated capacity of three quarters of a ton or less;

6 (b) that portion of the taxable value of the county on  
7 December 31, 1989, attributable to automobiles and trucks  
8 having a rated capacity of more than three quarters of a ton  
9 but less than or equal to 1 ton;

10 (c) the amount of interim production and new production  
11 taxes levied, as provided in 15-23-607, divided by the  
12 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)  
13 and multiplied by 60%, and

14 (d) the amount of value represented by new production  
15 exempted from tax as provided in 15-23-612 multiplied by  
16 60% plus the value of any other production occurring after  
17 December 31, 1988, multiplied by 60%.

18 Section 2, Section 7-7-2101, MCA, is amended to read:

19 "7-7-2101. Limitation on amount of county indebtedness.  
20 (1) No county may become indebted in any manner or for any  
21 purpose to an amount, including existing indebtedness, in  
22 the aggregate exceeding 23% of the total of the taxable  
23 value of the property therein subject to taxation, plus the  
24 amount of interim production and new production taxes levied  
25 divided by the appropriate tax rates described in

1 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
2 amount of value represented by new production exempted from  
3 tax as provided in 15-23-612 multiplied by 60%, plus the  
4 value of any other production occurring after December 31,  
5 1988, multiplied by 60%, as ascertained by the last  
6 assessment for state and county taxes previous to the  
7 incurring of the indebtedness.

8 (2) No county may incur indebtedness or liability for  
9 any single purpose to an amount exceeding \$500,000 without  
10 the approval of a majority of the electors thereof voting at  
11 an election to be provided by law, except as provided in  
12 7-21-3413 and 7-21-3414.

13 (3) Nothing in this section shall apply to the  
14 acquisition of conservation easements as set forth in Title  
15 76, Chapter 6."

16 Section 3, Section 7-7-2203, MCA, is amended to read:

17 "7-7-2203. Limitation on amount of bonded indebtedness.  
18 (1) Except as provided in subsections (2) through (4), no  
19 county may issue general obligation bonds for any purpose  
20 which, with all outstanding bonds and warrants except county  
21 high school bonds and emergency bonds, will exceed 11.25% of  
22 the total of the taxable value of the property therein plus  
23 the amount of interim production and new production taxes  
24 levied divided by the appropriate tax rates described in  
25 15-23-607(2)(a) or (2)(b) and multiplied by 60% plus the

1 amount-of-value-represented-by-new-production-exempted--from  
 2 tax--as--provided--in--15-23-612-multiplied-by-60%,plus-the  
 3 value-of-any-other-production-occurring-after--December--31,  
 4 1988,--multiplied--by--60%,--to--be--ascertained-by-the-last  
 5 assessment-for-state-and-county-taxes-prior-to-the--proposed  
 6 issuance-of-bonds;

7 (2)--in-addition-to-the-bonds-allowed-by-subsection-(1),  
 8 a--county--may--issue--bonds--which,--with--all--outstanding--bonds  
 9 and-warrants,--will--not--exceed--27.75%--of--the--total--of--the  
 10 taxable--value--of--the--property--in--the--county--subject--to  
 11 taxation,--plus--the--amount--of--interim--production--and--new  
 12 production-taxes-levied-divided-by-the-appropriate-tax-rates  
 13 described--in--15-23-607(2)(a)--or--(2)(b)--and-multiplied-by  
 14 60%,--plus--the--amount--of--value--represented--by--new--production  
 15 exempted--from--tax--as--provided--in--15-23-612-multiplied-by  
 16 60%,--when--necessary--to--do--so,--plus--the--value--of--any--other  
 17 production--occurring--after--December--31,--1988,--multiplied--by  
 18 60%--for--the--purpose--of--acquiring--land--for--a--site--for--county  
 19 high--school--buildings--and--for--erecting--or--acquiring  
 20 buiddings--thereon--and--furnishing--and--equipping--the--same--for  
 21 county-high-school-purposes;

22 (3)--In-addition-to-the-bonds-allowed-by-subsections-(1)  
 23 and--(2),--a--county--may--issue--bonds--for--the--construction--or  
 24 improvement-of-a-jail-which-will-not--exceed--12.5%--of--the  
 25 taxable--value--of--the--property--in--the--county--subject--to

1 taxation;

2 (4)--The-imitation-in-subsection-(1)-does-not-apply--to  
 3 refunding-bonds-issued-for-the-purpose-of-paying-or-retiring  
 4 county-bonds-lawfully-issued-prior-to-January-1,--1932,--or--to  
 5 bonds--issued--for--the--repayment--of--tax--protests--lost--by--the  
 6 county;"

7 Section-4,--Section-7-14-2524,--MEA,--is-amended-to-read:  
 8 "7-14-2524,--Limitation-on-amount--of--bonds--issued---  
 9 excess--void,--(1)-Except-as-otherwise-provided-hereafter-and  
 10 in-7-7-2203-and-7-7-2204,--a--county--may--not--issue--bonds  
 11 which,--with--all--outstanding--bonds--and--warrants--except--county  
 12 high-school-bonds--and--emergency-bonds,--will--exceed--11.25%--of  
 13 the-total-of-the-taxable-value-of-the-property-therein,--plus  
 14 the--amount--of--interim-production-and-new-production-taxes  
 15 levied-divided-by-the-appropriate--tax--rates--described--in  
 16 15-23-607(2)(a)--or--(2)(b)--and-multiplied-by-60%,--plus--the  
 17 amount-of-value-represented-by-new-production-exempted--from  
 18 tax--as--provided--in--15-23-612-multiplied-by-60%,--plus--the  
 19 value-of-any-other-production-occurring-after--December--31,  
 20 1988,--multiplied-by-60%.The-taxable-property-and-the-amount  
 21 of--interim--production--and--new--production--taxes--levied--must  
 22 be--ascertained--by--the--last--assessment--for--state--and--county  
 23 taxes-prior-to-the-issuance-of-the-bonds;

24 (2)--A--county--may--issue--bonds--which,--with--all  
 25 outstanding-bonds-and-warrants--except--county--high--school



1 bonds, will exceed 11.25% but will not exceed 22.5% of the  
 2 total of the taxable value of such property, plus the amount  
 3 of interim production and new production taxes levied  
 4 divided by the appropriate tax rates described in  
 5 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
 6 amount of value represented by new production exempted from  
 7 tax as provided in 15-23-612, plus the value of any other  
 8 production occurring after December 31, 1988, multiplied by  
 9 60% when necessary for the purpose of replacing, rebuilding,  
 10 or repairing county buildings, bridges, or highways which  
 11 have been destroyed or damaged by an act of God, disaster,  
 12 catastrophe, or accident.

13 (3) The value of the bonds issued and all other  
 14 outstanding indebtedness of the county, except county high  
 15 school bonds, shall not exceed 22.5% of the total of the  
 16 taxable value of the property within the county, plus the  
 17 amount of interim production and new production taxes levied  
 18 divided by the appropriate tax rates described in  
 19 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
 20 amount of value represented by new production exempted from  
 21 tax as provided in 15-23-612, plus the value of any other  
 22 production occurring after December 31, 1988, multiplied by  
 23 60%, as ascertained by the last preceding general  
 24 assessment."

25 Section 5, Section 7-14-2525, MCA, is amended to read:

1 "7-14-2525. Refunding agreements and refunding bonds  
 2 authorized: (1) Whenever the total indebtedness of a county  
 3 exceeds 22.5% of the total of the taxable value of the  
 4 property therein, plus the amount of interim production and  
 5 new production taxes levied divided by the appropriate tax  
 6 rates described in 15-23-607(2)(a) or (2)(b) and multiplied  
 7 by 60%, plus the amount of value represented by new  
 8 production exempted from tax as provided in 15-23-612  
 9 multiplied by 60%, plus the value of any other production  
 10 occurring after December 31, 1988, multiplied by 60%, and  
 11 the board determines that the county is unable to pay the  
 12 indebtedness in full, the board may:

13 (a) negotiate with the bondholders for an agreement  
 14 whereby the bondholders agree to accept less than the full  
 15 amount of the bonds and the accrued unpaid interest thereon  
 16 in satisfaction thereof;

17 (b) enter into such agreement;

18 (c) issue refunding bonds for the amount agreed upon;

19 (2) These bonds may be issued in more than one series,  
 20 and each series may be either amortization or serial bonds;

21 (3) The plan agreed upon between the board and the  
 22 bondholders shall be embodied in full in the resolution  
 23 providing for the issue of the bonds."

24 Section 6, Section 7-16-2327, MCA, is amended to read:

25 "7-16-2327. Indebtedness for park purposes: (1) Subject

1 to the provisions of subsection (2), a county park board, in  
2 addition to powers and duties now given under law, has the  
3 power and duty to contract an indebtedness in behalf of a  
4 county, upon the credit thereof, for the purposes of  
5 7-16-2321(1) and (2);

6 (2) (a) The total amount of indebtedness authorized to  
7 be contracted in any form, including the then existing  
8 indebtedness, must not at any time exceed 13% of the total  
9 of the taxable value of the taxable property in the county,  
10 plus the amount of interim production and new production  
11 taxes levied divided by the appropriate tax rates described  
12 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the  
13 amount of value represented by new production exempted from  
14 tax as provided in 15-23-612, plus the value of any other  
15 production occurring after December 31, 1988, multiplied by  
16 60%, ascertained by the last assessment for state and county  
17 taxes previous to the incurring of the indebtedness;

18 (b) No money may be borrowed on bonds issued for the  
19 purchase of lands and improving same for any such purpose  
20 until the proposition has been submitted to the vote of  
21 those qualified under the provisions of the state  
22 constitution to vote at such election in the county affected  
23 thereby and a majority vote is cast in favor thereof."

24 Section 7, Section 15-1-501, MCA, is amended to read:  
25 "15-1-501. Disposition of money from certain designated

1 license and other taxes; (1) The state treasurer shall  
2 deposit to the credit of the state general fund all money  
3 received by him from the collection of:

4 (a) fees from driver's licenses, motorcycle  
5 endorsements, and duplicate driver's licenses as provided in  
6 61-5-121;

7 (b) electrical energy producer's license taxes under  
8 chapter 51;

9 (c) severance taxes allocated to the general fund under  
10 chapter 36;

11 (d) liquor license taxes under Title 16;

12 (e) telephone company license taxes under chapter 53;  
13 and

14 (f) inheritance and estate taxes under Title 72,  
15 chapter 16;

16 (2) All money received from the collection of income  
17 taxes under chapter 30 of this title must be deposited as  
18 follows:

19 (a) 57% in fiscal year 1990 and 50% in fiscal year  
20 1991 to the credit of the state general fund;

21 (b) 9.8% in fiscal year 1990 and 8.7% in fiscal year  
22 1991 to the credit of the debt service account for  
23 long range building program bonds as described in 17-5-408,  
24 and

25 (c) 33.2% in fiscal year 1990 and 41.3% in fiscal year

1 1991, to the credit of the state special revenue fund for  
2 state equalization aid to the public schools of Montana as  
3 described in 20-9-343.

4 (3) All money received from the collection of  
5 corporation license and income taxes under chapter 31 of  
6 this title, except as provided in 15-31-702, must be  
7 deposited as follows:

8 (a) 64% in fiscal year 1990 and 61% in fiscal year  
9 1991, to the credit of the state general fund;

10 (b) 11% in fiscal year 1990 and 10.5% in fiscal year  
11 1991, to the credit of the debt service account for  
12 long range building program bonds as described in 17-5-408,  
13 and

14 (c) 25% in fiscal year 1990 and 28.5% in fiscal year  
15 1991, to the credit of the state special revenue fund for  
16 state equalization aid to the public schools of Montana as  
17 described in 20-9-343.

18 (4) The state treasurer shall also deposit to the  
19 credit of the state general fund all money received by him  
20 from the collection of license taxes, fees, and all net  
21 revenues and receipts from all other sources under the  
22 operation of the Montana Alcoholic Beverage Code.

23 (5) After the distribution provided for in 15-36-112,  
24 the remainder of the oil and gas severance tax collections  
25 must be deposited in the general fund."

1 Section 8, Section 15-6-132, MCA, is amended to read:

2 "15-6-132. Class two property --- description --- taxable  
3 percentage --- (1) Class two property includes:

4 (a) the annual gross proceeds of metal mines;

5 (b) the annual gross proceeds of underground coal  
6 mines; and

7 (c) the annual gross proceeds of coal mines using the  
8 strip mining method;

9 (2) Class two property is taxed as follows:

10 (a) Property described in subsection (1)(a) is taxed at  
11 3% of its annual gross proceeds, as defined in 15-23-801;

12 (b) Property described in subsection (1)(b) is taxed at  
13 33 1/3% of its annual gross proceeds;

14 (c) Property described in subsection (1)(c) is taxed at  
15 45% of its annual gross proceeds."

16 Section 9, Section 15-23-601, MCA, is amended to read:

17 "15-23-601. Definitions. As used in this part, the  
18 following definitions apply:

19 (1) "Excise tax" means the windfall profit tax on  
20 domestic crude oil imposed by Title I of the federal Crude  
21 Oil Windfall Profit Tax Act of 1980, as enacted or as  
22 amended;

23 (2) (i) "interim production" means the production of  
24 natural gas, petroleum, or other crude or mineral oil from  
25 any well that:

1 (a) has not produced natural gas, petroleum, or other  
2 crude or mineral oil during the 5 years immediately  
3 preceding the first month of interim production, and

4 (b) began interim production after June 30, 1985, and  
5 before April 1, 1987.

6 (3)(2) The term "new production" means the production  
7 of natural gas, petroleum, or other crude or mineral oil  
8 from any well:

9 (a) that has not produced natural gas, petroleum, or  
10 other crude or mineral oil during the 5 years immediately  
11 preceding the first month of qualified new production, and

12 (b) on which the notification required in 15-36-121(2)  
13 15-23-612(1) was given.

14 (4)(3) The terms "operator" and "producer" mean any  
15 person who engages in the business of drilling for,  
16 extracting, or producing any natural gas, petroleum, or  
17 other crude or mineral oil.

18 (5)(4) The term "well" includes each single well or  
19 group of wells, including dry wells, in one field or  
20 production unit and under the control of one operator or  
21 producer.

22 Section 10, Section 15-23-602, MCA, is amended to read:

23 "15-23-602. Statement of sales proceeds on interim  
24 production and new production. (1) As Except as provided in  
25 subsection (2), each operator or producer of interim

1 production or new production of natural gas, petroleum, or  
2 other crude or mineral oil shall, on or before April 15 in  
3 each year, make out and deliver to the department of revenue  
4 a statement of the gross sales proceeds of interim  
5 production or new production of natural gas, petroleum, or  
6 other crude or mineral oil from each well owned or worked by  
7 the person during the preceding calendar year. The gross  
8 sales proceeds must be determined by multiplying the units  
9 of production sold from the well times the royalty unit  
10 value of that production at the well. The statement must be  
11 in the form prescribed by the department and must be  
12 verified by the oath of the operator or producer or the  
13 manager, superintendent, agent, president, or vice president  
14 of the corporation, association, or partnership. The  
15 statement must show the following:

16 (a) the name and address of the operator, together with  
17 a list in duplicate of the names and addresses of any  
18 persons owning or claiming any royalty interest in the  
19 production from the well or the proceeds derived from the  
20 sale of the production, and the amount paid or yielded as  
21 royalty to each of those persons during the period covered  
22 by the statement;

23 (b) the description and location of the well;

24 (c) the number of cubic feet of natural gas, barrels of  
25 petroleum or other crude or mineral oil sold from the well

1 during the period covered by the statement; and  
 2 ~~(d) the gross sales proceeds in dollars and cents or,~~  
 3 ~~in the case of sales between parties not acting at arms~~  
 4 ~~length, the greater of the gross sales proceeds from or the~~  
 5 ~~fair market value of the products sold; and~~  
 6 ~~(e) except for new production as defined in 15-23-601;~~  
 7 ~~(i) the actual cost of extracting the product from the~~  
 8 ~~well; AND~~  
 9 ~~(ii) the cost of construction, repairs, and betterments;~~  
 10 ~~(iii) the actual cost of fire insurance and workers'~~  
 11 ~~compensation insurance; and~~  
 12 ~~(iv) the amount paid or withheld in satisfaction of~~  
 13 ~~liability for excise taxes imposed by the U.S. government on~~  
 14 ~~the production, sale, or removal of the natural gas,~~  
 15 ~~petroleum, or other crude or mineral oil reported pursuant~~  
 16 ~~to subsection (1)(c), including a separate statement of the~~  
 17 ~~amount of taxes paid or withheld from each royalty owner.~~  
 18 (2) Each operator having interim production or new  
 19 production as defined in 15-23-601 shall, on or before the  
 20 last day of the months of October, January, April, and July,  
 21 make out and deliver to the department of revenue a  
 22 statement of the gross sales proceeds of the interim  
 23 production or new production from each well owned or worked  
 24 by the person during the preceding calendar quarter. The  
 25 statement must be in the form prescribed by the department

1 and verified as provided in subsection (1). The statement  
 2 must show the information required in subsections (1)(a)  
 3 through (1)(d).<sup>4</sup>  
 4 Section 11, Section 15-23-603, MCA, is amended to read:  
 5 "15-23-603. Net proceeds --- how computed. (1) As Except  
 6 as provided in subsection (2) (3), the department of revenue  
 7 shall calculate and compute from the returns the gross sales  
 8 proceeds of the product yielded from the well for the year  
 9 covered by the statement and shall calculate the net  
 10 proceeds of the well yielded to the producer, which net  
 11 proceeds are determined by subtracting from the gross sales  
 12 proceeds of the well:  
 13 (a) all royalty paid in cash by the operator or  
 14 producer and the gross value of all royalty apportioned in  
 15 kind by the operator or producer determined by using as the  
 16 value of a barrel of oil or a cubic foot of gas the average  
 17 selling price for the calendar year of a barrel of oil or a  
 18 cubic foot of gas from the well out of which the royalty was  
 19 paid;  
 20 (b) all money spent for necessary labor and machinery  
 21 needed and used in the operation and development;  
 22 (c) except as provided in subsection (5), all money  
 23 spent for necessary supplies used in the operation and  
 24 development;  
 25 (d) all money spent for improvements, repairs, and

1 ~~betterments necessary in and about the working of the well,~~  
 2 ~~(e) that portion of all money, including costs of~~  
 3 ~~insurance, spent for the acquisition and operation of any~~  
 4 ~~vehicle used in the operation and development of the well,~~  
 5 ~~which portion bears the same ratio to all money spent for~~  
 6 ~~the acquisition and use of the vehicle during the year~~  
 7 ~~covered by the statement as the number of miles that the~~  
 8 ~~vehicle is used in operation and development of the well~~  
 9 ~~during the year covered by the statement bears to the total~~  
 10 ~~number of miles that the vehicle is used during the year~~  
 11 ~~covered by the statement;~~  
 12 ~~(f) all money spent for fire insurance, workers'~~  
 13 ~~compensation insurance, liability insurance, and casualty~~  
 14 ~~insurance directly attributable to the operation and~~  
 15 ~~development of the well and for payments by operators to~~  
 16 ~~welfare and retirement funds when provided for in wage~~  
 17 ~~contracts between operators and employees;~~  
 18 ~~(g) all money spent for any performance or indemnity~~  
 19 ~~bonds required by the laws of this state or the rules of any~~  
 20 ~~state agency, with respect to the well for which the net~~  
 21 ~~proceeds are being calculated; AND~~  
 22 ~~(h) 70% of the amount paid or withheld in satisfaction~~  
 23 ~~of liability for excise taxes imposed by the U.S. government~~  
 24 ~~on the production, sale, or removal of the natural gas,~~  
 25 ~~petroleum, or other crude or mineral oil yielded from the~~

1 ~~well, other than the amount of the taxes paid or withheld~~  
 2 ~~from each royalty owner, and~~  
 3 ~~(i)(H) net proceeds determined under subsection (3);~~  
 4 ~~(2) Except as provided in [section 28], money invested~~  
 5 ~~in the well and improvements during any year except the year~~  
 6 ~~for which the statement is made may not be included in the~~  
 7 ~~expenditures listed in subsection (i), and the expenditures~~  
 8 ~~may not include the salaries or any portion of the salaries~~  
 9 ~~of any person or officer not actually engaged in the working~~  
 10 ~~of the well or superintending the management of the well;~~  
 11 ~~(2)(3) For interim production or new production, net~~  
 12 ~~proceeds are the equivalent of the gross sales proceeds,~~  
 13 ~~without deduction for excise taxes, of the product yielded~~  
 14 ~~from the well for the quarter covered by the statement,~~  
 15 ~~except that in computing the total number of barrels of~~  
 16 ~~petroleum and other mineral or crude oil or cubic feet of~~  
 17 ~~natural gas produced, there must be deducted so much of the~~  
 18 ~~product as is used in the operation of the well from which~~  
 19 ~~the petroleum or other mineral or crude oil or natural gas~~  
 20 ~~is produced for pumping the petroleum or other mineral or~~  
 21 ~~crude oil or natural gas from the well to a tank or~~  
 22 ~~pipeline;~~  
 23 ~~(3)(4) In the statement of sales proceeds required~~  
 24 ~~under 15-23-602 for lease or unitized areas from which~~  
 25 ~~interim or new production and other production have been~~

1 sold, the deductions allowed in subsections (1)(b) through  
 2 (1)(h) must be prorated on the basis of the number of  
 3 barrels of interim and new production of oil or cubic feet  
 4 of interim or new production of gas must be segregated from  
 5 and stated separately from to the number of barrels of other  
 6 production of oil or cubic feet of other production of gas.  
 7 (4)(5) in calculating the deduction for money expended  
 8 for necessary chemical supplies needed and used in a  
 9 tertiary recovery project approved by the department of  
 10 revenue, as provided in 15-36-101, the department shall  
 11 require that the necessary chemical supplies, which include  
 12 but are not limited to carbon dioxide supplies, be amortized  
 13 over a 10-year period beginning with the year in which the  
 14 money was expended."  
 15 Section 12, Section 15-23-605, MCA, is amended to read:  
 16 "15-23-605. Assessment of royalties. (1) The amount of  
 17 royalty received in cash paid by the operator or producer  
 18 and the gross value of all royalty apportioned in kind by  
 19 the operator or producer determined by using as the value of  
 20 a barrel of oil or a cubic foot of gas the average selling  
 21 price for the calendar year of a barrel of oil or a cubic  
 22 foot of gas from the well out of which the royalty was paid,  
 23 valued as provided in 15-23-603(1)(a), less 70% of the  
 24 amount of excise taxes paid by or withheld from the royalty  
 25 owner as reported pursuant to 15-23-602(1)(e)(iv), must be

1 considered net proceeds to the recipient and must be  
 2 assessed as follows: upon receipt of the lists or schedules  
 3 setting forth the names and addresses of any persons owning  
 4 or claiming royalty and the amount paid or yielded as  
 5 royalty to the royalty owners or claimants during the year  
 6 for which the return is made, the department of revenue  
 7 shall proceed to assess and tax the same as net proceeds of  
 8 mines.  
 9 (2) Net proceeds for new production, as defined in  
 10 15-23-601, includes royalties received without the deduction  
 11 for excise taxes."  
 12 Section 13, Section 15-23-607, MCA, is amended to read:  
 13 "15-23-607. County assessors to compute taxes. (1)  
 14 immediately after the board of county commissioners has  
 15 fixed tax levies on the second Monday in August, the county  
 16 assessor shall subject to the provisions of 15-23-612,  
 17 compute the taxes on net proceeds, as provided in subsection  
 18 (2) of this section, and royalty assessments and shall  
 19 deliver the book to the county treasurer on or before  
 20 September 15. The county treasurer shall proceed to give  
 21 full notice of the assessments to the operator and shall  
 22 collect the taxes as provided by law.  
 23 (2) For interim production or new production, as  
 24 defined in 15-23-601, the county assessor may not levy or  
 25 assess any mills against the value of the interim production

1 or new production, but shall instead levy a tax as follows:

2 (a) for interim production or new production of

3 petroleum or other mineral or crude oil, 7% of net proceeds,

4 as described in 15-23-603(2)(3), or

5 (b) for interim production or new production of natural

6 gas, 12% of net proceeds, as described in 15-23-603(2)(3);

7 (3) The amount of tax levied in subsections (2)(a) and

8 (2)(b) divided by the appropriate tax rate and multiplied

9 by 60% must be treated as taxable value for county bonding

10 purposes.

11 (4) The taxable value of net proceeds for the purpose

12 of computing guaranteed tax base aid for schools is the

13 amount of tax received by a district in the previous year

14 divided by the number of mills levied by the district in the

15 previous year, multiplied by 17000. This amount must be

16 added to the district, county, and statewide taxable value

17 when computing guaranteed tax base aid under 20-9-360.

18 (5) The operator or producer is liable for the payment

19 of the taxes that, except as provided in 15-16-121, are

20 payable by and must be collected from the operators in the

21 same manner and under the same penalties as provided for the

22 collection of taxes upon net proceeds of mines. However, the

23 operator may at his option withhold from the proceeds of

24 royalty interest, either in kind or in money, an estimated

25 amount of the tax to be paid by him upon the royalty or

1 royalty interest. After the withholding, any deviation

2 between the estimated tax and the actual tax may be

3 accounted for by adjusting subsequent withholdings from the

4 proceeds of royalty interests."

5 Section 14, Section 15-23-612, MCA, is amended to read:

6 "15-23-612. Certain natural gas, petroleum, or other

7 crude or mineral oil exempt from a well during the

8 first 12 months immediately following the date of

9 notification to the department of revenue that an oil well

10 is flowing or being pumped or that a gas well has been

11 connected to a gathering or distribution system is exempt

12 from the net proceeds tax imposed by this part for the first

13 12 months following the last day of the calendar month

14 immediately preceding the month in which:

15 (a) natural gas is placed into a natural gas

16 distribution system; or

17 (b) production for sale from a crude oil or mineral oil

18 well is pumped or flows if the notification was made after

19 March 31, 1987, and before July 1, 1991.

20 (2) After the expiration of the 12-month exemption

21 period provided in subsection (1), new production of natural

22 gas, petroleum, or other crude or mineral oil is subject to

23 net proceeds tax imposed by this part.

24 (3) Notwithstanding the provisions of subsections (1)

25



1 and--(2)--all-reporting-requirements-under-the-net-proceeds  
2 tax-remain-in-effect.

3 (4)--THE-EXEMPTION-PROVIDED-IN-SUBSECTION-(1)-APPLIES-TO  
4 PRODUCTION-IN-THIS-STATE-IN-ANY-QUARTER-ONLY-IF-THE-PRICE  
5 PER--BARREL--FOR--WEST--TEXAS-INTERMEDIATE-CRUDE-OIL-IS-LESS  
6 THAN-\$25-A-BARREL-AS-REPORTED-IN-THE-WALL-STREET-JOURNAL."

7 Section-15--Section-15-23-703, MCA, is amended to read:  
8 "15-23-703--Taxation-of-gross-proceeds ---taxable-value  
9 for-bonding-and-guaranteed-tax-base-aid-to-schools: (1)--The  
10 county-assessor--shall--compute--from--the--reported--gross  
11 proceeds--from-coal-a-tax-rollback-that-he-shall-transmit-to-the  
12 county-treasurer-on-or-before-September-15--each--year--The  
13 county-assessor-may-not-levy-or-assess-any-mills-against-the  
14 reported--gross--proceeds-of-coal-but-shall-levy-a-tax-of-5%  
15 against-the-value-of-the-reported-gross-proceeds-as-provided  
16 in-15-23-701(1)(d).--The-county-treasurer--shall--proceed--to  
17 give--full-notice-to-each-coal-producer-of-the-taxes-due-and  
18 to-collect-the-taxes-as-provided-in-15-16-101.

19 (2) For-bonding, county-classification, and-all--nontax  
20 purposes, the-taxable-value-of-the-gross-proceeds-of-coal-is  
21 45% of-the-contract-sales-price-as-defined-in-15-35-102(5).

22 (3)--The-taxable-value-of-gross-proceeds-for-the-purpose  
23 of--computing--guaranteed--tax--base--aid-for-schools-is-the  
24 amount-of-tax-received-by-a-district-in--the--previous--year  
25 divided-by-the-number-of-mills-levied-by-the-district-in-the

1 previous--year,--multiplied--by--1,000--This-amount-must-be  
2 added-to-the-district, county-and-statewide--taxable--value  
3 when-computing-guaranteed-tax-base-aid-under-20-9-360.

4 (4)--The--county--treasurer--shall--credit--all--taxes  
5 collected-under-this-part:

6 (a)--to-the-state-and-to-the-counties-that-levied--mills  
7 against--production--in-the-relative-proportions-required-by  
8 the-levies-for-state-and-county-purposes-in-the-same--manner  
9 as--property--taxes-were-distributed-in-the-year-1989-in-the  
10 taxing-jurisdiction, and

11 (b)--to-school--districts--in--the--county--that--either  
12 levied-mills-against-production-or-used-nontax-revenue,--such  
13 as-Public-Law-81-874-money, in-lieu-of-levying-mills-against  
14 production, in-the-same-manner-that-property-taxes-collected  
15 or--property-taxes-that-would-have-been-collected-would-have  
16 been-distributed-in-1989-in-the-school-district."

17 Section-16--Section-15-36-101, MCA, is amended to read:

18 "15-36-101--Definitions--and--rate-of--tax ---state  
19 severance---tax-----local--government--severance--tax---  
20 assessment-of-nonworking-interest-owner-----exemption:--(1)  
21 Every--person--engaging--in--or--carrying-on-the-business-of  
22 producing-petroleum, other-mineral-or-crude-oil, or-natural  
23 gas--within--this--state--or--engaging-in-or-carrying-on-the  
24 business--of--owning,--controlling,--managing,--leasing,--or  
25 operating-within-this-state-any-well-or-wells-from-which-any

1 merchantable or marketable petroleum, other mineral or crude  
 2 oil, or natural gas is extracted or produced shall, except  
 3 as provided in 15-36-121, each year when engaged in or  
 4 carrying on the business in this state pay to the department  
 5 of revenue a state severance tax for the exclusive use and  
 6 benefit of the state of Montana plus a local government  
 7 severance tax in lieu of a tax on net proceeds for the  
 8 exclusive use and benefit of local government. Except as  
 9 provided in subsection (3), the state severance tax and the  
 10 local government severance tax are as follows, computed at  
 11 the following rates:

12 (a) except as provided in subsections (1)(b), and  
 13 (1)(c) and (1)(d), a 5% state severance tax on of the total  
 14 gross taxable value of all the petroleum and other mineral  
 15 or crude oil produced by the person, plus the local  
 16 government severance tax of 8.4% on the gross taxable value  
 17 of all the petroleum and other mineral or crude oil produced  
 18 by the person other than interim production and new  
 19 production, from each lease or unit, but in determining the  
 20 amount of the state severance tax and local government  
 21 severance tax, there must be excluded from consideration all  
 22 petroleum or other crude or mineral oil produced and used by  
 23 the person during the year in connection with his operations  
 24 in prospecting for, developing, and producing the petroleum  
 25 or crude or mineral oil;

1 (b) a except as provided in section 15-36-121(1), 2.65%  
 2 state severance tax on of the total gross taxable value of  
 3 all natural gas produced by the person, plus the local  
 4 government severance tax of 15.25% on the total gross  
 5 taxable value of all natural gas produced by the person  
 6 other than interim production or new production, from each  
 7 lease or unit, but in determining the amount of the state  
 8 severance tax and the local government severance tax, there  
 9 must be excluded from consideration all gas produced and  
 10 used by the person during the year in connection with his  
 11 operations in prospecting for, developing, and producing the  
 12 gas or petroleum or crude or mineral oil, and there must  
 13 also be excluded from consideration all gas, including  
 14 carbon dioxide gas, recycled or reinjected into the ground;

15 (c) a 2.5% state severance tax on of the total gross  
 16 taxable value of the incremental petroleum and other mineral  
 17 or crude oil produced by the person, plus the local  
 18 government severance tax of 5% on the total gross taxable  
 19 value of the incremental petroleum and other mineral or  
 20 crude oil produced by the person other than interim  
 21 production and new production, from each lease or unit in a  
 22 tertiary recovery project after July 1, 1985. For purposes  
 23 of this section, a tertiary recovery project must meet the  
 24 following requirements:

25 (i) the project must be approved as a tertiary recovery

1 project-by-the-department-of-revenue; The approval may be  
 2 extended only after notice and hearing in accordance with  
 3 Title 27, chapter 4;

4 (ii) the property to be affected by the project must be  
 5 adequately delineated according to the specifications  
 6 required by the department; and

7 (iii) the project must involve the application of one or  
 8 more tertiary recovery methods that can reasonably be  
 9 expected to result in an increase, determined by the  
 10 department to be significant in light of all the facts and  
 11 circumstances, in the amount of crude oil which may  
 12 potentially be recovered; For purposes of this section,  
 13 tertiary recovery methods include but are not limited to:

- 14 (A) miscible fluid displacement;
- 15 (B) steam drive injection;
- 16 (C) micellar/emulsion flooding;
- 17 (D) in situ combustion;
- 18 (E) polymer-augmented water flooding;
- 19 (F) cyclic steam injection;
- 20 (G) alkaline or caustic flooding;
- 21 (H) carbon dioxide water flooding;
- 22 (I) immiscible carbon dioxide displacement; or
- 23 (J) any other method approved by the department as a  
 24 tertiary recovery method;
- 25 (K) a 5% local government severance tax on the total

1 gross taxable value of all petroleum and other mineral or  
 2 crude oil produced by the person other than interim and new  
 3 production produced by a stripper well, as defined in  
 4 15-36-121;

5 (2) For purposes of this section, the term "incremental  
 6 petroleum and other mineral or crude oil" means the amount  
 7 of oil, as determined by the department of revenue, to be in  
 8 excess of what would have been produced by primary and  
 9 secondary methods. The determination arrived at by the  
 10 department must be made only after notice and hearing and  
 11 shall specify through the life of a tertiary project,  
 12 calendar year by calendar year, the combined amount of  
 13 primary and secondary production that must be used to  
 14 establish the incremental production from each lease or unit  
 15 in a tertiary recovery project.

16 (3) (a) A local government severance tax is imposed on  
 17 the gross value paid in cash or apportioned in kind to a  
 18 nonworking interest owner by the operator or producer of  
 19 extracted marketable petroleum, other mineral or crude oil,  
 20 or natural gas subject to local government severance taxes  
 21 imposed under this chapter. The local government severance  
 22 tax on nonworking interest owners is computed at the  
 23 following rates:

24 (i) 12.5% on the gross value paid in cash or  
 25 apportioned in kind to a nonworking interest owner by the

1 operator--or--producer-of-extracted-marketable-petroleum-and  
2 other-mineral-or-crude-oil;

3 (iii)-15,25%--on--the--gross--value--paid--in--cash--or  
4 apportioned--in--kind--to-a-nonworking-interest-owner-by-the  
5 operator-or-producer-of-extracted-or-marketable-natural-gas;

6 (b)--The--amounts--paid--or--apportioned--in--kind--to  
7 nonworking--interest--owners--are--exempt--from--the--local  
8 government-severance-taxes-imposed--under--15-36-121(2)--and  
9 under-subsections-(1)(a) through-(1)(d)-of-this-section;

10 (4)(3)--Nothing--in--this-part--may--be--construed--as  
11 requiring-laborers-or-employees-hired--or--employed--by--any  
12 person-to-drill-any-oil-or-natural-gas-well-or-to-work-in-or  
13 about-any-oil-or-natural-gas-well-or-prospect-or-explore-for  
14 or--do-any-work-for-the-purpose-of-developing-any-petroleum,  
15 other-mineral-or-crude--oil,--or--natural--gas--to--pay--the  
16 severance--tax,--nor-may-work-done-or-the-drilling-of-a-well  
17 or-wells-for-the-purpose-of--prospecting--or--exploring--for  
18 petroleum, other-mineral-or-crude-oil, or-natural-gas-or-for  
19 the--purpose--of--developing--them--be--considered-to-be-the  
20 engaging-in-or-carrying-on-of-the-business;--if,--in--the--doing  
21 of-any-work,--in--the--drilling--of--any--oil--or--natural--gas--well,  
22 or--in--prospecting,--exploring,--or--development--work,--any  
23 merchantable-or-marketable-petroleum, other-mineral-or-crude  
24 oil,--or--natural--gas--in--excess--of--the--quantity--required--by  
25 the--person--for--carrying--on--the--operation--is--produced

1 sufficient-in-quantity--to--justify--the--marketing--of--the  
2 petroleum,--other--mineral-or-crude-oil,--or-natural-gas,--the  
3 work,--drilling,--prospecting,--exploring,--or--development--work  
4 is--considered--to-be-the-engaging-in-and-carrying-on-of-the  
5 business-of-producing-petroleum, other-mineral-or-crude-oil,  
6 or-natural-gas-within-this-state-within-the-meaning-of--this  
7 section;

8 (5)(4)--Every--person-required-to-pay-the-state-or-local  
9 government-severance-tax-under-this-section--shall--pay--the  
10 tax--in--full--for--his--own--account--and--for--the--account--of--each  
11 of--the--other--owner--or--owners--of--the--gross--proceeds--in--value  
12 or--in--kind--of--all--the--marketable-petroleum--or--other--mineral  
13 or--crude--oil--or--natural--gas--extracted--and--produced,  
14 including--owner--or--owners--of--working--interest,--royalty  
15 interest,--overriding--royalty--interest,--carried--working  
16 interest,--net--proceeds--interest,--production-payments,--and  
17 all--other--interest--or--interests--owned--or--carved--out--of--the  
18 total--gross--proceeds--in--value--or--in--kind--of--the--extracted  
19 marketable-petroleum--or--other--mineral--or--crude--oil--or  
20 natural-gas,--except--that--any--of--the--interests--that--are--owned  
21 by--the--federal,--state,--county,--or--municipal--governments--are  
22 exempt--from--taxation--under--this--chapter,--Unless--otherwise  
23 provided--in--a--contract--or--lease,--the--pro-rata--share--of--any  
24 royalty--owner--or--owners--will--be--deducted--from--any  
25 settlements--under--the--lease--or--leases--or--division--of

1 proceeds orders or other contracts;  
 2 {6}{5} For purposes of this section, the following  
 3 definitions apply:  
 4 {a} "Gross gross taxable value" means the gross value  
 5 of the product as determined in 15-36-103 less the gross  
 6 value paid in cash or apportioned in kind to a nonworking  
 7 interest owner by the operator or producer of extracted  
 8 marketable petroleum, other mineral or crude oil, or natural  
 9 gas;  
 10 {b} "Nonworking interest owner" means any interest  
 11 owner who does not share in the development and operation  
 12 costs of the lease or unit."  
 13 Section 17, Section 15-36-102, MCA, is amended to read:  
 14 "15-36-102. Quarterly payment of tax --- delayed payment  
 15 of local government severance tax. (1) Except as provided in  
 16 subsection (2), the severance tax must be paid in quarterly  
 17 installments for the quarterly periods ending, respectively,  
 18 March 31, June 30, September 30, and December 31 of each  
 19 year, and the amount of the tax for each quarterly period  
 20 must be paid to the department of revenue within 60 days  
 21 after the end of each quarterly period.  
 22 (2) Local government severance tax must be paid in  
 23 quarterly installments 1 year after the end of each quarter  
 24 for which a statement is completed as required by  
 25 15-36-105."

1 Section 18, Section 15-36-105, MCA, is amended to read:  
 2 "15-36-105. Statement to accompany payment --- records  
 3 --- collection of tax --- refunds. (1) Each person shall,  
 4 within 60 days after the end of each following quarter,  
 5 complete on forms prescribed by the department of revenue a  
 6 statement showing the total number of barrels of  
 7 merchantable or marketable petroleum and other mineral or  
 8 crude oil or cubic feet of natural gas produced or extracted  
 9 by the person in the state during each month of the quarter  
 10 and during the whole quarter, the average value of the  
 11 production during each month, and the total value of the  
 12 production for the whole quarter, together with the total  
 13 amount due to the state as severance taxes and local  
 14 government severance taxes for the quarter, and shall within  
 15 such 60 days deliver the statement and, except as provided  
 16 in 15-36-102(2) and 15-36-121, pay to the department the  
 17 amount of the taxes shown by the statement to be due to the  
 18 state for the quarter for which the statement is made. The  
 19 statement must be signed by the individual or the president,  
 20 vice president, treasurer, assistant treasurer, or managing  
 21 agent in this state of the association, corporation,  
 22 joint stock company, or syndicate making the statement. Any  
 23 person engaged in carrying on business at more than one  
 24 place in this state or owning, leasing, controlling, or  
 25 operating more than one oil or gas well in this state may

1 include--all--operations--in--one--statement;--The--department  
2 shall--receive--and--file--all--statements--and--collect--and  
3 receive--from--the--person--making--and--filing--a--statement--the  
4 amount--of--tax--payable--by--the--person;--if--any;--as--appears--in  
5 the--statement;

6 (2)--It--is--the--duty--of--the--department--to--examine--each--of  
7 the--statements--and--compute--the--taxes--thereon;--and--the--amount  
8 computed--by--the--department--is--the--tax--imposed;--assessed  
9 against;--and--payable--by--the--taxpayer--making--the--statement  
10 for--the--quarter--for--which--the--statement--is--filed;--if--the--tax  
11 found--to--be--due--is--greater--than--the--amount--paid;--the--excess  
12 must--be--paid--by--the--taxpayer--to--the--department--within--10  
13 days--after--written--notice--of--the--amount--of--the--deficiency--is  
14 mailed--by--the--department--to--the--taxpayer;--if--the--tax--imposed  
15 is--less--than--the--amount--paid;--the--difference--must--be--applied  
16 as--a--credit--against--tax--liability--for--subsequent--quarters--or  
17 refunded--if--there--is--no--subsequent--tax--liability;

18 (3)--If--the--tax--is--not--paid--on--or--before--the--due--date;--  
19 there--must--be--assessed--a--penalty--of--10%--of--the--amount--of--the  
20 tax;--unless--it--is--shown--that--the--failure--was--due--to  
21 reasonable--cause--and--not--due--to--neglect;--if--any--tax--under  
22 this--chapter--is--not--paid--when--due;--interest--must--be--added--to  
23 the--tax--at--the--rate--of--1%--a--month--or--fraction--thereof;--  
24 computed--on--the--total--amount--of--severance--tax--and--penalty  
25 from--the--due--date--until--paid;#

1 Section--19;--Section--15-36-112;--MCA;--is--amended--to--read:  
2 "15-36-112;--Disposition--of--oil--and--gas--state--and--local  
3 government--severance--taxes--calculation--of--unit--value--for  
4 local--government--severance--tax;--(1)--Each--year--the--department  
5 of--revenue--shall--determine--the--amount--of--tax--collected--under  
6 this--chapter--from--within--each--taxing--unit--county;

7 (2)--For--purposes--of--the--distribution--of--local  
8 government--severance--taxes--collected--under--this--chapter;--the  
9 department--shall--determine--the--unit--value--of--oil--and--gas--for  
10 each--taxing--unit--as--follows:

11 (a)--The--unit--value--for--petroleum--and--other--mineral--or  
12 crude--oil--for--each--taxing--unit--is--the--quotient--obtained--by  
13 dividing--the--net--proceeds--taxes--calculated--on--petroleum--or  
14 mineral--or--crude--oil--produced--in--that--taxing--unit--in  
15 calendar--year--1988--by--the--number--of--barrels--of--petroleum--or  
16 other--mineral--or--crude--oil--produced--in--that--taxing--unit  
17 during--1988;--excluding--new--and--interim--production;

18 (b)--The--unit--value--for--natural--gas--is--the--quotient  
19 obtained--by--dividing--the--net--proceeds--taxes--calculated--on  
20 natural--gas--produced--in--that--taxing--unit--in--calendar--year  
21 1988--by--the--number--of--cubic--feet--of--natural--gas--produced--in  
22 that--taxing--unit--during--1988;--excluding--new--and--interim  
23 production;

24 (3)--The--state--and--local--government--severance--taxes  
25 collected--under--this--chapter--are--allocated--as--follows:

1       (a) ~~The local government severance tax the amount if~~  
 2 ~~any, by which the tax collected from within a county for any~~  
 3 ~~fiscal year exceeds, by reason of increased production, the~~  
 4 ~~total amount collected from within that county for the~~  
 5 ~~previous fiscal year is statutorily appropriated, as~~  
 6 ~~provided in 17-7-502, for allocation to the general fund of~~  
 7 ~~the county for distribution as provided in subsection (4)~~  
 8 ~~(3), and~~

9       (b) ~~The state severance tax any amount not allocated to~~  
 10 ~~the county under subsection (2)(a) is allocated to the state~~  
 11 ~~general fund.~~

12       (4)(3) ~~(a) For the purpose of distribution of the local~~  
 13 ~~government severance tax, the department shall adjust the~~  
 14 ~~unit value determined under this section according to the~~  
 15 ~~ratio that the local government severance taxes collected~~  
 16 ~~during the quarters to be distributed plus accumulated~~  
 17 ~~interest earned by the state and penalties and interest on~~  
 18 ~~delinquent local government severance taxes bears to the~~  
 19 ~~total liability for local government severance taxes for the~~  
 20 ~~quarters to be distributed. The taxes must be calculated and~~  
 21 ~~distributed as follows:~~

22       (i) ~~By November 30 of each year, the department shall~~  
 23 ~~calculate and distribute to each eligible county the amount~~  
 24 ~~of local government severance tax, determined by multiplying~~  
 25 ~~unit value as adjusted in this subsection (4)(a) times the~~

1       units of production on which the local government severance  
 2 tax was owed during the calendar quarters ending March 31  
 3 and June 30 of the preceding calendar year.

4       (ii) ~~By May 31 of each year, the department shall~~  
 5 ~~calculate and distribute to each eligible county the amount~~  
 6 ~~of local government severance tax, determined by multiplying~~  
 7 ~~unit value as adjusted in this subsection (4)(a) times the~~  
 8 ~~units of production on which the local government severance~~  
 9 ~~tax was owed during the 2 calendar quarters immediately~~  
 10 ~~following those quarters referred to in subsection~~  
 11 ~~(4)(a)(i).~~

12       (b) ~~Any amount by which the total tax liability exceeds~~  
 13 ~~or is less than the total distributions determined in~~  
 14 ~~subsections (4)(a)(i) and (4)(a)(ii) must be calculated and~~  
 15 ~~distributed in the following manner:~~

16       (i) ~~The excess amount or shortage must be divided by~~  
 17 ~~the total distribution determined for that period to obtain~~  
 18 ~~an excess or shortage percentage.~~

19       (ii) ~~The excess percentage must be multiplied by the~~  
 20 ~~distribution to each taxing unit, and this amount must be~~  
 21 ~~added to the distribution to each respective taxing unit.~~

22       (iii) ~~The shortage percentage must be multiplied by the~~  
 23 ~~distribution to each taxing unit, and this amount must be~~  
 24 ~~subtracted from the distribution to each respective taxing~~  
 25 ~~unit.~~

1       ~~(5) The county treasurer shall distribute the money~~  
2 ~~received under subsection (4) (2)(a) to the taxing units~~  
3 ~~that levied mills in fiscal year 1990 against calendar year~~  
4 ~~1988 production in the same manner that all other property~~  
5 ~~tax proceeds were distributed during fiscal year 1990 in the~~  
6 ~~taxing unit, except that no distribution may be made to a~~  
7 ~~municipal taxing unit county and to all the incorporated~~  
8 ~~cities and towns within the county as provided in this~~  
9 ~~subsection. The county receives the available money~~  
10 ~~multiplied by the ratio of the rural population to the~~  
11 ~~county population. Each incorporated municipality receives~~  
12 ~~the available money multiplied by the ratio of the~~  
13 ~~population of the incorporated municipality to the county~~  
14 ~~population. The rural population is that population of the~~  
15 ~~county living outside the boundaries of an incorporated~~  
16 ~~municipality. Population must be based on the most recent~~  
17 ~~figures as determined by the department of commerce.~~

18       ~~(b) The money distributed under subsection (3)(a) may~~  
19 ~~be used for any purpose as determined by the governing body~~  
20 ~~of the county, city, or town."~~

21       Section 20. Section 15-36-121, MCA, is amended to read:  
22       "15-36-121. Exemption from state severance tax --  
23 imposition of local government severance tax. (1) It is the  
24 public policy of this state to promote a sufficient supply  
25 of natural gas to provide for the residents of this state,

1       to lessen Montana's dependence on imported natural gas, and  
2       to encourage the exploration for and development and  
3       production of natural gas, petroleum, and other mineral and  
4       crude oil within the state.

5       (2)(i) All the natural gas produced from any well that  
6       has produced 60,000 cubic feet or less of natural gas a day  
7       for the calendar year prior to the current year shall be  
8       taxed as provided in this section. Production must be  
9       determined by dividing the amount of production from a lease  
10       or unitized area for the year prior to the current calendar  
11       year by the number of producing wells in the lease or  
12       unitized area and by dividing the resulting quotient by 365.  
13       The first 30,000 cubic feet of average daily production per  
14       well is exempt from all of the state severance tax imposed  
15       by 15-36-101. The first 30,000 cubic feet of average daily  
16       production per well is subject to a local government  
17       severance tax of 10%. Everything over 30,000 cubic feet of  
18       gas produced is taxed at 1.59% plus a local government  
19       severance tax of 10%.

20       (3) For the purposes of this section, "stripper well"  
21       means a well that produces less than 10 barrels per day  
22       determined by dividing the amount of production from a lease  
23       or unitized area for the year prior to the current calendar  
24       year by the number of producing wells in the lease or  
25       unitized area, and by dividing the resulting quotient by



1 365-

2 ~~{4}{2}~~ Notwithstanding the provisions of subsection ~~{2}~~

3 ~~{1}~~, all reporting requirements under the state severance

4 tax remain in effect."

5 Section 21--Section 20-9-141, MCA, is amended to read:

6 "20-9-141--Computation--of--general--fund--net--levy

7 requirement--by--county--superintendent.--{1}--The--county

8 superintendent shall compute the levy requirement for each

9 district's general fund on the basis of the following

10 procedure:

11 {a}--Determine the funding required for the district's

12 final general fund budget less the amount established by the

13 schedules in 20-9-316 through 20-9-321 by totaling:

14 {i}--the--district's--nonisolated--school--foundation

15 program requirement to be met by a district levy as provided

16 in 20-9-303; and

17 {ii}--any--additional--general--fund--budget--amount--adopted

18 by--the--trustees--of--the--district--under--the--provisions--of

19 20-9-353; including any additional levies authorized by the

20 electors of the district;

21 {b}--Determine the money available for the reduction of

22 the property tax on the district for the general fund by

23 totaling:

24 {i}--anticipated--federal--money--received--under--the

25 provisions of Title I of Public Law 81-874 or other

1 anticipated federal money received in lieu of that federal

2 act;

3 {ii}--anticipated--tuition--payments--for--out--of--district

4 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,

5 and 20-5-313;

6 {iii}--general--fund--cash--reappropriated,--as--established

7 under the provisions of 20-9-104;

8 {iv}--anticipated--or--reappropriated--state--impact--aid

9 received under the provisions of 20-9-304;

10 {v}--anticipated--or--reappropriated--revenue--from--property

11 taxes--and--fees--imposed--under--23-2-517,--23-2-803,

12 61-3-504{2}, 61-3-521, 61-3-537, and 67-3-204;

13 {vi}--anticipated--net--proceeds--taxes--for--interim

14 production and new production, as defined in 15-23-601;

15 {vii}--anticipated--revenue--from--local--government

16 severance taxes as provided in 15-36-112;

17 {viii}--anticipated--revenue--from--coal--gross--proceeds

18 under 15-23-703;

19 {ix}--anticipated--interest--to--be--earned--or--reappropriated

20 interest earned by the investment of general fund cash in

21 accordance with the provisions of 20-9-213{4};

22 {x}{viii}--anticipated--revenue--from--corporation--license

23 taxes--collected--from--financial--institutions--under--the

24 provisions of 15-31-702; and

25 {xi}{ix}--any--other--revenue--anticipated--by--the--trustees

1 to--be--received--during--the--ensuing--school--fiscal--year--which  
2 may--be--used--to--finance--the--general--fund--

3 {c}--Subtract--the--money--available--to--reduce--the--property  
4 tax--required--to--finance--the--general--fund--that--has--been  
5 determined--in--subsection--(1)(b)--from--the--total--requirement  
6 determined--in--subsection--(1)(a);

7 {2}--The--net--general--fund--levy--requirement--determined--in  
8 subsection--(1)(c)--must--be--reported--to--the--county  
9 commissioners--on--the--second--Monday--of--August--by--the--county  
10 superintendent--as--the--general--fund--levy--requirement--for--the  
11 district;--and--a--levy--must--be--made--by--the--county  
12 commissioners--in--accordance--with--20-9-142.4

13 **Section 1.** Section 20-9-316, MCA, is amended to read:

14 "20-9-316. Elementary school maximum budget schedule  
15 for 1989-90 fiscal year 1992. (1) For each elementary school  
16 having an ANB of nine or fewer pupils, the maximum is  
17 ~~\$20,763~~ ~~\$24,355~~ \$24,119 if the school is approved as an  
18 isolated school.

19 (2) For schools with an ANB of 10 pupils but less than  
20 18 pupils, the maximum is ~~\$20,763~~ ~~\$24,355~~ \$24,119 plus \$868  
21 ~~\$1,708~~ \$1,008 per pupil on the basis of the average number  
22 belonging over nine.

23 (3) For schools with an ANB of at least 14 pupils but  
24 less than 18 pupils that qualify for instructional aide  
25 funding under 20-9-322, the maximum is ~~\$34,833~~ ~~\$39,922~~

1 \$39,534 plus \$868 ~~\$1,708~~ \$1,008 per pupil on the basis of  
2 the average number belonging over 14.

3 (4) For schools with an ANB of 18 pupils and employing  
4 one teacher, the maximum is ~~\$20,573~~ ~~\$33,517~~ \$33,192 plus  
5 ~~\$868~~ ~~\$1,708~~ \$1,008 per pupil on the basis of the average  
6 number belonging over 18, not to exceed an ANB of 25.

7 (5) For schools with an ANB of 18 pupils and employing  
8 two full-time teachers, the maximum is ~~\$45,619~~ ~~\$53,512~~  
9 \$52,992 plus ~~\$543~~ ~~\$638~~ \$631 per pupil on the basis of the  
10 average number belonging over 18, not to exceed an ANB of  
11 50.

12 (6) For schools having an ANB in excess of 40, the  
13 maximum, on the basis of the total pupils (ANB) in the  
14 district, for elementary pupils is as follows:

15 (a) For a school having an ANB of more than 40 and  
16 employing a minimum of three teachers, the maximum of ~~\$2,016~~  
17 ~~\$2,365~~ \$2,342 must be decreased at the rate of ~~\$1.96~~ ~~\$2.30~~  
18 \$2.27 for each additional pupil until the total number (ANB)  
19 reaches 100 pupils.

20 (b) For a school having an ANB of more than 100 pupils,  
21 the maximum of ~~\$1,090~~ ~~\$2,227~~ \$2,205 must be decreased at the  
22 rate of ~~\$1.79~~ ~~\$1.26~~ \$1.24 for each additional pupil until  
23 the ANB reaches 300 pupils.

24 (c) For a school having an ANB of more than 300 pupils,  
25 the maximum may not exceed ~~\$1,541~~ ~~\$1,970~~ \$1,951 for each

1 pupil.

2 (7) The maximum per pupil for all pupils (ANB) and for  
 3 all elementary schools must be computed on the basis of the  
 4 amount allowed in this section on account of the last  
 5 eligible pupil (ANB). All elementary schools operated within  
 6 the incorporated limits of a city or town must be treated as  
 7 one school for the purpose of this schedule."

8 **Section 2.** Section 20-9-317, MCA, is amended to read:

9 "20-9-317. High school maximum budget schedule for  
 10 ~~1989-90~~ fiscal year 1992. (1) For each high school having an  
 11 ANB of 24 or fewer pupils, the maximum is ~~\$118,290~~ \$148,107  
 12 \$146,669.

13 (2) For a high school having an ANB of more than 24  
 14 pupils, the maximum of ~~\$47,929~~ \$67,171 \$6,111 must be  
 15 decreased at the rate of ~~\$26.88~~ \$33.66 \$33.33 for each  
 16 additional pupil until the ANB reaches 40 pupils.

17 (3) For a school having an ANB of more than 40 pupils,  
 18 the maximum of ~~\$47,499~~ \$57,633 \$5,578 must be decreased at the  
 19 rate of ~~\$26.88~~ \$33.66 \$33.33 for each additional pupil until  
 20 the ANB reaches 100 pupils.

21 (4) For a school having an ANB of more than 100 pupils,  
 22 the maximum of ~~\$27,886~~ \$37,613 \$3,578 must be decreased at the  
 23 rate of ~~\$4.58~~ \$5.63 \$5.58 for each additional pupil until  
 24 the ANB reaches 200 pupils.

25 (5) For a school having an ANB of more than 200 pupils,

1 the maximum of ~~\$27,436~~ \$37,850 \$3,020 must be decreased by  
 2 ~~\$2.47~~ \$3.09 \$3.06 for each additional pupil until the ANB  
 3 reaches 300 pupils.

4 (6) For a school having an ANB of more than 300 pupils,  
 5 the maximum of ~~\$27,189~~ \$27,740 \$2,713 must be decreased at the  
 6 rate of ~~45~~ 57 56 cents for each additional pupil until the  
 7 ANB reaches 600 pupils.

8 (7) For a school having an ANB of more than 600 pupils,  
 9 the maximum may not exceed ~~\$27,053~~ \$27,570 \$2,545 per pupil.

10 (8) The maximum per pupil for all pupils (ANB) and for  
 11 all high schools must be computed on the basis of the amount  
 12 allowed in this section on account of the last eligible  
 13 pupil (ANB). All high schools and junior high schools which  
 14 have been approved and accredited as junior high schools,  
 15 operated within the incorporated limits of a city or town,  
 16 must be treated as one school for the purpose of this  
 17 schedule."

18 **Section 3.** Section 20-9-318, MCA, is amended to read:

19 "20-9-318. Elementary school foundation program  
 20 schedule for school fiscal year ~~1991~~ 1993 and succeeding  
 21 years. For the school fiscal year ending June 30, ~~1991~~ 1993,  
 22 and succeeding school years, the elementary school  
 23 foundation program schedule is as follows:

24 (1) For each elementary school having an ANB of nine or  
 25 fewer pupils, the maximum is ~~\$23,646~~ \$25,006 \$24,601 if the

1 school is approved as an isolated school.

2 (2) For schools with an ANB of 10 pupils but less than  
3 18 pupils, the maximum is ~~\$23,646~~ ~~\$25,086~~ \$24,601 plus ~~\$988~~  
4 ~~\$1,048~~ \$1,028 per pupil on the basis of the average number  
5 belonging over nine.

6 (3) For schools with an ANB of at least 14 pupils but  
7 less than 18 pupils that qualify for instructional aide  
8 funding under 20-9-322, the maximum is ~~\$38,759~~ ~~\$41,119~~  
9 \$40,325 plus ~~\$988~~ ~~\$1,048~~ \$1,028 per pupil on the basis of  
10 the average number belonging over 14.

11 (4) For schools with an ANB of 18 pupils and employing  
12 one teacher, the maximum is ~~\$32,541~~ ~~\$34,523~~ \$33,856 plus  
13 ~~\$988~~ ~~\$1,048~~ \$1,028 per pupil on the basis of the average  
14 number belonging over 18, not to exceed an ANB of 25.

15 (5) For schools with an ANB of 18 pupils and employing  
16 two full-time teachers, the maximum is ~~\$51,953~~ ~~\$55,117~~  
17 \$54,052 plus ~~\$619~~ ~~\$657~~ \$644 per pupil on the basis of the  
18 average number belonging over 18, not to exceed an ANB of  
19 50.

20 (6) For schools having an ANB in excess of 40, the  
21 maximum, on the basis of the total pupils (ANB) in the  
22 district, is as follows:

23 (a) For a school having an ANB of more than 40 and  
24 employing a minimum of three teachers, the maximum of ~~\$2,296~~  
25 ~~\$2,436~~ \$2,389 is decreased at the rate of ~~\$2,23~~ ~~\$2,37~~ \$2.32

1 for each additional pupil until the total number (ANB)  
2 reaches a total of 100 pupils.

3 (b) For a school having an ANB of more than 100 pupils,  
4 the maximum of ~~\$2,162~~ ~~\$2,294~~ \$2,249 is decreased at the rate  
5 of ~~\$1,22~~ ~~\$1,29~~ \$1.27 for each additional pupil until the ANB  
6 reaches 300 pupils.

7 (c) For a school having an ANB of more than 300 pupils,  
8 the maximum may not exceed ~~\$1,913~~ ~~\$2,030~~ \$1,990 for each  
9 pupil.

10 (7) The maximum per pupil for all pupils (ANB) and for  
11 all elementary schools must be computed on the basis of the  
12 amount allowed in this section on account of the last  
13 eligible pupil (ANB). All elementary schools operated within  
14 the incorporated limits of a city or town must be treated as  
15 one school for the purpose of this schedule."

16 **Section 4.** Section 20-9-319, MCA, is amended to read:

17 "20-9-319. High school foundation program schedule for  
18 school fiscal year ~~1991~~ 1993 and succeeding years. For the  
19 school fiscal year ending June 30, ~~1991~~ 1993, and succeeding  
20 school years, the high school foundation program schedule is  
21 as follows:

22 (1) For each high school having an ANB of 24 or fewer  
23 pupils, the maximum is ~~\$143,793~~ ~~\$152,550~~ \$149,602.

24 (2) For a high school having an ANB of more than 24  
25 pupils, the maximum of ~~\$5,991~~ ~~\$6,356~~ \$6,233 is decreased at

1 the rate of ~~932-60~~ 934-67 934 for each additional pupil  
2 until the ANB reaches a total of 40 pupils.

3 (3) For a school having an ANB of more than 40 pupils,  
4 the maximum of ~~55,469~~ 55,802 55,690 is decreased at the rate  
5 of ~~932-60~~ 934-67 934 for each additional pupil until the ANB  
6 reaches 100 pupils.

7 (4) For a school having an ANB of more than 100 pupils,  
8 the maximum of ~~93,500~~ 93,722 93,650 is decreased at the rate  
9 of ~~55-47~~ 55-80 55.69 for each additional pupil until the ANB  
10 reaches 200 pupils.

11 (5) For a school having an ANB of more than 200 pupils,  
12 the maximum of ~~92,961~~ 93,141 93,081 is decreased by ~~93-00~~  
13 93-10 93.12 for each additional pupil until the ANB reaches  
14 300 pupils.

15 (6) For a school having an ANB of more than 300 pupils,  
16 the maximum of ~~92,660~~ 92,822 92,767 is decreased at the rate  
17 of ~~55~~ 58 57 cents for each additional pupil until the ANB  
18 reaches 600 pupils.

19 (7) For a school having an ANB of more than 600 pupils,  
20 the maximum may not exceed ~~92,495~~ 92,647 92,596 per pupil.

21 (8) The maximum per pupil for all pupils (ANB) and for  
22 all high schools must be computed on the basis of the amount  
23 allowed in this section on account of the last eligible  
24 pupil (ANB). All high schools and junior high schools which  
25 have been approved and accredited as junior high schools,

1 operated within the incorporated limits of a city or town,  
2 must be treated as one school for the purpose of this  
3 schedule."

4 Section-26,--Section-20-9-331,--MCA,--is--amended--to--read:  
5 "20-9-331,--Basic-county--tax--and--other--revenues--for  
6 county--equalization--of--the--elementary--district--foundation  
7 program,--(1)--The--county--commissioners--of--each--county--shall  
8 levy--an--annual--basic--tax--of--33--mills--on--the--dollar--of--the  
9 taxable--value--of--all--taxable--property--within--the--county,  
10 except--for--property--subject--to--a--tax--or--fee--under--23-2-517,  
11 23-2-803,--61-3-504(2),--61-3-521,--61-3-537,--and--67-3-204,--for  
12 the--purposes--of--local--and--state--foundation--program--support.  
13 The--revenue--collected--from--this--levy--must--be--apportioned--to  
14 the--support--of--the--foundation--programs--of--the--elementary  
15 school--districts--in--the--county--and--to--the--state--special  
16 revenue--fund,--state--equalization--aid--account,--in--the  
17 following--manner:

18 (a)--In--order--to--determine--the--amount--of--revenue--raised  
19 by--this--levy--which--is--retained--by--the--county,--the--sum--of--the  
20 estimated--revenue--identified--in--subsection--(2)--must--be  
21 subtracted--from--the--total--of--the--foundation--programs--of--all  
22 elementary--districts--of--the--county.

23 (b)--If--the--basic--levy--prescribed--by--this--section  
24 produces--more--revenue--than--is--required--to--finance--the  
25 difference--determined--in--subsection--(1)(a),--the--county

1 treasurer--shall--remit--the--surplus--funds--to--the--state  
 2 treasurer--for--deposit--to--the--state--special--revenue--fund;  
 3 state--equalization--aid--account,--immediately--upon--occurrence  
 4 of--a--surplus--balance--and--each--subsequent--month--thereafter,  
 5 with--any--final--remittance--due--no--later--than--June--20--of--the  
 6 fiscal--year--for--which--the--levy--has--been--set.

7 (c)--if--revenue--from--the--basic--levy--prescribed--by--this  
 8 section--when--combined--with--the--other--revenue--from--subsection  
 9 (2)--is--insufficient--to--fully--fund--the--percentage--determined  
 10 in--20-9-347(1)(b)--and--the--county--is--eligible--for--an  
 11 apportionment--of--state--equalization--aid--under--the--provisions  
 12 of--20-9-347(1)(c),--the--county--superintendent--shall--notify  
 13 the--superintendent--of--public--instruction--of--the--deficiency.  
 14 The--superintendent--of--public--instruction--shall--increase--the  
 15 state--equalization--aid--payments--to--the--districts--in--the  
 16 affected--county--to--offset--the--deficiency. A--payment--may--not  
 17 be--made--under--this--subsection--(c)--that--allows--a--district--to  
 18 receive--foundation--program--funding--in--excess--of--the  
 19 foundation--program--amount--of--the--district;

20 (2)--The--revenue--realized--from--the--county's--portion--of  
 21 the--levy--prescribed--by--this--section--and--the--revenue--from--the  
 22 following--sources--must--be--used--for--the--equalization--of--the  
 23 elementary--district--foundation--programs--of--the--county--as  
 24 prescribed--in--20-9-334,--and--a--separate--accounting--must--be  
 25 kept--of--the--revenue--by--the--county--treasurer--in--accordance

1 with--20-9-212(1);

2 (a)--the--portion--of--the--federal--Taylor--Grazing--Act--funds  
 3 distributed--to--a--county--and--designated--for--the--common--school  
 4 fund--under--the--provisions--of--17-3-222;

5 (b)--the--portion--of--the--federal--flood--control--act--funds  
 6 distributed--to--a--county--and--designated--for--expenditure--for  
 7 the--benefit--of--the--county--common--schools--under--the  
 8 provisions--of--17-3-232;

9 (c)--all--money--paid--into--the--county--treasury--as--a--result  
 10 of--fines--for--violations--of--law,--except--money--paid--to--a  
 11 justice's--court,--and--the--use--of--which--is--not--otherwise  
 12 specified--by--law;

13 (d)--any--money--remaining--at--the--end--of--the--immediately  
 14 preceding--school--fiscal--year--in--the--county--treasurer's  
 15 accounts--for--the--various--sources--of--revenue--established--or  
 16 referred--to--in--this--section;

17 (e)--any--federal--or--state--money--distributed--to--the  
 18 county--as--payment--in--lieu--of--property--taxation,--including  
 19 federal--forest--reserve--funds--allocated--under--the--provisions  
 20 of--17-3-213;

21 (f)--gross--proceeds--taxes--from--coal--under--15-23-703;

22 (g)--net--proceeds--taxes--for--interim--production--and--new  
 23 production,--as--defined--in--15-23-601,--and--local--government  
 24 severance--taxes--on--any--other--production--occurring--after  
 25 December--31,--1988,--and

1       (h)(g) anticipated revenue from property taxes and fees  
 2 imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
 3 61-3-537, and 67-3-204."

4       Section 27, Section 20-9-333, MCA, is amended to read:  
 5       "20-9-333. Basic special levy and other revenues for  
 6 county equalization of high school district foundation  
 7 program. (1) The county commissioners of each county shall  
 8 levy an annual basic special tax for high schools of 22  
 9 mills on the dollar of the taxable value of all taxable  
 10 property within the county, except for property subject to a  
 11 tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
 12 61-3-537, and 67-3-204, for the purposes of local and state  
 13 foundation program support. The revenue collected from this  
 14 levy must be apportioned to the support of the foundation  
 15 programs of high school districts in the county and to the  
 16 state special revenue fund, state equalization aid account,  
 17 in the following manner:

18       (a) In order to determine the amount of revenue raised  
 19 by this levy which is retained by the county, the sum of the  
 20 estimated revenue identified in subsection (2) must be  
 21 subtracted from the sum of the county's high school tuition  
 22 obligation and the total of the foundation programs of all  
 23 high school districts of the county.

24       (b) If the basic levy prescribed by this section  
 25 produces more revenue than is required to finance the

1 difference determined in subsection (1)(a), the county  
 2 treasurer shall remit the surplus funds to the state  
 3 treasurer for deposit to the state special revenue fund,  
 4 state equalization aid account, immediately upon occurrence  
 5 of a surplus balance and each subsequent month thereafter,  
 6 with any final remittance due no later than June 20 of the  
 7 fiscal year for which the levy has been set.

8       (c) If revenue from the basic levy prescribed by this  
 9 section when combined with the other revenue from subsection  
 10 (2) is insufficient to fully fund the percentage determined  
 11 in 20-9-347(1)(b) and the county is eligible for an  
 12 apportionment of state equalization aid under the provisions  
 13 of 20-9-347(1)(c), the county superintendent shall notify  
 14 the superintendent of public instruction of the deficiency.  
 15 The superintendent of public instruction shall increase the  
 16 state equalization aid payments to the districts in the  
 17 affected county to offset the deficiency. A payment may not  
 18 be made under this subsection (c) that allows a district to  
 19 receive foundation program funding in excess of the  
 20 foundation program amount of the district.

21       (2) The revenue realized from the county's portion of  
 22 the levy prescribed in this section and the revenue from the  
 23 following sources must be used for the equalization of the  
 24 high school district foundation programs of the county as  
 25 prescribed in 20-9-334, and a separate accounting must be

1 kept-of-the-revenue-by-the-county--treasurer--in--accordance  
2 with-20-9-212(1);

3 (a)--any--money--remaining-at-the-end-of-the-immediately  
4 preceding-school--fiscal--year--in--the--county--treasurer's  
5 accounts--for--the-various-sources-of-revenue-established-in  
6 this-section;

7 (b)--any-federal--or--state--money--distributed--to--the  
8 county--as--payment--in-lieu-of-property-taxation,--including  
9 federal-forest-reserve-funds-allocated-under-the-provisions  
10 of-17-3-213;

11 (c)--gross-proceeds-taxes-from-coal-under-15-23-703;

12 (d)--net--proceeds--taxes-for-interim-production-and-new  
13 production,--as-defined-in-15-23-601,--and--local--government  
14 severance--taxes--on--any--other--production-occurring-after  
15 December-31,--1988,--and

16 (e)(d)--anticipated-revenue-from-property-taxes-and-fees  
17 imposed-under--23-2-517,--23-2-803,--61-3-504(2),--61-3-521,  
18 61-3-537,--and-67-3-204.4

19 Section-20,--Section-20-9-366,--MCA,--is-amended-to-read:  
20 \*20-9-366,--Definitions:--As-used--in--20-9-366-through  
21 20-9-369,--the-following-definitions-apply:

22 (1)--"County-mill-value-per-elementary-ANB"--or--"county  
23 mill-value-per-high-school-ANB"--means-the-sum-of-the-current  
24 taxable--valuation--of--all--property-in-the-county-plus-the  
25 taxable-value-of-oil-and-gas-net-proceeds--determined--under

1 15-23-607(4)--for-production-occurring-after-March-31,--1990,  
2 plus-the-taxable-value-of--coal--gross--proceeds--determined  
3 under--15-23-703(3)--plus--all--the-taxable-value-of-nonlevy  
4 revenue-for-the-support-of-schools,--other--than--Public--Law  
5 81-874-funds,--divided-by-1,000,--with-the-quotient-divided-by  
6 the--total--county--elementary-ANB-count-or-the-total-county  
7 high-school-ANB--count--used--to--calculate--the--elementary  
8 school--districts'--and--high-school-districts'--current-year  
9 foundation-program-amounts. The--taxable--value--of--nonlevy  
10 revenue-for-the-purpose-of-computing-guaranteed-tax-base-aid  
11 for--schools--is-the-amount-of-nonlevy-revenue-received-by-a  
12 district-in-the-previous-year,--including--for--fiscal--year  
13 1991--the--revenue-received-in-fiscal-year-1990-from-the-net  
14 proceeds-taxation-of-oil-and-natural-gas-and--including--for  
15 fiscal--year--1992--and--thereafter--the--local--government  
16 severance-tax,--divided-by-the-number-of-mills-levied-by--the  
17 district-in-the-previous-year,--multiplied-by-1,000.

18 (2)--"District-mill-value-per-ANB"--means-the-current  
19 taxable-valuation-of-all-property-in-the-district--plus--the  
20 taxable--value--of--oil--and--gas--net--proceeds--determined--under  
21 15-23-607(4)--for-production-occurring-after-March-31,--1990,  
22 plus--the--taxable--value--of--coal--gross--proceeds--determined  
23 under-15-23-703(3)--plus--all--the--taxable--value--of--nonlevy  
24 revenue--for--the--support--of--schools,--other--than--Public--Law  
25 81-874-funds,--divided-by-1,000,--with-the-quotient-divided-by



1 the ANB count of the district used to calculate the  
 2 district's current year foundation program schedule amount.  
 3 The taxable value of nonlevy revenue for the purpose of  
 4 computing guaranteed tax base aid for schools is the amount  
 5 of nonlevy revenue received by a district in the previous  
 6 year including for fiscal year 1991 the revenue received in  
 7 fiscal year 1990 from the net proceeds taxation of oil and  
 8 natural gas and including for fiscal year 1992 and  
 9 thereafter the local government severance tax, divided by  
 10 the number of mills levied by the district in the previous  
 11 year, multiplied by 1,000.

12 (3) "Guaranteed overschedule general fund budget" means  
 13 that portion of a district's general fund budget in excess  
 14 of the foundation program amount for the district, as  
 15 provided in 20-9-316 through 20-9-321, but not exceeding  
 16 35% of the district's foundation program amount, and  
 17 which excess is authorized under the provisions of 20-9-145  
 18 and 20-9-353.

19 (4) "Statewide mill value per elementary ANB" or  
 20 "statewide mill value per high school ANB" means the sum of  
 21 the current taxable valuation of all property in the state  
 22 plus the taxable value of oil and gas net proceeds  
 23 determined under 15-23-607(4) for production occurring after  
 24 March 31, 1990, plus the taxable value of coal gross  
 25 proceeds determined under 15-23-703(3) plus all the taxable

1 value of nonlevy revenue for the support of schools, other  
 2 than Public Law 81-874 funds, divided by 1,000, with the  
 3 quotient divided by the total state elementary ANB count or  
 4 the total state high school ANB count used to calculate the  
 5 elementary school districts' and high school districts'  
 6 current year foundation program amounts. The taxable value  
 7 of nonlevy revenue for the purpose of computing guaranteed  
 8 tax base aid for schools is the amount of nonlevy revenue  
 9 received by a district in the previous year, including for  
 10 fiscal year 1991 the revenue received in fiscal year 1990  
 11 from the net proceeds taxation of oil and natural gas and  
 12 including for fiscal year 1992 and thereafter the local  
 13 government severance tax, divided by the number of mills  
 14 levied by the district in the previous year, multiplied by  
 15 1,000."

16 Section 29, Section 20-9-501, MCA, is amended to read:  
 17 "20-9-501. Retirement fund. (1) The trustees of any  
 18 district employing personnel who are members of the  
 19 teachers' retirement system or the public employees'  
 20 retirement system or who are covered by unemployment  
 21 insurance or who are covered by any federal social security  
 22 system requiring employer contributions shall establish a  
 23 retirement fund for the purposes of budgeting and paying the  
 24 employer's contributions to such systems. The district's  
 25 contribution for each employee who is a member of the

1 teachers' retirement system must be calculated in accordance  
 2 with Title 19, chapter 47, part 6. The district's  
 3 contribution for each employee who is a member of the public  
 4 employees' retirement system must be calculated in  
 5 accordance with 19-3-801. The district's contributions for  
 6 each employee covered by any federal social security system  
 7 must be paid in accordance with federal law and regulation.  
 8 The district's contribution for each employee who is covered  
 9 by unemployment insurance must be paid in accordance with  
 10 Title 39, chapter 51, part 11.

11 (2) The trustees of any district required to make a  
 12 contribution to any system referred to in subsection (1)  
 13 shall include in the retirement fund of the preliminary  
 14 budget the estimated amount of the employer's contribution.  
 15 After the final retirement fund budget has been adopted, the  
 16 trustees shall pay the employer contributions to such  
 17 systems in accordance with the financial administration  
 18 provisions of this title.

19 (3) When the final retirement fund budget has been  
 20 adopted, the county superintendent shall establish the levy  
 21 requirement by:

22 (a) determining the sum of the money available to  
 23 reduce the retirement fund levy requirement by adding:

24 (i) any anticipated money that may be realized in the  
 25 retirement fund during the ensuing school fiscal year;

1 including anticipated revenue from property taxes and fees  
 2 imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521,  
 3 61-3-537, and 67-3-204;

4 (ii) anticipated guaranteed tax base aid in support of  
 5 retirement;

6 (iii) net proceeds taxes and local government severance  
 7 taxes on any other oil and gas production occurring after  
 8 December 31, 1988, and

9 (iv) coal gross proceeds taxes under 15-23-703; and

10 (v) any cash available for reappropriation as  
 11 determined by subtracting the amount of the end of the year  
 12 cash balance earmarked as the retirement fund cash reserve  
 13 for the ensuing school fiscal year by the trustees from the  
 14 end of the year cash balance in the retirement fund. The  
 15 retirement fund cash reserve may not be more than 35% of the  
 16 final retirement fund budget for the ensuing school fiscal  
 17 year and must be used for the purpose of paying retirement  
 18 fund warrants issued by the district under the final  
 19 retirement fund budget.

20 (b) subtracting the money available for reduction of  
 21 the levy requirement, as determined in subsection (3)(a),  
 22 from the budgeted amount for expenditures in the final  
 23 retirement fund budget;

24 (4) The county superintendent shall:

25 (a) total the net retirement fund levy requirements

1 separately for all elementary school districts, all high  
2 school districts, and all community college districts of the  
3 county, including any prorated joint district or special  
4 education cooperative agreement levy requirements; and

5 (b) report each levy requirement to the county  
6 commissioners on the second Monday of August as the  
7 respective county levy requirements for elementary district,  
8 high school district, and community college district  
9 retirement funds;

10 (5) The county commissioners shall fix and set the  
11 county levy in accordance with 20-9-142;

12 (6) The net retirement fund levy requirement for a  
13 joint elementary district or a joint high school district  
14 must be prorated to each county in which a part of the  
15 district is located in the same proportion as the district  
16 ANB of the joint district is distributed by pupil residence  
17 in each county. The county superintendents of the counties  
18 affected shall jointly determine the net retirement fund  
19 levy requirement for each county as provided in 20-9-151;

20 (7) The net retirement fund levy requirement for  
21 districts that are members of special education cooperative  
22 agreements must be prorated to each county in which the  
23 district is located in the same proportion as the budget for  
24 the special education cooperative agreement of the district  
25 bears to the total budget of the cooperative. The county

1 superintendents of the counties affected shall jointly  
2 determine the net retirement fund levy requirement for each  
3 county in the same manner as provided in 20-9-151 and fix  
4 and levy the net retirement fund levy for each county in the  
5 same manner as provided in 20-9-152;

6 Section 30, Section 20-10-144, MCA, is amended to read:

7 "20-10-144. Computation of revenues and net tax levy  
8 requirements for the transportation fund budget. Before the  
9 fourth Monday of July and in accordance with 20-9-123, the  
10 county superintendent shall compute the revenue available to  
11 finance the transportation fund budget of each district. The  
12 county superintendent shall compute the revenue for each  
13 district on the following basis:

14 (i) The "schedule amount" of the preliminary budget  
15 expenditures that is derived from the rate schedules in  
16 20-10-141 and 20-10-142 must be determined by adding the  
17 following amounts:

18 (a) the sum of the maximum reimbursable expenditures  
19 for all approved school bus routes maintained by the  
20 district (to determine the maximum reimbursable expenditure,  
21 multiply the applicable rate per bus mile by the total  
22 number of miles to be traveled during the ensuing school  
23 fiscal year on each bus route approved by the county  
24 transportation committee and maintained by such district);  
25 plus

1 (b)--the-total-of-all-individual-transportation-per-diem  
 2 reimbursement-rates-for-the-district-as-determined-from--the  
 3 contracts-submitted-by-the-district-multiplied-by-the-number  
 4 of--pupil-instruction-days-scheduled-for-the-ensuing-school  
 5 attendance-year;-plus  
 6 (c)--any-estimated-costs-for-supervised--home--study--or  
 7 supervised--correspondence--study--for--the--ensuing--school  
 8 fiscal-year;-plus  
 9 (d)--the--amount--budgeted-on-the-preliminary-budget-for  
 10 the-contingency-amount-permitted-in-20-10-143;-except-if-the  
 11 amount-exceeds-10%-of--the--total--of--subsections--(1)(a);  
 12 (1)(b);--and--(1)(c)--or--\$100;-whichever--is--larger;-the  
 13 contingency-amount-on-the-preliminary-budget-must-be-reduced  
 14 to--the--limitation-amount-and-used-in-this-determination-of  
 15 the-schedule-amount;  
 16 (2)--The-schedule-amount-determined-in-subsection-(1)-or  
 17 the-total-preliminary-transportation-fund-budget;-whichever  
 18 is--smaller;-is--divided--by--3-and-the-resulting-one-third  
 19 amount-is-used-to-determine-the-available-state--and--county  
 20 revenue-to-be-budgeted-on-the-following-basis:  
 21 (a)--the--resulting--one-third--amount--is--the-budgeted  
 22 state-transportation-reimbursement;-except--that--the--state  
 23 transportation--reimbursement--for--the--transportation--of  
 24 special-education-pupils-under-the--provisions--of--20-7-442  
 25 must--be-two-thirds-of-the-schedule-amount-attributed-to-the

1 transportation-of-special-education-pupils;  
 2 (b)--the-resulting-one-third-amount;-except-as--provided  
 3 for--joint-elementary-districts-in-subsection-(2)(e);-is-the  
 4 budgeted-county-transportation-reimbursement-for--elementary  
 5 districts-and-must-be-financed-by-the-basic-county-tax-under  
 6 the-provisions-of-20-9-334;  
 7 (c)--the--resulting--one-third-amount-multiplied-by-2-is  
 8 the-budgeted-county-transportation-reimbursement-amount--for  
 9 high--school--districts--financed--under--the--provisions-of  
 10 subsection-(5);-except-as-provided--for--joint--high--school  
 11 districts--in--subsection-(2)(e);-and-except-that-the-county  
 12 transportation--reimbursement--for--the--transportation--of  
 13 special-education-pupils--under-the-provisions-of-20-7-442  
 14 must-be-one-third-of-the-schedule-amount-attributed--to--the  
 15 transportation-of-special-education-pupils;  
 16 (d)--when--the--district-has-a-sufficient-amount-of-cash  
 17 for-reappropriation-and-other-sources-of--district--revenue;  
 18 as--determined--in--subsection--(3);-to--reduce--the--total  
 19 district--obligation--for--financing--to-zero;-any-remaining  
 20 amount-of-district-revenue-and-cash-reappropriated--must--be  
 21 used-to-reduce-the-county-financing-obligation-in-subsection  
 22 (2)(b)--or--(2)(c)--and;-if-the-county-financing-obligations  
 23 are--reduced--to--zero;-to--reduce--the--state--financial  
 24 obligation-in-subsection-(2)(a);-and  
 25 (e)--the--county--revenue--requirement--for--a--joint

1 district, after the application of any district money under  
 2 subsection (2)(d), must be prorated to each county  
 3 incorporated by the joint district in the same proportion as  
 4 the ANB of the joint district is distributed by pupil  
 5 residence in each county.

6 (3) The total of the money available for the reduction  
 7 of property tax on the district for the transportation fund  
 8 must be determined by totaling:

9 (a) anticipated federal money received under the  
 10 provisions of Title I of Public Law 81-874 or other  
 11 anticipated federal money received in lieu of that federal  
 12 act, plus

13 (b) anticipated payments from other districts for  
 14 providing school bus transportation services for the  
 15 district, plus

16 (c) anticipated payments from a parent or guardian for  
 17 providing school bus transportation services for his child,  
 18 plus

19 (d) anticipated or reappropriated interest to be earned  
 20 by the investment of transportation fund cash in accordance  
 21 with the provisions of 20-9-213(4), plus

22 (e) anticipated or reappropriated revenue from property  
 23 taxes and fees imposed under 23-2-517, 23-2-803,  
 24 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, plus

25 (f) gross proceeds taxes from coal under 15-23-703,

1 plus  
 2 (g) net proceeds taxes for interim production and new  
 3 production as defined in 15-23-601, and local government  
 4 severance taxes on any other production occurring after  
 5 December 31, 1987, plus

6 (h)(g) any other revenue anticipated by the trustees to  
 7 be earned during the ensuing school fiscal year which may be  
 8 used to finance the transportation fund, plus

9 (i)(h) any cash available for reappropriation as  
 10 determined by subtracting the amount of the end of the year  
 11 cash balance earmarked as the transportation fund cash  
 12 reserve for the ensuing school fiscal year by the trustees  
 13 from the end of the year cash balance in the transportation  
 14 fund. The cash reserve may not be more than 20% of the final  
 15 transportation fund budget for the ensuing school fiscal  
 16 year and is for the purpose of paying transportation fund  
 17 warrants issued by the district under the final  
 18 transportation fund budget.

19 (4) The district levy requirement for each district's  
 20 transportation fund must be computed by:

21 (a) subtracting the schedule amount calculated in  
 22 subsection (1) from the total preliminary transportation  
 23 budget amount and, for an elementary district, adding the  
 24 difference to the district obligation to finance one third  
 25 of the schedule amount as determined in subsection (2); and

1 (b)--subtracting the amount of money available to reduce  
 2 the property tax on the district, as determined in  
 3 subsection (3), from the amount determined in subsection  
 4 (4)(a);

5 (5)--The county levy requirement for the financing of  
 6 the county transportation reimbursement to high school  
 7 districts is computed by adding all requirements for all the  
 8 high school districts of the county, including the county's  
 9 obligation for reimbursements in joint high school  
 10 districts;

11 (6)--The transportation fund levy requirements  
 12 determined in subsection (4) for each district and in  
 13 subsection (5) for the county must be reported to the county  
 14 commissioners on the second Monday of August by the county  
 15 superintendent as the transportation fund levy requirements  
 16 for the district and for the county, and the levies must be  
 17 made by the county commissioners in accordance with  
 18 20-9-142;

19 Section 31, Section 90-6-402, MCA, is amended to read:  
 20 "90-6-402. Definitions. As used in this part, the  
 21 following definitions apply:

22 (1)--"Affected local government unit" means a local  
 23 government unit that will experience a need to increase  
 24 services or facilities as a result of the commencement of  
 25 large scale mineral development or within which a

1 large scale mineral development is located in accordance  
 2 with an impact plan adopted pursuant to 90-6-307.

3 (2)--"Board" means the hard rock mining impact board  
 4 established in 2-15-1822.

5 (3)--"Mineral development employee" means a person who  
 6 resides within the jurisdiction of an affected local  
 7 government unit as a result of employment with a large scale  
 8 mineral development or its contractors or subcontractors.

9 (4)--"Mineral development student" means a student whose  
 10 parent or guardian resides within the jurisdiction of an  
 11 affected local government unit as a result of employment  
 12 with a large scale mineral development or its contractors or  
 13 subcontractors.

14 (5)--"Jurisdictional revenue disparity" means property  
 15 tax revenues resulting from a large scale hard rock mineral  
 16 development that are inequitably distributed among affected  
 17 local government units as finally determined by the board in  
 18 an approved impact plan.

19 (6)--"Large scale mineral development", for the purposes  
 20 of this part, is defined in 90-6-302.

21 (7)--"Local government unit", for the purposes of this  
 22 part, means a county, municipality, or school district.

23 (8)--"Taxable valuation" of a mineral development means  
 24 the total of the gross proceeds taxable percentage specified  
 25 in 15-6-132(2)(a) when added to the taxable percentages of

1 real-property, improvements, machinery, equipment, and other  
2 property classified under Title 15, chapter 6, part 1."

3 NEW SECTION.--Section 32.--Deduction of--drilling--costs  
4 and capital expenditures.--(1) Unless an operator or producer  
5 proceeds under subsection (2), the department of revenue, in  
6 computing the deductions allowable for cost of drilling  
7 wells completed during the period and for other capital  
8 expenditures, shall allow a deduction of 10% of the cost  
9 each year for a period of 10 years, beginning with:

10 (a)--the year natural gas from a natural gas well is  
11 first placed into a natural gas distribution system; or

12 (b)--the year the pumping unit is installed on a crude  
13 oil well or the well flows;

14 (2)--The operator or producer may elect to amortize the  
15 cost over a period of 2 years if the well is less than 3,000  
16 feet deep;

17 (3)--The deduction of the costs in subsection (1) is not  
18 allowed on wells that are producing new production, as  
19 defined in 15-23-601, and may not be prorated on wells that  
20 are not producing new production when a lease or unitized  
21 area has new production and other production;

22 NEW SECTION.--Section 33.--Adjustment of certain  
23 deductions--when: (1) The department of revenue may adjust  
24 the 70% percentage provided in 15-23-603 and 15-23-605 to  
25 reflect the actual excise taxes imposed by the United States

1 government on production, sale, or removal of natural gas,  
2 petroleum, or other crude or mineral oil whenever:

3 (a)--requested to do so by the taxpayer; or

4 (b)--the department determines that the percentage does  
5 not accurately reflect the actual excise taxes paid by the  
6 operator;

7 (2)--When a taxpayer requests under subsection (1) that  
8 the department adjust the percentage deduction allowed, the  
9 taxpayer shall provide the data reasonably necessary for the  
10 department to make a determination under subsection (1);

11 (3)--An adjustment made under subsection (1) must be  
12 reflected in the net proceeds and royalty values certified  
13 to the county in the taxable year following the year of the  
14 final determination under subsection (1);

15 NEW SECTION.--Section 34.--Legislative policy. (1) It is  
16 the policy of the legislature that in determining the  
17 taxable rate applicable to railroad transportation property  
18 described in 15-6-145, the department of revenue should seek  
19 to obtain the highest taxable rate allowable under the  
20 Railroad Revitalization and Regulatory Reform Act of 1976.  
21 Similarly, it is the policy of the legislature that in  
22 determining the taxable rate applicable to airline  
23 transportation property described in 15-6-147, the  
24 department of revenue should seek to obtain the highest  
25 taxable rate allowable under the Tax Equity and Fiscal

1 Responsibility Act of 1982:

2 (2) To implement the policy described in subsection  
3 (1), it is the intent of the legislature that net proceeds  
4 and gross proceeds are an integral part of the taxable  
5 valuation and collection of property taxes within the state.  
6 Property classified in Montana as the net proceeds of mines  
7 included in 15-6-131 and the gross proceeds of mines  
8 included in 15-6-132 are to be included in the formulas used  
9 to determine the taxable rates applicable to property in  
10 15-6-145 and 15-6-147.

11 NEW SECTION. Section 5. Appropriation. There is  
12 appropriated \$275 \$254 \$267 \$254 \$255 million from the  
13 general fund for school equalization aid for the biennium  
14 ending June 30, 1993.

15 NEW SECTION. Section 34. Codification. Instruction  
16 (Sections SECTION 32, 33, and 34) are IS intended to be  
17 codified as an integral part of Title 15, chapter 23, part  
18 6, and the provisions of Title 15, chapter 23, part 6, apply  
19 to (Sections SECTION 32, 33, and 34):

20 NEW SECTION. Section 35. Saving clause. (This act)  
21 does not affect rights and duties that matured, penalties  
22 that were incurred, or proceedings that were begun before  
23 (the effective date of this act):

24 NEW SECTION. SECTION 6. COORDINATION INSTRUCTION. IF  
25 SENATE BILL NO. 17 IS PASSED AND APPROVED AND IF IT INCLUDES

1 A SECTION THAT AMENDS 15-1-501, THE APPROPRIATION IN  
2 [SECTION 33 5 33 5] IS REDUCED FROM \$254 \$267 \$254 \$255  
3 MILLION TO \$23 \$37 \$23 \$25 MILLION.

4 NEW SECTION. SECTION 7. CONTINGENT VOIDNESS. IF HOUSE  
5 BILL NO. 1007 IS NOT PASSED AND APPROVED, THEN (THIS ACT) IS  
6 VOID.

7 NEW SECTION. SECTION 37. NONSEVERABILITY. IT IS THE  
8 INTENT OF THE LEGISLATURE THAT EACH PART OF (THIS ACT) IS  
9 ESSENTIALLY DEPENDENT UPON EVERY OTHER PART, AND IF ONE PART  
10 IS HELD UNCONSTITUTIONAL OR INVALID, ALL OTHER PARTS ARE  
11 INVALID.

12 NEW SECTION. Section 8. Effective dates DATE. (1)  
13 (Sections 8 through 20, 32 through 34, 36, THROUGH 37, 39,  
14 and this section) are effective on passage and approval:

15 (2) (Sections 1 through 7 and 21 through 31) are  
16 effective July 1, 1992.

17 (3) (Section 35 33) (THIS ACT) is effective July 1,  
18 1991.

19 NEW SECTION. Section 39. Retroactive applicability.  
20 (1) (This act) applies retroactively, within the meaning of  
21 1-2-109, to coal, oil, and natural gas produced after  
22 December 31, 1990.

23 (2) COAL, OIL, AND NATURAL GAS PRODUCED AFTER DECEMBER  
24 31, 1980, AND BEFORE JANUARY 1, 1991, ARE SUBJECT TO  
25 TAXATION AS PROVIDED BY CHAPTER 11, SPECIAL LAWS OF 1989, AS



HB 0982/03

- 1 AMENDED BY CHAPTER 37 SPECIAL LAWS OF 1990. -- COAL, OIL, AND
- 2 NATURAL GAS PRODUCED AFTER DECEMBER 31, 1990, ARE SUBJECT TO
- 3 TAXATION AS PROVIDED IN THIS ACT.

-End-