

SENATE BILL 352

Introduced by Towe, et al.

2/11	Introduced
2/12	Referred to Taxation
2/12	First Reading
2/12	Fiscal Note Requested
2/18	Fiscal Note Received
2/19	Fiscal Note Printed
3/08	Hearing
4/02	Tabled in Committee

*Senate* BILL NO. *352*  
*Lowell Hightower Fisher*

1 INTRODUCTION BY  
2 A BILL FOR AN ACT ENTITLED: "AN ACT FREEZING THE COAL  
3 SEVERANCE TAX RATE AT 20 PERCENT; ALLOCATING PART OF THE  
4 COAL SEVERANCE TAX PROCEEDS TO COAL RESEARCH AND  
5 DEVELOPMENT; AMENDING SECTIONS 15-35-103 AND 15-35-108, MCA;  
6 AND PROVIDING AN EFFECTIVE DATE."  
7  
8  
9

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

11 **Section 1.** Section 15-35-103, MCA, is amended to read:

12 "15-35-103. Severance tax -- rates imposed. (1) Subject  
13 to the provisions of 15-35-202 allowing a new coal  
14 production incentive tax credit, a severance tax is imposed  
15 on each ton of coal produced in the state in accordance with  
16 the following schedule of:

17 (a) -- After June 30, 1988, and before July 1, 1990:

18 Heating-quality	Surface--	Underground
19 (Btu-per-pound	Mining--	Mining---
20 ---of-coal):	-	
21 Under-7,000	17% of value	3% of value
22 7,000-and-over	25% of value	4% of value

23 (b) -- After June 30, 1990, and before July 1, 1991:

24 Heating quality	Surface	Underground
25 (Btu per pound	Mining	Mining

1 of coal):

2 Under 7,000	13% of value	3% of value
3 7,000 and over	20% of value	4% of value

4 (c) -- After June 30, 1991:

5 Heating-quality	Surface--	Underground
6 (Btu-per-pound	Mining--	Mining---
7 ---of-coal):	-	
8 Under-7,000	10% of value	3% of value
9 7,000-and-over	15% of value	4% of value

10 (2) "Value" means the contract sales price.

11 (3) The formula which that yields the greater amount of  
12 tax in a particular case shall must be used at each point on  
13 these schedules.

14 (4) A person is not liable for any severance tax upon  
15 50,000 tons of the coal he produces in a calendar year,  
16 except that if he produces more than 50,000 tons of coal in  
17 a calendar year, he will be liable for severance tax upon  
18 all coal produced in excess of the first 20,000 tons.

19 (5) A new coal production incentive tax credit may be  
20 claimed on certain coal as provided in 15-35-202."

21 **Section 2.** Section 15-35-108, MCA, is amended to read:

22 "15-35-108. (Temporary) Disposal of severance taxes.  
23 Severance taxes collected under this chapter must be  
24 allocated according to the provisions in effect on the date  
25 the tax is due under 15-35-104. Severance taxes collected



1 under the provisions of this chapter are allocated as  
2 follows:

3 (1) To the trust fund created by Article IX, section 5,  
4 of the Montana constitution, 50% of total coal severance tax  
5 collections. The trust fund moneys shall be deposited in the  
6 fund established under 17-6-203~~(5)~~(6) and invested by the  
7 board of investments as provided by law.

8 (2) Starting July 1, 1987, and ending June 30, 1993,  
9 12% of coal severance tax collections are allocated to the  
10 highway reconstruction trust fund account in the state  
11 special revenue fund.

12 (3) Coal severance tax collections remaining after the  
13 allocations provided by subsections (1) and (2) are  
14 allocated in the following percentages of the remaining  
15 balance:

16 (a) 17.5% to the credit of the local impact account.  
17 Unencumbered funds remaining in the local impact account at  
18 the end of each biennium are allocated to the state special  
19 revenue fund for state equalization aid to public schools of  
20 the state.

21 (b) 30% to the state special revenue fund for state  
22 equalization aid to public schools of the state;

23 (c) 1% to the state special revenue fund to the credit  
24 of the county land planning account;

25 (d) 1 1/4% to the credit of the renewable resource

1 development bond fund;

2 (e) 5% to a nonexpendable trust fund for the purpose of  
3 parks acquisition or management, protection of works of art  
4 in the state capitol, and other cultural and aesthetic  
5 projects. Income from this trust fund shall be appropriated  
6 as follows:

7 (i) 1/3 for protection of works of art in the state  
8 capitol and other cultural and aesthetic projects; and

9 (ii) 2/3 for the acquisition, development, operation,  
10 and maintenance of any sites and areas described in  
11 23-1-102;

12 (f) 1% to the state special revenue fund to the credit  
13 of the state library commission for the purposes of  
14 providing basic library services for the residents of all  
15 counties through library federations and for payment of the  
16 costs of participating in regional and national networking;

17 (g) 1/2 of 1% to the state special revenue fund for  
18 conservation districts;

19 (h) 1 1/4% to the debt service fund type to the credit  
20 of the water development debt service fund;

21 (i) 2% to the state special revenue fund for the  
22 Montana Growth Through Agriculture Act;

23 (j) 10% to the credit of the coal research and  
24 development account in the state special revenue fund. The  
25 legislature may appropriate from the money in the coal

1 research and development account up to:

2 (i) 1/2 of the account to the Montana board of science  
 3 and technology development established in 2-15-1818 for use  
 4 in the competitive coal research program, including  
 5 retrofitting a Montana coal-fueled electric generating  
 6 facility, in cooperation with federal programs, as a  
 7 demonstration site for the magnetohydrodynamics process; and

8 (ii) 1/2 of the account for use by the Montana coal  
 9 laboratory within the Montana university system to sponsor  
 10 research in the characterization, production, processing,  
 11 marketing, and use of Montana coal and derivative products;  
 12 and

13 {j}(k) all other revenues from severance taxes  
 14 collected under the provisions of this chapter to the credit  
 15 of the general fund of the state. (Terminates July 1,  
 16 1993--sec. 7, Ch. 541, L. 1983.)

17 15-35-108. (Effective July 1, 1993) Disposal of  
 18 severance taxes. Severance taxes collected under this  
 19 chapter must be allocated according to the provisions in  
 20 effect on the date the tax is due under 15-35-104. Severance  
 21 taxes collected under the provisions of this chapter are  
 22 allocated as follows:

23 (1) To the trust fund created by Article IX, section 5,  
 24 of the Montana constitution, 50% of total coal severance tax  
 25 collections. The trust fund moneys shall be deposited in the

1 fund established under 17-6-203~~(5)~~(6) and invested by the  
 2 board of investments as provided by law.

3 (2) Coal severance tax collections remaining after  
 4 allocation to the trust fund under subsection (1) are  
 5 allocated in the following percentages of the remaining  
 6 balance:

7 (a) 17.5% to the credit of the local impact account.  
 8 Unencumbered funds remaining in the local impact account at  
 9 the end of each biennium are allocated to the state special  
 10 revenue fund for state equalization aid to public schools of  
 11 the state.

12 (b) 30% to the state special revenue fund for state  
 13 equalization aid to public schools of the state;

14 (c) 1% to the state special revenue fund to the credit  
 15 of the county land planning account;

16 (d) 1 1/4% to the credit of the renewable resource  
 17 development bond fund;

18 (e) 5% to a nonexpendable trust fund for the purpose of  
 19 parks acquisition or management, protection of works of art  
 20 in the state capitol, and other cultural and aesthetic  
 21 projects. Income from this trust fund shall be appropriated  
 22 as follows:

23 (i) 1/3 for protection of works of art in the state  
 24 capitol and other cultural and aesthetic projects; and

25 (ii) 2/3 for the acquisition, development, operation,

1 and maintenance of any sites and areas described in  
2 23-1-102;

3 (f) 1% to the state special revenue fund to the credit  
4 of the state library commission for the purposes of  
5 providing basic library services for the residents of all  
6 counties through library federations and for payment of the  
7 costs of participating in regional and national networking;

8 (g) 1/2 of 1% to the state special revenue fund for  
9 conservation districts;

10 (h) 1 1/4% to the debt service fund type to the credit  
11 of the water development debt service fund;

12 (i) 2% to the state special revenue fund for the  
13 Montana Growth Through Agriculture Act;

14 (j) 10% to the credit of the coal research and  
15 development account in the state special revenue fund. The  
16 legislature may appropriate from the money in the coal  
17 research and development account up to:

18 (i) 1/2 of the account to the Montana board of science  
19 and technology development established in 2-15-1818 for use  
20 in the competitive coal research program, including  
21 retrofitting a Montana coal-fueled electric generating  
22 facility, in cooperation with federal programs, as a  
23 demonstration site for the magnetohydrodynamics process; and

24 (ii) 1/2 of the account for use by the Montana coal  
25 laboratory within the Montana university system to sponsor

1 research in the characterization, production, processing,  
2 marketing, and use of Montana coal and derivative products;  
3 and

4 †j†(k) all other revenues from severance taxes  
5 collected under the provisions of this chapter to the credit  
6 of the general fund of the state."

7 NEW SECTION. Section 3. Coal research and development  
8 account. There is within the state special revenue fund a  
9 coal research and development account.

10 NEW SECTION. Section 4. Codification instruction.  
11 [Section 3] is intended to be codified as an integral part  
12 of Title 15, chapter 35, part 1, and the provisions of Title  
13 15, chapter 35, part 1, apply to [section 3].

14 NEW SECTION. Section 5. Effective date. [This act] is  
15 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 SB0352, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act freezing the coal severance tax rate at 20 percent; allocating part of the coal severance tax proceeds to coal research and development; and providing an effective date.

ASSUMPTIONS:

Revenues:

1. Coal production will be 34,750,000 tons in FY92 and 34,482,000 in FY93 under current law and remains the same under the proposal (OBPP).
2. The average contract sales price will be \$7.32 in FY92 and \$7.33 in FY93 under current law (OBPP).
3. The severance tax rate is currently 20%, but is scheduled to decline to 15% after June 30, 1991.
4. The proposal is effective July 1, 1991.
5. The expiration of the incentive tax credit on July 1, 1991 does not effect the credits to be claimed in the biennium.

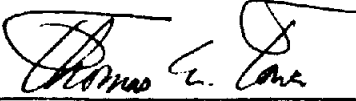
Expenditures - Commissioner of Higher Education:

1. In FY92 three professional level FTE would be hired to establish the Montana Coal Laboratory within the Montana University System. During FY93 a technical staff FTE would be added to the project.
2. Coal testing, processing, and analysis equipment would be purchased to conduct the activities out-lined in this legislation.
3. Operational costs will be incurred while conducting the activities outlined in the proposal.

FISCAL IMPACT:

see next 2 pages

 2-16-91  
ROD SUNDSTED, BUDGET DIRECTOR DATE  
Office of Budget and Program Planning

 2/19/91  
THOMAS E. "TOM" TOWE, PRIMARY SPONSOR DATE  
Fiscal Note for SB0352, as introduced SB 352

FISCAL IMPACT:

Commissioner of Higher Education:

	<u>FY 92</u>			<u>FY 93</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditures:</u>						
F.T.E.	0	3.00	3.00	0	4.00	4.00
Personal Services	0	172,425	172,425	0	202,675	202,675
Operating Expenses	0	185,000	185,000	0	250,000	250,000
Capital Outlays	0	558,546	558,546	0	490,846	490,846
<u>Total</u>	0	915,971	915,971	0	943,521	943,521
<u>Funding:</u>						
Coal Research (02)	0	915,971	915,971	0	943,521	943,521
<u>Revenues:</u>						
Coal Severance Tax	38,595,480	48,187,397	9,591,917	37,108,961	49,646,843	12,537,882
Coal Trust Interest	49,233,605	49,369,265	135,660	51,154,661	51,827,920	673,259
Parks Trust Interest	1,953,871	1,972,611	18,740	2,025,776	2,067,578	41,802
<u>Total</u>	89,782,956	99,529,273	9,746,317	90,289,398	103,542,341	13,252,943

FUND INFORMATION:

Coal Severance Tax:

Fund	FY92			FY93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
General Fund	5,939,844	5,584,919	(354,925)	5,711,069	5,754,069	43,000
Conservation Districts	73,331	91,556	18,225	70,507	94,329	23,822
County Land Planning	146,663	183,112	36,449	141,014	188,658	47,644
Local Impact	2,566,599	3,204,462	637,863	2,467,746	3,301,515	833,769
Agricultural Growth	293,326	366,224	72,898	282,028	377,316	95,288
Public Schools	4,399,885	5,493,363	1,093,478	4,230,422	5,659,740	1,429,318
State Library	146,663	183,112	36,449	141,014	188,658	47,644
Renewable Resource	183,329	228,890	45,561	176,268	235,823	59,555
Parks Trust	733,314	915,561	182,247	705,070	943,290	238,220
Permanent Trust	19,297,740	24,093,699	4,795,959	18,554,481	24,823,422	6,268,941
Water Development	183,329	228,890	45,561	176,268	235,823	59,555
Highway Trust	4,631,457	5,782,488	1,151,031	4,453,074	5,957,621	1,504,547
Coal R & D	<u>0</u>	<u>1,831,121</u>	<u>1,831,121</u>	<u>0</u>	<u>1,886,579</u>	<u>1,886,579</u>
<b>TOTAL</b>	<b>38,595,480</b>	<b>48,187,397</b>	<b>9,591,917</b>	<b>37,108,961</b>	<b>49,646,843</b>	<b>12,537,882</b>

Coal Trust Interest Earnings:

	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>
General Fund (01)	41,848,564	41,963,875	115,311	43,481,462	44,053,732	572,270
Foundation Program (02)	<u>7,385,041</u>	<u>7,405,390</u>	<u>20,349</u>	<u>7,673,199</u>	<u>7,774,188</u>	<u>100,989</u>
Total	49,233,605	49,369,265	135,660	51,154,661	51,827,920	673,259

Parks Acquisition Trust Interest Earnings:

	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>
Fish, Wildlife & Parks (02)	1,302,581	1,315,075	12,494	1,350,518	1,378,386	27,868
Arts Council (02)	<u>651,290</u>	<u>657,536</u>	<u>6,246</u>	<u>675,258</u>	<u>689,192</u>	<u>13,934</u>
Total	1,953,871	1,972,611	18,740	2,025,776	2,067,578	41,802