MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 27, 1985

The meeting of the Taxation Committee was called to order by Chairman Devlin on March 27, 1985, at 8 a.m. in Room 312-1, State Capitol.

ROLL CALL: All members of the Committee were present except Representative Iverson, who was absent.

CONSIDERATION OF SENATE BILL NO. 455: Sen. Tom Towe, District #46, sponsor of Senate Bill 455, told the Committee the bill does three things and is a compromise bill, drafted at the request of the banks.

Sen. Towe said the bill would, first of all, allocate 80% of the old bank stock tax to the local government of the area in which the bank is located. He said 8.86% of the old tax would be paid as corporate license tax. Sen. Towe explained the funds will be allocated to the counties on a per capita basis, in proportion to the prior year's tax base. As an example, he cited Petroleum County, which would receive bank tax revenue.

Sen. Towe advised committee members there would be no substantial revenue loss (page 5, pertaining to FY86-87), and said no county would receive less than 90% of the amount it received in FY83-84. Sen. Towe stated approximately one-fourth of the counties may lose funds (the maximum loss being $8,800 and the least, $786). He said a portion of the tax goes to long range planning, of which 22.5% is designated for the foundation program and 68.3% for the general fund.

Referring to the second proposal addressed in the bill, Sen. Towe said former State Representative Yardley introduced similar legislation in 1983, which passed the House but was killed in the Senate. He told the Committee that bill pertained to the Baker Bank case, wherein deduction of dividends was imposed by one corporation on another. He explained this problem is resolved in the form of consolidated returns.

Sen. Towe advised the Committee members, this proposal to the third part of the bill, wherein under federal law a bank or its subsidiary passes on the corporate federal tax and dividends to the parent corporation, who pays the tax, and is then passed on to the shareholders, who pay their portion of such taxes. He said presently 85% of dividend deductions between subsidiaries and parent banks are at the federal level. According to Sen. Towe, if the subsidiary is located in Montana and the parent corporation is situated out of state, dividends would not be taxed to the individual shareholder in Montana. He said, in essence, part two of the bill, would eliminate deductions from subsidiaries to parent corporations and provide a 100% tax.

Referring to page 11 of the bill, (pertaining to the federal codes for deductions, Sections 167 and 168, ACRS), and to page 16, addressing consolidated returns, Sen. Towe said if the shareholders were all Montana people they could file a consolidated return, providing the 80% ownership requirement was met (i.e., the parent corporation must own 80% of the shares). He said a loss in the parent corporation and a gain in the subsidiary can be offset, but is not presently allowed except by the unitary test of the Department of Revenue. He commented the Department has previously opted to disallow unitary tests.

Sen. Towe told the Committee he believes SB 455 is a good bill and said it is supported by banks in Montana. He stated he believes there will be a great deal of fluctuation in bank income (due to present economic conditions), which will have an effect on local governments. Addressing the fiscal note, Sen. Towe said the revisions in the bill should produce $1.6 million annually for the general fund.

PROPONENTS: Mr. Gordon Morris, Montana Association of Counties, told the Committee his organization endorses the bill and asked for committee support.

Mr. George Bennett, legal counsel, Montana Bankers' Association, told the Committee he also represented commercial banks and said he would like to amplify Sen. Towe's statement concerning consolidated returns. Addressing the unitary corporations (those who do business partially in Montana and partially out of state), he said if there is one flow of income it is taxed only once and if the corporation is situated in Montana, it can file a consolidated return to get the same treatment. He cited a family-owned bank in Terry, Montana, which could file a consolidated return (if the bill were to pass), instead of paying taxes at three levels.

Mr. Newell Anderson, Administrator, Community Development Division, Department of Commerce, told the Committee his department wished to offer amendments to the bill, and provided copies of same along with a letter of explanation (Exhibit 2). He said the amendments provide that funds for the 8.86% corporate license tax grant be treated separately from general purpose and general services block grants contained in the local government block grant program, and would establish an annual date upon which the Department is to make payments to counties from the new grant established by the bill.

Mr. Alec Hansen, Montana League of Cities and Towns, told the Committee there have been four bank taxes levied in the past 6 years. He said the franchise tax was repealed and replaced by the financial institution tax, but was later reversed, creating an unstable source of revenue to the State. He stated SB 455 would stabilize revenue for local governments, and the amendments would protect counties by strengthening the bill. He asked the Committee to support the bill.

John LaFaver, Director, Department of Revenue, told the Committee as an administrator his standpoint is that some measures to increase revenues are necessary to balance the already tight budget. He stated the bill has been carefully worked out and would increase taxes to many firms, as more Montana tax will be paid, while less tax will be paid to other states and at the federal level. He explained the advantage is that Montana banks can file a consolidated return and provide more projectable and stable revenue to local governments.

OPPONENTS: Mr. Gene Phillips, Kalispell, representing Pacific Power and Light, and Peter Kiewit and Sons Construction, (both venture partners in Decker Coal Company), said he is concerned with the tax impact (1) relative allocation of bank tax back to the counties; (2) to the Section 243 dividend exemption; (3) of allowing Montana corporations to file consolidated returns.

Mr. Phillips told the Committee, Joint Rule 6-3 provides no bill except general clarification bills shall contain more than one subject. He stated that in this context, he questions the bill.

There were no further proponents or opponents of the bill.

QUESTIONS ON SENATE BILL NO. 455: Rep. Williams asked Sen. Towe if there is a legal problem with the bill, as stated by Mr. Phillips. Sen. Towe replied it is his belief there is no problem with the bill, as written.

Rep. Williams asked Sen. Towe if he had looked at the proposed amendments. Sen. Towe replied the amendments 1, 2, and 3 are okay, but he questions the date of March 1, in 4, as most corporate license taxes are paid on March 15.

Mr. Larry Kern, Program Officer, Community Development Division, Department of Commerce, told the Committee the 1985 date in the amendment is a typographical error and should read March 1, 1986. He said this date was agreed upon by the counties and that the importance of once a year distribution of these funds is critical.

Sen. Towe suggested May 1, as it would provide 45 days for disbursement of the funds from the date they are due. Mr. Kern replied he had no problem with the May 1 date.

Rep. Gilbert asked Sen. Towe what will happen in FY88-89 with the 90% distribution of the bank tax to the counties, as proposed on page 5, lines 11 and 12 of the bill. Sen. Towe replied there aren't that many adjustments. He said Prairie County was the largest, at $25,000 or $26,000, and that the 90% rule would return more funds than the counties have ever seen before. He commented the 90% rule as is, creates small changes, but will still provide more funds to the counties.

Rep. Gilbert asked Sen. Towe to explain the difference between the first and second page of the tables showing gains and losses in Richland County (Exhibit 3), and if the gains were based upon projections. Sen. Towe replied they were.

Rep. Gilbert asked if the bulk of income would come from Section 243. Sen. Towe replied it would and, referring to the fiscal note, said Section 243 deductions would gain $2.5 million annually, while consolidated returns will lose $500,000 annually, for a net gain of $2 million.

Rep. Patterson asked what the gain would be to Yellowstone County. Sen. Towe replied total income for August, 1984, was $583,000 and would increase to $701,000.

Rep. Patterson asked which county would receive the largest share of the funds. Sen. Towe replied it would be Missoula.

Rep. Sands asked Mr. LaFaver why the Department of Revenue didn't allow consolidated returns in the past. Mr. Jerry Foster, Administrator, Natural Resource and Corporation Tax Division, responded and said such returns were denied as they resulted in lost revenue and were difficult to administrate.

In closing, Sen. Towe told the Committee, the Department of Revenue has assured him it would suffer no problems if the bill passes, nor would there be a negative effect to Pacific Power and Light. He stated that prior to 1983, this was the law, until the Baker Bank case allowed the Section 243 deductions. Sen. Towe said the bill plugs loopholes allowed by the Baker Bank case for all Montana corporations. He commented he believes the bill is right and is sorry he did not support former State Rep. Yardley's bill last session.

<u>CONSIDERATION OF SENATE BILL NO. 390</u>: Senator Joe Mazurek, District #23, and sponsor of Senate Bill 390, told the Committee the bill was drafted to bring fairness and predictability to taxation of petroleum products in the state, by taxing the net proceeds of the "new" product. He said any taxation of net proceeds after deducting exemptions for production costs, is a property tax.

Sen. Mazurek said county mills vary from 90 to 290, including 200 school districts, and that the tax varies from 1% to 22% on wells. He explained the bill would stabilize the tax rate, while stimulating new oil production. He referred to the top of page 2, line 7, (2)(a), pertaining to net proceeds, and (2)(b), pertaining to natural gas, as important features of the bill.

Sen. Mazurek told the Committee the Governor's figures for the tax began at 6.3% on oil and 9.2% on natural gas, but the Governor and the Department of Revenue, as well as the industry, have agreed to work with 7% and 12%. He said Section 6-10 was

was amended in the Senate to ensure the bonding capability would be protected and Section 11 was amended to provide for allocation of the net proceeds tax on the same basis as the motor vehicle license tax. He said the tax will stabilize at a fixed rate (12.58%) and compares favorably with that of North Dakota (12.77%) and Wyoming (12.5%). He commented no net proceeds are paid in the Rocky Mountain Front, that projections were made for a 20 year period, based upon current levels, and are revenue neutral. He told the Committee Senate Bill 390 passed the Senate 49-1, and has good statewide support.

PROPONENTS: Mr. Tucker Hill, Director of Project 85, told the Committee he also represents 80 oil and gas producers in the state. He advised committee members the bill is a result of Project 85 study and would stabilize taxes on new production. He commended new production comprised 3-4% of the State's total production of 29 million barrels (or .5 million barrels).

Mr. Hill reiterated Sen. Mazurek's statement that taxation of new production varies all over the state from 1 to 22% and that he has no argument with the Department of Revenue's figures of 7% and 12%. He told the Committee taxation of new production has generated more than $75 million in revenue to the state to date, and asked the Committee to support two rates versus 3,000 rates.

Mr. Hill stated there is a need for the bill in view of production decreases and county budget increases. (Exhinit 4).

Mr. Pete Madison, Vice President, NARCO, (a subsidiary of Antec, which is related to Montana Power), told the Committee his organization spent $7.1 million in exploration of new production, of which $535,000 was spent in Montana, resulting in a gain of only one well in the State. He said his is a Montana-based corporation and runs projects through a geological study team in Billings and an economic analysis in Butte, prior to beginning them. He commented it is difficult, presently, to estimate new production tax and said Montana producers are penalized by high production aspects. Mr. Madison provided the Committee with tables of tax payments in his county (Exhibit 5).

Mr. John Shontz, representing Richland County, read from a prepared statement in support of SB 390 (Exhibit 6) and said during the past 18 months the taxable valuation of Richland County has decreased by $36 million, negatively affecting county school districts. He stated that simultaneously, North Dakota, in a similar area, has reached an all time high. Mr. Shontz added, "there has been an $1,820,000 loss to the foundation program from Richland County in 1984."

According to Mr. Shontz, geologically, Montana should have a similar number of wells to those in Wyoming and North Dakota (he used a large 4'x6' map for examples). He said there is a need to provide incentives to people to invest in the state of Montana, which would be met by SB 390.

Ms. Nancy Zier, told the Committee she is a Billings area landman and collects land for oil and gas leases. She stated there is a problem in attracting those investors to the state ane encouraged the Committee to support SB 390.

Sen. Larry Tveit, District #11, told the Committee he represented the North East Gas, Oil & Mineral Association. He said the cost of drilling a dry hole in his area is $400,000.

Mr. Darwin VandeGraff, Montana Petroleum Association, advised the Committee he is willing to accept proposed rates (although they are higher than he would request), for the sake of uniformity.

Mr. Dave Goss, Billings Area Chamber of Commerce, told the Committee he supports SB 390.

Mr. Bill Vaughey, a small independent oil producer in Havre, stated his support of the bill. (Exhibit 6c)

OPPONENTS: Mr. Mike Stephen, representing Montana's oil, gas and coal producing counties, told the Committee he believes SB 390 is a bad bill, as the net proceeds tax is part of the property tax base for many counties. He also stated his belief that the net proceeds tax did not inhibit production in the state, but other factors were the problem.

Referring to the fiscal note, Mr. Stephen said the 5% increase in production is not enough and that the tax will be switched over to a flat tax, which must be distributed to the counties, while counties would have no control over the situation. He commented that 10 counties would gain income and 21 counties would lose income, should SB 390 pass.

Mr. Stephen proposed amendments on page 2, lines 1-5 (pertaining to new production), referring to new production after July 1, 1985, to provide an opportunity to see what new production is; page 7 line 12-14 (pertaining to total tax averages by district), increasing new production tax on oil to 8.1% and on gas to 14%, to provide a stable tax base for all counties and not just for oil and gas companies; page 7, line 19, to require quarterly payments the same as for oil and gas severance taxes for district #1.

Mr. Stephen said if fairness is the issue, then the severance tax should be reduced to increase production. He commented that in petroleum producing counties, mills are between 180 and 210, while they are as high as 258.95 in non-producing counties.

Mr. Bill Jones, Chairman, Montana Oil, Gas & Coal Counties, stated he believes the bill shifts taxation from one group to another and is special interest legislation. He said a 30% tax on a calf, as new production, could be correlated to the proposed tax to the oil industry and that the whole tax system needs overhauling.

Mr. Jim Hulverson told the committee he is a member of the Montana Oil, Gas & Coal Producing counties, and opposes the bill as it reduces the abilities of these counties to deal with the impacts of exploration and production and the tax burden is shifted to area farmers and ranchers. He stated that in his area, half of the drilling is on an Indian reservation, where royalties are 25%, while in most areas they are 1/8 or 1/16 of production. He commented that 25% doesn't seem to hinder exploration or production.

Mr. Delane Beach, Fallon County, told the Committee he believes oil is in the same shape as agriculture and that the cigarette tax will not help. He stated although the Fiscal Note indicates a gain for Fallon County, he believes the county will be harmed in the long run.

Mr. Ed McCoffey, Forsyth, advised committee members the state of California is low in oil production and asked if the problem was actually related to the tax structure or to the demand for oil.

<u>QUESTIONS ON SENATE BILL NO. 390</u>: Rep. Sands asked Mr. Tucker Hill if the bill would include tertiary oil. Mr. Hill replied it would not. Rep. Sands asked if the bill applied only to new production. Mr. Hill replied it would apply to "new" production on existing leases.

Rep. Switzer asked Mr. Hill if the new oil tax applied to leases now producing. Mr. Hill replied that production on a lease now in effect would not apply, as it could not be separated for tax purposes.

Rep. Switzer asked Sen. Stephens the same question. Sen. Stephens replied there should be a clean break between wells and leases, and what is old production.

Rep. Switzer asked how one could judge the impact to the counties when new production cannot be predicted. Sen. Stephens replied the new flat tax is progressive and that full implementation of the entire base would be reached in 20 years with no mill levy to apply.

Rep. Schye asked Sen. Mazurek if the statewide average was estimated by using only oil producing counties. Sen. Mazurek replied it was.

There were no further questions from the Committee and, in closing, Sen. Mazurek told the Committee the tax on oil production in adjacent states is a factor to be considered.

CONSIDERATION OF SENATE BILL NO. 436: Sen. Esther Bengston, District #49, sponsor of SB 436, told committee members the bill was drafted at the request of a Billings area accountant and would simplify forms used for deducting child care expenses (Exhibit 7). She said Mr. Erwin Hall, Audit Bureau Chief Income Tax Division, Department of Revenue, created a simpler form for this purpose and that the bill deletes a portion of the code, (referring to federal law), while inserting what applies to Montana, (incongruence with federal law).

Sen. Bengston said the Senate Taxation Committee realized there had been no changes in allowances for child care since 1974, and put a cap on income limitations, (page 4, lines 5-10 and line 16). She stated the fiscal impact was originally $157,000 annually, so income was limited to $26,000, necessitating a change in the fiscal note to an $88,000 annual impact.

There were no proponents and no opponents to Senate Bill 436.

QUESTIONS ON SENATE BILL NO. 436: Rep. Williams asked Sen. Bengston what the break-even point would be on income. Sen. Bengston replied that if the Committee used $34,000 as an income cap, there would be 1,500 more claims filed.

In closing, Sen. Bengston asked the Committee to support Senate Bill 436.

There being no further business before the Committee, the meeting was adjourned at 9:57 a.m.

Gerry Devlin

REPRESENTATIVE GERRY DEVLIN, Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/22/85 - A.M.

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	X		
WILLIAMS, MEL, V. Chrm.	X		
ABRAMS, HUGH	X		
ASAY, TOM	X		
COHEN, BEN	X		
ELLISON, ORVAL	X		
GILBERT, BOB	X		
HANSON, MARIAN	X		
HARRINGTON, DAN	X		
HARP, JOHN	X		
IVERSON, DENNIS		X	
KEENAN, NANCY	X		
KOEHNKE, FRANCIS	X		
PATTERSON, JOHN	X		
RANEY, BOB	X		
REAM, BOB	X		
SANDS, JACK	X		
SCHYE, TED	X		
SWITZER, DEAN	X		
ZABROCKI, CARL	X		

CS-30

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL SB 455 DATE 3/27/85 - A.M.

SPONSOR Sen Towe

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
~~Rita [illegible]~~	~~75 [illegible]~~	~~Self~~		X
~~[illegible]~~	~~[illegible] Dr~~	"		X
Newell Anderson	Dept of Commerce	DoC	X	
Jerry Foster	Dept of Rev	Dept of Rev	X	
Wm R Jones	Choteau - Teton Co	- Mont O.G.C		X
Bill Brickey	Choteau Teton Co	- Mont O G C		X
GENE PHILLIPS	KALISPELL	PACIFIC POWER & LIGHT PETER KIEWIT SONS		X
George D Anderson	Helena MT	Anderson Zur Muehlen	X	
G. Morris	MACo		X	
A. Hansen	League		X	
Jim Mockler	Helena	MT. Coal Council		X
Riley Johnson	Helena	Mont. Home Builders	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33

SB 455
Exhibit 2
March 27, 1985

DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT DIVISION

TED SCHWINDEN, GOVERNOR

COGSWELL BUILDING—ROOM C 211
CAPITOL STATION

STATE OF MONTANA

(406) 444-3757

HELENA, MONTANA 59620

March 26, 1985

The Honorable Gerry Devlin, Chairman
Taxation Committee
House of Representatives
State Capitol Building
Helena, Montana 59620

Dear Representative Devlin and Members of the Taxation Committee:

The Department of Commerce wishes to offer the attached amendments for your consideration to facilitate the implementation of SB 455 should it become law.

These amendments accomplish two purposes: First, they make clear that funds for the 8.86% Corporate License Tax Grant will be treated separately from the General Purpose and General Services Block Grants contained in the Local Government Block Grant Program.

The second amendment establishes an annual date upon which the Department is to make payments to counties from the new grant established by this legislation.

Both amendments have been reviewed and endorsed by the Montana Association of Counties.

Any questions concerning these proposals may be addressed to Larry Curran of the Community Development Division.

Sincerely,

Newell B. Anderson

NEWELL B. ANDERSON
Administrator
Community Development Division
Department of Commerce

NBA:LC:mw
Encl.

AMENDMENTS TO SB 455
Third Reading Bill
Proposed by the Department of Commerce

1. Title, line 25.
   Following: "7-6-304,"
   Insert: "7-6-309,"

2. Page 5, line 4.
   Following: "subsection"
   Strike: "prior to"
   Insert: "independent of the funding of any other block grant."

3. Page 5, line 5.
   Strike: "funding the general services block grants."

4. Page 6.
   Following: line 10
   Insert: "Section 4. Section 7-6-309, MCA, is amended to read:

   "7-6-309. Disposition and use of funds. Disbursements from the local government block grant account shall be made as follows:
   (1) On October 1, 1983, a disbursement must be made from the general services block grant that is the lesser of:
   (a) $2 million; or
   (b) one-third of the total general fund appropriation to the account for the beinnium ending June 30, 1985.
   (2) On March 1, 1984, and March 1 of each succeeding year the reimbursement required by 61-3-536 must be distributed.
   (3) On June 30, 1984, a disbursement must be made from the general services block grants for municipalitites and counties that equals the amount which is the lesser of the difference between the account balance on that date and:
   (a) $3 million dollars; or
   (b) one-half of the total general fund appropriation to the account for the beinnium ending June 30, 1985.
   (4) Except as provided in subsection (5), ~~On~~ on June 30, 1985, and June 30 of each succeeding year, all funds remaining in the account must be distributed.
   (5) On March 1, 1985, and March 1 of each succeeding year the portion of the local government block grant account consisting

of 8.86 percent of the corporate license and income tax must be distributed.
~~(5)~~ (6) The funds distributed by this part may be used for any purpose authorized by law.""

Renumber: subsequent sections.

-End-

WITNESS STATEMENT

SB

NAME GEORGE T. BENNETT BILL NO. 455

ADDRESS Box 1765 DATE 3/27/85

WHOM DO YOU REPRESENT? MONTANA BANKERS

SUPPORT X OPPOSE ______ AMEND ______

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL SB 390 DATE 3/22/85 - A.M.

SPONSOR Sen. Mazurek

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
W.W. Ballard	Billings	Balcron oil	X	
Mary Ballard	Billings		X	
Tucker Hill	Helena	Project 85	X	
Jeff Martin	Helena	Mt International	X	
Janelle Fallan	Helena	Mont. Chamber	X	
Ed McCaffree	Forsyth	Mt oil, Coal & gas		✓
Delany Beach	Baker	Fallon co.		X
Bill Vaughey	Havre	Self	X	
Jim Mockler	Helena		X	
Dave Goss	Billings	Billings Chamber of Commerce	X	
Larry Tveit	Fairview	Senator	X	
[illegible]	Helena	Montana Petroleum Assn	X	
John Augustine	Denver	Conoco Inc	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33

Introduced Bill

Ex 3
SB 455

COMPARISON OF SB455 DISTRIBUTION

	AVG FY83-84 DISTRIBUTION	FY86 ;10%	DIFF.	FY87 ;10%	DIFF.
BEAVERHEAD	34964	49794	14830	53548	18584
BIG HORN	60805	66731	5926	71763	10958
BLAINE	38534	40635	2101	43699	5165
BROADWATER	2734	19570	16836	21045	18311
CARBON	35002	49219	14217	52930	17928
CARTER	21641	9997	-11644	10751	-10890
CASCADE	330141	469073	138932	504440	174299
CHOUTEAU	60750	35695	-25055	38387	-22363
CUSTER	101031	78073	-22958	83959	-17072
DANIELS	17644	16277	-1367	17504	-140
DAWSON	72648	72603	-45	78077	5429
DEER LODGE	34790	66459	31669	71469	36679
FALLON	48824	22352	-26472	24037	-24787
FERGUS	68380	75432	7052	81119	12739
FLATHEAD	210442	307963	97521	331182	120740
GALLATIN	111849	266123	154274	286188	174339
GARFIELD	12180	9898	-2282	10644	-1536
GLACIER	44480	64836	20356	69725	25245
GOLDEN VALLEY	0	6322	6322	6799	6799
GRANITE	13200	15656	2456	16837	3637
HILL	75690	107693	32003	115813	40123
JEFFERSON	5667	45463	39796	48891	43224
JUDITH BASIN	25688	15787	-9901	16977	-8711
LAKE	53529	114933	61404	123598	70069
LEWIS AND CLARK	134573	260614	126041	280264	145691
LIBERTY	20	13793	13773	14833	14813
LINCOLN	11295	104719	93424	112615	101320
MADISON	22386	15752	-6634	16940	-5446
MCCONE	11238	33452	22214	35974	24736
MEAGHER	16519	13392	-3127	14401	-2118
MINERAL	8530	20205	11675	21729	13199
MISSOULA	107889	435627	327738	468473	360584
MUSSELSHELL	46331	27498	-18833	29572	-16759
PARK	77161	78972	1811	84927	7766
PETROLEUM	0	4023	4023	4326	4326
PHILLIPS	43029	32636	-10393	35096	-7933
PONDERA	79816	41068	-38748	44164	-35652
POWDER RIVER	40	14369	14329	15452	15412
POWELL	8617	38597	29980	41508	32891
PRAIRIE	36880	11306	-25574	12159	-24721
RAVALLI	64358	138613	74255	149064	84706
RICHLAND	86029	85387	-642	91825	5796
ROOSEVELT	88403	67021	-21382	72074	-16329
ROSEBUD	65319	78849	13530	84794	19475
SANDERS	30639	52621	21982	56589	25950
SHERIDAN	46907	34975	-11932	37612	-9295
SILVER BOW	125219	209365	84146	225151	99932
STILLWATER	34755	34848	93	37476	2721
SWEET GRASS	8535	19055	10520	20492	11957
TETON	24700	37617	12917	40453	15753
TOOLE	73349	34103	-39246	36675	-36674
TREASURE	2548	5774	3226	6210	3662
VALLEY	18595	57093	38498	61398	42803
WHEATLAND	17777	13405	-4372	14416	-3361
WIBAUX	6670	8691	2021	9346	2676
YELL[illegible]TONE	583805	677405	93600	728479	144674

COMPARISON OF SB455 DISTRIBUTION WITH HOLD HARMLESS AMENDMENT

9b

	AVG FY83-84 DISTRIBUTION	FY86 ¡10%	DIFF.	FY87 ¡10%	DIFF.
BEAVERHEAD	34964	47407	12443	51569	16605
BIG HORN	60805	63533	2728	69110	8305
BLAINE	38534	38687	153	42084	3550
BROADWATER	2734	18632	15898	20267	17533
CARBON	35002	46860	11858	50974	15972
CARTER	21641	19477	-2164	19477	-2164
CASCADE	330141	446590	116449	485796	155655
CHOUTEAU	60750	54675	-6075	54675	-6075
CUSTER	101031	90928	-10103	90928	-10103
DANIELS	17644	15497	-2147	16858	-786
DAWSON	72648	69123	-3525	75192	2544
DEER LODGE	34790	63273	28483	68828	34038
FALLON	48824	43942	-4882	43942	-4882
FERGUS	68380	71816	3436	78121	9741
FLATHEAD	210442	293202	82760	318942	108500
GALLATIN	111849	253367	141518	275611	163762
GARFIELD	12180	10962	-1218	10962	-1218
GLACIER	44480	61729	17249	67148	22668
GOLDEN VALLEY	0	6019	6019	6547	6547
GRANITE	13200	14906	1706	16214	3014
HILL	75690	102531	26841	111533	35843
JEFFERSON	5667	43284	37617	47084	41417
JUDITH BASIN	25688	23119	-2569	23119	-2569
LAKE	53529	109424	55895	119030	65501
LEWIS AND CLARK	134573	248122	113549	269905	135332
LIBERTY	20	13132	13112	14285	14265
LINCOLN	11295	99700	88405	108453	97158
MADISON	22386	20147	-2239	20147	-2239
MCCONE	11238	31849	20611	34645	23407
MEAGHER	16519	14867	-1652	14867	-1652
MINERAL	8590	19297	10707	20926	12396
MISSOULA	107889	414747	306858	451158	343269
MUSSELSHELL	46331	41698	-4633	41698	-4633
PARK	77161	75187	-1974	81788	4627
PETROLEUM	0	3830	3830	4166	4166
PHILLIPS	43029	38726	-4303	38726	-4303
PONDERA	79816	71834	-7982	71834	-7982
POWDER RIVER	40	13680	13640	14881	14841
POWELL	8617	36747	28130	39973	31356
PRAIRIE	36880	33192	-3688	33192	-3688
RAVALLI	64358	131969	67611	143555	79197
RICHLAND	86029	81295	-4734	88432	2403
ROOSEVELT	88403	79563	-8840	79563	-8840
ROSEBUD	65319	75069	9750	81660	16341
SANDERS	30639	50099	19460	54497	23858
SHERIDAN	46907	42216	-4691	42216	-4691
SILVER BOW	125219	199330	74111	216829	91610
STILLWATER	34755	33178	-1577	36091	1336
SWEET GRASS	8535	18142	9607	19735	11200
TETON	24700	35814	11114	38958	14258
TOOLE	73349	66014	-7335	66014	-7335
TREASURE	2548	5498	2950	5980	3432
VALLEY	18595	54357	35762	59129	40534
WHEATLAND	17777	15999	-1778	15999	-1778
WIBAUX	6670	8274	1604	9000	2330
YELLOWSTONE	583805	644936	61131	701556	117751
	3362545	4727430		5083868	

3-27-85
Exhibit 4
SB 390

PROJECT 85 LEGISLATIVE PROPOSAL

SENATE BILL 390

SITUATION

Net proceeds taxes are property taxes paid on oil or gas production.

Net proceeds are Class I property which means oil or gas is taxed at 100% of its net value. Only oil and gas are taxed in this class.

Net proceeds are paid to county governments. In 1984 thirty-one Montana counties received over $75 million.

The rate of net proceeds paid varies widely from county to county, school district to school district, and from year to year because oil and gas is subject to local mill levies.

Each of nearly 3000 of Montana's total oil or gas leases has a different tax rate and each of those 3000 leases change every year. Rates vary from 1% to over 20% for net proceeds taxes alone.

WHAT DO WE PROPOSE?

New production from leases will be taxed at the statewide average for net proceeds -- 7% of gross for oil and 11% for natural gas.

All taxes on new production will be paid to county governments just as current net proceeds taxes are.

Existing production will be taxed as it is. No changes for existing production.

WHAT WILL SENATE BILL 390 DO?

Averaging net proceeds taxes at 7% for oil and 11% for gas will make state taxes paid for oil or gas predictable and comparable to rates paid in North Dakota and Wyoming.

WHY DO WE WANT THIS CHANGE?

A predictable tax rate at a reasonable level allows investors to predict after tax rate of return. We want two rates rather than 3000 rates.

IS THIS A TAX REDUCTION?

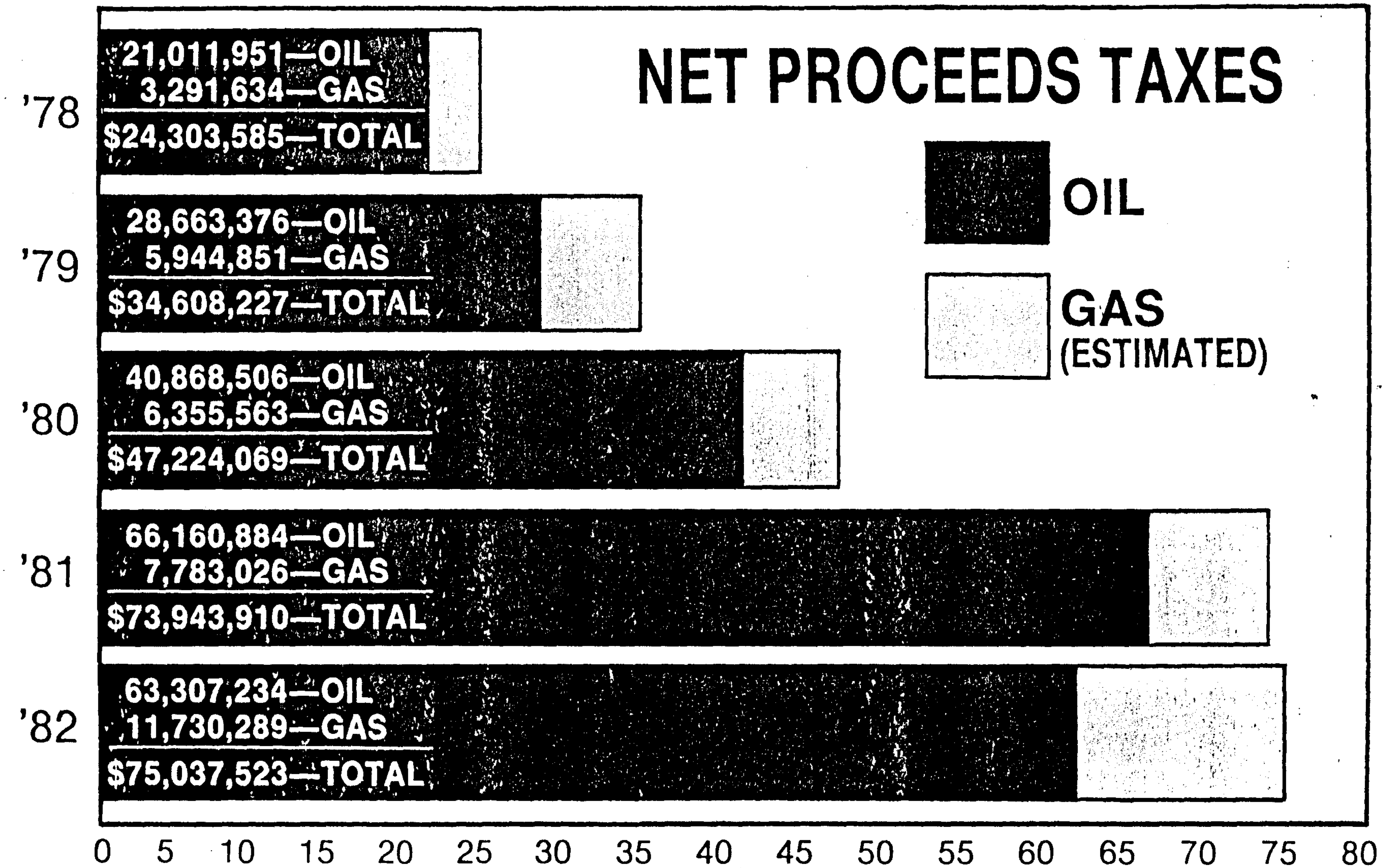
No. We are asking for a rate that is equal to the statewide average.

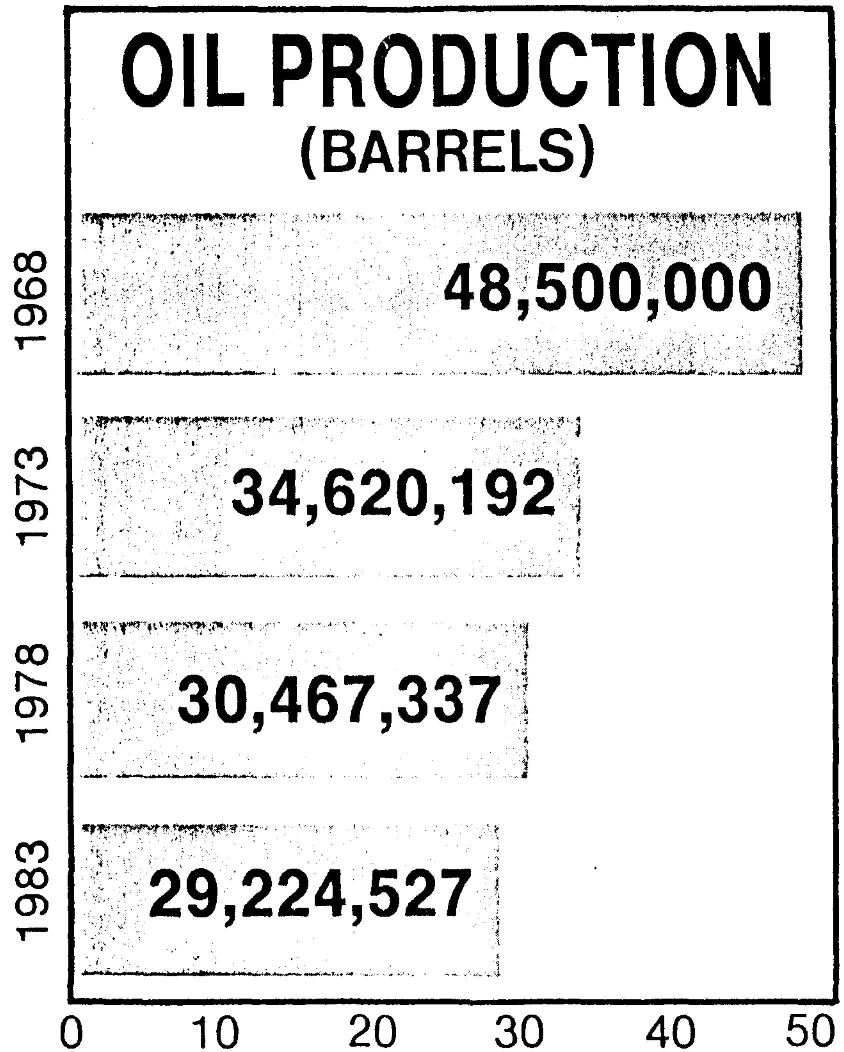
WILL THIS CHANGE ENCOURAGE ADDITIONAL INVESTMENT?

Yes. Certainly. Legislators have received copies of letters from several individuals and corporations which support the idea that additional investment, and therefore additional production, will follow passage of Senate Bill 390.

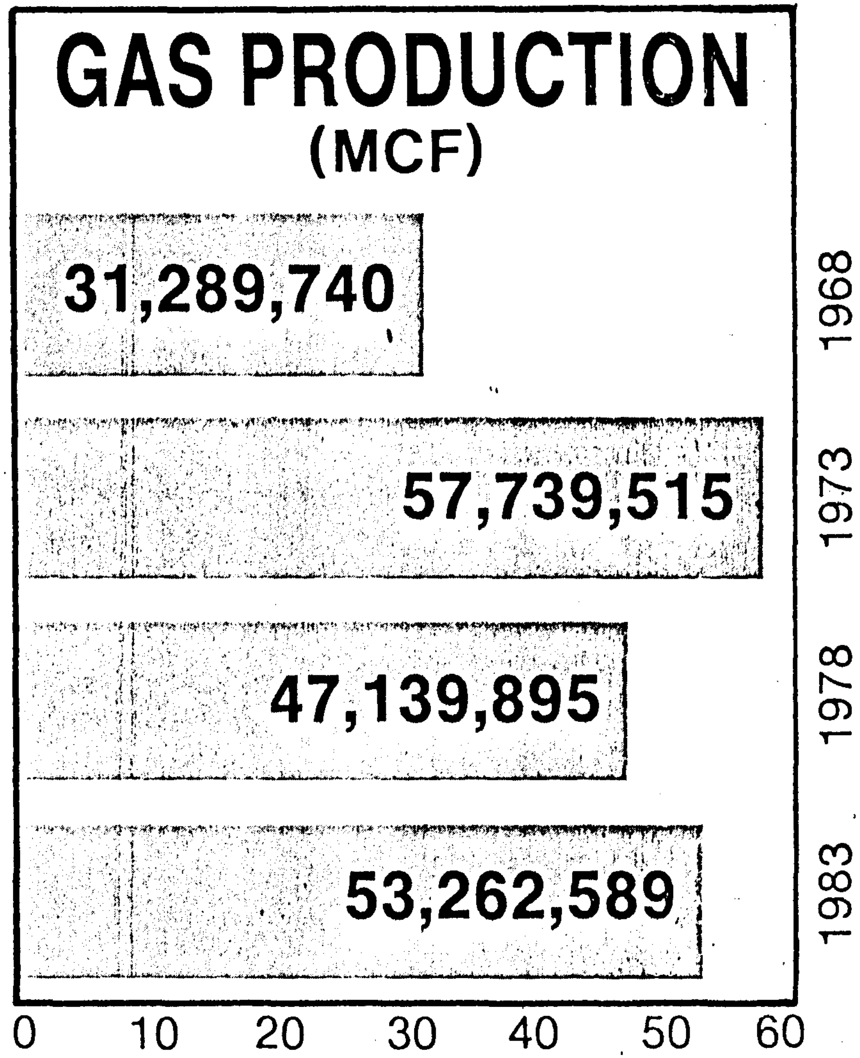
WHAT PERCENTAGE OF MONTANA'S PRODUCTION WOULD COME UNDER THIS UNIFORM TAX SYSTEM EACH YEAR?

New oil production in Montana, as defined in Senate Bill 390, in 1984 was approximately 700,000 barrels or about 3% of Montana's total oil production. If Senate Bill 390 is passed, new production will increase.

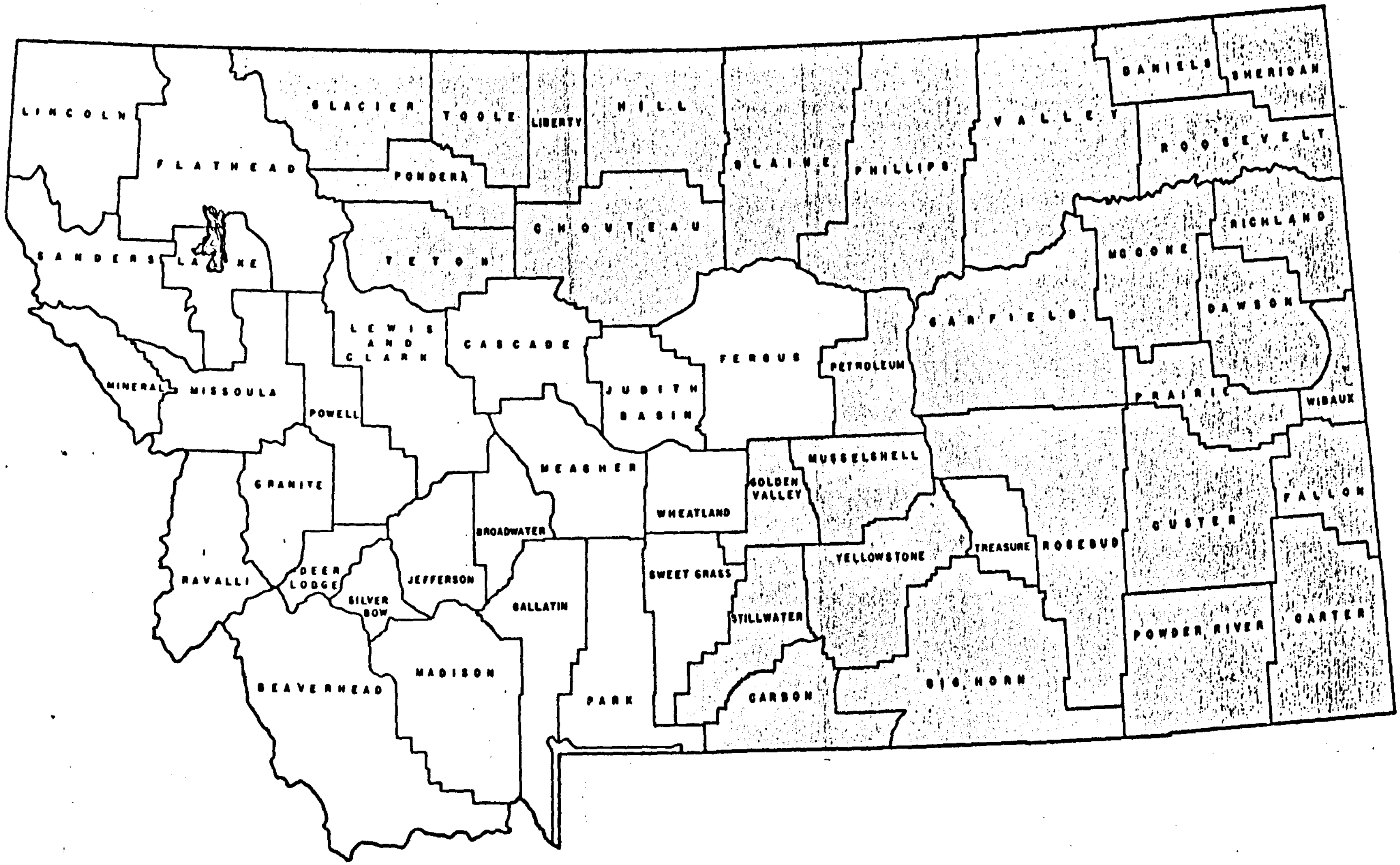

NET PROCEEDS TAXES
OIL
GAS
(ESTIMATED)
'78
21,011,951—OIL
3,291,634—GAS
$24,303,585—TOTAL
'79
28,663,376—OIL
5,944,851—GAS
$34,608,227—TOTAL
'80
40,868,506—OIL
6,355,563—GAS
$47,224,069—TOTAL
'81
66,160,884—OIL
7,783,026—GAS
$73,943,910—TOTAL
'82
63,307,234—OIL
11,730,289—GAS
$75,037,523—TOTAL
0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80



OIL PRODUCTION
(BARRELS)
1968
48,500,000
1973
34,620,192
1978
30,467,337
1983
29,224,527
0
10
20
30
40
50



GAS PRODUCTION
(MCF)
1968
31,289,740
1973
57,739,515
1978
47,139,895
1983
53,262,589
0
10
20
30
40
50
60



Shaded areas: Oil and gas producing counties.

SB 390
3-27-95
Exhibit #5

TOTAL AVERAGE TAX AND SPECIAL DISTRICT TAXES — 1984

	Total Average Levy for State, County and Schools	Fire Districts (Incl. Forest Fire Protection)	Miscellaneous Districts	Total Taxes Levied for all purposes except Cities & Towns
Beaverhead	250.71	$ 34,890	$ 220,169	$ 4,060,880
Big Horn	103.01	——	225,966	13,486,106
Blaine	167.53	——	436,042	6,100,841
Broadwater	189.83	135,400	304,269	2,485,092
Carbon	192.90	57,248	121,250	5,652,124
Carter	216.72	598	93,217	1,598,008
Cascade	346.81	123,513	2,148,961	47,654,697
Chouteau	205.82	31,253	627,906	6,871,901
Custer	342.55	——	315,547	6,443,870
Daniels	260.15	808	84,223	2,207,067
Dawson	259.38	17,850	634,943	8,026,594
Deer Lodge	370.68	315,141	124,402	5,009,920
Fallon	85.93	122,495	85,998	10,225,935
Fergus	275.03	55,541	258,021	6,183,514
Flathead	278.28	479,953	1,054,529	24,116,935
Gallatin	279.32	259,983	1,179,924	17,802,909
Garfield	197.85	——	85,158	1,463,862
Glacier	198.95	232	184,570	9,311,976
Golden Valley	180.11	78	75,253	1,106,280
Granite	237.58	31,414	140,514	1,520,359
Hill	234.24	113,718	378,689	11,012,423
Jefferson	227.19	43,626	173,536	3,748,978
Judith Basin	257.39	15,680	168,229	2,535,391
Lake	244.44	184,163	1,706,459	8,306,277
Lewis & Clark	334.80	194,492	683,917	20,423,118
Liberty	151.75	19,026	155,069	3,243,625
Lincoln	220.14	138,695	285,105	7,725,361
Madison	204.10	51,222	170,529	3,563,815
McCone	223.42	247	269,834	2,710,037
Meagher	196.35	8,829	86,736	1,689,254
Mineral	358.65	33,354	16,032	1,638,274
Missoula	274.41	1,483,871	1,549,612	36,091,388
Musselshell	115.42	——	25,864	3,173,822
Park	264.53	89,274	237,767	5,065,001
Petroleum	161.71	——	9,305	546,076
Phillips	134.37	——	362,547	5,695,093
Pondera	207.05	29,356	118,511	5,319,508
Powder River	82.59	15,406	65,881	6,108,266
Powell	233.83	80,926	92,652	3,429,746
Prairie	170.85	2,469	278,869	1,418,805
Ravalli	223.22	172,926	500,772	6,258,780
Richland	117.40	4,981	905,625	15,761,521
Roosevelt	166.28	27,411	359,465	12,956,194
Rosebud	100.08	54,244	957,424	25,488,346
Sanders	214.16	108,171	294,861	4,878,708
Sheridan	118.82	206,108	37,296	10,705,451
Silver Bow	389.05	1,615,643	2,196,539	22,527,149
Stillwater	237.17	24,262	149,570	3,728,009
Sweet Grass	206.26	——	2,314	1,502,550
Teton	210.14	933	997,444	4,935,617
Toole	138.54	——	162,638	6,890,194
Treasure	206.35	——	47,399	1,013,951
Valley	179.66	1,286	353,521	8,241,367
Wheatland	206.89	385	79,874	1,558,274
Wibaux	105.74	82,676	27,843	3,107,791
Yellowstone	219.90	15,515	2,064,619	45,059,012
TOTAL		$ 6,485,292	$ 24,373,209	$ 489,386,042

3-27-85
Exhibit 1a
SB 390

NARCO - 1984 ACTUAL PRODUCTION TAXES

Prospect	State	1984 Revenues ($)	1) 1984 Production Taxes ($)	Production Taxes % of Rev.
Dry Creek	Montana	219,827	100,376	2) 45.7
Cut Bank	Montana	2,252,127	479,908	21.3
Reagan	Montana	2,861,705	744,513	26.0
Bowdoin	Montana	531,527	15,415	3) 2.9
Brush Lake	Montana	127,052	17,611	13.9
Gumbo Ridge	Montana	91,605	7,228	7.9
Whitlash	Montana	20,514	3,604	17.6
Heart Mountain	Wyoming	15,948	1,429	9.0
Thorson	Wyoming	295,190	38,434	13.0
Finn Shirley	Wyoming	72,300	8,980	12.4
Art Creek	Wyoming	19,580	2,577	13.2
Poydras	Louisiana	32,963	4,086	12.4
Cowden Ranch	Texas	7,655	352	4.6
Wilkens	Utah	86,456	10,875	12.6
Moore	Colorado	2,243	248	11.1
Bellwether	Colorado	272,131	30,099	11.1
Lind	Colorado	73,987	5,626	7.6
Monument Butte	Wyoming	728,694	69,689	9.6
Dobie Creek	Wyoming	16,524	1,112	6.7
Wolf Springs	Montana	138,087	39,700	28.7
Brandt Farms	Kansas	28,400	2,272	8.0

1) Does not include Windfall Profit Taxes.

2) Abnormally high because 1984 Net Proceeds Taxes are paid on 1983 production and in Dry Creek production declined from 18,632 Bbls. in 1983 to 8,219 Bbls. in 1984.

3) NARCo pays no production taxes in Bowdoin. These taxes are paid by the gas purchaser.

3-27-85
Exhibit 6
SB390

MEMORANDUM

TO: Interested Legislators
FROM: J. Shontz
RE: School Foundation Program

Attached are several graphs:

(1) - the quarterly price of crude oil during the past ten years in Montana,

(2) - Montana oil production by fiscal quarter during the past ten years,

(3) - Annual oil production in Montana during the past ten years,

(4) - Montana general fund revenue by fiscal quarter from oil and gas during the past ten years,

(5) - quarterly oil production in Richland County during the past ten years.

(6) - Annual oil production in Richland County during the past ten years.

The sharp decline in Richland County oil production is proving expensive for Montana. In FY 1983 Richland County contributed $2,410,442 to the Montana School Foundation program after county-wide equalization occurred.. This money was re-distributed throughout the state. This amounted to $178.55 for every man woman and child in the County.

In FY 1984 this amount, while still formidable, **DECREASED OVER ONE MILLION DOLLARS ($1,000,000).** The 1985 contribution was $1,263,008 or $93.55 per man, woman, and child in Richland County.

For the coming fiscal year Richland County taxpayers will contribute $590,008 to the Montana school foundation program for distribution statewide. This amounts to $43.70 for every person in Richland County. **THIS REPRESENTS A LOSS TO THE FOUNDATION PROGRAM OF $1,820,434 IN JUST TWO YEARS.**

In fact, this year the largest school district in the County (Sidney) will draw from the equalization program. While the Sidney elementary district will contribute $336,284, the Sidney high school district will draw $504,112. This amounts to a net draw from the foundation program of $167,828.

page two

Given the current trend in oil pricing and production, Richland County schools will begin drawing funds from the state-wide equalization fund in the second year of the upcoming biennium....a loss of at least $2,400,000 cash in just four years.

Also attached is a chart listing the annual and adjusted annual contributions of the oil and gas industry to Montana's general fund since 1927..sixty years of revenue to Montana.

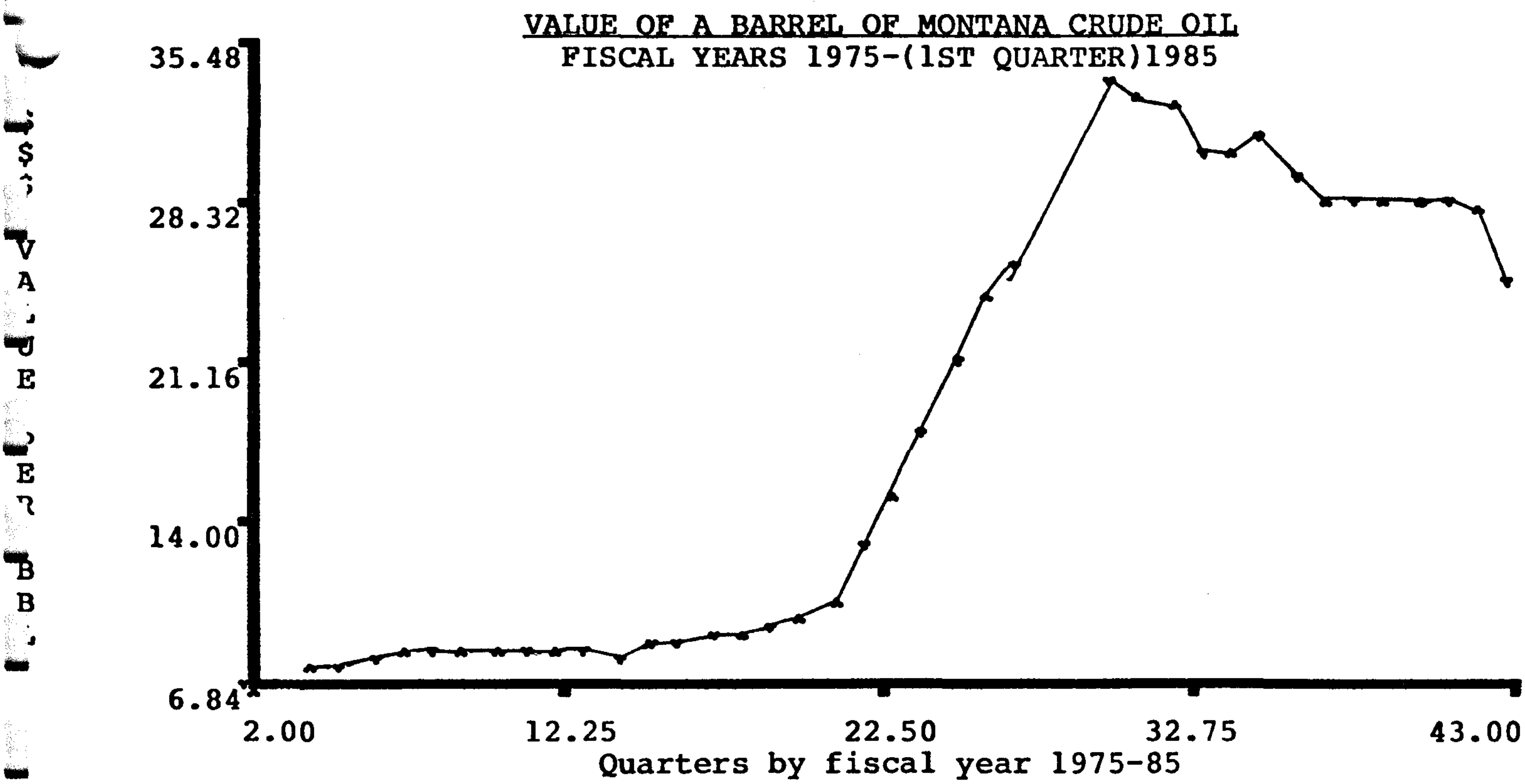
Senate Bill 390 needs an opportunity to function if Montana wants to EXPAND THE TAX PAYING AND JOB GENERATING PIE OF MONTANA'S ECONOMY.

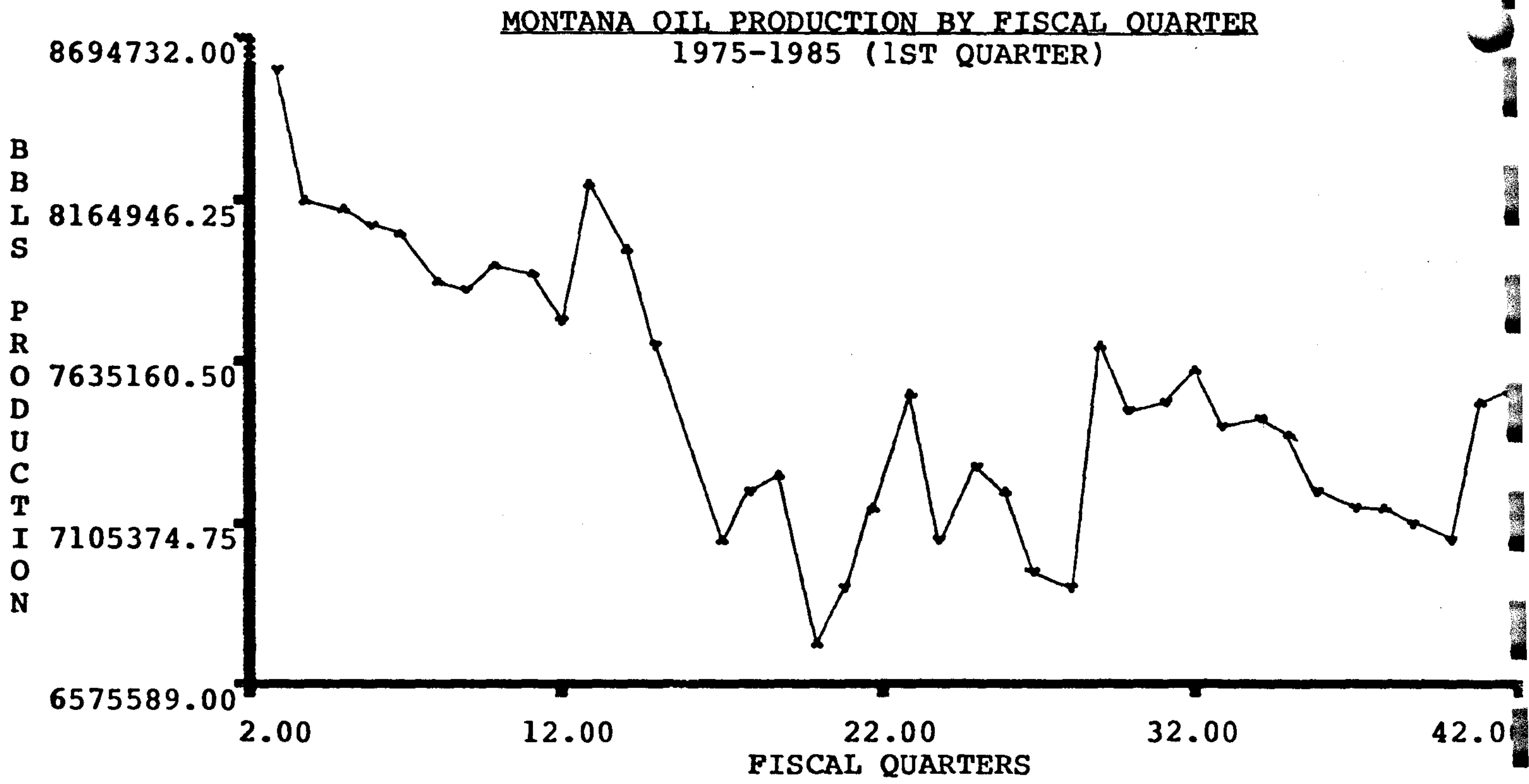
Why? Richland County's taxable valuation has dropped $36,000,000 in the past eighteen months..the loss is continuing at a rate of $50,000 per day....a tremendous loss to the foundation program alone.

Yet North Dakota's oil production reached an all-time high of 54,000,00 barrels in 1984....with a stable tax rate in the same geology as Montana in the Williston Basin.

During the past two years, Richland County has lost 2,000 jobs or 28% of its labor force...all in the mining sector. Dawson County has suffered a decline in retail sales of over $10,000,000 during the same period.

Clearly Montana's dependence on natural resource extraction tax revenue as a major funding source is dangerous unless we can stabilize oil and gas production in the state.


VALUE OF A BARREL OF MONTANA CRUDE OIL
FISCAL YEARS 1975-(1ST QUARTER)1985
35.48
28.32
21.16
14.00
6.84
2.00
12.25
22.50
32.75
43.00
Quarters by fiscal year 1975-85

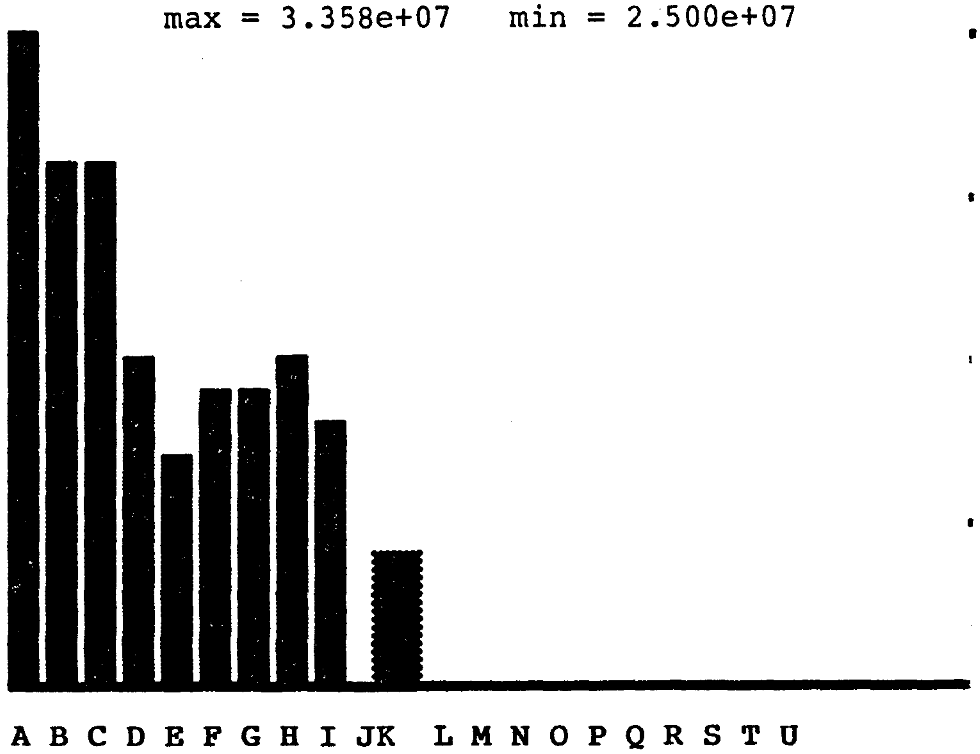


MONTANA OIL PRODUCTION BY FISCAL QUARTER
1975-1985 (1ST QUARTER)
BBLS PRODUCTION
8694732.00
8164946.25
7635160.50
7105374.75
6575589.00
2.00
12.00
22.00
32.00
42.0
FISCAL QUARTERS

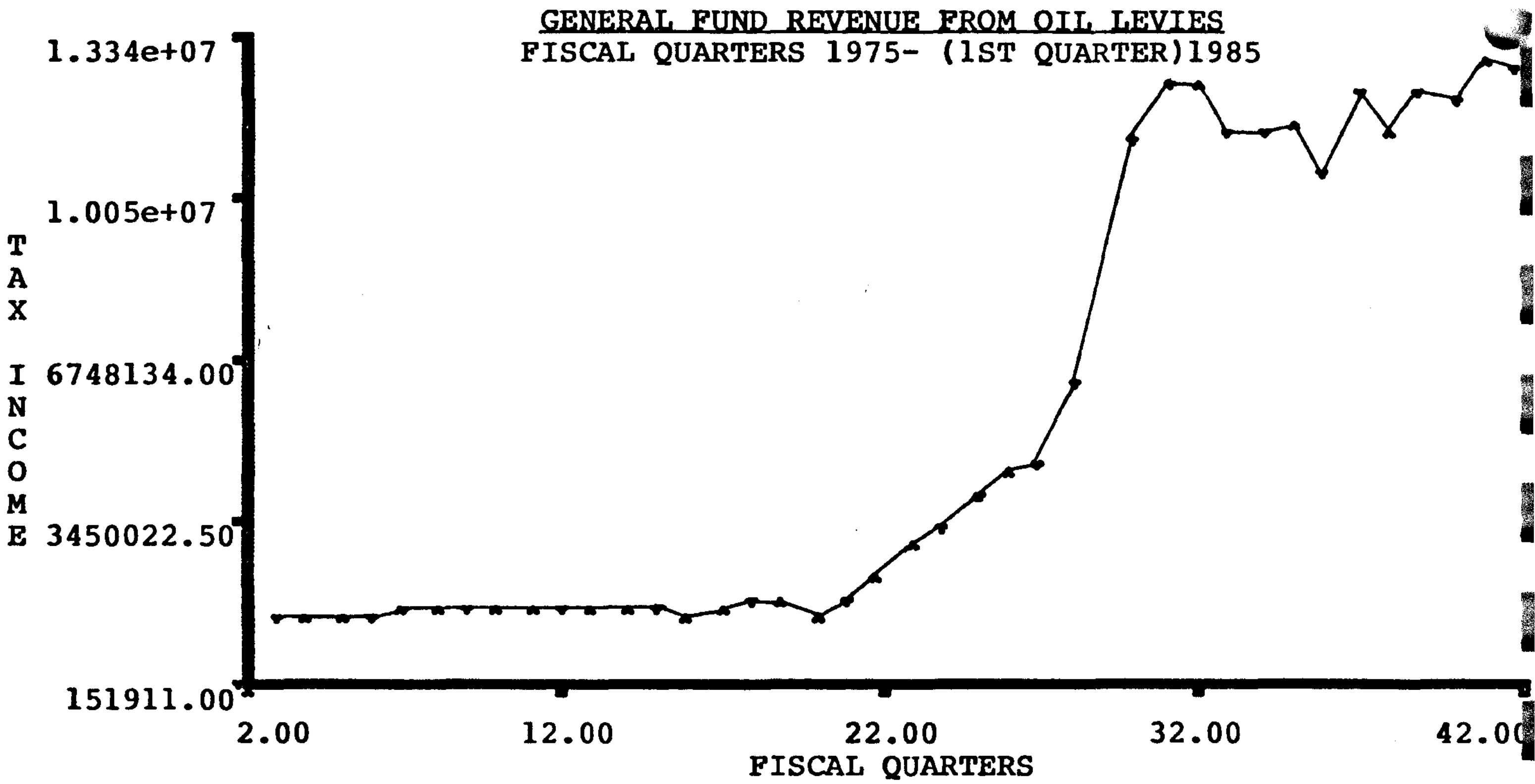
MONTANA OIL PRODUCTION 1974-1985*

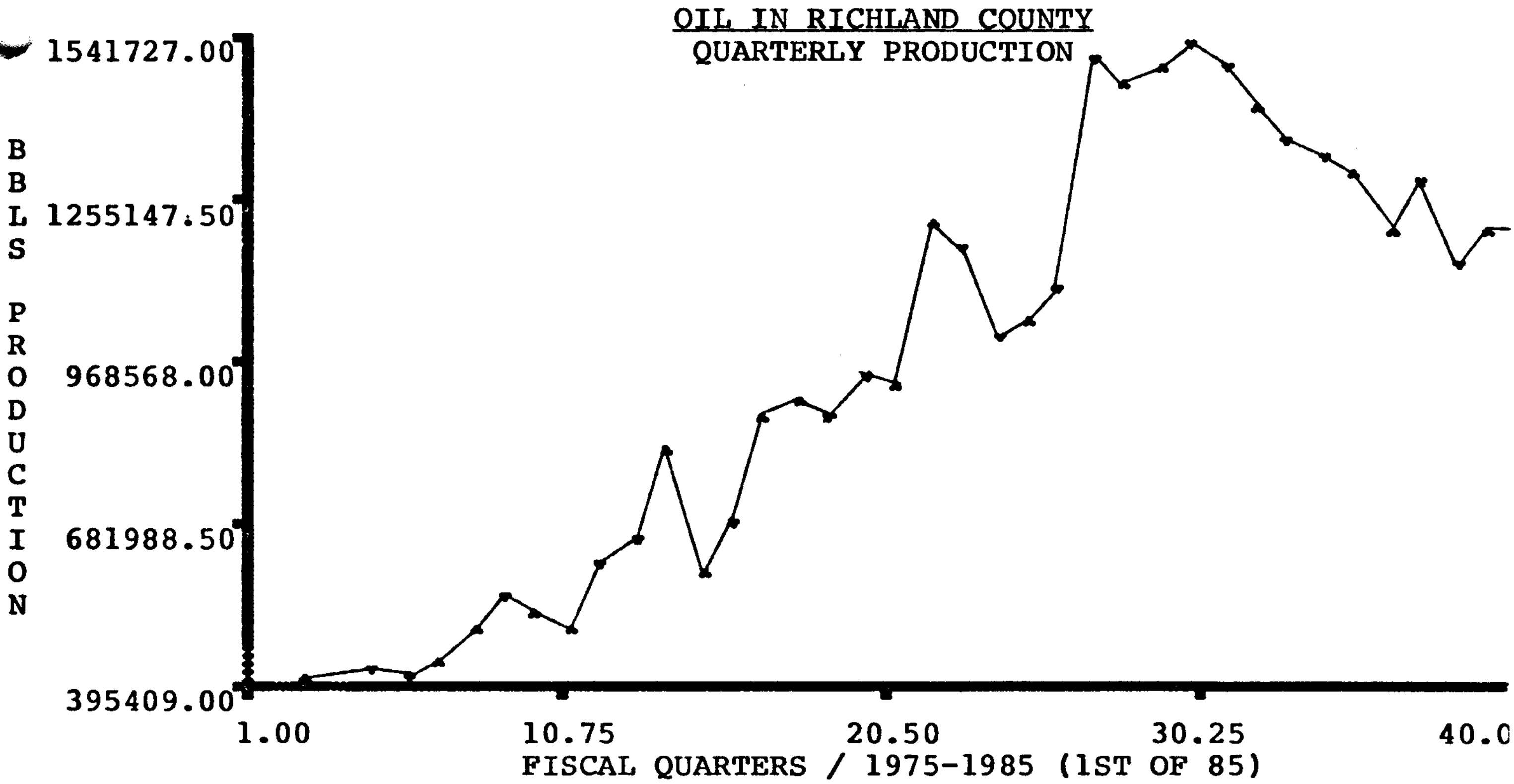
max = 3.358e+07   min = 2.500e+07

	1975	3.358e+07
B	1976	3.198e+07
C	1977	3.190e+07
D	1978	2.928e+07
E	1979	2.814e+07
F	1980	2.907e+07
G	1981	2.880e+07
H	1983	2.929e+07
I	1984	2.824e+07
J	1985	6701552.00
K	1985(est)	2.681e+07
L	1975	1638180.00
M	1976	1688412.00
N	1977	2206820.00
O	1978	2773010.00
P	1979	3601362.00
Q	1980	4356466.00
R	1981	4720246.00
S	1982	5993211.00
T	1983	5423130.00
U	1984	4857679.00



* Item "JK" provides an estimate of Montana Oil Production for FY 1985 if 1st quarter production were constant throughout the year. Items "L" through "U" are off the chart and not applicable to this comparative.

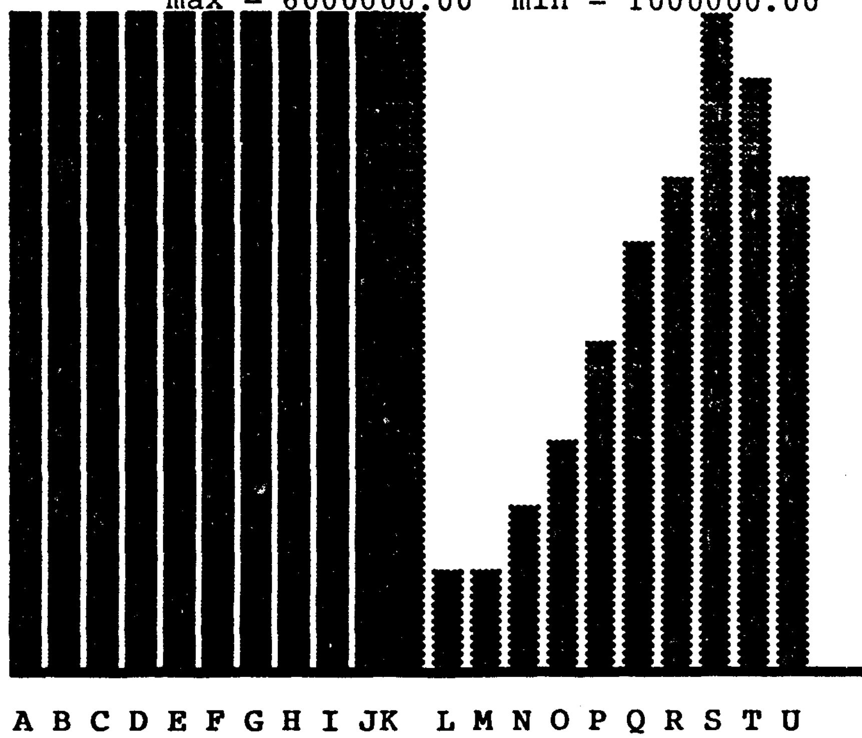

GENERAL FUND REVENUE FROM OIL LEVIES
FISCAL QUARTERS 1975- (1ST QUARTER)1985
TAX INCOME
1.334e+07
1.005e+07
6748134.00
3450022.50
151911.00
2.00
12.00
22.00
32.00
42.00
FISCAL QUARTERS


OIL IN RICHLAND COUNTY
QUARTERLY PRODUCTION
1541727.00
1255147.50
968568.00
681988.50
395409.00
BBLS PRODUCTION
1.00
10.75
20.50
30.25
40.0
FISCAL QUARTERS / 1975-1985 (1ST OF 85)

A	1975	3.358e+07
B	1976	3.198e+07
C	1977	3.190e+07
D	1978	2.928e+07
E	1979	2.814e+07
F	1980	2.907e+07
G	1981	2.880e+07
H	1983	2.929e+07
I	1984	2.824e+07
J	1985	6701552.00
K	1985(est)	2.681e+07
L	1975	1638180.00
M	1976	1688412.00
N	1977	2206820.00
O	1978	2773010.00
P	1979	3601362.00
Q	1980	4356466.00
R	1981	4720246.00
S	1982	5993211.00
T	1983	5423130.00
U	1984	4857679.00

MONTANA OIL PRODUCTION 1974-1985*

max = 6000000.00 min = 1000000.00



* Items "A" through "K" reflect Montana Production. They top off this particular chart. Items "L" through "U" reflect annual changes in oil production in Richland County, Montana.

MONTANA STATE TAX COLLECTIONS

General Fund Revenues*

FY	Oil&Gas	Oil&Gas Adj.
1927	174,071	NA
1928	127,364	NA
1929	157,020	3,423,036
1930	148,463	3,206,800
1931	85,099	1,753,039
1932	50,850	961,065
1933	49,066	937,160
1934	89,885	442,783
1935	146,348	720,926
1936	181,475	898,391
1937	213,739	1,032,855
1938	184,318	890,425
1939	149,288	818,169
1940	172,359	824,684
1941	197,255	909,009
1942	250,609	1,099,162
1943	265,251	1,119,202
1944	286,767	1,156,318
1945	294,643	1,142,027
1946	294,334	1,032,750
1947	355,666	1,097,734
1948	498,045	1,368,255
1949	524,318	1,347,861
1950	527,737	1,356,650
1951	532,553	1,258,990
1952	534,344	1,211,664
1953	688,907	1,524,130
1954	788,321	1,695,313
1955	803,512	1,688,050
1956	1,022,335	2,036,523
1957	1,399,453	2,660,557
1958	1,963,277	3,649,213
1959	2,003,410	3,653,952
1960	2,040,758	3,611,961
1961	1,987,529	3,426,774
1962	2,122,492	3,531,600
1963	2,071,992	3,363,623
1964	2,086,074	3,307,407
1965	2,056,330	3,168,459
1966	2,284,166	3,356,007
1967	2,402,810	3,318,798
1968	2,536,543	3,320,082

1969	3,504,061	4,273,245
1970	3,417,604	3,883,642
1971	3,185,128	3,363,387
1972	3,080,542	3,080,542
1973	3,105,120	2,901,981
1974	4,662,627	3,951,278
1975	6,553,344	5,064,408
1976	7,609,210	5,501,959
1977	7,411,536	4,994,296
1978	7,731,183	4,841,066
1979	8,207,676	4,725,202
1980	11,808,580	6,166,360
1981	21,694,464	10,430,000
1982	53,733,236	24,117,251
1983**	47,948,000	20,214,617
1984*3	35,484,000	14,137,051
1985*3	33,399,000	13,097,647
1986˜	27,272,862	10,481,499
1987˜	26,272,333	10,089,221+

* Unless otherwise noted, this information was developed by the Montana Department of Revenue.

** Legislative Fiscal Analyst.

*3 Legislative Fiscal Analyst...estimated collections

˜ House of Representatives estimates found in House Joint Resolution Nine.

+ This column notes the "buying power" of the revenue for each year from each source. The parity year is 1972. The implicit price deflator is from the Bureau of Economic Analysis, U.S. Dept. of Commerce and the Montana Legislative Fiscal Analyst. The deflator is designed for local and state governments.

3-27-85
Exhibit 60
SB 390
opponent
M Stephen

OIL AND GAS

1983 Production—Taxable 1984

		Bbl. or MCF Extracted	Gross Value	Net Proceeds	Royalty Interests	Total Amount Taxable	Percent
Big Horn	Gas	19,109	$ 8,248	$ ——	$ 2,936	$ 2,936	0.71
	Oil	78,555	2,027,802	802,717	233,682	1,036,400	
Blaine	Gas	8,174,997	19,423,650	14,902,036	2,458,606	17,360,642	49.5
	Oil	183,160	3,797,469	1,720,292	601,982	2,322,274	
Carbon	Gas	1,539,361	3,679,653	2,205,136	328,740	2,533,876	36.8
	Oil	677,589	17,760,593	8,692,677	1,136,030	9,828,708	
Carter	Gas	82,101	266,283	62,730	9,258	71,988	8.2
	Oil	33,245	952,659	498,982	75,808	574,790	
Chouteau	Oil	1,361,440	2,929,559	1,593,467	493,513	2,086,980	5.4
Custer	Gas	88,376	97,941	33,040	13,578	46,619	0.18
Daniels	Oil	14,432	360,12	9,636	55,161	64,797	0.12
Dawson	Gas	4,065	2,195	824	157	981	21.0
	Oil	535,493	15,611,541	6,018,868	1,382,752	7,401,620	
Fallon	Gas	1,211,331	4,066,726	1,932,570	365,898	2,298,468	83.2
	Oil	6,000,032	166,746,296	88,405,855	11,393,160	99,799,015	
Fergus	Gas	16,768	46,515	18,843	2,295	21,138	0.08
Garfield	Oil	13,813	418,734	262,222	17,886	280,108	4.0
Glacier	Gas	3,574,831	8,014,831	5,150,262	1,022,816	6,173,078	49.4
	Oil	1,392,774	40,235,440	15,989,367	5,287,013	21,276,379	
Golden Valley	Gas	220,809	108,773	52,560	19,837	72,397	1.1
Hill	Gas	5,662,584	14,005,173	10,473,620	1,905,710	12,379,330	24.2
	Oil	889	25,471	4,377	4,701	9,078	
Liberty	Gas	2,022,552	4,351,054	2,698,113	510,941	3,209,054	44.5
	Oil	380,859	11,008,876	5,767,147	967,587	6,734,734	
McCone	Oil	95,318	2,784,524	535,014	325,877	860,891	5.1
Musselshell	Oil	952,166	28,001,897	13,831,146	5,064,861	18,896,008	50.8

OIL AND GAS

1983 Production—Taxable 1984

		Bbl. or MCF Extracted	Gross Value	Net Proceeds	Royalty Interests	Total Amount Taxable	Percent
Petroleum	Oil	67,159	2,029,477	1,051,853	155,380	1,207,233	36.7
Phillips	Gas	7,796,719	22,057,678	15,079,293	1,619,495	16,698,788	42.9
	Gas	1,142,945	2,810,326	1,666,610	307,949	1,974,558	26.6
Pondera	Oil	433,888	12,473,568	4,705,471	1,595,259	6,300,729	
	Gas	99,378	21,71	12,494	1,922	14,416	62.1
Powder River	Oil	2,813,835	84,629,154	49,613,960	10,299,251	59,913,211	
	Gas	550	2,723	1,339	143	1,482	28.9
Prairie	Oil	134,550	3,746,070	1,629,020	177,822	1,806,842	
	Gas	2,476,037	6,461,888	3,563,782	830,487	4,394,269	47.0
Richland	Oil	5,210,581	154,656,572	64,30,597	20,632,505	84,939,101	
	Gas	741,35	1,372,205	701,789	163,261	865,050	
Roosevelt	Oil	2,331,670	69,029,389	31,991,632	8,090,749	40,082,381	42.7
	Gas	5,107	78,712	1,846	5,817	7,663	7.4
Rosebud	Oil	1,151,175	33,768,740	16,487,179	3,373,591	19,860,770	
	Gas	1,088,615	1,843,325	1,105,863	221,856	1,327,719	62.8
Sheridan	Oil	3,585,209	102,654658	53,690,196	12,847,716	66,537,912	
	Gas	705,526	1,644,044	971,943	249,304	1,221,247	7.[illegible]
Stillwater	Oil	17,506	308,846	53,552	32,542	86,093	
	Gas	1,002,135	1,348,825	250,776	132,828	383,604	10.6
Teton	Oil	142,861	4,118,461	1,599,012	609,818	2,208,830	
	Gas	6,999,799	15,802,006	9,501,538	2,121,661	11,623,199	55.3
Toole	Oil	1,196,098	32,924,419	14,292,171	3,893,162	18,185,333	
	Gas	262,704	496,984	183,035	51,259	234,294	20.6
Valley	Oil	406,538	11,422,446	6,841,09	1,230,340	8,071,435	
	Gas	122,987	608,909	299,483	31,903	331,385	
Wibaux	Oil	1,447,106	40,503,904	19,492,367	2,305,151	21,797,518	70.9
Yellowstone	Oil	23,918	684,117	182,891	80,164	263,055	0.09
	Gas	46,422,761	111,549,979	72,462,990	12,872,171	85,335,161	
Totals	Oil	29,320,419	842,681,933	408,475,297	91,869,951	500,345,248	

3-27-85
Exhibit 6
SB 390

STIPULATIONS FOR OIL AND GAS LEASE SALE NO. 81, FORT PECK RESERVATION, MT
(July 8, 1982)

The following stipulations will be added to and made a part of each oil and gas mining lease issued for Sale No. 81 held July 8, 1982 on the Fort Peck Reservation:

Stipulation No. 1

Royalty for oil and/or gas. The royalty rate of 25 percent gross production per oil and/or gas well will be paid to the mineral owner(s).

Stipulation No. 2

Indian Employment Preference. The lessee shall give preference in employment to Indians qualified to perform the required services, residing on or near the Fort Peck Reservation as defined in the Act of May 1, 1888, c. 213, 25 Stat. 113. The lessee shall cooperate with the Tribal Executive Board and Tribal employment agencies in carrying out this preference right.

Stipulation No. 3

Penalty For Late Payment of Underpayment. Any lessee who fails to make timely or full, or proper, payment of any monies due to the mineral owner(s) pursuant to the lease, shall pay a penalty of 10 percent of the amount past due plus interest at the prime rate plus 2 points from the due date to the date of payment. Prime rates shall be not less than the prime rate figures maintained by the Federal Reserve Board.

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SB390
3-27-85
Ex 6C

W. M. VAUGHEY, JR.
P.O. BOX 46
HAVRE, MONTANA 59501-0046
(406) 265-5421

March 20, 1985

The Honorable Gerry Devlin, Chairman
Montana State House Taxation Committee
Capitol Station
Helena, MT 59620

RE: In support of Senate Bill 390

Dear Representative Devlin:

Through 17 years of being a resident explorer for oil and gas in Montana I have never had the chance to write in support of such a positive, pro petroleum exploration measure as is represented by Senate Bill 390. Passage of this bill would in and of itself revolutionize the environment Montana offers the petroleum exploration dollar.

Representative Devlin, 95 cents out of every exploration dollar spent in Montana comes from outside the state. It's a sad fact that Montana's high total tax burden on oil or gas production has actually caused some of our state's most successful exploration companies - independent and major companies, alike - to discontinue exploring for new fields in the state. It is this phenomenon, made worse by the fact that that tax burden varies from school district to school district, that is at the heart of the fact that oil production in Montana has steadily declined since 1968. This fact, in turn, bodes ill for our school systems in that they have come to rely heavily on tax revenues generated by oil production.

SB 390, if passed, would literally turn Montana around in the sense that it would make us fully competitive for the exploration dollar with Wyoming, North Dakota and the other producing states. I am completely convinced that the heightened exploration levels in Montana which would follow passage of SB 390 would result in oil and gas discoveries which would reverse the state's oil production decline.

Just as important, these heightened exploration levels would constitute Montana's best hope of creating new, long-term, high-paying jobs. My own area of Northcentral Montana classically demonstrates what heightened exploration levels can do. While I can be said to have been the first member of my industry to move to Havre in 1968 following the discovery of Tiger Ridge Gas Field, there are now 500-600 families in the Havre-Chinook-Big Sandy area who look to petroleum exploration, production, or transmission as the primary source of family income. Representative Devlin, that story could be told many times over in the future if SB 390 is passed, and I am thinking here particularly of Western Montana because of its Overthrust and Disturbed Belt potential.

I commend Senator Mazurek for sponsoring Senate Bill 390, and I wholeheartedly urge passage of this excellent piece of legislation.

Sincerely,

Bill Vaughey

W. M. Vaughey, Jr.

cc: The Honorable Ted Schwinden, Governor of Montana
All members of the Montana State House Taxation Committee
State Senator Joe Mazurek

57

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cc: The Honorable Ted Schwinden, Governor of Montana

All members of the Montana State House Taxation Committee

State Senator Joe Mazurek

#51

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL SB 436 DATE 3/22/85 - A.M.

SPONSOR Sen. Bengtson

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33

Sample

March 27, 198-
83436
Exhibit 7

Form 2441M | Deduction for Child and and Dependant Care Expenses | 19___

Name as shown on Form 2

1. Number of qualifying persons cared for ________

2. Enter amount of expenses paid in 198__ but not more than
   a. $2,400 for one person
   b. $3,600 for two persons
   c. $4,800 for three or more persons ________

3. Enter one half of the amount your income (if married combine the income of both spouses) exceeds $18,000. Enter - 0 - if less than $18,000 ________

4. Subtract Line 3 from Line 2 but not less than -0-. This is the amount of your deduction if single or married filing a joint return. Enter on Schedule 2A Line 84. ________

5. Married people filing separate divide Line 4 by 2. This is the amount each may deduct. Enter on Schedule 2A Line 84. ________

Form **2441**

Department of the Treasury
Internal Revenue Service (X)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See Instructions below.

OMB No. 1545-0068
1984
23

Name(s) as shown on Form 1040 | Your social security number

1 Write the number of qualifying persons who were cared for in 1984. (See the instructions below for the definition of qualifying persons.) ▶ **1**

	Yes	No

2 If payments listed on line 3 were made to an individual, complete the following:
a If you paid $50 or more in a calendar quarter to an individual, were the services performed in your home? **2a**
b If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 2)? **2b**
c If the answer to b is "Yes," write your employer identification number. ▶ **2c**

3 Write the amount of qualified expenses you incurred and actually paid in 1984, but **do not** write more than $2,400 ($4,800 if you paid for the care of two or more qualifying persons) **3**

4 You **must** write your earned income on line 4. See the instructions for line 4 for the definition of earned income.
- If you were **unmarried** at the end of 1984, write your earned income on line 4, **OR**
- If you are **married**, filing a joint return for 1984,
  a write your earned income $ ...., and
  b write your spouse's earned income $ ...., and
  c compare amounts on lines 4a and 4b, and write the **smaller** of the two amounts on line 4. **4**

5 Compare amounts on lines 3 and 4, and write the **smaller** of the two amounts on line 5. **5**

6 Write the percentage from the table below that applies to the adjusted gross income on Form 1040, line 33. **6**

If line 33 is: Over— But not over—	Percentage is:	If line 33 is: Over— But not over—	Percentage is:
0–$10,000	30% (.30)	$20,000–22,000	24% (.24)
$10,000–12,000	29% (.29)	22,000–24,000	23% (.23)
12,000–14,000	28% (.28)	24,000–26,000	22% (.22)
14,000–16,000	27% (.27)	26,000–28,000	21% (.21)
16,000–18,000	26% (.26)	28,000	20% (.20)
18,000–20,000	25% (.25)		

7 Multiply the amount on line 5 by the percentage shown on line 6, and write the result. **7**

8 Multiply any child and dependent care expenses for 1983 that you paid in 1984 by the percentage that applies to the adjusted gross income on Form 1040, line 33, for 1983. Write the result. (See line 8 instructions for the required statement.) **8**

9 Add amounts on lines 7 and 8. Write the total here and on Form 1040, line 41. This is the maximum amount of your credit for child and dependent care expenses. **9**

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

What Is the Child and Dependent Care Expenses Credit?

You may be able to take a tax credit for amounts you paid someone to care for your child or other qualifying person so you could work or look for work in 1984. The credit will lower the amount of your tax. The credit is based on a percentage of the amount you paid during the year. The most you may take as a credit is $720 if you paid for the care of one qualifying person, or $1,440 if you paid for the care of two or more qualifying persons.

Additional Information.—For more information about the credit, please get **Publication 503**, Child and Dependent Care Credit, and Employment Taxes for Household Employers.

Who Is a Qualifying Person?

A qualifying person is any one of the following persons:

- Any person under age 15 whom you claim as a dependent (but see the special rule later for **Children of divorced or separated parents**).
- Your disabled spouse who is mentally or physically unable to care for himself or herself.
- Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of $1,000 or more.

Children of divorced or separated parents.—If you were divorced, legally separated, or separated under a written agreement, you may be able to claim the credit even if your child is not your dependent. Your child is a qualifying person if **all four** of the following apply:

1. You had custody for the longer period during the year; and

2. The child received over half of his or her support from one or both of the parents; and

3. The child was in the custody of one or both of the parents over half of the year; and

4. The child was under age 15, or was physically or mentally unable to care for himself or herself.

(Continued on back)

Form **2441 M**

Montana
Expenses for Household and Dependent Care Services

19___

Name(s) as shown on Form 2 | Your social security number

	January	February	March	April	May	June	July	August	September	October	November	December
1 Monthly amounts incurred for employment-related expenses in the household (See General Instruction B and Specific Instructions for line 1):												
(a) Dependent under age 15												
(b) Disabled dependent												
(c) Disabled spouse												
2 Monthly amounts incurred for services outside the household for care of dependents under age 15. Enter lesser of amount incurred, or $200 for one, $300 for two, or $400 for three or more												
3 Total (Add lines 1(a), 1(c), and 2)												
4 If you entered employment-related expenses for a disabled dependent on line 1(b), above, and the combined amount of adjusted gross income and disability payments received this year by that dependent is in excess of $750, divide the excess over $750 by the number of months for which you have listed amounts on line 1(b). Enter this result or the monthly amount on line 1(b), whichever is smaller, in each monthly column in which an amount is listed on line 1(b) (See specific instructions for lines 4 and 5)												
5 If you entered employment-related expenses for a disabled spouse on line 1(c), above, and your disabled spouse received disability payments, divide the total disability payments received this year by the number of months for which you have listed amounts on line 1(c). Enter this result or the monthly amount on line 1(c), whichever is smaller, in each monthly column in which an amount is listed on line 1(c) (See specific instructions for lines 4 and 5)												
6 Total (Add lines 4 and 5)												
7 Subtract line 6 from line 3												
8 Monthly limitation	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00
9 Enter lesser of line 7 or line 8												
10 If your combined (column A & B) adjusted gross income, Form 2, line 38 is larger than $18,000, divide the amount over $18,000 by 24. Enter this result in each monthly column in which you have an amount listed on line 3												
11 Subtract line 10 from line 9. If line 10 is greater than line 9, enter a zero												

12 Add amounts on line 11 and enter total here	
13 Total amounts listed on line 11 paid during this taxable year or a prior taxable year (See specific instructions for line 13)	
14 Enter lesser of line 12 or line 13	
15 Deductible household and dependent care expenses incurred in prior taxable year not paid until this taxable year (Attach schedule showing computation of deduction—See specific instructions for line 15)	
16 Allowable deduction this taxable year (Add lines 14 and 15). Enter total here and include on Form 2, line 84	

General Instructions

A. Who May Claim This Deduction—If you maintain a household which includes as a member one or more qualifying individuals (See Specific Instructions for line 1), you may be allowed a deduction for employment-related expenses PAID during the taxable year.

You will be treated as maintaining a household for any year only if you furnish over half the cost of maintaining the household for that year. If you are married for a year, you and your spouse must provide over half the maintenance cost for that year.

The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and food consumed on the premises. They do not include the cost of clothing, education, medical treatment, vacations, life insurance, and transportation.

B. Employment-related Expenses—"Employment-related expenses" are those paid for the following, but only if paid to enable you to be gainfully employed:

(1) Expenses for household services—Expenses will be considered for household services in your home if they are for the ordinary and usual services necessary for the operation of the home, and bear some relationship to the qualifying individual. Thus, payment for services of a domestic maid or cook will ordinarily be considered expenses for household services if performed at least partially for the benefit of the qualifying individual. Payments for services of an individual employed predominantly as a chauffeur, bartender, or gardener will not be considered expenses for household services.

(2) Expenses for the care of a qualifying individual—Expenses will be considered for the care of one or more qualifying individuals if their main purpose was to assure that individual's well-being and protection. Payments for food, clothing, or education are not such expenses. However, if the care provided includes expenses that cannot be separated, the full amount paid will be considered for the qualifying individual's care. Thus, the full amount paid to a nursery school will be considered for the care of a child even though the school also furnishes lunch. Educational expenses for a child in the first or higher grade level are not expenses for the child's care.

C. Special Rules—

(1) Married couples may now take the child care deduction while filing separately on the same form. The deduction must be divided equally between the spouses. You may not claim the deduction if you are married filing separately on separate forms (filing status 4).

Gainful employment requirement—If you are married for any period during the taxable year, take into account employment-related expenses incurred during any month of that year only if:

(a) Both you and your spouse are gainfully employed on a substantially full-time basis (three-quarters or more of the normal or customary work week or the equivalent during the month) or actually seeking gainful employment, or

(b) Your spouse is physically or mentally incapable of self-care.

Self-employment is considered gainful employment for the purpose of this deduction.

D. Child Care Deduction vs. Medical Expenses Deduction—If an expense qualifies as both employment-related and medical, you may treat it either way, as long as you do not deduct it twice. If you treat the expense as employment-related, then any part of it that you cannot deduct because of the maximum $400 monthly limitation can be treated as part of your medical expenses.

If you treat the expense as medical, then the part of it that is not deductible because of the 5 percent medical deduction limitation cannot be used as part of your employment-related expenses.

E. Short-year Filers—If your return covers a period of less than 12 months, consult the Montana Department of Revenue for information concerning computation of limitations.

F. Marital Status—If you are married but not living with your spouse at the end of your taxable year or your marital status changed during the year, consult the Montana Department of Revenue to determine the rules that pertain to you.

Specific Instructions

Line 1—Enter your monthly employment-related expenses for the following qualifying individuals:

(a) A dependent under age 15 whom you can claim as an exemption. You should enter the expenses for that dependent on line 1(a), even if the dependent also qualifies as a disabled dependent, as described in (b) below.

(b) A person who is physically or mentally incapable of self-care whom you either:

(1) are entitled to claim as an exemption (if under age 15, you should enter the expenses on line 1(a), instead of on this line); or

(2) would be entitled to claim as an exemption except that the person had gross income of $650 or more.

(c) Your spouse, if physically or mentally incapable of self-care.

Enter all your monthly employment-related expenses for household services on line 1(a) if those expenses benefited a dependent under age 15. This rule applies even if the expenses also benefited a disabled dependent, a disabled spouse, or a non-qualifying individual. For example, consider all the monthly wages paid a housekeeper who cares for your children, (ages 9 thru 16 years), cares for your disabled spouse, and performs regular household cleaning and cooking services, as employment-related expense includable on line 1(a).

If the services of the housekeeper were for two or more incapacitated qualifying individuals (none of whom are under age 15) divide the housekeeper's wages equally among the incapacitated individuals. See example under Specific Instructions for lines 4 and 5.

If the monthly employment-related expenses for household expenses benefited a qualifying individual, do not allocate any part of the expenses to non-qualifying individuals.

You must determine on a daily basis whether a person is a qualifying individual. For example, if you incurred employment-related expenses for the care of your dependent or spouse who ceases to be a qualifying individual on September 16, treat the dependent or spouse as a qualifying individual through September 15 only.

Line 2—You may include employment-related expenses incurred for services outside your household, such as nursery school expenses, if they are for the care of a dependent under age 15 whom you can claim as an exemption, subject to the following limitations for each month:

(1) $200, in the case of one individual,

(2) $300, in the case of two individuals, and

(3) $400, in the case of three or more individuals.

Lines 4 and 5—Reduction for Certain Payments—If you incurred employment-related expenses during a month solely for a physically or mentally incapable dependent (see line 1(b)) or for your disabled spouse (see line 1(c)) reduce the amount of those expenses as follows:

(1) Disabled dependent—by the dependent's adjusted gross income and disability payments received during the taxable year which exceed $750 allocable to that month.

(2) Disabled spouse—by your spouse's disability payments received during the taxable year allocable to that month.

If you have more than one qualifying disabled individual and you are required to reduce employment-related expense on line 4 or 5 for at least one of them, you should complete lines 1-7 only of a separate Form 2441M for each qualifying disabled individual. On line 7 of another Form 2441M enter the total of the amounts listed on line 7 of each of the separate Forms 2441M. At the bottom of the form on which you list the totals, write "See attached separate Forms 2441M.

"Disability payment" means a payment (other than a gift) made on account of the physical or mental condition of an individual and not included in gross income.

Example—You have a dependent over age 15, and a spouse. Both are physically incapable of caring for themselves. You have monthly employment-related expenses of $50 solely for the care of the dependent, $100 solely for the care of your spouse, and $150 for household services for both. You must allocate the $150 of monthly household expenses half to the dependent and half to your spouse. Accordingly, monthly employment-related expenses of $125 are attributable to the dependent, and monthly employment-related expenses of $175 are attributable to your spouse. The monthly expenses attributable to each must be reduced as provided in line 4 and line 5.

Line 8—The $400 amounts printed on line 8 show the monthly limit for deductible amounts. A deduction is allowable for employment-related expenses INCURRED during any month. "Incurred" means owed for payment, whether or not paid. However, to be deductible the expenses must be paid during your taxable year and must be within the limitations.

Line 10—If your adjusted gross income is less than $18,000, enter a zero on this line. If your adjusted gross income exceeds $18,000 for the taxable year, reduce the amount of the monthly employment-related expenses or the monthly limitation, whichever is the lesser, by 1/24 of the excess adjusted gross income over $18,000. If you are married during any period of the taxable year, you should take into account the combined adjusted gross income of you and your spouse for that period.

Line 13—If in a prior year you paid for an employment-related expense not incurred until this year, consider the payment in the prior year as being paid during this year in the month you incurred the expense.

Line 15—Household and dependent care expenses incurred in 1982 may be deductible in 1983. If you paid for expenses in 1983 that you incurred in 1982, a deduction is allowable if you meet the deductibility requirements for the month you incurred the expenses.

Example—In December 1982, you incurred employment-related expenses of $600 for your 14-year-old dependent. You paid $300 of the expenses in 1982, and $300 in 1983. You and your spouse's combined adjusted gross income for 1982, the year the expense was incurred, was $17,000. You would be allowed $100 deduction on line 15 for 1983, computed as follows:

Household and dependent care expenses incurred in 1982	$600
Monthly limitation	$400
Income limitation	-0-
Deduction	$400
Less deduction 1982	$300
Deduction 1983	$100

(dates shown above for working example only)

1. If based on Federal credit they may change at any time thereby changing our credit.

2. If based on Federal credit and having no fiscal impact you would be taking away from the low income and giving to high income. i.e. there is no limit outside of the fact that the credit is reduced to 20% by the time you reach $28,000 but there are no limitations after that.