

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - 1st SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on June 24, 1989, at
10:20 a.m.

ROLL CALL

Members Present: 18

Members Excused: Representatives Ellison and Rehberg

Members Absent: Representatives Ream and Driscoll

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

Announcements/Discussion: None

DISPOSITION OF HOUSE BILL 39

Motion: Motion by Representative Giacometto that House Bill 39
do pass.

Discussion: Representative Stang presented the report from the
subcommittee. Their recommendations are included in the
amendments to the bill which are attached. (See EXHIBIT 1).

Representative Stang said the first amendment would take out all
the areas that brought in the property tax reclassification
which raised the homeowner to 4.3% and dropped the personal
property down to 7 or 8%. He said the reason they did this
is because there are a number of other bills that deal with
property tax reform, and they felt it was not good to put it
in a bill as important as this.

Representative Kadas explained the amendments: 1). The first
one simply eliminates the personal property tax reductions
and eliminates the increases in Class 4 residential rates,
and 2) allows extremely small districts to "catch their
wind". It gives them a higher reserve rate than other
schools, because the problem they have, some are so small
and their budgets are so small that if they stick to the
percentage requirements everyone else has, their reserves in
some cases would be no larger than \$4,000 which could not
meet an emergency if it should arise. He said this sets a
limit of \$10,000.

Page 2. Increases the income tax surcharge from 5% to 10%, takes
that revenue and puts it into the schedule. He said it also

takes the ending fund balance and puts it in the schedule, then as you raise the schedules you decrease the amount of guaranteed tax base you have to cover. This gives some additional guaranteed tax base money that was dedicated to covering state subsidies and you also put that into the schedule. He said this gets the state's funding share up to about 75.3%, it increases the schedules for elementary categories 1 through 6 which would be an increase of 18%; category 7 and 8 would be 28% and the high schools would be 26%.

Page 4. This deals with transportation, there had been a mechanism set up to try to do some partial equalization in the transportation fund and in talking with some administrators, there seems to be a consensus that the transportation fund is such a mess now that it makes no sense to try to equalize it at this point without further study. They are putting transportation back to where it is in the law now, and it will be studied over the interim.

Page 6. Under amendment numbers 56 and 57 increased the appropriation to OPI. There was an appropriation for implementation in Senate Bill 203 and another appropriation in House Bill 100 which was contingent on passage of SB 203. He said when they drafted this bill they started from SB 203, so they had the one appropriation of \$205,000 and there is another appropriation of \$149,000 which was in HB 100 and since 203 did not pass that has been nullified and it had to be put back in this bill, and all the parties have agreed that is about what the OPI is going to need to implement it. He stated that they were trying to make sure that the OPI has the dollars to do the job.

Page 6, Amendments 58 through 64 changes a little bit the way net and gross proceeds are handled. The biggest stumbling block was searching for a way to leave the resource industry alone so they wouldn't get hit with the full impact of the 95 mandatory mills. The taxation of those industries are still changed to a flat rate based on gross value of coal and oil and gas. The amendments allow for the computation that is needed to utilize guaranteed tax base. The amendments allow for taking the tax dollars that the districts receive from these industries and apply those dollars to the tax base in that locality to come up with a number of how many dollars per student for ANB monies that those students receive whether they are subsidized or not. They were trying to keep the total dollar amount in the statewide taxable values. Senator Gage has done a lot of work in this area and they did not do exactly what Sen. Gage wanted done, but the big impact of what these amendments will do is for a small district that has a lot of oil will have to share those resource dollars with the other districts in the county.

Page 6, amendments 65 through 90 are technical amendments.

Questions from committee on amendments:

Representative Driscoll asked what is the date the surcharge is put on? Mr. Heiman said the surcharge begins July 1, 1990.

Representative Driscoll said if you put that on in July of 1990 at 10% and you haven't collected the first six months, you will have to go 20% for the rest of the year. You will get 20% increase for 6 months since income taxes are withheld and paid on a calendar year so for the first 6 months of '90, your withholding will be one number and you will get a 20% increase because you only have 6 months to collect the money.

Amendments, Discussion, and Votes: Motion by Representative Kadas to adopt the subcommittee amendments (See EXHIBIT 1).

Motion: Motion by Representative Driscoll to amend the subcommittee amendments to January 1 of 1990. He stated that the increase is only once of the 10%, but not in the middle of the year at 20%. He said it is the same dollars, but when it is held out of the paycheck there would be a big hit on July 1 from the withholdings and this way it is spread out.

Representative Gilbert said his understanding is that they were financing schools on a fiscal year basis from July to July and this financing will kick in on July 1 of 1990, then why should they start collecting their tax 6 months in advance? Rep. Driscoll said if you don't kick it in the calendar year, the surcharge of 10% for 6 months--at the end of the year how is the income tax form going to show? Will it say you owe \$1,000 plus 10% and they've only withheld the 10% for 6 months? He said, if you don't start taking it out at the first of the year, when they take it out of your check they will have to double it for the 6 months that are left.

Representative Gilbert said he objected to pumping more money into the system to start with, and his objection is they will get 6 more months pumped into the system because they do not start funding it until July 1, but start giving them money in January.

Representative Driscoll said they would be building up the escrow and they will only be spending as much as the schedules say. He said it will be in the fund but they can't spend it since they get their money on the ANB money basis.

Representative Giacometto asked Rep. Kadas why it was intended to go to July 1? Rep. Kadas said he was not sure, he would have to check with one of the fiscal people on that. He said he did not have a problem with the amendment; and would want to avoid going into a position where they are taking 20% on the withholding since that is not necessary. He said he would check on this, and if it was a problem he would

offer an amendment on the floor.

Representative Ream said he was talking about the tax year '90, and the big collection on that comes the following year in April of '91. He said there is withholding through the year and there may be estimated tax payments quarterly or monthly, but the biggest hit comes the following April. He said you are starting the payments in July of '90? Representative Kadas explained that for the year you would only have half the payments, and that is what he is referring to. Rep. Ream said he felt it should be started in January of '90 with the 10% surcharge since it would be taken into account on the withholding.

Representative Swysgood asked Rep. Kadas about taking the ending fund balance and putting it into the schedule? Rep. Kadas referred to an LFA sheet that was given out earlier.

Representative Driscoll asked what percent was being charged to oil, gas and coal? Representative Kadas said coal is at 6%, oil is at 10% and gas is at 16%. He said those are set roughly to accommodate the dollars they would have to pay at 75 mills.

Representative Kadas was asked what the mills are on real property and stated that it was 95.

Representative Raney asked if this affects the severance tax on oil and gas? Representative Kadas said no.

Representative Gilbert said he was going to support Rep. Driscoll's motion because he felt it would be easier on the taxpayer. He still objected to what they are doing to the taxpayer, but felt this might ease the blow a little.

Recommendation: A vote was taken on Rep. Driscoll's amendment to the amendments. The motion **CARRIED** unanimously.

Motion on the Kadas amendments: A vote was taken on Rep. Kadas' amendment. The motion **CARRIED**. 4 members voted no.

Representative Kadas said the main criticism he has had of this bill is that it doesn't bring the bottom and the top close enough together. He said that this is a somewhat painful way to do this bill, but it would bring the bottom up a little bit. He stated that this would make the permissive mills mandatory, which would mean those mills will remain on a guaranteed tax base so that wealthier districts will have to levy 2 more mills and the average districts will levy about the same number. He said if you make those mills mandatory on a local basis it brings every districts' funding up to the 90% level; which is the same level in SB 203 from the regular session, and the same level the Republicans tried to amend Rep. Schye's bill down to. The other thing this amendment will not throw the bill out of

balance, it pays for itself. You will still have a bill that is in balance over time, but when the 90% funding level is reached the problems the education community has would be resolved.

Representative Giacometto asked about the mandatory permissive levies--do you mean the levies they are currently levying now? Rep. Kadas said no, the permissive levies in this bill. He said this bill funds the schedules to 77% and from 77% to 90% is the guaranteed tax base permissive bill, up to the trustees. This amendment would make that mandatory and the trustees would have to levy that mill.

Representative Giacometto asked what that would make state wide, a fluctuation all over? Rep. Kadas said it would be fluctuating. If you have a very wealthy tax base it will mean 1 or 2 mills; if you are a poor or average tax base, it could mean 25 mills.

Representative Giacometto stated that without really knowing the committee would have to have a break down for each district with this bill to know how it will affect each of those districts.

Representative Driscoll asked what the permissive mill levy would be and how many would it be? Representative Kadas said it was not the number of mills but a percentage or dollar amount, so if you have a high tax base you could get those dollars with fewer mills.

Representative O'Keefe said the numbers have been changed around and the committee is getting to a point where the numbers are very important and as individuals will need to know what this would do to our district. He asked if they were planning on moving this bill out of committee and sending it to the Board on Monday or look at the numbers first.

Representative Kadas said he would like to move the bill out, but if the committee really wanted to see the impact of the amendment they could wait.

Chairman Harrington said he did not know for sure what this bill does, and if the committee wants to move it out, that is fine but it is also bad tax policy. He stated that there were no sheets on this and does not know what this amendment will do.,

Representative Giacometto said this bill will not change the bill as to what will have to happen, all it really does is change the language that says this permissive levy that you have to levy anyway will now be mandatory. Representative Kadas answered that with a permissive levy they don't have to levy it, it is up to the trustees. Rep. Giacometto said yes, but to get them up to the funding in this bill they will have to levy the permissive levies anyway. Rep. Kadas said no. He

said if they are above that level of funding now they would go out and levy the mills, but not all of the schools are above that level of funding. He said some schools are below 90% of the state average, and this would force them into levying the amount of mills required to bring them up to 90%, and they would be guaranteed tax base bills so the poor districts would not see such a big hit.

Representative Good said she wondered if Rep. Kadas would consider withdrawing this amendment for now and after they have a chance to look at it to amend it on the floor.

After comments from other committee members saying they would be more comfortable with waiting, Representative Kadas withdrew his motion to amend.

Representative Raney said he is really concerned with the time element next week to make they are done by next Saturday. He stated that if this bill is not moved and wait until Monday then it is Tuesday or later for floor debate. He asked about some procedures and suspension of rules to get the bill through.

Chairman Harrington said he has some real problems with the bill, and some of the things in the bill he does not care for. He said it causes real problems in the educational community if this is the bill that the Legislature adopts.

Representative Gilbert said some of us have equal concerns about this bill and the other bills. He says the trend seems to be to put out several bills to make one good bill. He said he felt it was good to get this bill out and debate it with the others and start moving ideas around and make a good bill.

Motion: Representative Kadas moved House Bill 39 do pass as amended.

Recommendation and Vote: Roll call vote was taken. The motion CARRIED to DO PASS AS AMENDED. 4 members voted no.

ADJOURNMENT

Adjournment At: 10:20 a.m.



REP. DAN HARRINGTON, Chairman

DH/dg

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DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

DATE: June 24, 1989

NAME	PRESENT	ABSENT	EXCUSED
<u>Dan Harrington. Chairman</u>	✓		
<u>Bob Ream, V. Chairman</u>	✓		
<u>Ben Cohen</u>	✓		
<u>Jerry Driscoll</u>	✓		
<u>Jim Elliott</u>	✓		
<u>Orval Ellison</u>	✓		✓
<u>Leo Giacometto</u>	✓		
<u>Bob Gilbert</u>	✓		
<u>Susan Good</u>	✓		
<u>Ed Grady</u>	✓		
<u>Marian Hanson</u>	✓		
<u>Robert Hoffman</u>	✓		
<u>Mike Kadas</u>	✓		
<u>Francis Koehnke</u>	✓		
<u>Mark O'Keefe</u>	✓		
<u>John Patterson</u>	✓		
<u>Bob Raney</u>	✓		
<u>Dennis Rehberg</u>	✓		
<u>Ted Schye</u>	✓		
<u>Barry Stang</u>	✓		
<u>Jessica Stickney</u>	✓		
<u>Chuck Swysgood</u>	✓		

Done

6/26/89
10:25 am
ja

STANDING COMMITTEE REPORT

"An Act to Generally Revise Public School Funding Law
and Related Tax Law; to Revise the Classification
and Taxable Rate of Certain Property; to Impose a
Flat Tax Rate on Coal Gross Proceeds, . . ."

June 26, 1989

Page 1 of 13

Mr. Speaker: We, the committee on Taxation report that HOUSE
BILL 39 (first reading copy -- white) do pass as amended .

Signed: *Bob Ream*
Bob Ream, Vice-Chairman

And, that such amendments read:

[Eliminate Property Tax Revisions from Bill]

1. Title, lines 5 through 7.

Strike: "TO REVISE THE CLASSIFICATION AND TAXABLE RATE OF CERTAIN
PROPERTY;"

2. Title, page 2, lines 23 and 24.

Strike: "15-1-101,"

Strike: "15-6-134, 15-6-138,"

3. Title, page 3, line 10.

Strike: "15-6-139, 15-6-140, 15-6-146,"

4. Page 9, line 12 through page 14, line 1.

Strike: section 2 in its entirety

Renumber: subsequent sections

5. Page 14, line 17 through page 19 line 2.

Strike: sections 4 and 5 in their entirety

Renumber: subsequent sections

6. Page 158, line 5.

Strike: "15-6-139, 15-6-140, 15-6-146,"

[Cobb's amendments relating to reserves]

7. Page 65, line 5.

Strike: "The"

Insert: "Except as provided in subsections (3) and (4), the"

8. Page 66, line 6.

Strike: "or"

9. Page 66, line 9.

Following: "section]"

Strike: "._"

Insert: "; or

(c) any amount received as a general bonus payment
under 20-6-401.

(4) The limitation of subsection (1) does not apply if
the amount earmarked as cash reserve is \$10,000 or less."

[Increase in surcharge from 5% to 10%, resulting increase in FY
1991 schedule amounts, and change effective date]

10. Title, page 1, line 11.

Strike: "5"

Insert: "10"

11. Page 88, line 6.

Strike: "\$21,872"

Insert: "\$23,783"

12. Page 88, line 9.

Strike: "\$21,872"

Insert: "\$23,783"

13. Page 88, line 10.

Strike: "\$914.15"

Insert: "\$994.01"

14. Page 88, line 15.

Strike: "\$35,852"

Insert: "\$38,984"

Strike: "\$914.15"

Insert: "\$994.01"

15. Page 88, line 18.

Strike: "\$30,100"

Insert: "\$32,730"

16. Page 88, line 19.

Strike: "\$914.15"

Insert: "\$994.01"

17. Page 88, line 23.

Strike: "\$48,057"

Insert: "\$52,255"

Strike: "\$572.47"

Insert: "\$622.48"

18. Page 89, line 6.

Strike: "\$2,123.44"

Insert: "\$2,308.94"

Strike: "\$2.06"

Insert: "\$2.24"

19. Page 89, line 10.

Strike: "\$1,999.75"

Insert: "\$2,174.44"

20. Page 89, line 11.

Strike: "\$1.13"

Insert: "\$1.23"

21. Page 89, line 14.

Strike: "\$1,769.33"

Insert: "\$1,923.89"

22. Page 90, line 5.

Strike: "\$133,585"

Insert: "\$145,255"

23. Page 90, line 7.

Strike: "\$5,565.80"

Insert: "\$6,052.01"

24. Page 90, line 8.

Strike: "\$30.36"

Insert: "\$33.01"

25. Page 90, line 12.

Strike: "\$5,080.76"

Insert: "\$5,524.59"

26. Page 90, line 13.

Strike: "\$30.36"

Insert: "\$33.01"

27. Page 90, line 16.

Strike: "\$3,259.22"

Insert: "\$3,543.93"

28. Page 90, line 17.

Strike: "\$5.08"

Insert: "\$5.53"

29. Page 90, line 20.

Strike: "\$2,750.92"

Insert: "\$2,991.22"

30. Page 90, line 21.

Strike: "\$2.79"

Insert: "\$3.04"

31. Page 90, line 24.

Strike: "\$2,471.75"

Insert: "\$2,687.67"

32. Page 90, line 25.

Strike: "51"

Insert: "56"

33. Page 91, line 3.

Strike: "\$2,318.21"

Insert: "\$2,520.72"

34. Page 158, line 2.

Strike: "5¢"

Insert: "10¢"

35. Page 160.

Following: line 18

Insert: "(5) [Section 78] is effective January 1, 1990."

36. Page 160.

Following: line 25

Insert: "(3) [Section 78] applies to all taxable years beginning after December 31, 1989."

[Delete Provisions relating to transportation]

37. Title, page 1, line 23.

Strike: "TRANSPORTATION FUND AND"

38. Title, page 1, line 24.

Strike: "BUDGETS"

Insert: "BUDGET"

39. Title, page 2.

Strike: "TO" on line 12 through "COSTS;" on line 14.

June 26, 1989

Page 5

40. Title, page 3, line 3.

Strike: "20-7-442,"

41. Title, page 3.

Strike: "20-10-104, 20-10-141 THROUGH 20-10-145," on lines 7 and
8

Strike: "20-10-146," on line 11

42. Page 4, lines 9 through 12.

Strike: lines 9 through 12 in their entirety

43. Page 4, line 14.

Strike: ", the remaining transportation costs,"

44. Page 6.

Strike: lines 9 through 22 in their entirety

45. Page 19, line 7.

Following: "(1)(k),"

Insert: "15-6-139,"

46. Page 36.

Following: line 3

Insert: "(iii) the high school transportation fund provided for
in 20-10-143;"

Renumber: subsequent subsections

47. Page 54.

Following: line 14

Insert: "(5) "Transportation bonus payment" is the provision of
66 2/3% state financing of the on-schedule transportation
amount as provided by the transportation provisions of the
school laws. When an eligible pupil is entitled to
transportation, the enlarged district is entitled to the
transportation bonus payment for the eligible pupil for a
period of 3 years. The payment must be made from the state
transportation aid account. When the eligible pupil rides a
bus providing transportation for ineligible pupils, the 66
2/3% state financing of the on-schedule amount for this
payment must be prorated to provide financing for the
eligible pupil."

48. Page 64, lines 10 through 22.

Strike: section 29 in its entirety

Renumber: subsequent sections

49. Page 70.

Following: line 19

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Insert: "(c) the county tax in support of the county's high school transportation obligation;"
Renumber: subsequent subsections

50. Page 76, line 21.
Strike: "transportation schedule reimbursement,"

51. Page 97, line 15.
Following: "the"
Insert: "sum of the county elementary transportation obligation and the"

52. Page 103, line 1.
Following: "shall"
Insert: ":"
 (1) deduct from the revenues available in the basic county tax account the amount required for the month to pay the county's obligation for elementary transportation reimbursements; and
 (2) "

53. Page 106, line 2.
Following: "program,"
Insert: "transportation,"

54. Page 108, line 14.
Strike: ", transportation fund,"

55. Page 119, line 14.
Following: "state"
Insert: "and county"

56. Page 119, line 25 through page 138, line 14.
Strike: sections 58 through 63 in their entirety.
Renumber: subsequent sections

57. Page 144, line 20.
Strike: "and school transportation fund balances"
Strike: "(1)"

58. Page 144, line 25 through page 145, line 3.
Strike: subsection (2) in its entirety

59. Page 147, line 12.
Strike: "transportation fund budget and its"

60. Page 148, lines 3 through 8.
Strike: subsection (2) in its entirety
Renumber: subsequent subsections

61. Page 158, line 6.
Following: line 5
Insert: "and"
Strike: ", and 20-10-146"

62. Page 158, lines 20 through 23.
Strike: subsection (3) in its entirety
Renumber: subsequent subsections

[OPI appropriation increase]

63. Page 158, line 25.
Strike: "\$205,000"
Insert: "\$354,000"

[Correct OPI statutory appropriation]

64. Page 139, line 9.
Following: "20-9-943."
Insert: "The net revenue is statutorily appropriated, as provided
in 17-7-502, to the superintendent of public instruction."

[Change manner of handling net and gross proceeds]

65. Page 31, line 11.
Following: "year."
Insert: "For the fiscal year beginning July 1, 1990, the
treasurer shall compute the relative proportions based upon
the state 95-mill levy required by [this act]."

66. Page 146, line 1.
Following: "year."
Insert: "For the fiscal year beginning July 1, 1990, the
treasurer shall compute the relative proportions based upon
the state 95-mill levy required by [this act]."

67. Page 68, line 5.
Strike: "and"

68. Page 68.
Following: line 5
Insert: "(ix) anticipated revenue from net and gross proceeds
taxes for the current year; and"
Renumber: subsequent subsections

69. Page 146, lines 5 through 6.
Strike: "current" on line 5 through "1,000" on line 6

Insert: "revenue received under net and gross proceeds taxes in the preceding year plus revenues received by property tax mill levies in the preceding year divided by the number of mills levied the preceding year"

70. Page 146, lines 11 through 13.

Strike: "current" on line 11 through "1,000" on line 13

Insert: "revenue received under net and gross proceeds taxes in the preceding year plus revenues received by property tax mill levies in the preceding year divided by the number of mills levied the preceding year"

71. Page 146, line 24 through page 147 line 1.

Strike: "current" on line 24 through "1,000" on line 1

Insert: "revenue received under net and gross proceeds taxes in the preceding year plus revenues received by property tax mill levies in the preceding year divided by the number of mills levied the preceding year"

[Technical Amendments]

72. Title, page 2.

Following: line 24.

Insert: "15-23-601 through"

73. Title, page 2, line 25.

Following: "15-23-603,"

Insert: "15-23-605,"

74. Title, page 3, line 10.

Following: "15-6-146"

Insert: "15-23-604"

75. Page 97, line 3.

Following: "under"

Insert: "15-23-607, 15-23-703,"

76. Page 100, line 7.

Following: "under"

Insert: "15-23-607, 15-23-703,"

77. Page 145, line 7.

Following: "under"

Insert: "15-23-607, 15-23-703,"

78. Page 158.

Following: line 3

Insert: "Section 79. Section 15-23-601, MCA, is amended to read:
"15-23-601. Definitions. As used in this part, the

following definitions apply:

~~(1) "Excise tax" means the windfall profit tax on domestic crude oil imposed by Title I of the federal Crude Oil Windfall Profit Tax Act of 1980, as enacted or as amended.~~

~~(2) "Interim production" means the production of natural gas, petroleum, or other crude or mineral oil from any well that:~~

~~(a) has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately preceding the first month of interim production; and~~

~~(b) began interim production after June 30, 1985, and before April 1, 1987.~~

~~(3) (1) The term "new production" means the production of natural gas, petroleum, or other crude or mineral oil from any well:~~

~~(a) that has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately preceding the first month of qualified new production; and~~

~~(b) on which the notification required in 15-36-121(2) was given.~~

~~(4) (2) The terms "operator" and "producer" mean any person who engages in the business of drilling for, extracting, or producing any natural gas, petroleum, or other crude or mineral oil.~~

~~(5) (3) The term "well" includes each single well or group of wells, including dry wells, in one field or production unit and under the control of one operator or producer."~~

Section 80. Section 15-23-602, MCA, is amended to read:

"15-23-602. Statement of sales proceeds. (1) Except as provided in subsection (2), each operator or producer of natural gas, petroleum, or other crude or mineral oil must on or before April 15 in each year make out and deliver to the department of revenue a statement of the gross sales proceeds of such natural gas, petroleum, or other crude or mineral oil from each well owned or worked by such person during the next preceding calendar year. The gross sales proceeds shall be determined by multiplying the units of production sold from the well times the royalty unit value of that production at the well. Such statement shall be in the form prescribed by the department and must be verified by the oath of the operator or producer or the manager, superintendent, agent, president, or vice-president of such corporation, association, or partnership. Such statement shall show the following:

(a) the name and address of the operator, together with a list in duplicate of the names and addresses of any

and all persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

(b) the description and location of the well;

(c) the number of cubic feet of natural gas, barrels of petroleum or other crude or mineral oil sold from the well during the period covered by the statement;

(d) the gross sales proceeds in dollars and cents or, in the case of sales between parties not acting at arm's length, the greater of the gross sales proceeds from or the fair market value of the products sold;

~~(e) except for interim production and new production as defined in 15-23-601.~~

~~(i) actual cost of extracting product from well;~~

~~(ii) cost of construction, repairs, and betterments;~~

~~(iii) actual cost of fire insurance and workers' compensation insurance;~~

~~(iv) the amount paid or withheld in satisfaction of liability for excise taxes imposed by the U.S. government on the production, sale, or removal of the natural gas, petroleum, or other crude or mineral oil reported pursuant to subsection (1)(c), including a separate statement of the amount of such taxes paid or withheld from each royalty owner.~~

(2) Each operator having ~~interim production or new production as defined in 15-23-601~~ shall, on or before the last day of the months of October, January, April, and July, make out and deliver to the department of revenue a statement of the gross sales proceeds of ~~such interim production or the new production~~ from each well owned or worked by ~~such~~ the person during the preceding calendar quarter. The statement must be in the form prescribed by the department and verified as provided in subsection (1). The statement shall show the information required in subsections (1)(a) through (1)(d)."

Section 81. Section 15-23-605, MCA, is amended to read:

"15-23-605. Assessment of royalties. (1) The amount of royalty received, valued as provided in 15-23-603(1)(a), ~~less 70% of the amount of excise taxes paid by or withheld from the royalty owner as reported pursuant to 15-23-602(1)(c)(iv),~~ shall must be considered net proceeds to the recipient and ~~shall~~ must be assessed as follows: upon receipt of the lists or schedules setting forth the names and addresses of any and all persons owning or claiming royalty and the amount paid or yielded as royalty to such royalty owners or claimants during the year for which such

return is made, the department of revenue shall proceed to assess and tax the same as net proceeds of mines.

(2) Net proceeds ~~for interim production and new production, as defined in 15-23-601,~~ includes royalties received ~~without deduction for excise taxes."~~

Renumber: subsequent sections

79. Page 158, line 5.
Following: "15-6-146,"
Insert: "15-23-604,"

[Change internal references according to adopted amendments]

80. Page 4, line 21.
Page 40, lines 17 and 18.
Page 48, line 22.
Page 49, line 24.
Page 112, line 4.
Page 146, line 3.
Page 150, line 9.
Strike: "74 through 77" or "74 through 77"
Insert: "64 through 67"

81. Page 6, line 3.
Page 152, line 7.
Page 155, lines 19 and 20.
Strike: "80 through 86" or "80 through 86"
Insert: "70 through 76"

82. Page 37, line 22.
Page 158, line 17.
Strike: "72" or "72"
Insert: "62"

83. Page 66, line 24.
Page 77, line 13.
Page 83, line 16.
Page 83, line 20.
Page 146, line 21.
Strike: "78" or "78"
Insert: "68"

84. Page 104, line 22.
Strike: "71"
Insert: "61"

85. Page 152, line 9.
Page 159, line 7.

Strike: "81"
Insert: "71"

86. Page 153, line 4.
Strike: "86"
Insert: "76"

87. Page 156, line 15.
Page 157, line 12.
Strike: "88"
Insert: "78"

88. Page 159, line 13.
Strike: "79"
Insert: "69"

89. Page 159, line 20.
Page 159, lines 22 and 23.
Strike: "71, 72, and 74 through 78"
Insert: "61, 62, and 64 through 68"

90. Page 159, line 24.
Page 160, line 2.
Strike: "73"
Insert: "63"

91. Page 160, line 3.
Page 160, line 6.
Strike: "88"
Insert: "78"

92. Page 160, lines 8 through 10.
Strike: "13, 15, 17 through 39, 42 through 49, 50(1) and (3) through (5), 51 through 64, 69 through 71, 73 through 79, 87, 88, 89(1), and 91"
Insert: "10, 12, 14 through 35, 38 through 45, 46(1) and (3) through (5), 47 through 54, 59 through 61, 63 through 69, 77, 79 through 81, 82(1), and 84"

93. Page 160, lines 12 and 13.
Strike: "14, 16, 40, 41, 65 through 68, 89(2), 90, and 93"
Insert: "11, 13, 36, 37, 55 through 58, 82(2), 83, and 86"

94. Page 160, line 14.
Strike: "50(2), 72, 80 through 86"
Insert: "46(2), 62, 70 through 76"

95. Page 160, line 18.
Strike: "sections 32 and 61"

June 26, 1989
Page 13

Insert: "section 28"

96. Page 160, line 20.

Strike: "2 through 5, 8 through 11, 71, 73, and 88"

Insert: "2, 5 through 8, 61, and 63"

97. Page 160, line 23.

Strike: "87"

Insert: "77"

EXHIBIT 1

DATE 6-24-89

HB 39

Unedited Draft

June 24, 1989 -- 9:20am

Amendments to House Bill No. 39 First Reading Copy

Requested by Subcommittee
For the Committee on Taxation

Prepared by Lee Heiman
June 22, 1989

Eliminate Property Tax Revisions from Bill

1. Title, lines 5 through 7.

Strike: "TO REVISE THE CLASSIFICATION AND TAXABLE RATE OF CERTAIN
PROPERTY;"

2. Title, lines 23 and 24.

Strike: "15-1-101, 15-1-1501,"

Strike: "15-6-134, 15-6-138,"

3. Title, line 10.

Strike: "15-6-139, 15-6-140, 15-6-146,"

4. Page 9, line 12 through page 14, line 1.

Strike: Sections 2 in its entirety

Renumber: subsequent sections

5. Page 14, line 17 through page 19 line 2.

Strike: sections 4 and 5 in their entirety

6. Page 158, line 5.

Strike: "15-6-139, 15-6-140, 15-6-146,"

Cobb's amendments relating to reserves

7. Page 65, line 5.

Strike: "The"

Insert: "Except as provided in subsections (3) and (4), the"

8. Page 66, line 6.

Strike: "or"

9. Page 66, line 9.

Following: "section]"

Strike: "."

Insert: "; or

(c) any amount received as a general bonus payment
under 20-6-401.

Unedited Draft

June 24, 1989 -- 9:20am

(4) The limitation of subsection (1) does not apply if the amount earmarked as cash reserve is \$10,000 or less."

Increase in surcharge from 5% to 10% and resulting increase in FY 1991 schedule amounts

10. Page 88, line 6.

Strike: "\$21,872"

Insert: "\$23,783"

11. Page 88, line 9.

Strike: "\$21,872"

Insert: "\$23,783"

12. Page 88, line 10.

Strike: "\$914.15"

Insert: "\$994.01"

13. Page 88, line 15.

Strike: "\$35,852"

Insert: "\$38,984"

Strike: "\$914.15"

Insert: "\$994.01"

14. Page 88, line 18.

Strike: "\$30,100"

Insert: "\$32,730"

15. Page 88, line 19.

Strike: "\$914.15"

Insert: "\$994.01"

16. Page 88, line 23.

Strike: "\$48,057"

Insert: "\$52,255"

Strike: "\$572.47"

Insert: "\$622.48"

17. Page 89, line 6.

Strike: "\$2,123.44"

Insert: "\$2,308.94"

Strike: "\$2.06"

Insert: "\$2.24"

18. Page 89, line 10.

Strike: "\$1,999.75"

Insert: "\$2,174.44"

Unedited Draft

June 24, 1989 -- 9:20am

19. Page 89, line 11.

Strike: "\$1.13"

Insert: "\$1.23"

20. Page 89, line 14.

Strike: "\$1,769.33"

Insert: "\$1,923.89"

21. Page 90, line 5.

Strike: "\$133,585"

Insert: "\$145,255"

22. Page 90, line 7.

Strike: "\$5,565.80"

Insert: "\$6,6052.01"

23. Page 90, line 8.

Strike: "\$30.36"

Insert: "\$33.01"

24. Page 90, line 12.

Strike: "\$5,080.76"

Insert: "\$5,524.59"

25. Page 90, line 13.

Strike: "\$30.36"

Insert: "\$33.01"

26. Page 90, line 16.

Strike: "\$3,259.22"

Insert: "\$3,543.93"

27. Page 90, line 17.

Strike: "\$5.08"

Insert: "\$5.53"

28. Page 90, line 20.

Strike: "\$2,750.92"

Insert: "\$2,991.22"

29. Page 90, line 21.

Strike: "\$2.79"

Insert: "\$3.04"

30. Page 90, line 24.

Strike: "\$2,471.75"

Insert: "\$2,687.67"

31. Page 90, line 25.

Unedited Draft

June 24, 1989 -- 9:20am

Strike: "51"
Insert: "56"

32. Page 91, line 3.
Strike: "\$2,318.21"
Insert: "\$2,520.72"

33. Page 158, line 2.
Strike: "5%"
Insert: "10%"

Delete Provisions relating to transportation

34. Page 4, lines 9 through 12.
Strike: lines 9 through 12 in their entirety

35. Title, page 3, line 3.
Strike: "20-7-442"

36. Title, page 3, lines 7 and 8..
Strike: "20-10-104, 20-10-141 THROUGH 20-10-145,"

37. Page 4, line 14.
Strike: ", the remaining transportation costs,"

38. Page 6.
Strike: lines 9 through 22 in their entirety

39. Page 36.
Following: line 3
Insert: "(iii) the high school transportation fund provided for
in 20-10-143;"
Renumber: subsequent subsections

40. Page 54.
Following: line 14
Insert: "(5) "Transportation bonus payment" is the provision of
66 2/3% state financing of the on-schedule transportation
amount as provided by the transportation provisions of the
school laws. When an eligible pupil is entitled to
transportation, the enlarged district is entitled to the
transportation bonus payment for the eligible pupil for a
period of 3 years. The payment must be made from the state
transportation aid account. When the eligible pupil rides a
bus providing transportation for ineligible pupils, the 66
2/3% state financing of the on-schedule amount for this
payment must be prorated to provide financing for the
eligible pupil."

Unedited Draft

June 24, 1989 -- 9:20am

41. Page 64, lines 10 through 22.
Strike: section 29 in its entirety
Renumber: subsequent sections

42. Page 70.
Following: line 19
Insert: "(c) the county tax in support of the county's high
school transportation obligation;"
Renumber: subsequent subsections

43. Page 76, line 21.
Strike: "transportation schedule reimbursement,"

44. Page 97, line 15.
Following: "the"
Insert: "sum of the county elementary transportation obligation
and the"

45. Page 103, line 1.
Following: "shall,"
Insert: ":"
(1) deduct from the revenues available in the basic
county tax account the amount required for the month to pay
the county's obligation for elementary transportation
reimbursements; and
(2)"

46. Page 106, line 2.
Following: "program,"
Insert: "transportation,"

47. Page 108, line 14.
Strike: ", transportation fund,"

48. Page 119, line 14.
Following: "state"
Insert: "and county"

49. Page 119, line 25 through page 138, line 14.
Strike: sections 58 through 63 in their entirety.
Renumber: subsequent sections

50. Page 144, line 20.
Strike: "and school transportation fund balances"
Strike: "(1)"

51. Page 144, line 2 through page 145, line 3.
Strike: subsection (2) in its entirety

Unedited Draft

June 24, 1989 -- 9:20am

52. Page 147, line 12.

Strike: "transportation fund budget and its"

53. Page 148, lines 3 through 8.

Strike: subsection (2) in its entirety

54. Page 158, lines 20 through 23.

Strike: subsection (2) in its entirety

Renumber: subsequent subsections

55. Page 158, line 6.

Following: line 5

Insert: "and"

Strike: ", and 20-10-146"

OPI appropriation increase

56. Page 158, line 25.

Strike: "\$205,000"

Insert: "\$354,000".

Correct OPI statutory appropriaton

57. Page 139, line 9.

Following: "20-9-943."

Insert: "The net revenue is statutorily appropriated, as provided
in 17-7-502, to the superintendent of public instruction."

Change manner of handling net and gross proceeds

58. Page 145, line 23.

Following: line 22

Insert: "15-23-613 and"

59. Page 146, line 1.

Following: "year."

Insert: "For the fiscal year beginning July 1, 1990, the
treasurer will compute the relative proportions based upon
the state 95 mill levy required by [this act]."

60. Page 68, line 5.

Strike: "and"

61. Page 68.

Following: line 5

Insert: "(ix) anticipated revenue from net and gross proceeds
tax taxes for the current year; and"

Unedited Draft

June 24, 1989 -- 9:20am

62. Page 146, lines 5 through 6.

Strike: "current" on line 5 through "1000" on line 6

Insert: "revenue received under net and gross proceeds taxes in the preceding year plus revenues received by property tax mill levies in the preceding year divided by the number of mills levied the preceding year"

63. Page 146, lines 11 through 13.

Strike: "current" on line 5 through "1000" on line 6

Insert: "revenue received under net and gross proceeds taxes in the preceding year plus revenues received by property tax mill levies in the preceding year divided by the number of mills levied the preceding year"

64. Page 146, line 24 through page 147 line 1.

Strike: "current" on line 5 through "1000" on line 6

Insert: "revenue received under net and gross proceeds taxes in the preceding year plus revenues received by property tax mill levies in the preceding year divided by the number of mills levied the preceding year"

Technical Amendments

65. Title, page 2.

Following: line 24.

Insert: "15-23-601 through"

66. Title, page 2, line 25.

Following: "15-23-603,"

Insert: "15-23-605,"

67. Title, page 3, line 10.

Following: "15-6-146"

Insert: "15-23-604"

68. Page 97, line 3.

Following: "under"

Insert: "15-23-607, 15-23-703,"

69. Page 100, line 7.

Following: "under"

Insert: "15-23-607, 15-23-703,"

70. Page 145, line 7.

Following: "under"

Insert: "15-23-607, 15-23-703,"

71. Page 158.

Unedited Draft

June 24, 1989 -- 9:20am

Following: line 3

Insert: " Section 89. Section 15-23-601, MCA, is amended to read:

"15-23-601. Definitions. As used in this part, the following definitions apply:

~~(1) "Excise tax" means the windfall profit tax on domestic crude oil imposed by Title I of the federal Crude Oil Windfall Profit Tax Act of 1980, as enacted or as amended.~~

~~(2) "Interim production" means the production of natural gas, petroleum, or other crude or mineral oil from any well that:~~

~~(a) has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately preceding the first month of interim production; and~~

~~(b) began interim production after June 30, 1985, and before April 1, 1987.~~

~~(3)~~ (1) The term "new production" means the production of natural gas, petroleum, or other crude or mineral oil from any well:

(a) that has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately preceding the first month of qualified new production; and

(b) on which the notification required in 15-36-121(2) was given.

(4) The terms "operator" and "producer" mean any person who engages in the business of drilling for, extracting, or producing any natural gas, petroleum, or other crude or mineral oil.

(5) The term "well" includes each single well or group of wells, including dry wells, in one field or production unit and under the control of one operator or producer.

Section 90. Section 15-23-602, MCA, is amended to read:

"15-23-602. Statement of sales proceeds. (1) Except as provided in subsection (2), each operator or producer of natural gas, petroleum, or other crude or mineral oil must on or before April 15 in each year make out and deliver to the department of revenue a statement of the gross sales proceeds of such natural gas, petroleum, or other crude or mineral oil from each well owned or worked by such person during the next preceding calendar year. The gross sales proceeds shall be determined by multiplying the units of production sold from the well times the royalty unit value of that production at the well. Such statement shall be in the form prescribed by the department and must be verified by the oath of the operator or producer or the manager, superintendent, agent, president, or vice-president of such corporation, association, or partnership. Such statement

Unedited Draft

June 24, 1989 -- 9:20am

shall show the following:

(a) the name and address of the operator, together with a list in duplicate of the names and addresses of any and all persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

(b) the description and location of the well;

(c) the number of cubic feet of natural gas, barrels of petroleum or other crude or mineral oil sold from the well during the period covered by the statement;

(d) the gross sales proceeds in dollars and cents or, in the case of sales between parties not acting at arm's length, the greater of the gross sales proceeds from or the fair market value of the products sold;

~~(e) except for interim production and new production as defined in 15-23-601;~~

~~(i) actual cost of extracting product from well;~~

~~(ii) cost of construction, repairs, and betterments;~~

~~(iii) actual cost of fire insurance and workers' compensation insurance;~~

~~(iv) the amount paid or withheld in satisfaction of liability for excise taxes imposed by the U.S. government on the production, sale, or removal of the natural gas, petroleum, or other crude or mineral oil reported pursuant to subsection (1)(e), including a separate statement of the amount of such taxes paid or withheld from each royalty owner.~~

(2) Each operator having ~~interim production or new production as defined in 15-23-601~~ shall, on or before the last day of the months of October, January, April, and July, make out and deliver to the department of revenue a statement of the gross sales proceeds of ~~such interim production or the new production~~ from each well owned or worked by ~~such~~ the person during the preceding calendar quarter. The statement must be in the form prescribed by the department and verified as provided in subsection (1). The statement shall show the information required in subsections (1)(a) through (1)(d).

Section 91. Section 15-23-605, MCA, is amended to read:

"15-23-605. Assessment of royalties. (1) The amount of royalty received, valued as provided in 15-23-603(1)(a), ~~less 70% of the amount of excise taxes paid by or withheld from the royalty owner as reported pursuant to 15-23-602(1)(e)(iv), shall must~~ be considered net proceeds to the recipient and ~~shall must~~ be assessed as follows: upon receipt of the lists or schedules setting forth the names

Unedited Draft

June 24, 1989 -- 9:20am

and addresses of any and all persons owning or claiming royalty and the amount paid or yielded as royalty to such royalty owners or claimants during the year for which such return is made, the department of revenue shall proceed to assess and tax the same as net proceeds of mines.

(2) Net proceeds ~~for interim production and new production, as defined in 15-23-601,~~ includes royalties received ~~without deduction for excise taxes.~~ ""

Renumber: subsequent sections

72. Page 158, line 5.
Following: "15-6-146,"
Insert: "15-23-604,"

Change interal references according to adopted amendments

73. Page 4, line 22.
Page 40, lines 17 and 18.
Page 48, lines 21 and 22.
Page 49, lines 23 and 24.
Page 112, line 4.
Page 146, line 3.
Page 150, line 9.
Strike: "74 through 77"
Insert: " through "

74. Page 6, line 3.
Page 152, line 7.
Page 155, lines 19 and 20.
Strike: "80 through 86"
Insert: " through "

75. Page 37, line 22.
Page 158, line 17.
Strike: "72"
Insert: ""

76. Page 66, line 24.
Page 77, line 13.
Page 83, line 16.
Page 83, line 20.
Page 146, line 21.
Strike: "78"
Insert: ""

77. Page 104, line 22.
Strike: "71"
Insert: ""

Unedited Draft

June 24, 1989 -- 9:20am

78. Page 152, line 9.

Page 159, line 7.

Strike: "81"

Insert: ""

79. Page 153, line 4.

Strike: "86"

Insert: ""

80. Page 156, line 15.

Page 157, line 12.

Strike: "88"

Insert: ""

81. Page 159, line 13.

Strike: "79"

Insert: ""

82. Page 159, line 20.

Page 159, lines 22 and 23.

Strike: "71, 72, and 74 through 78"

Insert: ""

83. Page 159, line 24.

Page 160, line 2.

Strike: "73"

Insert: ""

84. Page 160, line 3.

Page 160, line 6.

Strike: "88"

Insert: ""

85. Page 160, lines 8 through 10.

Strike: "1 through 13, 15, 17 through 39, 42 through 49, 50(1)
and (3) through (5), 51 through 64, 69 through 71, 73
through 79, 87, 88, 89(1), and 91"

Insert: ""

86. Page 160, lines 12 and 13.

Strike: "14, 16, 40, 41, 65 through 68, 89(2), 90, and 93"

Insert: ""

87. Page 160, line 14.

Strike: "50(2), 72, 80 through 86"

Insert: ""

88. Page 160, line 18.

Unedited Draft

June 24, 1989 -- 9:20am

Strike: "32 and 61"
Insert: ""

89. Page 160, line 20.
Strike: "2 through 5, 8 through 11, 71, 73, and 88"
Insert: ""

90. Page 160, line 23.
Strike: "87"
Insert: ""

ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE June 24, 1989 BILL NO. 39 NUMBER _____

[illegible]

TALLY

TALLY

Donna Grace

SECRETARY

CHAIRMAN

MOTION: No Pass, as amended.