

1 SENATE BILL NO. 15

2 INTRODUCED BY GAGE

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING FROM THE
5 RESOURCE INDEMNITY TRUST TAX OIL AND GAS ROYALTIES RECEIVED
6 BY THE UNITED STATES AS TRUSTEE FOR INDIVIDUAL INDIANS AND
7 BY THE UNITED STATES AND THE STATE OF MONTANA; AMENDING
8 SECTION 15-38-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
9 DATE AND A RETROACTIVE APPLICABILITY DATE."

10

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

12 **Section 1.** Section 15-38-121, MCA, is amended to read:

13 "15-38-121. Tribal Certain royalties exempt. Royalties
14 Exempt from taxation are royalties received by:

15 (1) an Indian tribe with respect to on-reservation oil
16 and gas production pursuant to a lease entered into under
17 the Indian Mineral Leasing Act of 1938 (25 U.S.C. 396a-396g
18 (1983)) are-exempt-from-taxation;

19 (2) the United States as trustee for individual
20 Indians; and

21 (3) the United States or the state of Montana."

22 NEW SECTION. Section 2. Effective date -- retroactive
23 applicability. [This act] is effective on passage and
24 approval and applies retroactively, within the meaning of
25 1-2-109, to taxable years beginning after December 31, 1990.

-End-



INTRODUCED BILL
SB 15

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0015, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act exempting from the Resource Indemnity Trust Tax oil and gas royalties received by the United States as trustee for individual Indians and by the United States and the state of Montana.

ASSUMPTIONS:

1. All Indian and government royalties are exempt from State Severance Tax under current law.
2. Indian royalties currently exempt under the Resource Indemnity Trust Tax (RITT) comprise 10% of all Indian and government royalties (DOR).
3. Exempt royalties comprise 4% of total oil production and 3.78% of total natural gas production (DOR State Severance Tax reporting system).
4. Oil production will be 17,375,000 barrels in FY92 and 16,332,000 barrels in FY93; the price will be \$24.11/barrel in FY92 and \$21.40/barrel in FY93 (OBPP).
5. Natural gas production will be 44,913,000 MCFs in FY92 and 45,270,000 MCFs in FY93; the price will be \$2.08/MCF in FY92 and \$2.39/MCF in FY93 (OBPP).
6. The Resource Indemnity Trust Tax rate is 0.5%, and will raise \$5,377,000 in FY92 and \$4,894,000 in FY93 under current law (OBPP).
7. All revenue from the RITT is deposited in the Resource Indemnity Trust Fund. Deposits into the fund in each fiscal year will be invested in short term instruments for one month and long term securities for two months. The previous year collections will remain invested in long term securities.
8. Short term interest rates will be 8.10% and 8.36% in FY92 and FY93, respectively. Long term rates will average 9.35% in FY92 and 9.46% in FY93.(OBPP)


FISCAL IMPACT:

Revenues:

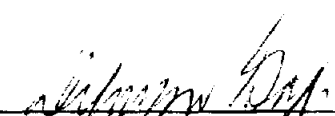
	FY '92			FY '93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Resource Indemnity Trust Tax (09)	5,377,000	5,286,000	(91,000)	4,894,000	4,813,000	(81,000)
RITT Interest Earnings (09)	7,953,000	7,950,968	(2,032)	8,605,000	8,594,650	(10,350)

TECHNICAL NOTE:

See next page



 ROD SUNDSTED, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning



 DELWYN GAGE, PRIMARY SPONSOR DATE
 1-9-91

Fiscal Note for SB0015, as introduced

SB15

Fiscal Note Request, SB0015, as requested

Form BD-15

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TECHNICAL NOTE:

Language in the bill provides exclusion from the Resource Indemnity Trust Tax of royalties paid to "the state of Montana." The above impact reflects the exclusion of royalties paid to the state of Montana, and its political subdivisions (counties, municipalities, etc.). To the extent royalties paid to political subdivisions are not excluded from the RITT, the above impact is overstated.

SB 15

APPROVED BY COMMITTEE
ON TAXATION

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SECOND READING

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REFERENCE BILL

