### SENATE BILL 345

## Introduced by Gage

2/09	Introduced
2/11	Fiscal Note Requested
2/11	Referred to Taxation
2/11	First Reading
2/15	Fiscal Note Printed
2/15	Fiscal Note Received
2/19	Hearing
3/07	Committee ReportBill Passed
3/08	2nd Reading Passed
3/09	3rd Reading Passed
	Transmitted to House
3/11	First Reading
3/11	Referred to Taxation
-	Died in Committee

. . .

LC 1496/01

INTRODUCED BY Date

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE 5 DISTRIBUTION OF COAL GROSS PROCEEDS AND OIL AND NATURAL GAS 6 LOCAL GOVERNMENT SEVERANCE TAXES TO TAXING JURISDICTIONS 7 BASED ON MILL LEVIES IN EFFECT IN THE PRECEDING FISCAL YEAR; 8 AMENDING SECTIONS 15-23-703 AND 15-36-112, MCA; AND 9 PROVIDING AN EFFECTIVE DATE."

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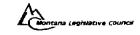
3

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

12 Section 1. Section 15-36-112, MCA, is amended to read: 13 "15-36-112. Disposition of oil and gas state and local 14 government severance taxes -- calculation of unit value for 15 local government severance tax. (1) Each year the department 16 of revenue shall determine the amount of tax collected under 17 this chapter from within each taxing unit.

18 (2) For purposes of the distribution of local
19 government severance taxes collected under this chapter, the
20 department shall determine the unit value of oil and gas for
21 each taxing unit as follows:

(a) The unit value for petroleum and other mineral or
 crude oil for each taxing unit is the quotient obtained by
 dividing the net proceeds taxes calculated on petroleum or
 mineral or crude oil produced in that taxing unit in



calendar year 1988 by the number of barrels of petroleum or
 other mineral or crude oil produced in that taxing unit
 during 1988, excluding new and interim production.

4 (b) The unit value for natural gas is the quotient 5 obtained by dividing the net proceeds taxes calculated on 6 natural gas produced in that taxing unit in calendar year 7 1988 by the number of cubic feet of natural gas produced in 8 that taxing unit during 1988, excluding new and interim 9 production.

10 (3) The state and local government severance taxes11 collected under this chapter are allocated as follows:

(a) The local government severance tax is statutorily
appropriated, as provided in 17-7-502, for allocation to the
county for distribution as provided in subsection (4);.

(b) The state severance tax is allocated to the stategeneral fund.

(4) (a) For the purpose of distribution of the local 17 government severance tax, the department shall adjust the 18 unit value determined under this section according to the 19 20 ratio that the local government severance taxes collected during the guarters to be distributed plus accumulated 21 22 interest earned by the state and penalties and interest on delinguent local government severance taxes bears to the 23 total liability for local government severance taxes for the 24 25 quarters to be distributed. The taxes must be calculated and

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l distributed as follows:

4 .

2 (i) By November 30 of each year, the department shall 3 calculate and distribute to each eligible county the amount 4 of local government severance tax, determined by multiplying 5 unit value as adjusted in this subsection (4)(a) times the 6 units of production on which the local government severance 7 tax was owed during the calendar quarters ending March 31 8 and June 30 of the preceding calendar year.

9 (ii) By May 31 of each year, the department shall 10 calculate and distribute to each eligible county the amount 11 of local government severance tax, determined by multiplying 12 unit value as adjusted in this subsection (4)(a) times the 13 units of production on which the local government severance 14 tax was owed during the 2 calendar guarters immediately 15 following those quarters referred to in subsection 16 (4)(a)(i).

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

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

(ii) The excess percentage must be multiplied by thedistribution to each taxing unit, and this amount must be

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1 added to the distribution to each respective taxing unit.

2 (iii) The shortage percentage must be multiplied by the
3 distribution to each taxing unit, and this amount must be
4 subtracted from the distribution to each respective taxing
5 unit.

б (5) (a) Except as provided in subsections (5)(b) and 7 (5)(c), The the county treasurer shall distribute the money 8 received under subsection (4) to the taxing units that levied--mills-in-fiscal-year-1990-against-calendar-year-1988 9 10 production in the same manner proportion that all other 11 property tax proceeds were distributed during the preceding 12 fiscal year 1990 in the taxing unit, except that no 13 distribution may be made to a municipal taxing unit. 14 (b) The mill levies in effect for county elementary and 15 high school equalization in fiscal year 1990 must be used in computing the distribution to county elementary and high 16 17 school equalization. 18 (c) The distribution may not include mills levied for 19 state school equalization aid pursuant to 20-9-360." Section 2. Section 15-23-703, MCA, is amended to read: 20 21 "15-23-703. Taxation of gross proceeds -- taxable value 22 for bonding and guaranteed tax base aid to schools. (1) The county assessor shall compute from the reported gross 23 proceeds from coal a tax roll that he shall transmit to the 24

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county treasurer on or before September 15 each year. The

1 county assessor may not levy or assess any mills against the 2 reported gross proceeds of coal but shall levy a tax of 5% 3 against the value of the reported gross proceeds as provided 4 in 15-23-701(1)(d). The county treasurer shall proceed to 5 give full notice to each coal producer of the taxes due and 6 to collect the taxes as provided in 15-16-101.

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7 (2) For bonding, county classification, and all nontax
8 purposes, the taxable value of the gross proceeds of coal is
9 45% of the contract sales price as defined in 15-35-102(5).

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

17 (4) The Except as provided in subsection (5), the
18 county treasurer shall credit all taxes collected under this
19 part:

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

25 (b) to school districts in the county that--either

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1	<pre>levied-mills-against-production-or-used-nontax-revenue7-such</pre>
2	as-Public-Law-81-874-money;-in-lieu-of-levying-mills-against
3	production; in the same manner that property taxes collected
4	orproperty-taxes-that-would-have-been-collected-would-have
5	been were distributed in 1989 the preceding fiscal year in
6	the school district.
7	(5) (a) The distribution of taxes under subsection
8	(4)(a) may not include mills levied for state school
9	equalization aid pursuant to 20-9-360.
10	(b) The mill levies in effect for county elementary and
11	high school equalization in fiscal year 1990 must be used in
12	computing the distribution to county elementary and high
13	school equalization."
14	NEW SECTION. Section 3. Effective date. [This act] is
15	effective July 1, 1991.

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#### STATE OF MONTANA - FISCAL NOTE

#### Form BD-15

#### In compliance with a written request, there is hereby submitted a Fiscal Note for SB0345, as introduced.

#### DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the distribution of coal gross proceeds and oil and natural gas local government severance taxes to taxing jurisdictions based on mill levies in effect in the preceding fiscal year; and providing an effective date.

#### ASSUMPTIONS:

- 1. Assume total property tax levies in oil, gas and coal counties gradually increase through time from FY90 levels due to I-105 exceptions and increases in local school levies.
- 2. Total average school levies fell by an average of 18 mills between FY90 and FY91 due to HB0028 funding changes. If the mandatory 40 levy was removed as required under the proposal, the decrease would total 58 mills. This is assumed to be a one-time adjustment in response to the school foundation changes.

#### FISCAL IMPACT:

The proportion of revenue distributed to the university levy and the school foundation program levy would decrease through time under these assumptions, all other things equal. The magnitude of the reduction would depend on the rate of increase in total mill levies, which is difficult to anticipate in advance.

#### EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The distribution of Local Government Severance Tax (LGST) and coal gross proceeds revenues will change in response to variations in local priorities and mill levies. The share of "flat tax" revenues distributed to local schools is expected to fall in FY92 due to the reference to the preceding year's levy and the decline in local school levies due to HB0028. County governments would gain by the amount of the local school reduction.

After FY92, revenues to local governments and schools would tend to increase at the expense of state revenues, assuming increases in local levies.

DATE

ROD SUNDSTED, BUDGET DIRECTOR Office of Budget and Program Planning

DELWYN GAGE, PRIMARY SPONSOR

Fiscal Note for \$80345, as introduced

52nd Legislature

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APPROVED BY COMMITTEE ON TAXATION SENTE BILL NO. 345 1 INTRODUCED BY 2 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE 5 DISTRIBUTION OF COAL GROSS PROCEEDS AND OIL AND NATURAL GAS 6 LOCAL GOVERNMENT SEVERANCE TAXES TO TAXING JURISDICTIONS 7 BASED ON MILL LEVIES IN EFFECT IN THE PRECEDING FISCAL YEAR; 8 AMENDING SECTIONS 15-23-703 AND 15-36-112, MCA; AND 9 PROVIDING AN EFFECTIVE DATE."

10

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

Section 1. Section 15-36-112, MCA, is amended to read: "15-36-112. Disposition of oil and gas state and local government severance taxes -- calculation of unit value for local government severance tax. (1) Each year the department of revenue shall determine the amount of tax collected under this chapter from within each taxing unit.

18 (2) For purposes of the distribution of local 19 government severance taxes collected under this chapter, the 20 department shall determine the unit value of oil and gas for 21 each taxing unit as follows:

(a) The unit value for petroleum and other mineral or
crude oil for each taxing unit is the quotient obtained by
dividing the net proceeds taxes calculated on petroleum or
mineral or crude oil produced in that taxing unit in

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calendar year 1988 by the number of barrels of petroleum or
 other mineral or crude oil produced in that taxing unit
 during 1988, excluding new and interim production.

4 (b) The unit value for natural gas is the quotient 5 obtained by dividing the net proceeds taxes calculated on 6 natural gas produced in that taxing unit in calendar year 7 1988 by the number of cubic feet of natural gas produced in 8 that taxing unit during 1988, excluding new and interim 9 production.

10 (3) The state and local government severance taxes
11 collected under this chapter are allocated as follows:

(a) The local government severance tax is statutorily
appropriated, as provided in 17-7-502, for allocation to the
county for distribution as provided in subsection (4)7.

(b) The state severance tax is allocated to the stategeneral fund.

(4) (a) For the purpose of distribution of the local 17 18 government severance tax, the department shall adjust the unit value determined under this section according to the 19 ratio that the local government severance taxes collected 20 during the guarters to be distributed plus accumulated 21 interest earned by the state and penalties and interest on 22 delinguent local government severance taxes bears to the 23 total liability for local government severance taxes for the 24 25 quarters to be distributed. The taxes must be calculated and

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SECOND READING

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1 distributed as follows:

2 (i) By November 30 of each year, the department shall 3 calculate and distribute to each eligible county the amount 4 of local government severance tax, determined by multiplying 5 unit value as adjusted in this subsection (4)(a) times the 6 units of production on which the local government severance 7 tax was owed during the calendar quarters ending March 31 8 and June 30 of the preceding calendar year.

9 (ii) By May 31 of each year, the department shall 10 calculate and distribute to each eligible county the amount of local government severance tax, determined by multiplying 11 12 unit value as adjusted in this subsection (4)(a) times the 13 units of production on which the local government severance 14 tax was owed during the 2 calendar guarters immediately 15 following those guarters referred to in subsection 16 (4)(a)(i).

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

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

(ii) The excess percentage must be multiplied by the
 distribution to each taxing unit, and this amount must be

1 added to the distribution to each respective taxing unit.

2 (iii) The shortage percentage must be multiplied by the 3 distribution to each taxing unit, and this amount must be 4 subtracted from the distribution to each respective taxing 5 unit.

(5) (a) Except as provided in subsections (5)(b) and 6 (5)(c), The the county treasurer shall distribute the money 7 received under subsection (4) to the taxing units that 8 levied--mills-in-fiscal-year-1990-against-calendar-year-1988 9 production in the same manner proportion that all other 10 property tax proceeds were distributed during the preceding 11 fiscal year 1990 in the taxing unit, except that no 12 13 distribution may be made to a municipal taxing unit. 14 (b) The mill levies in effect for county elementary and 15 high school equalization in fiscal year 1990 must be used in

16 <u>computing the distribution to county elementary and high</u> 17 <u>school equalization.</u>

18 (c) The distribution may not include mills levied for

19 state school equalization aid pursuant to 20-9-360."

20 Section 2. Section 15-23-703, MCA, is amended to read:

21 "15-23-703. Taxation of gross proceeds -- taxable value 22 for bonding and guaranteed tax base aid to schools. (1) The 23 county assessor shall compute from the reported gross 24 proceeds from coal a tax roll that he shall transmit to the 25 county treasurer on or before September 15 each year. The

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1 county assessor may not levy or assess any mills against the
2 reported gross proceeds of coal but shall levy a tax of 5%
3 against the value of the reported gross proceeds as provided
4 in 15-23-701(1)(d). The county treasurer shall proceed to
5 give full notice to each coal producer of the taxes due and
6 to collect the taxes as provided in 15-16-101.

7 (2) For bonding, county classification, and all nontax
8 purposes, the taxable value of the gross proceeds of coal is
9 45% of the contract sales price as defined in 15-35-102(5).

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

17 (4) The Except as provided in subsection (5), the
18 county treasurer shall credit all taxes collected under this
19 part:

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

25 (b) to school districts in the county that--either

1 levied-mills-against-production-or-used-nontax-revenue;-such 2 as-Public-Law-81-874-money,-in-lieu-of-levying-mills-against 3 production, in the same manner that property taxes collected or--property-taxes-that-would-have-been-collected-would-have 4 been were distributed in 1989 the preceding fiscal year in 5 6 the school district. 7 (5) (a) The distribution of taxes under subsection (4)(a) may not include mills levied for state school 8 9 equalization aid pursuant to 20-9-360. 10 (b) The mill levies in effect for county elementary and 11 high school equalization in fiscal year 1990 must be used in 12 computing the distribution to county elementary and high

13 school equalization."

14 NEW SECTION. Section 3. Effective date. [This act] is

15 effective July 1, 1991.

-End-

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52nd Legislature

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LC 1496/01

INTRODUCED BY Sept 1 2 3

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE
DISTRIBUTION OF COAL GROSS PROCEEDS AND OIL AND NATURAL GAS
LOCAL GOVERNMENT SEVERANCE TAXES TO TAXING JURISDICTIONS
BASED ON MILL LEVIES IN EFFECT IN THE PRECEDING FISCAL YEAR;
AMENDING SECTIONS 15-23-703 AND 15-36-112, MCA; AND
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the levies for state and county purposes in the same manner
as property taxes were distributed in the preceding fiscal
year 1989 in the taxing jurisdiction; and

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2	as-Public-baw-01-074-moneyin-lieu-of-levying-mills-against
3	production; in the same manner that property taxes collected
4	orproperty-taxes-that-would-have-been-collected-would-have
5	been were distributed in 1989 the preceding fiscal year in
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7	(5) (a) The distribution of taxes under subsection
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14	NEW SECTION. Section 3. Effective date. [This act] is
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-End-

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