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 Report--Bill 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

Senate BILL NO. 345

INTRODUCED BY Dep

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 PROVIDING AN EFFECTIVE DATE."

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.

(2) For purposes of the distribution of local government severance taxes collected under this chapter, the department shall determine the unit value of oil and gas for 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.

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

(3) The state and local government severance taxes 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 state general fund.

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

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distributed as follows:

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

(ii) By May 31 of each year, the department shall calculate and distribute to each eligible county the amount of local government severance tax, determined by multiplying unit value as adjusted in this subsection (4)(a) times the units of production on which the local government severance tax was owed during the 2 calendar quarters immediately following those quarters referred to in subsection (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 the distribution to each taxing unit, and this amount must be

added to the distribution to each respective taxing unit.

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

(5) (a) Except as provided in subsections (5)(b) and (5)(c), ~~The~~ the county treasurer shall distribute the money received under subsection (4) to the taxing units ~~that levied--mills-in-fiscal-year-1990-against-calendar-year-1988 production~~ in the same ~~manner~~ proportion that all other property tax proceeds were distributed during the preceding fiscal year ~~1990~~ in the taxing unit, except that no distribution may be made to a municipal taxing unit.

(b) The mill levies in effect for county elementary and high school equalization in fiscal year 1990 must be used in computing the distribution to county elementary and high school equalization.

(c) The distribution may not include mills levied for state school equalization aid pursuant to 20-9-360."

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

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

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

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

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

(4) ~~The~~ Except as provided in subsection (5), the county treasurer shall credit all taxes collected under this 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

(b) to school districts in the county ~~that--either levied-mills-against-production-or-used-nontax-revenue,-such as-Public-Law-81-874-money,-in-lieu-of-levying-mills-against production,~~ in the same manner that property taxes collected ~~or--property-taxes-that-would-have-been-collected-would-have been~~ were distributed in ~~1989~~ the preceding fiscal year in the school district.

(5) (a) The distribution of taxes under subsection (4)(a) may not include mills levied for state school equalization aid pursuant to 20-9-360.

(b) The mill levies in effect for county elementary and high school equalization in fiscal year 1990 must be used in computing the distribution to county elementary and high school equalization."

NEW SECTION. **Section 3. Effective date.** [This act] is effective July 1, 1991.

-End-

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.

Rod Sundsted 2-14-91
ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Delwyn Gage 2/15/91
DELWYN GAGE, PRIMARY SPONSOR DATE

Fiscal Note for SB0345, as introduced

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APPROVED BY COMMITTEE
ON TAXATION

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(2) For purposes of the distribution of local government severance taxes collected under this chapter, the department shall determine the unit value of oil and gas for 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.

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

(3) The state and local government severance taxes 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 state general fund.

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

SECOND READING

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

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(b) The mill levies in effect for county elementary and high school equalization in fiscal year 1990 must be used in computing the distribution to county elementary and high school equalization.

(c) The distribution may not include mills levied for state school equalization aid pursuant to 20-9-360."

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

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

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THIRD READING

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