

SENATE COMMITTEE ON NATURAL RESOURCES

January 11, 1989

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MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON NATURAL RESOURCES

Call to Order: By Senator Thomas F. Keating, on January 11, 1989, at 1 pm in Room 405 of the Capitol.

ROLL CALL

Members Present: Thomas F. Keating, Larry Tveit, Fred VanValkenburg, Loren Jenkins, Darryl Meyer, Lawrence Stimatz, Pete Story, Bill Yellowtail, Cecil Weeding, Dorothy Eck, Jerry Noble.

Members Excused: Elmer Severson

Members Absent: none

Staff Present: Bob Thompson and Helen McDonald

HEARING ON SENATE BILL 3

Presentation and Opening Statement by Sponsor: Senator Joe Mazurek, District 23, sponsored SB 3, by request of the Department of Revenue, to change the tax report filing requirement for the license tax on metal mines and the resource indemnity trust tax from quarterly to annually; to increase the penalty provisions and to change the date for payment of the taxes. Senator Mazurek handed out the fiscal note which came as part of this package. When the oversight committee looked at it, they indicated there would be no fiscal impact on this bill. When the actual fiscal note was prepared at the start of the session it indicated a slight decrease in revenue collections of \$25,000 so Senator Mazurek didn't sign it because he didn't think it was correct. He knew when the department drafted this bill, that they anticipated it would have no fiscal

impact. The only purpose of the bill is to change the tax report filing requirement for metal mines license and other resource indemnity taxpayers. Under current law they pay the tax annually but are required to report quarterly. At one point the legislature had considered requiring these taxes to be paid quarterly. However, that change did not occur and now quarterly returns requiring quarterly estimates are required and this is a burden on them because there is no reason for them to file quarterly. Senator Mazurek proposed an amendment to be drafted by the department. On page 8 line 4, metal producers would be required to file their reports on or before the 60th day following the end of the calendar year. This change is desired because they don't always get their returns from the smelters in time to file reports by the deadline in the bill. Senator Mazurek said this amendment has been worked out between the department and the metals producers.

List of Testifying Proponents and What Group they Represent:

Ward Shanahan representing Montana Mining Association.
Rich Marble, Bureau Chief, Natural Resource and Corporation Tax Division.
John Fitzpatrick, Pegasus Gold Corporation.

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Ward Shanahan representing the Montana Mining Association supports the bill with the amendment.

Rich Marble, Bureau Chief, Natural Resource and Corporation Tax Division, Department of Revenue. The 30-day extension is necessary because we were finding during audits that metals producers do not have the information from the smelters and refineries by the tax return due date. Currently producers are estimating the balance from the last shipments made during the reporting time period and then making adjustments by filing amended returns when the information becomes available. This bill will enable producers to file an accurate tax return the first time without the need for further adjustment to correct estimates. Also, the title of the bill talks about increasing the penalty from 8 to 10% for failure to file the tax due on time. This bill proposes to return to the tax rate that was in place when these taxes were originally filed annually. The 10% rate is also the rate currently

charged on the other mineral production taxes such as the coal tax, gypsum producers tax, etc. When the taxes were changed from annual to quarterly the penalty rate was amendment at 2% per quarter instead of 2 1/2% and the annual rate of 8% rather than 10%. The amendments proposed by this bill will eliminate the extra work now required for taxpayers to file. Mr. Marble thinks the bill is in the best interests of both mineral producers and the department. (Exhibit 1)

John Fitzpatrick, Pegasus Gold Corporation, supports the bill and the amendment. It will assist the mineral producers with the preparation of taxes.

Closing by Sponsor: Senator Mazurek closed the hearing on SB3.

DISPOSITION OF HOUSE BILL 3

Amendments and Votes: Senator VanValkenburg moved that SB3 DO PASS AS AMENDED. All members present voted "yes." None were opposed. There is no impact so in fact it would be a negative fiscal impact because it's less paper work and doesn't change the rate, just the reporting.

HEARING ON SENATE BILL 29

Presentation and Opening Statement by Sponsor: Senator Gage introduced SB 29 upon request of the Department of Natural Resources and Conservation, noting that SB 29 is a very short bill. On page 2, line 11, regulating the plugging and abandonment of seismic shot holes by rule making, it is Senator Gage's understanding the Board of Oil and Gas Conservation has done this sometime ago, but it is not clear in statute that they it has authority. This bill makes it clearer that board has that authority.

List of Testifying Proponents and What Group they Represent:

Dee Rickman, Executive Secretary, Board of Oil & Gas, Natural Resources.

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Dee Rickman, Executive Secretary, Board of Oil & Gas, Natural Resources. Mr. Rickman said this bill is merely a housekeeping measure to clarify the board's

authority to follow rules regulating plugging of shot holes.

Questions From Committee Members: Senator Fred Van Valkenburg noted that this bill may require a statement of intent with it because it is extending the board's authority for the adoption of the rules. A statement of intent will be prepared by committee staff. Discussion is closed on SB29.

Closing by Sponsor: Senator Gage closed the hearing on this bill.

DISPOSITION OF SENATE BILL 29

Discussion: Senator Van Valkenburg moved to take up Senate Bill 29 with a proper statement of intent attached to it before it goes out of committee. He suggested that the statement be drafted and that if any committee member has a problem with it on the floor, it can be shipped back to committee.

Amendments and Votes: All members present voted "yes". None were opposed. DO PASS with statement of intent.

ADJOURNMENT

Adjournment At: 1:35 pm


THOMAS F. KEATING, Chairman

TFK/hmc

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ROLL CALL

NATURAL RESOURCES COMMITTEE

50st LEGISLATIVE SESSION -- 1989

Date 11-89

NAME	PRESENT	ABSENT	EXCUSED
Chairman Tom Keating	✓		
Vice-Chairman Larry Tveit	✓		
Senator Fred VanValkenburg	✓		
Senator Loren Jenkins	✓		
Senator Darryl Meyer	✓		
Senator Lawrence Stimatz	✓		
Senator Pete Story	✓		
Senator Bill Yellowtail	✓		
Senator Elmer Severson			✓
Senator Cecil Weeding	✓	✓	
Senator Dorothy Eck	✓		
Senator Jerry Noble	✓		

Each day attach to minutes.

STANDING COMMITTEE REPORT

January 12, 1989

MR. PRESIDENT:

We, your committee on Natural Resources, having had under consideration SB 3 (first reading copy -- white), respectfully report that SB 3 be amended and as so amended do pass:

1. Page 7, line 23.

Following: "This"

Strike: "form"

Insert: "statement"

2. Page 7, line 24.

Following: line 23

Strike: "shall"

Insert: "must"

3. Page 8, line 2.

Following: "any"

Strike: ", "

Insert: "."

Strike: "and"

Insert: "Metal producers"

Following: "shall"

Strike: "be delivered"

Insert: "deliver the statement"

4. Page 8, line 4.

Following: "year."

Insert: "Mineral producers, including oil and gas producers, shall deliver the statement to the department on or before the 60th day following the end of the calendar year."

AND AS SO AMENDED DO PASS

Signed:


Thomas F. Keating, Chairman


STANDING COMMITTEE REPORT

January 12, 1989

MR. PRESIDENT:

We, your committee on Natural Resources, having had under consideration SB 29 (first reading copy -- white), respectfully report that SB 29 do pass.

DO PASS

Signed: 

Thomas F. Keating, Chairman

Statement of Intent attached.

STATEMENT OF INTENT
SENATE BILL NO. 29

A statement of intent is required for this bill to provide further guidance to the board of oil and gas conservation on the content of rules addressing plugging and abandonment of seismic shot holes. The rules should describe:

- (1) plugging requirements, which may vary with geologic conditions; and
- (2) surface restoration requirements around the seismic shot hole.

SENATE NATURAL RESOURCES

EXHIBIT NO. 1

DATE 1-11-89

BILL NO. SB 3

Department of Revenue Testimony on Senate Bill # 3

The Department of Revenue is proposing this bill to change the filing of tax returns for the Metalliferous Mines License Tax and the Resource Indemnity Trust Tax (RITT) from quarterly to annual. The bill also extends the due dates on both taxes 30 days to March 31 of the year following the production year for metals producers.

While current statute requires quarterly filing, it requires annual payment with the fourth quarter tax return. Consequently the fiscal impact of this change is less than would be expected. The cost that will be incurred results from extending the due dates for payment 30 days for metal producers.

We are requesting the 30 day filing extension because we are finding during our audits that metals producers do not have all the settlement information from the smelters and refineries in time to file the tax returns by the current due date. Currently producers are estimating recovered amounts for the last shipments made during the reporting period and then making adjustments on subsequent tax returns or filing amended returns when final settlement data is available. This bill will enable producers in most instances to file an accurate tax return the first time without the need for further adjustment to correct estimates.

Concerning the penalty increase from 8% to 10% for failure to file and pay the tax due on time. This bill proposes to return penalty rates to those that were in place when these taxes were originally filed annually. The 10% rate is also the rate currently charged on the other mineral production taxes such as oil and gas severance, coal severance, cement and gypsum producers tax, etc.. When the taxes were changed from annual to quarterly filing the penalty rate was amended to 2% per quarter and of 2.5% per quarter which made the annual rate 8% instead

Ex. #1

1-11-89

SB 3

of 10%

Revising these statutes as proposed by this bill will eliminate the worthless paperwork now required for taxpayer's to file, what amounts to an estimated return, each quarter. This bill is in the best interests of both the mineral producers and the department and we request your support.

SB 3

1-11-89

Proposed Amendment to Senate Bill 3

Purpose: To extend the Resource Indemnity Trust Tax filing date 30 days to March 31 for metals producers only consistent with the proposed filing date for the Metalliferous Mines License Tax. All other mineral producers would continue to file tax returns 60 days after year end.

Amendment:

Page 8, line 4.

Following: "year"

Insert: "by metals producers and on or before the 60th day following the end of the calendar year by all other mineral producers including producers of oil and gas"

