

1 *House* BILL NO. *269*
 2 INTRODUCED BY *Thurmon Edge Marky Sauer*
 3 *Meyer* *Ref. J.*

4 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION
 5 84-1313, R.C.M. 1947, TO DEFINE NONCOMPLIANCE COAL AND
 6 ENVIRONMENTAL BENEFICIATION; AND AMENDING SECTION 84-1314 TO
 7 REDUCE SEVERANCE TAX ON NONCOMPLIANCE COAL AND TO EXEMPT
 8 ENVIRONMENTAL BENEFICIATION COSTS FROM CONTRACT SALES
 9 PRICE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 84-1313, R.C.M. 1947, is amended to
 13 read as follows:

14 "84-1313. Definitions. As used in this chapter ~~the~~
 15 following definitions apply:

- 16 (1) "Contract sales price" or "value" means either:
 17 (a) the price of coal extracted and prepared for
 18 shipment f.o.b. mine, excluding that amount charged by the
 19 seller to pay taxes paid on production and that cost
 20 incurred for environmental beneficiation; or
 21 (b) a price imputed by the department under section
 22 84-1318.

23 (2) "Energy conversion process" includes any process
 24 by which coal in the solid state is transformed into slurry
 25 or gas, electric energy, or any other form of energy.

1 (3) "Produced" means severed from the earth.
 2 (4) "Strip mining" or "surface mining" is defined in
 3 section 50-1036.

4 (5) "Underground mining" means a coal mining method
 5 utilizing shafts and tunnels, and not regulated under
 6 section 50-1039.

7 (6) "Ton" means ~~two-thousand~~ {2,000} pounds.
 8 (7) "Department" means the department of revenue.

9 (8) "Taxes paid on production" include any tax paid to
 10 the federal, state, or local governments upon the quantity
 11 of coal produced as a function of either the volume or the
 12 value of production, and do not include any tax upon the
 13 value of mining equipment, machinery, or buildings and
 14 lands, any tax upon a person's net income derived in whole
 15 or in part from the sale of coal, or any license fee.

16 (9) "Noncompliance coal" means any coal that in its
 17 natural state emits more than 1.2 pounds of sulfur dioxide
 18 (SO2) per million Btu's when burned.

19 (10) "Environmental beneficiation" means any process to
 20 which coal is subjected to make the use of such coal more
 21 environmentally acceptable."

22 Section 2. Section 84-1314, R.C.M. 1947, is amended to
 23 read as follows:

24 "84-1314. Severance tax -- rates imposed --
 25 exemptions. [1] A severance tax is imposed on each ton of

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1 coal produced in the state, in accordance with the following
 2 schedule:

3 (a) Heating quality	Surface	Underground
4 (Btu per pound	Mining	Mining
5 of coal):		
6 Under 7,000	12 cents or	5 cents or
7	20% of value	3% of value
8 7,000-8,000	22 cents or	8 cents or
9	30% of value	4% of value
10 8,000-9,000	34 cents or	10 cents or
11	30% of value	4% of value
12 Over 9,000	40 cents or	12 cents or
13	30% of value	4% of value
14 (b) Noncompliance	12 cents or	5 cents or
15 coal	20% of value	3% of value

16 (2) The formula which yields the greater amount of tax
 17 in a particular case shall be used at each point on this
 18 schedule. ~~"Value" means the contract sales price.~~

19 (3) A person is not liable for any severance tax upon
 20 the first five thousand (5,000) tons of coal he produces in
 21 a quarter-year.

22 ~~(4) Noncompliance coal shall be taxed according to~~
 23 ~~subsection (1)(b) above so long as such noncompliance coal~~
 24 ~~is to be subjected to environmental beneficiation prior to~~
 25 ~~use in an energy conversion process."~~

-End-

STATE OF MONTANA

REQUEST NO. 126-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 20, 19 77, there is hereby submitted a Fiscal Note for House Bill 269 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION

This bill defines noncompliance coal and environmental beneficiation; and reduces severance tax on noncompliance coal and exempts environmental beneficiation costs from contract sales price.

ASSUMPTIONS

1. The Department of Revenue coal severance tax revenue estimates of \$41.187M in FY 78 and \$51.257M in FY 79 were assumed correct.
2. It appears that only one company would have coal that would benefit from a beneficiation process during the biennium.
3. 2.5M tons would be subject to beneficiation, 1/2 in each of FY 78 and FY 79.
4. The cost of beneficiation would be \$1/ton.
5. Administrative costs would remain unchanged.
6. The definition of beneficiation would be changed so that not all coal mined would qualify.

(Information supplied by Montana Energy Advisory Council)

FISCAL IMPACT

If the proposed bill is enacted coal severance tax revenue would fall by approximately \$1.002 million in FY 78 and \$1.003 million in FY 79.

EFFECT ON COUNTY REVENUES

4% of the coal severance tax is returned to the counties, so any changes in revenue collected under the severance tax law will be reflected in local revenues collected in counties which coal is mined.

LONG-RANGE EFFECTS

It is conceivable that a considerable amount of coal could be placed in this category if industries operating coal mines in Montana find it economically feasible to implement beneficiation process at the sight of the mine.

TECHNICAL NOTE

Section 1 subsection 10 should be changed the way it now reads. "Any process to which coal is subjected to make the use of such coal more environmentally acceptable." Under this definition simple drying of coal would qualify. The definition should limit eligibility to any process which brings noncompliance coal into compliance.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Drury
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-24-77

Committee on Taxation
Objection Raised to
Adverse Committee Report

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