

**MINUTE
MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on January 11, 1991,
at 8:00 a.m.

ROLL CALL

Members Present:

Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Steve Doherty (D)
Delwyn Gage (R)
John Harp (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Van Valkenburg (D)
Bill Yellowtail (D)

Members Excused:

Bob Brown (R)

Staff Present: Jeff Martin (Legislative Council).

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON SENATE BILL 15

Presentation and Opening Statement by Sponsor:

Senator Gage, District 5, sponsor of the bill, explained the oil and gas property operators do not have the authority to charge the resource indemnity trust taxes back to the royalty owners' share of the production once the production is taxed as there is no provision for taxing federal, state, or Indian trust royalties in Montana. This bill exempts those royalties from the RIT tax so that the operators do not have to pay the royalty owners' tax on otherwise exempt royalties. Royalties are currently exempt from severance tax, conservation tax, local government severance tax, and new production.

Proponents' Testimony

None

Opponents' Testimony:

None

Questions From Committee Members:

Senator Towe asked what the bill covers that is not covered in current law.

Senator Gage replied it covers all royalties on land owned by the federal government when the federal government owns the minerals and the production on the property. It covers royalties on state lands when the state owns the royalties; covers royalties to individual Indians where the royalties are held in trust by the United States government.

Senator Towe indicated that is already covered by the Indian tribe provision in the law.

Senator Gage pointed out that is tribal, this is individual Indian on or off the reservation.

Senator Towe asked why the operator cannot charge the RIT tax back to the federal government.

Senator Gage said it is his understanding that federal oil and gas royalties cannot be taxed by the state.

Senator Towe asked Jeff Martin to research that provision in the law for the next meeting.

Senator Yellowtail asked if there could be more detail in the fiscal note.

Chairman Halligan asked Norris Nichols to get that information from the Department of Revenue.

Closing by Sponsor:

Senator Gage closed.

HEARING ON SENATE BILL 18Presentation and Opening Statement by Sponsor:

Chairman Halligan said he felt SB 18 should have been assigned to the Natural Resources Committee. He asked Senator Gage to give a brief explanation of the bill and indicated he would then make a decision as to whether to request the bill be transferred.

Senator Gage, District 5, sponsor of the bill, said the Department of State Lands has developed a list of requirements for those who are successful bidders on oil and gas leases. The Oil and Gas Board has almost all the same requirements. Senator Gage said he has been trying to get the Department of State Lands to drop the duplicative requirements.

The Department of State Lands sued Conoco and the Oil and Gas Board this past year because they were unhappy with the percentage allocation from a unit that was being formed that included a parcel of state land. Conoco has since settled with the Department for \$20,000. The Department maintained in the suit that the Oil and Gas Board has no jurisdiction over oil and gas leasing on state lands based on the statute that says the Oil and Gas Board has authority over taxable lands. The Department maintains that state lands are not taxable in Montana.

Senator Gage indicated for the past two years there has been an effort to get primacy for the state from EPA with regard to injection in Montana. The EPA will grant primacy only if there is one agency responsible for oil and gas in the state. This provision is also addressed in the bill.

Chairman Halligan said this is obviously a jurisdictional issue between the Department of State Lands and the Oil and Gas Board. He suspended the hearing on SB 18 and will request it be transferred to the Natural Resources Committee on the floor.

HEARING ON SENATE BILL 22Presentation and Opening Statement by Sponsor:

Senator Gage, District 5, sponsor of the bill, said he has been contacted by many people in the agricultural sector during the interim who have expressed concern with the bonding requirements for bulk storage of special fuel. Senator Gage indicated the state can require bonds of those people who are delinquent. The bill would exempt the bulk fuel users from the bonding requirement.

Proponents' Testimony:

Ben Havdahl, Montana Motor Carriers Association, speaking in support of the bill, said 95% or more of the bulk storage users of special fuel pay their bills and submit their reports on time. The current bonding requirement simply creates unnecessary expense and record keeping. He said the provision in the bill requiring bonding for those who are delinquent is the most efficient way to deal with the bonding requirement.

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

Senator Harp asked Mr. Nichols if quarterly reports will still be required on dispensed fuel.

Mr. Nichols indicated those reports are still required.

Senator Harp asked how large a bond is required.

Mr. Nichols answered the bond is \$500 or a Certificate of Deposit may be filed with the Department of Revenue with the taxpayer receiving the interest from the CD.

Senator Towe asked if DOR has any concerns about the bill.

Mr. Nichols replied DOR has no problems with bill. He pointed out the state has entered the International Fuel Tax Agreement. The only bond required under the Agreement is a bond for bad bulk storage accounts.

Closing by Sponsor:

Senator Gage closed.

EXECUTIVE ACTION ON SENATE BILL 22

Motion:

Senator Towe moved Senate Bill 22 Do Pass.

Discussion:

There was no discussion.

Recommendation and Vote:

Senator Towe's motion that SB 22 Do Pass carried unanimously.

ADJOURNMENT

Adjournment At: 9:10 a.m.



SENATOR MIKE HALLIGAN, Chairman



JILL D. ROHYANS, Secretary

MH/jdr

$$\begin{array}{r} 5B \ 15 \\ \underline{18} \\ 22 \end{array}$$

VISITOR'S REGISTER

[illegible]

(Please leave prepared statement with Secretary)

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 1/11/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN			X
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE	X		
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

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January 11, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 22 (first reading copy -- white), respectfully report that Senate Bill No. 22 do pass.

Signed: _____

Mike Halligan
Mike Halligan, Chairman

1-11-91
Am. Coord.

1-11-91
Sec. of Senate

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