

SENATE BILL 464

Introduced by Gage

3/13	Introduced
3/13	First Reading
3/13	Referred to Taxation
3/13	Fiscal Note Requested
3/18	Fiscal Note Received
3/19	Fiscal Note Printed
3/28	Hearing
4/01	Committee Report--Bill Passed as Amended
4/02	2nd Reading Passed
4/03	3rd Reading Passed
	Transmitted to House
4/04	First Reading
4/04	Referred to Taxation
4/11	Hearing
4/12	Tabled in Committee

1 Senate BILL NO. 464  
 2 INTRODUCED BY [Signature]  
 3 BY REQUEST OF THE SENATE  
 4 TAXATION COMMITTEE

5  
 6 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE  
 7 ALLOCATION OF TAXES FROM OIL AND NATURAL GAS PRODUCED ON A  
 8 RESERVATION TO TRIBAL GOVERNMENTS THAT ENACT A TAX IDENTICAL  
 9 TO THE STATE SEVERANCE TAX OR RESOURCE INDEMNITY TRUST TAX;  
 10 PROVIDING FOR THE COLLECTION AND DISTRIBUTION OF THE TAX;  
 11 AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."  
 12

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

14 NEW SECTION. Section 1. Cooperative agreement --  
 15 allocation of oil and natural gas severance taxes to tribal  
 16 governments. (1) In order to prevent the possibility of dual  
 17 taxation of oil and natural gas produced on Indian  
 18 reservations, the department of revenue and an Indian tribe  
 19 may enter into a cooperative agreement. The agreement must  
 20 provide that under conditions specified in this section, the  
 21 state and the tribe will cooperate to collect only one  
 22 severance tax that is at the same level as the tax outside  
 23 the boundaries of the reservation and will share the revenue  
 24 as provided in this section. The agreement must provide that  
 25 the state and the tribe are not forfeiting any legal rights

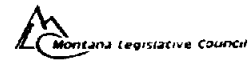
1 to apply their respective taxes by entering into an  
 2 agreement, except as specifically set forth in the  
 3 agreement.

4 (2) If a tribal government in the state enacts a  
 5 severance tax on oil and natural gas produced on the  
 6 reservation and requires the tax to be paid to the state  
 7 under identical terms and conditions as those imposed by  
 8 this chapter, the department shall collect the tax for the  
 9 tribe. The oil or natural gas producer is not required to  
 10 pay both the state and the tribal severance tax, but only  
 11 one tax to the state in an amount equal to the state  
 12 severance tax paid on oil and natural gas that are not  
 13 subject to a tribal severance tax.

14 (3) After deducting administrative expenses equal to 5%  
 15 of the amount determined under subsection (2), the  
 16 department shall, on a quarterly basis, distribute the  
 17 amount provided for in the agreement to the tribal  
 18 government on whose reservation the oil or natural gas was  
 19 produced.

20 NEW SECTION. Section 2. Tribal oil and natural gas  
 21 severance tax administration account. (1) There is a special  
 22 revenue account called the tribal oil and natural gas  
 23 severance tax administration account.

24 (2) The administrative expenses deducted by the  
 25 department of revenue under [section 1(3)] must be deposited



-2- INTRODUCED BILL  
 SB 464

1 in the tribal oil and natural gas severance tax  
2 administration account.

3 (3) The tribal oil and natural gas severance tax  
4 administration account may be expended by the department  
5 only for the purpose of administering the oil and natural  
6 gas severance tax under [section 1].

7 NEW SECTION. **Section 3.** Tribal oil and natural gas  
8 severance tax account. (1) There is a special revenue  
9 account called the tribal oil and natural gas severance tax  
10 account.

11 (2) The tax collected under [section 1], except the  
12 administrative amount deducted under [section 1(3)], must be  
13 deposited in the tribal oil and natural gas severance tax  
14 account.

15 (3) The money in the tribal oil and natural gas  
16 severance tax account must be disbursed, as provided for in  
17 the agreement entered into pursuant to [section 1], to the  
18 tribe on a quarterly basis.

19 NEW SECTION. **Section 4.** Cooperative agreement --  
20 allocation of oil and natural gas resource indemnity taxes  
21 to tribal governments. (1) In order to prevent the  
22 possibility of dual taxation of oil and natural gas produced  
23 on Indian reservations, the department and an Indian tribe  
24 may enter into a cooperative agreement. The agreement must  
25 provide that under conditions specified in this section, the

1 state and the tribe will cooperate to collect only one  
2 resource indemnity trust tax that is at the same level as  
3 the tax outside the boundaries of the reservation and will  
4 share the revenue as provided in this section. The agreement  
5 must provide that the state and the tribe are not forfeiting  
6 any legal rights to apply their respective taxes by entering  
7 into an agreement, except as specifically set forth in the  
8 agreement.

9 (2) If a tribal government in the state enacts a  
10 resource indemnity trust tax on oil and natural gas produced  
11 on the reservation and requires the tax to be paid to the  
12 state under identical terms and conditions as those imposed  
13 by this chapter, the department shall collect the tax for  
14 the tribe. The oil or natural gas producer is not required  
15 to pay both the state and the tribal resource indemnity  
16 trust tax, but only one tax to the state in an amount equal  
17 to the state resource indemnity trust tax paid on oil and  
18 natural gas that are not subject to a tribal resource  
19 indemnity trust tax.

20 (3) After deducting administrative expenses equal to 5%  
21 of the amount determined under subsection (2), the  
22 department shall, on a quarterly basis, distribute the  
23 amount provided for in the agreement to the tribal  
24 government on whose reservation the oil or natural gas was  
25 produced.

1        NEW SECTION. Section 5. Tribal oil and natural gas  
2 resource indemnity trust tax administration account. (1)  
3 There is a special revenue account called the tribal oil and  
4 natural gas resource indemnity trust tax administration  
5 account.

6        (2) The administrative expenses deducted by the  
7 department under [section 4(3)] must be deposited in the  
8 tribal oil and natural gas resource indemnity trust tax  
9 administration account.

10       (3) The tribal oil and natural gas resource indemnity  
11 trust tax administration account may be expended by the  
12 department only for the purpose of administering the oil and  
13 natural gas resource indemnity trust tax under [section 4].

14       NEW SECTION. Section 6. Tribal oil and natural gas  
15 resource indemnity trust tax account. (1) There is a special  
16 revenue account called the tribal oil and natural gas  
17 resource indemnity trust tax account.

18       (2) The tax collected under [section 4], except the  
19 administrative amount deducted under [section 4(3)], must be  
20 deposited in the tribal oil and natural gas resource  
21 indemnity trust tax account.

22       (3) The money in the tribal oil and natural gas  
23 resource indemnity trust tax account must be disbursed, as  
24 provided for in the agreement entered into pursuant to  
25 [section 4], to the tribe on a quarterly basis.

1       NEW SECTION. Section 7. Codification instruction. (1)  
2 [Sections 1 through 3] are intended to be codified as an  
3 integral part of Title 15, chapter 36, and the provisions of  
4 Title 15, chapter 36, apply to [sections 1 through 3].

5       (2) [Sections 4 through 6] are intended to be codified  
6 as an integral part of Title 15, chapter 38, and the  
7 provisions of Title 15, chapter 38, apply to [sections 4  
8 through 6].

9       NEW SECTION. Section 8. Effective date --  
10 applicability. [This act] is effective July 1, 1991, and  
11 applies to production from oil or natural gas wells drilled  
12 on or after an agreement is entered under [section 1 or 4].

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0464, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing for the allocation of taxes from oil and natural gas produced on a reservation to tribal governments that enact a tax identical to the state severance tax or Resource Indemnity Trust Tax; providing for the collection and distribution of the tax; and providing an effective date and an applicability date.

FISCAL IMPACT:

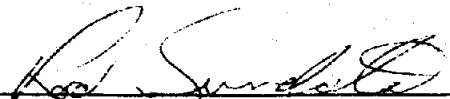
Expenditures:

There is no impact on Department of Revenue administrative expenses.

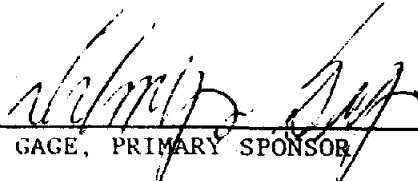
Revenues:

This bill provides that a portion of oil and gas severance tax resulting from production on Indian reservations will be distributed to the tribal government. The amount to be distributed to the tribal government will depend on the terms of the agreement between the state and the tribal government.

Because the bill applies only to new wells drilled on or after July 1, 1991, and after an agreement is entered into, the impact in the coming biennium would be minimal.

  
\_\_\_\_\_  
ROD SUNDSTED, BUDGET DIRECTOR  
Office of Budget and Program Planning

3-16-91  
DATE

  
\_\_\_\_\_  
DELWYN GAGE, PRIMARY SPONSOR

3/19/91  
DATE

Fiscal Note for SB0464, as introduced

SB 464-1

APPROVED BY COMMITTEE  
ON TAXATION

1 SENATE BILL NO. 464  
2 INTRODUCED BY GAGE  
3 BY REQUEST OF THE SENATE  
4 TAXATION COMMITTEE  
5

6 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE  
7 ALLOCATION OF TAXES FROM OIL AND NATURAL GAS PRODUCED ON A  
8 RESERVATION TO TRIBAL GOVERNMENTS THAT ENACT A TAX IDENTICAL  
9 TO THE STATE SEVERANCE TAX OR RESOURCE INDEMNITY TRUST TAX;  
10 PROVIDING FOR THE COLLECTION AND DISTRIBUTION OF THE TAX;  
11 AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."  
12

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

14 NEW SECTION. **Section 1.** Cooperative agreement --  
15 allocation of oil and natural gas severance taxes to tribal  
16 governments. (1) In order to prevent the possibility of dual  
17 taxation of oil and natural gas produced on Indian  
18 reservations, the department of revenue and an Indian tribe  
19 may enter into a cooperative agreement. The agreement must  
20 provide that under conditions specified in this section, the  
21 state and the tribe will cooperate to collect only one  
22 severance tax that is at the same level as the tax outside  
23 the boundaries of the reservation and will share the revenue  
24 as provided in this section. The agreement must provide that  
25 the state and the tribe are not forfeiting any legal rights

1 to apply their respective taxes by entering into an  
2 agreement, except as specifically set forth in the  
3 agreement.

4 (2) If a tribal government in the state enacts a  
5 severance tax on oil and natural gas produced on the  
6 reservation and requires the tax to be paid to the state  
7 under identical terms and conditions as those imposed by  
8 this chapter, the department shall collect the tax for the  
9 tribe. The oil or natural gas producer is not required to  
10 pay both the state and the tribal severance tax, but only  
11 one tax to the state in an amount equal to the state  
12 severance tax paid on oil and natural gas that are not  
13 subject to a tribal severance tax.

14 (3) After deducting administrative expenses equal to 5%  
15 of the amount determined under subsection (2), the  
16 department shall, on a quarterly basis, distribute the  
17 amount provided for in the agreement to the tribal  
18 government on whose reservation the oil or natural gas was  
19 produced.

20 NEW SECTION. **Section 2.** Tribal oil and natural gas  
21 severance tax administration account. (1) There is a special  
22 revenue account called the tribal oil and natural gas  
23 severance tax administration account.

24 (2) The administrative expenses deducted by the  
25 department of revenue under [section 1(3)] must be deposited



1 in the tribal oil and natural gas severance tax  
2 administration account.

3 (3) The tribal oil and natural gas severance tax  
4 administration account may be expended by the department  
5 only for the purpose of administering the oil and natural  
6 gas severance tax under [section 1].

7 NEW SECTION. Section 3. Tribal oil and natural gas  
8 severance tax account. (1) There is a special revenue  
9 account called the tribal oil and natural gas severance tax  
10 account.

11 (2) The tax collected under [section 1], except the  
12 administrative amount deducted under [section 1(3)], must be  
13 deposited in the tribal oil and natural gas severance tax  
14 account.

15 (3) The money in the tribal oil and natural gas  
16 severance tax account must be disbursed, as provided for in  
17 the agreement entered into pursuant to [section 1], to the  
18 tribe on a quarterly basis.

19 NEW SECTION. Section 4. Cooperative agreement --  
20 allocation of oil and natural gas resource indemnity taxes  
21 to tribal governments. (1) In order to prevent the  
22 possibility of dual taxation of oil and natural gas produced  
23 on Indian reservations, the department and an Indian tribe  
24 may enter into a cooperative agreement. The agreement must  
25 provide that under conditions specified in this section, the

1 state and the tribe will cooperate to collect only one  
2 resource indemnity trust tax that is at the same level as  
3 the tax outside the boundaries of the reservation and will  
4 share the revenue as provided in this section. The agreement  
5 must provide that the state and the tribe are not forfeiting  
6 any legal rights to apply their respective taxes by entering  
7 into an agreement, except as specifically set forth in the  
8 agreement.

9 (2) If a tribal government in the state enacts a  
10 resource indemnity trust tax on oil and natural gas produced  
11 on the reservation and requires the tax to be paid to the  
12 state under identical terms and conditions as those imposed  
13 by this chapter, the department shall collect the tax for  
14 the tribe. The oil or natural gas producer is not required  
15 to pay both the state and the tribal resource indemnity  
16 trust tax, but only one tax to the state in an amount equal  
17 to the state resource indemnity trust tax paid on oil and  
18 natural gas that are not subject to a tribal resource  
19 indemnity trust tax.

20 (3) After deducting administrative expenses equal to 5%  
21 of the amount determined under subsection (2), the  
22 department shall, on a quarterly basis, distribute the  
23 amount provided for in the agreement to the tribal  
24 government on whose reservation the oil or natural gas was  
25 produced.

1        NEW SECTION. Section 5. Tribal oil and natural gas  
2 resource indemnity trust tax administration account. (1)  
3 There is a special revenue account called the tribal oil and  
4 natural gas resource indemnity trust tax administration  
5 account.

6        (2) The administrative expenses deducted by the  
7 department under [section 4(3)] must be deposited in the  
8 tribal oil and natural gas resource indemnity trust tax  
9 administration account.

10       (3) The tribal oil and natural gas resource indemnity  
11 trust tax administration account may be expended by the  
12 department only for the purpose of administering the oil and  
13 natural gas resource indemnity trust tax under [section 4].

14       NEW SECTION. Section 6. Tribal oil and natural gas  
15 resource indemnity trust tax account. (1) There is a special  
16 revenue account called the tribal oil and natural gas  
17 resource indemnity trust tax account.

18       (2) The tax collected under [section 4], except the  
19 administrative amount deducted under [section 4(3)], must be  
20 deposited in the tribal oil and natural gas resource  
21 indemnity trust tax account.

22       (3) The money in the tribal oil and natural gas  
23 resource indemnity trust tax account must be disbursed, as  
24 provided for in the agreement entered into pursuant to  
25 [section 4], to the tribe on a quarterly basis.

1        NEW SECTION. Section 7. Codification instruction. (1)  
2 [Sections 1 through 3] are intended to be codified as an  
3 integral part of Title 15, chapter 36, and the provisions of  
4 Title 15, chapter 36, apply to [sections 1 through 3].

5        (2) [Sections 4 through 6] are intended to be codified  
6 as an integral part of Title 15, chapter 38, and the  
7 provisions of Title 15, chapter 38, apply to [sections 4  
8 through 6].

9        NEW SECTION. Section 8. Effective date --  
10 applicability. [This act] is effective July 1, 1991, and  
11 applies to ~~production-from~~ oil or natural gas wells--~~drilled~~  
12 PRODUCED on or after an agreement is entered under [section  
13 1 or 4].

-End-



1                   SENATE BILL NO. 464  
 2                   INTRODUCED BY GAGE  
 3                   BY REQUEST OF THE SENATE  
 4                   TAXATION COMMITTEE

5  
 6 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE  
 7 ALLOCATION OF TAXES FROM OIL AND NATURAL GAS PRODUCED ON A  
 8 RESERVATION TO TRIBAL GOVERNMENTS THAT ENACT A TAX IDENTICAL  
 9 TO THE STATE SEVERANCE TAX OR RESOURCE INDEMNITY TRUST TAX;  
 10 PROVIDING FOR THE COLLECTION AND DISTRIBUTION OF THE TAX;  
 11 AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

12  
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14       NEW SECTION. Section 1. Cooperative agreement --  
 15 allocation of oil and natural gas severance taxes to tribal  
 16 governments. (1) In order to prevent the possibility of dual  
 17 taxation of oil and natural gas produced on Indian  
 18 reservations, the department of revenue and an Indian tribe  
 19 may enter into a cooperative agreement. The agreement must  
 20 provide that under conditions specified in this section, the  
 21 state and the tribe will cooperate to collect only one  
 22 severance tax that is at the same level as the tax outside  
 23 the boundaries of the reservation and will share the revenue  
 24 as provided in this section. The agreement must provide that  
 25 the state and the tribe are not forfeiting any legal rights

1 to apply their respective taxes by entering into an  
 2 agreement, except as specifically set forth in the  
 3 agreement.

4       (2) If a tribal government in the state enacts a  
 5 severance tax on oil and natural gas produced on the  
 6 reservation and requires the tax to be paid to the state  
 7 under identical terms and conditions as those imposed by  
 8 this chapter, the department shall collect the tax for the  
 9 tribe. The oil or natural gas producer is not required to  
 10 pay both the state and the tribal severance tax, but only  
 11 one tax to the state in an amount equal to the state  
 12 severance tax paid on oil and natural gas that are not  
 13 subject to a tribal severance tax.

14       (3) After deducting administrative expenses equal to 5%  
 15 of the amount determined under subsection (2), the  
 16 department shall, on a quarterly basis, distribute the  
 17 amount provided for in the agreement to the tribal  
 18 government on whose reservation the oil or natural gas was  
 19 produced.

20       NEW SECTION. Section 2. Tribal oil and natural gas  
 21 severance tax administration account. (1) There is a special  
 22 revenue account called the tribal oil and natural gas  
 23 severance tax administration account.

24       (2) The administrative expenses deducted by the  
 25 department of revenue under [section 1(3)] must be deposited

1 in the tribal oil and natural gas severance tax  
2 administration account.

3 (3) The tribal oil and natural gas severance tax  
4 administration account may be expended by the department  
5 only for the purpose of administering the oil and natural  
6 gas severance tax under [section 1].

7 NEW SECTION. Section 3. Tribal oil and natural gas  
8 severance tax account. (1) There is a special revenue  
9 account called the tribal oil and natural gas severance tax  
10 account.

11 (2) The tax collected under [section 1], except the  
12 administrative amount deducted under [section 1(3)], must be  
13 deposited in the tribal oil and natural gas severance tax  
14 account.

15 (3) The money in the tribal oil and natural gas  
16 severance tax account must be disbursed, as provided for in  
17 the agreement entered into pursuant to [section 1], to the  
18 tribe on a quarterly basis.

19 NEW SECTION. Section 4. Cooperative agreement --  
20 allocation of oil and natural gas resource indemnity taxes  
21 to tribal governments. (1) In order to prevent the  
22 possibility of dual taxation of oil and natural gas produced  
23 on Indian reservations, the department and an Indian tribe  
24 may enter into a cooperative agreement. The agreement must  
25 provide that under conditions specified in this section, the

1 state and the tribe will cooperate to collect only one  
2 resource indemnity trust tax that is at the same level as  
3 the tax outside the boundaries of the reservation and will  
4 share the revenue as provided in this section. The agreement  
5 must provide that the state and the tribe are not forfeiting  
6 any legal rights to apply their respective taxes by entering  
7 into an agreement, except as specifically set forth in the  
8 agreement.

9 (2) If a tribal government in the state enacts a  
10 resource indemnity trust tax on oil and natural gas produced  
11 on the reservation and requires the tax to be paid to the  
12 state under identical terms and conditions as those imposed  
13 by this chapter, the department shall collect the tax for  
14 the tribe. The oil or natural gas producer is not required  
15 to pay both the state and the tribal resource indemnity  
16 trust tax, but only one tax to the state in an amount equal  
17 to the state resource indemnity trust tax paid on oil and  
18 natural gas that are not subject to a tribal resource  
19 indemnity trust tax.

20 (3) After deducting administrative expenses equal to 5%  
21 of the amount determined under subsection (2), the  
22 department shall, on a quarterly basis, distribute the  
23 amount provided for in the agreement to the tribal  
24 government on whose reservation the oil or natural gas was  
25 produced.

1        NEW SECTION. Section 5. Tribal oil and natural gas  
2 resource indemnity trust tax administration account. (1)  
3 There is a special revenue account called the tribal oil and  
4 natural gas resource indemnity trust tax administration  
5 account.

6        (2) The administrative expenses deducted by the  
7 department under [section 4(3)] must be deposited in the  
8 tribal oil and natural gas resource indemnity trust tax  
9 administration account.

10       (3) The tribal oil and natural gas resource indemnity  
11 trust tax administration account may be expended by the  
12 department only for the purpose of administering the oil and  
13 natural gas resource indemnity trust tax under [section 4].

14       NEW SECTION. Section 6. Tribal oil and natural gas  
15 resource indemnity trust tax account. (1) There is a special  
16 revenue account called the tribal oil and natural gas  
17 resource indemnity trust tax account.

18       (2) The tax collected under [section 4], except the  
19 administrative amount deducted under [section 4(3)], must be  
20 deposited in the tribal oil and natural gas resource  
21 indemnity trust tax account.

22       (3) The money in the tribal oil and natural gas  
23 resource indemnity trust tax account must be disbursed, as  
24 provided for in the agreement entered into pursuant to  
25 [section 4], to the tribe on a quarterly basis.

1        NEW SECTION. Section 7. Codification instruction. (1)  
2 [Sections 1 through 3] are intended to be codified as an  
3 integral part of Title 15, chapter 36, and the provisions of  
4 Title 15, chapter 36, apply to [sections 1 through 3].

5        (2) [Sections 4 through 6] are intended to be codified  
6 as an integral part of Title 15, chapter 38, and the  
7 provisions of Title 15, chapter 38, apply to [sections 4  
8 through 6].

9        NEW SECTION. Section 8. Effective date --  
10 applicability. [This act] is effective July 1, 1991, and  
11 applies to ~~production from~~ oil or natural gas wells--drilled  
12 PRODUCED on or after an agreement is entered under [section  
13 1 or 4].

-End-