

1 SENATE BILL NO. 14
 2 INTRODUCTION BY MATHERS
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REPLACING THE NATURAL
 5 GAS DISTRIBUTORS' LICENSE TAX WITH A SEVERANCE TAX ON THE
 6 PRODUCTION OF NATURAL GAS; AMENDING SECTIONS 84-2202,
 7 84-2203, 84-2204, 84-2206, 84-2207, AND 84-2209, R.C.M.
 8 1947; AND REPEALING SECTIONS 84-2101 THROUGH 84-2110, R.C.M.
 9 1947."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 84-2202, R.C.M. 1947, is amended to
 13 read as follows:
 14 "84-2202. Oil or gas producers' license severance tax
 15 -- amount -- exceptions. Every person engaging in or
 16 carrying on the business of producing, within this state,
 17 petroleum, or other mineral or crude oil, or natural gas or
 18 engaging in or carrying on the business of owning,
 19 controlling, managing, leasing or operating within this
 20 state any well or wells from which any merchantable or
 21 marketable petroleum or other mineral or crude oil or
 22 natural gas is extracted or produced, sufficient in quantity
 23 to justify the marketing of the same, must, ~~for--the--year~~
 24 ~~beginning--July--17--1957--and~~ each year thereafter, when
 25 engaged in or carrying on any such business in this state,

1 pay to the state treasurer, for the exclusive use and
 2 benefit of the state of Montana, a license severance tax,
 3 ~~for--engaging--in--and--carrying--on--such--business,~~ computed at
 4 the following rates:
 5 (a) Two and one-tenth per cent (2.1%) of the total
 6 gross value of that portion of all the petroleum and other
 7 mineral or crude oil produced by such person from each lease
 8 or unit in the calendar quarter not in excess of an amount
 9 obtained by multiplying the number of producing wells on
 10 such lease or unit by four hundred fifty (450) barrels.
 11 (b) Two and sixty-five hundredths per cent (2.65%) of
 12 the total gross value of that portion of all the production
 13 of such person from each lease or unit in each calendar
 14 quarter in excess of four hundred fifty (450) barrels
 15 multiplied by the number of producing wells on such lease or
 16 unit; but in determining the amount of such tax there shall
 17 be excluded from consideration all petroleum, or other crude
 18 or mineral oil produced and used by such person during such
 19 year in connection with his operations in prospecting for,
 20 developing and producing such petroleum, crude or mineral
 21 oil; provided, however, that nothing in this act shall be
 22 construed as requiring laborers or employees, hired or
 23 employed by any person, to drill any oil well, or to work in
 24 or about any oil well, or prospect or explore for, or do any
 25 work for the purpose of developing any petroleum or other

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1 mineral or crude oil to pay such ~~license~~ severance tax, nor
 2 shall any work be done, or the drilling of any well or
 3 wells, for the purpose of prospecting or exploring for
 4 petroleum or other mineral or crude oils, or for the purpose
 5 of developing same, be deemed to be engaging in or carrying
 6 on of any such business; provided, further, that in the
 7 doing of any such work, or in the drilling of any oil well,
 8 or in such prospecting, exploring or development work, any
 9 merchantable or marketable petroleum or other mineral or
 10 crude oil in excess of the quantity required by such person
 11 for carrying on such operation shall be produced sufficient
 12 in quantity to justify the marketing of the same, then such
 13 work, drilling, prospecting, exploring or development work
 14 shall be deemed to be the engaging in and carrying on of
 15 such business within this state within the meaning of this
 16 section.

17 (c) Three per cent (3%) of the total gross value of
 18 natural gas produced from each lease or unit, which value is
 19 the wellhead price less tax payments under section 84-6208,
 20 84-7006, and this section, but in determining the amount of
 21 such tax there shall be excluded from consideration all gas
 22 produced and used by such person during such year in
 23 connection with his operations in prospecting for,
 24 developing and producing such gas, or petroleum, crude or
 25 mineral oil; and there shall also be excluded from

1 consideration all gas recycled or reinjected into the ground
 2 or otherwise not saved and sold.

3 (d) Every person required to pay such tax hereunder
 4 shall pay the same in full for his own account and for the
 5 account of each of the other owner or owners of the gross
 6 proceeds in value or in kind of all the marketable petroleum
 7 or other mineral or crude oil or natural gas extracted and
 8 produced, including owner or owners of working interest,
 9 royalty interest, overriding royalty interest, carried
 10 working interest, net proceeds interest, production payments
 11 and all other interest or interests owned or carved out of
 12 the total gross proceeds in value or in kind of such
 13 extracted marketable petroleum or other mineral or crude oil
 14 or natural gas in all leases establishing royalty interests
 15 entered into hereafter or in renewals of existing leases, or
 16 in division of proceeds orders, or by other contracts, such
 17 other owner or owners may agree with every person required
 18 to pay such tax that such other owner or owners will pay
 19 their prorata share of said tax, and that said prorata share
 20 may be deducted from any settlements under said lease or
 21 leases or division of proceeds orders or other contracts."

22 Section 2. Section 84-2203, R.C.M. 1947, is amended to
 23 read as follows:

24 "84-2203. Payment of tax. Such ~~license~~ severance tax
 25 shall be paid in quarterly installments for the quarterly

1 periods ending respectively March 31, June 30, September 30
 2 and December 31, of each year, and the amount of the ~~license~~
 3 tax for each quarterly period shall be paid to the state
 4 department of revenue within ~~thirty--(30)~~ sixty (60) days
 5 after the end of each quarterly period."

6 Section 3. Section 84-2204, R.C.M. 1947, is amended to
 7 read as follows:

8 "84-2204. Determination of gross value of product. The
 9 total gross value of all petroleum, and other mineral or
 10 crude oil or natural gas produced each year shall be
 11 determined by taking the total number of barrels or cubic
 12 feet thereof produced each month during such year at the
 13 average value at the mouth of the well during the month the
 14 same is produced, as determined by the state department of
 15 revenue; provided, however, that in computing the total
 16 number of barrels of petroleum, and other mineral or crude
 17 oil or cubic feet of gas produced, there shall be deducted
 18 therefrom so much thereof as is used by such person in
 19 connection with the operation of the well from which said
 20 oil or gas is produced or for pumping said petroleum or
 21 other mineral or crude oil or gas from the said well to a
 22 tank or pipeline."

23 Section 4. Section 84-2206, R.C.M. 1947, is amended to
 24 read as follows:

25 "84-2206. Record of product--carriers to furnish data.

1 Every such person shall keep a record in such form as the
 2 state department of revenue may require, of all petroleum
 3 and other mineral or crude oil or natural gas extracted or
 4 produced by such person in this state, and such records
 5 shall at all times during the business hours of the day be
 6 subject to inspection by the state department of revenue,
 7 its members, agents, or employees. It shall be the duty of
 8 railroad companies, pipeline and transportation companies
 9 carrying crude or mineral oil, or natural gas to furnish to
 10 the state department of revenue, whenever requested so to
 11 do, all data relative to the shipment of said products, that
 12 may be required to properly enforce the provisions of this
 13 act. The failure of any railroad company, pipeline, and
 14 transportation companies to comply with the provisions of
 15 this section shall make such companies liable to a penalty
 16 of one hundred (\$100.00) dollars for each day it shall fail
 17 to furnish such statement."

18 Section 5. Section 84-2207, R.C.M. 1947, is amended to
 19 read as follows:

20 "84-2207. Statement to accompany payment--
 21 records--collection of tax--refunds. (1) Each and every
 22 person must, ~~within--thirty--days--after--the--quarter--ending~~
 23 ~~March--31--1923,~~ and within sixty (60) days after the end of
 24 each following quarter, make out on forms prescribed by the
 25 department of revenue a statement showing the total number

1 of barrels of merchantable or marketable petroleum, and
 2 other mineral or crude oil or cubic feet of natural gas
 3 produced or extracted by such person in the state of Montana
 4 during each month of such quarter and during the whole
 5 quarter, the average value thereof during each month and the
 6 total value thereof for the whole quarter, together with the
 7 total amount due to the state as license severance taxes for
 8 such quarter; and must, within such sixty (60) days deliver
 9 such statement and pay to the department of revenue the
 10 amount of the license taxes shown by such statement to be
 11 due to the state of Montana for the quarter for which such
 12 statement is made. Such statement must be signed and
 13 verified by the oath of the individual or individuals, or by
 14 the president, vice-president, treasurer, assistant
 15 treasurer, or managing agent in this state of the
 16 association, corporation, joint-stock company or syndicate
 17 making the same. Any such person engaged in carrying on
 18 such business at more than one place in this state, or
 19 owning, leasing, controlling, or operating more than one oil
 20 or gas well in this state, may include all thereof in one
 21 statement. The department of revenue shall receive and file
 22 all such statements and collect and receive from such person
 23 making and filing a statement the amount of tax payable by
 24 such person, if any, as the same shall appear from the face
 25 of the statement.

1 (2) It shall be the duty of the department of revenue
 2 to examine each of such statements and compute the taxes
 3 thereon, and the amount so computed by the department of
 4 revenue shall be the taxes imposed, assessed against and
 5 payable by the taxpayer making the statement for the quarter
 6 for which the statement is filed. If the tax found to be
 7 due shall be greater than the amount paid, the excess shall
 8 be paid by the taxpayer to the department of revenue within
 9 ten (10) days after written notice of the amount of the
 10 deficiency shall be mailed by the department of revenue to
 11 such taxpayer. Provided, that if the tax imposed shall be
 12 less than the amount paid, the difference must be applied as
 13 a credit against tax liability for subsequent quarters, or
 14 refunded if there is no subsequent tax liability."

15 Section 6. Section 84-2209, R.C.M. 1947, is amended to
 16 read as follows:

17 "84-2209. Procedure to compute and collect tax in
 18 absence of statement. If any such person shall fail, neglect
 19 or refuse to file any statement required by section 84-2207,
 20 within the time therein required, the state department of
 21 revenue shall, immediately after such time has expired,
 22 proceed to inform itself, as best it may, regarding the
 23 number of barrels of petroleum and other mineral or crude
 24 oil or cubic feet of gas extracted and produced by such
 25 person in this state during such quarter, and during each

1 month thereof, and the average value thereof during each
2 such month, and shall determine and fix the amount of the
3 license severance taxes due to the state from such person
4 for such quarter and shall make out a statement, in
5 duplicate, showing the same, and shall add to the amount of
6 such license taxes a penalty of twenty-five per cent
7 thereof, and deliver one of such statements to the state
8 treasurer, who shall proceed to collect the amount of such
9 license severance taxes, with the penalty added thereto and
10 interest on the whole thereof at the rate of twelve per
11 cent, per annum from the date of the making of such
12 statement by the state department of revenue until paid.
13 Upon request of the state treasurer, it shall be the duty of
14 the attorney general to commence and prosecute to final
15 determination in any court of competent jurisdiction, an
16 action at law to collect the same. The twenty-five per cent
17 penalty herein provided may be waived by the state
18 department of revenue if reasonable cause for the failure
19 and neglect to file the statement required by section
20 84-2207 is provided to the said department."

21 Section 7. Repealer. Sections 84-2101 through
22 84-2110, R.C.M. 1947, are repealed.

-End-

SB14

FISCAL NOTE

Form BD-15

In compliance with a written request received January 6, 19 75, there is hereby submitted a Fiscal Note for Senate Bill 14 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

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

DESCRIPTION OF PROPOSED REGULATION:

An act to replace the natural gas distributors' license tax with a 3% severance tax on the total gross value of natural gas produced.

ASSUMPTIONS:

1. Natural gas production and distribution in Montana will remain fairly constant during the biennium at 74,379,130 MCF and 55,276,037 MCF respectively.
2. The wellhead price of natural gas averages 45 cents per thousand cubic feet (MCF).
3. Net proceeds tax will remain a constant proportion of gross value and will be approximately \$2,330,700.

Current Law:	FY 76	FY 77
Estimated natural gas distributors license tax collections (74,379,130 x .575 ¢ per MCF)	\$427,680	\$427,680
Proposed Law:		
Estimated natural gas severance tax collections (.03 (55,276,032 x .45 - 2,330,700)	<u>676,306</u>	<u>676,306</u>
Increase in tax collections	<u>\$248,626</u>	<u>\$248,626</u>

CONCLUSION:

Enactment of Senate Bill 14 will increase revenue to the General Fund by approximately \$500,000 during the biennium.

Michael J. Billings

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: January 8, 1975

Approved by Committee
on Taxation

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2 INTRODUCED BY MATHERS, TOWE

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18 engaging in or carrying on the business of owning,
19 controlling, managing, leasing or operating within this
20 state any well or wells from which any merchantable or
21 marketable petroleum or other mineral or crude oil or
22 natural gas is extracted or produced, sufficient in quantity
23 to justify the marketing of the same, must, ~~for--the--year~~
24 ~~beginning--July--17--1957--and~~ each year thereafter, when
25 engaged in or carrying on any such business in this state,

1 pay to the state treasurer, for the exclusive use and
2 benefit of the state of Montana, a license severance tax,
3 ~~for--engaging--in--and--carrying--on--such--business,~~ computed at
4 the following rates:

5 (a) Two and one-tenth per cent (2.1%) of the total
6 gross value of that portion of all the petroleum and other
7 mineral or crude oil produced by such person from each lease
8 or unit in the calendar quarter not in excess of an amount
9 obtained by multiplying the number of producing wells on
10 such lease or unit by four hundred fifty (450) barrels.

11 (b) Two and sixty-five hundredths per cent (2.65%) of
12 the total gross value of that portion of all the production
13 of such person from each lease or unit in each calendar
14 quarter in excess of four hundred fifty (450) barrels
15 multiplied by the number of producing wells on such lease or
16 unit; but in determining the amount of such tax there shall
17 be excluded from consideration all petroleum, or other crude
18 or mineral oil produced and used by such person during such
19 year in connection with his operations in prospecting for,
20 developing and producing such petroleum, crude or mineral
21 oil; provided, however, that nothing in this act shall be
22 construed as requiring laborers or employees, hired or
23 employed by any person, to drill any oil well, or to work in
24 or about any oil well, or prospect or explore for, or do any
25 work for the purpose of developing any petroleum or other

1 mineral or crude oil to pay such ~~license~~ severance tax, nor
 2 shall any work be done, or the drilling of any well or
 3 wells, for the purpose of prospecting or exploring for
 4 petroleum or other mineral or crude oils, or for the purpose
 5 of developing same, be deemed to be engaging in or carrying
 6 on of any such business; provided, further, that in the
 7 doing of any such work, or in the drilling of any oil well,
 8 or in such prospecting, exploring or development work, any
 9 merchantable or marketable petroleum or other mineral or
 10 crude oil in excess of the quantity required by such person
 11 for carrying on such operation shall be produced sufficient
 12 in quantity to justify the marketing of the same, then such
 13 work, drilling, prospecting, exploring or development work
 14 shall be deemed to be the engaging in and carrying on of
 15 such business within this state within the meaning of this
 16 section.

17 (c) ~~Three-per-cent-(3%)~~ TWO AND SIXTY-FIVE HUNDREDTHS
 18 PERCENT (2.65%) of the total gross value of natural gas
 19 produced from each lease or unit, ~~which--value--is--the~~
 20 ~~wellhead--price--less--tax--payments--under--section--84-6208,~~
 21 ~~84-7006, and this section,~~ but in determining the amount of
 22 such tax there shall be excluded from consideration all gas
 23 produced and used by such person during such year in
 24 connection with his operations in prospecting for,
 25 developing and producing such gas, or petroleum, crude or

1 mineral oil; and there shall also be excluded from
 2 consideration all gas recycled or reinjected into the ground
 3 ~~or-otherwise-not-saved-and-sold.~~

4 (d) Every person required to pay such tax hereunder
 5 shall pay the same in full for his own account and for the
 6 account of each of the other owner or owners of the gross
 7 proceeds in value or in kind of all the marketable petroleum
 8 or other mineral or crude oil or natural gas extracted and
 9 produced, including owner or owners of working interest,
 10 royalty interest, overriding royalty interest, carried
 11 working interest, net proceeds interest, production payments
 12 and all other interest or interests owned or carved out of
 13 the total gross proceeds in value or in kind of such
 14 extracted marketable petroleum or other mineral or crude oil
 15 or natural gas in all leases establishing royalty interests
 16 entered into hereafter or in renewals of existing leases, or
 17 in division of proceeds orders, or by other contracts, such
 18 other owner or owners may agree with every person required
 19 to pay such tax that such other owner or owners will pay
 20 their prorata share of said tax, and that said prorata share
 21 may be deducted from any settlements under said lease or
 22 leases or division of proceeds orders or other contracts."

23 Section 2. Section 84-2203, R.C.M. 1947, is amended to
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1 shall be paid in quarterly installments for the quarterly
 2 periods ending respectively March 31, June 30, September 30
 3 and December 31, of each year, and the amount of the ~~license~~
 4 tax for each quarterly period shall be paid to the state
 5 department of revenue within ~~thirty--(30)~~ sixty (60) days
 6 after the end of each quarterly period."

7 Section 3. Section 84-2204, R.C.M. 1947, is amended to
 8 read as follows:

9 "84-2204. Determination of gross value of product. The
 10 total gross value of all petroleum, and other mineral or
 11 crude oil or natural gas produced each year shall be
 12 determined by taking the total number of barrels or cubic
 13 feet thereof produced each month during such year at the
 14 average value at the mouth of the well during the month the
 15 same is produced, as determined by the state department of
 16 revenue; provided, however, that in computing the total
 17 number of barrels of petroleum, and other mineral or crude
 18 oil or cubic feet of gas produced, there shall be deducted
 19 therefrom so much thereof as is used by such person in
 20 connection with the operation of the well from which said
 21 oil or gas is produced or for pumping said petroleum or
 22 other mineral or crude oil or gas from the said well to a
 23 tank or pipeline."

24 Section 4. Section 84-2206, R.C.M. 1947, is amended to
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 3 state department of revenue may require, of all petroleum
 4 and other mineral or crude oil or natural gas extracted or
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 6 shall at all times during the business hours of the day be
 7 subject to inspection by the state department of revenue,
 8 its members, agents, or employees. It shall be the duty of
 9 railroad companies, pipeline and transportation companies
 10 carrying crude or mineral oil, or natural gas to furnish to
 11 the state department of revenue, whenever requested so to
 12 do, all data relative to the shipment of said products, that
 13 may be required to properly enforce the provisions of this
 14 act. The failure of any railroad company, pipeline, and
 15 transportation companies to comply with the provisions of
 16 this section shall make such companies liable to a penalty
 17 of one hundred (\$100.00) dollars for each day it shall fail
 18 to furnish such statement."

19 Section 5. Section 84-2207, R.C.M. 1947, is amended to
 20 read as follows:

21 "84-2207. Statement to accompany payment--
 22 records--collection of tax--refunds. (1) Each and every
 23 person must, ~~within--thirty--days--after--the--quarter--ending~~
 24 ~~March--31--1923,~~ and within sixty (60) days after the end of
 25 each following quarter, make out on forms prescribed by the

1 department of revenue a statement showing the total number
 2 of barrels of merchantable or marketable petroleum, and
 3 other mineral or crude oil or cubic feet of natural gas
 4 produced or extracted by such person in the state of Montana
 5 during each month of such quarter and during the whole
 6 quarter, the average value thereof during each month and the
 7 total value thereof for the whole quarter, together with the
 8 total amount due to the state as ~~license~~ severance taxes for
 9 such quarter; and must, within such sixty (60) days deliver
 10 such statement and pay to the department of revenue the
 11 amount of the ~~license~~ taxes shown by such statement to be
 12 due to the state of Montana for the quarter for which such
 13 statement is made. Such statement must be signed and
 14 verified by the oath of the individual or individuals, or by
 15 the president, vice-president, treasurer, assistant
 16 treasurer, or managing agent in this state of the
 17 association, corporation, joint-stock company or syndicate
 18 making the same. Any such person engaged in carrying on
 19 such business at more than one place in this state, or
 20 owning, leasing, controlling, or operating more than one oil
 21 or gas well in this state, may include all thereof in one
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 23 all such statements and collect and receive from such person
 24 making and filing a statement the amount of tax payable by
 25 such person, if any, as the same shall appear from the face

1 of the statement.

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 3 to examine each of such statements and compute the taxes
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16 Section 6. Section 84-2209, R.C.M. 1947, is amended to
 17 read as follows:

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 19 absence of statement. If any such person shall fail, neglect
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4 license severance taxes due to the state from such person
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6 duplicate, showing the same, and shall add to the amount of
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22 Section 7. Repealer. Sections 84-2101 through
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19 year in connection with his operations in prospecting for,
20 developing and producing such petroleum, crude or mineral
21 oil; provided, however, that nothing in this act shall be
22 construed as requiring laborers or employees, hired or
23 employed by any person, to drill any oil well, or to work in
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 22 such tax there shall be excluded from consideration all gas
 23 produced and used by such person during such year in
 24 connection with his operations in prospecting for,
 25 developing and producing such gas, or petroleum, crude or

1 mineral oil; and there shall also be excluded from
 2 consideration all gas recycled or reinjected into the ground
 3 ~~or-otherwise-not-saved-and-sold.~~

4 (d) Every person required to pay such tax hereunder
 5 shall pay the same in full for his own account and for the
 6 account of each of the other owner or owners of the gross
 7 proceeds in value or in kind of all the marketable petroleum
 8 or other mineral or crude oil or natural gas extracted and
 9 produced, including owner or owners of working interest,
 10 royalty interest, overriding royalty interest, carried
 11 working interest, net proceeds interest, production payments
 12 and all other interest or interests owned or carved out of
 13 the total gross proceeds in value or in kind of such
 14 extracted marketable petroleum or other mineral or crude oil
 15 or natural gas in all leases establishing royalty interests
 16 entered into hereafter or in renewals of existing leases, or
 17 in division of proceeds orders, or by other contracts, such
 18 other owner or owners may agree with every person required
 19 to pay such tax that such other owner or owners will pay
 20 their prorata share of said tax, and that said prorata share
 21 may be deducted from any settlements under said lease or
 22 leases or division of proceeds orders or other contracts."

23 Section 2. Section 84-2203, R.C.M. 1947, is amended to
 24 read as follows:

25 *84-2203. Payment of tax. Such ~~license~~ severance tax

1 , shall be paid in quarterly installments for the quarterly
 2 periods ending respectively March 31, June 30, September 30
 3 and December 31, of each year, and the amount of the ~~license~~
 4 tax for each quarterly period shall be paid to the state
 5 department of revenue within ~~thirty--(30)~~ sixty (60) days
 6 after the end of each quarterly period."

7 Section 3. Section 84-2204, R.C.M. 1947, is amended to
 8 read as follows:

9 "84-2204. Determination of gross value of product. The
 10 total gross value of all petroleum, and other mineral or
 11 crude oil or natural gas produced each year shall be
 12 determined by taking the total number of barrels or cubic
 13 feet thereof produced each month during such year at the
 14 average value at the mouth of the well during the month the
 15 same is produced, as determined by the state department of
 16 revenue; provided, however, that in computing the total
 17 number of barrels of petroleum, and other mineral or crude
 18 oil or cubic feet of gas produced, there shall be deducted
 19 therefrom so much thereof as is used by such person in
 20 connection with the operation of the well from which said
 21 oil or gas is produced or for pumping said petroleum or
 22 other mineral or crude oil or gas from the said well to a
 23 tank or pipeline."

24 Section 4. Section 84-2206, R.C.M. 1947, is amended to
 25 read as follows:

1 "84-2206. Record of product--carriers to furnish data.
 2 Every such person shall keep a record in such form as the
 3 state department of revenue may require, of all petroleum
 4 and other mineral or crude oil or natural gas extracted or
 5 produced by such person in this state, and such records
 6 shall at all times during the business hours of the day be
 7 subject to inspection by the state department of revenue,
 8 its members, agents, or employees. It shall be the duty of
 9 railroad companies, pipeline and transportation companies
 10 carrying crude or mineral oil, or natural gas to furnish to
 11 the state department of revenue, whenever requested so to
 12 do, all data relative to the shipment of said products, that
 13 may be required to properly enforce the provisions of this
 14 act. The failure of any railroad company, pipeline, and
 15 transportation companies to comply with the provisions of
 16 this section shall make such companies liable to a penalty
 17 of one hundred (\$100.00) dollars for each day it shall fail
 18 to furnish such statement."

19 Section 5. Section 84-2207, R.C.M. 1947, is amended to
 20 read as follows:

21 "84-2207. Statement to accompany payment--
 22 records--collection of tax--refunds. (1) Each and every
 23 person must, ~~within--thirty--days--after--the--quarter--ending~~
 24 ~~March-31--1929,~~ and within sixty (60) days after the end of
 25 each following quarter, make out on forms prescribed by the

1 department of revenue a statement showing the total number
 2 of barrels of merchantable or marketable petroleum, and
 3 other mineral or crude oil or cubic feet of natural gas
 4 produced or extracted by such person in the state of Montana
 5 during each month of such quarter and during the whole
 6 quarter, the average value thereof during each month and the
 7 total value thereof for the whole quarter, together with the
 8 total amount due to the state as license severance taxes for
 9 such quarter; and must, within such sixty (60) days deliver
 10 such statement and pay to the department of revenue the
 11 amount of the license taxes shown by such statement to be
 12 due to the state of Montana for the quarter for which such
 13 statement is made. Such statement must be signed and
 14 verified by the oath of the individual or individuals, or by
 15 the president, vice-president, treasurer, assistant
 16 treasurer, or managing agent in this state of the
 17 association, corporation, joint-stock company or syndicate
 18 making the same. Any such person engaged in carrying on
 19 such business at more than one place in this state, or
 20 owning, leasing, controlling, or operating more than one oil
 21 or gas well in this state, may include all thereof in one
 22 statement. The department of revenue shall receive and file
 23 all such statements and collect and receive from such person
 24 making and filing a statement the amount of tax payable by
 25 such person, if any, as the same shall appear from the face

1 of the statement.

2 (2) It shall be the duty of the department of revenue
 3 to examine each of such statements and compute the taxes
 4 thereon, and the amount so computed by the department of
 5 revenue shall be the taxes imposed, assessed against and
 6 payable by the taxpayer making the statement for the quarter
 7 for which the statement is filed. If the tax found to be
 8 due shall be greater than the amount paid, the excess shall
 9 be paid by the taxpayer to the department of revenue within
 10 ten (10) days after written notice of the amount of the
 11 deficiency shall be mailed by the department of revenue to
 12 such taxpayer. Provided, that if the tax imposed shall be
 13 less than the amount paid, the difference must be applied as
 14 a credit against tax liability for subsequent quarters, or
 15 refunded if there is no subsequent tax liability."

16 Section 6. Section 84-2209, R.C.M. 1947, is amended to
 17 read as follows:

18 "84-2209. Procedure to compute and collect tax in
 19 absence of statement. If any such person shall fail, neglect
 20 or refuse to file any statement required by section 84-2207,
 21 within the time therein required, the state department of
 22 revenue shall, immediately after such time has expired,
 23 proceed to inform itself, as best it may, regarding the
 24 number of barrels of petroleum and other mineral or crude
 25 oil or cubic feet of gas extracted and produced by such

1 person in this state during such quarter, and during each
2 month thereof, and the average value thereof during each
3 such month, and shall determine and fix the amount of the
4 license severance taxes due to the state from such person
5 for such quarter and shall make out a statement, in
6 duplicate, showing the same, and shall add to the amount of
7 such license taxes a penalty of twenty-five per cent
8 thereof, and deliver one of such statements to the state
9 treasurer, who shall proceed to collect the amount of such
10 license severance taxes, with the penalty added thereto and
11 interest on the whole thereof at the rate of twelve per
12 cent, per annum from the date of the making of such
13 statement by the state department of revenue until paid.
14 Upon request of the state treasurer, it shall be the duty of
15 the attorney general to commence and prosecute to final
16 determination in any court of competent jurisdiction, an
17 action at law to collect the same. The twenty-five per cent
18 penalty herein provided may be waived by the state
19 department of revenue if reasonable cause for the failure
20 and neglect to file the statement required by section
21 84-2207 is provided to the said department."

22 Section 7. Repealer. Sections 84-2101 through
23 84-2110, R.C.M. 1947, are repealed.

-End-

1 SENATE BILL NO. 14

2 INTRODUCED BY MATHERS, TOWE

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REPLACING THE NATURAL
5 GAS DISTRIBUTORS' LICENSE TAX WITH A SEVERANCE TAX ON THE
6 PRODUCTION OF NATURAL GAS; AMENDING SECTIONS 84-2202,
7 84-2203, 84-2204, 84-2206, 84-2207, AND 84-2209, R.C.M.
8 1947; AND REPEALING SECTIONS 84-2101 THROUGH 84-2110, R.C.M.
9 1947."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:12 Section 1. Section 84-2202, R.C.M. 1947, is amended to
13 read as follows:

14 "84-2202. Oil or gas producers' license severance tax
15 -- amount -- exceptions. Every person engaging in or
16 carrying on the business of producing, within this state,
17 petroleum, or other mineral or crude oil, or natural gas or
18 engaging in or carrying on the business of owning,
19 controlling, managing, leasing or operating within this
20 state any well ~~or~~ wells from which any merchantable or
21 marketable petroleum or other mineral or crude oil or
22 natural gas is extracted or produced, sufficient in quantity
23 to justify the marketing of the same, must, ~~for--the--year~~
24 ~~beginning--July--1,--1957,--and~~ each year ~~thereafter~~, when
25 engaged in or carrying on any such business in this state,

1 pay to the state treasurer, for the exclusive use and
2 benefit of the state of Montana, a license severance tax,
3 ~~for--engaging--in--and--carrying--on--such--business~~, computed at
4 the following rates:

5 (a) Two and one-tenth per cent (2.1%) of the total
6 gross value of that portion of all the petroleum and other
7 mineral or crude oil produced by such person from each lease
8 or unit in the calendar quarter not in excess of an amount
9 obtained by multiplying the number of producing wells on
10 such lease or unit by four hundred fifty (450) barrels.

11 (b) Two and sixty-five hundredths per cent (2.65%) of
12 the total gross value of that portion of all the production
13 of such person from each lease or unit in each calendar
14 quarter in excess of four hundred fifty (450) barrels
15 multiplied by the number of producing wells on such lease or
16 unit; but in determining the amount of such tax there shall
17 be excluded from consideration all petroleum, or other crude
18 or mineral oil produced and used by such person during such
19 year in connection with his operations in prospecting for,
20 developing and producing such petroleum, crude or mineral
21 oil; provided, however, that nothing in this act shall be
22 construed as requiring laborers or employees, hired or
23 employed by any person, to drill any oil well, or to work in
24 or about any oil well, or prospect or explore for, or do any
25 work for the purpose of developing any petroleum or other

1 mineral or crude oil to pay such ~~license~~ severance tax, nor
 2 shall any work be done, or the drilling of any well or
 3 wells, for the purpose of prospecting or exploring for
 4 petroleum or other mineral or crude oils, or for the purpose
 5 of developing same, be deemed to be engaging in or carrying
 6 on of any such business; provided, further, that in the
 7 doing of any such work, or in the drilling of any oil well,
 8 or in such prospecting, exploring or development work, any
 9 merchantable or marketable petroleum or other mineral or
 10 crude oil in excess of the quantity required by such person
 11 for carrying on such operation shall be produced sufficient
 12 in quantity to justify the marketing of the same, then such
 13 work, drilling, prospecting, exploring or development work
 14 shall be deemed to be the engaging in and carrying on of
 15 such business within this state within the meaning of this
 16 section.

17 (c) ~~Three--per-cent-(3%)~~ TWO AND SIXTY-FIVE HUNDREDTHS
 18 PERCENT (2.65%) of the total gross value of natural gas
 19 produced from each lease or unit, ~~which--value--is--the~~
 20 ~~wellhead-price-less--tax--payments--under--section--84-6206,~~
 21 ~~84-7006,--and--this--section,~~ but in determining the amount of
 22 such tax there shall be excluded from consideration all gas
 23 produced and used by such person during such year in
 24 connection with his operations in prospecting for,
 25 developing and producing such gas, or petroleum, crude or

1 mineral oil; and there shall also be excluded from
 2 consideration all gas recycled or reinjected into the ground
 3 ~~or--otherwise--not--saved--and--sold.~~

4 (d) Every person required to pay such tax hereunder
 5 shall pay the same in full for his own account and for the
 6 account of each of the other owner or owners of the gross
 7 proceeds in value or in kind of all the marketable petroleum
 8 or other mineral or crude oil or natural gas extracted and
 9 produced, including owner or owners of working interest,
 10 royalty interest, overriding royalty interest, carried
 11 working interest, net proceeds interest, production payments
 12 and all other interest or interests owned or carved out of
 13 the total gross proceeds in value or in kind of such
 14 extracted marketable petroleum or other mineral or crude oil
 15 or natural gas in all leases establishing royalty interests
 16 entered into hereafter or in renewals of existing leases, or
 17 in division of proceeds orders, or by other contracts, such
 18 other owner or owners may agree with every person required
 19 to pay such tax that such other owner or owners will pay
 20 their prorata share of said tax, and that said prorata share
 21 may be deducted from any settlements under said lease or
 22 leases or division of proceeds orders or other contracts."

23 Section 2. Section 84-2203, R.C.M. 1947, is amended to
 24 read as follows:

25 "84-2203. Payment of tax. Such ~~license~~ severance tax

1 shall be paid in quarterly installments for the quarterly
 2 periods ending respectively March 31, June 30, September 30
 3 and December 31, of each year, and the amount of the ~~license~~
 4 tax for each quarterly period shall be paid to the state
 5 department of revenue within ~~thirty--(30)~~ sixty (60) days
 6 after the end of each quarterly period."

7 Section 3. Section 84-2204, R.C.M. 1947, is amended to
 8 read as follows:

9 "84-2204. Determination of gross value of product. The
 10 total gross value of all petroleum, and other mineral or
 11 crude oil or natural gas produced each year shall be
 12 determined by taking the total number of barrels or cubic
 13 feet thereof produced each month during such year at the
 14 average value at the mouth of the well during the month the
 15 same is produced, as determined by the state department of
 16 revenue; provided, however, that in computing the total
 17 number of barrels of petroleum, and other mineral or crude
 18 oil or cubic feet of gas produced, there shall be deducted
 19 therefrom so much thereof as is used by such person in
 20 connection with the operation of the well from which said
 21 oil or gas is produced or for pumping said petroleum or
 22 other mineral or crude oil or gas from the said well to a
 23 tank or pipeline."

24 Section 4. Section 84-2206, R.C.M. 1947, is amended to
 25 read as follows:

1 "84-2206. Record of product--carriers to furnish data.
 2 Every such person shall keep a record in such form as the
 3 state department of revenue may require, of all petroleum
 4 and other mineral or crude oil or natural gas extracted or
 5 produced by such person in this state, and such records
 6 shall at all times during the business hours of the day be
 7 subject to inspection by the state department of revenue,
 8 its members, agents, or employees. It shall be the duty of
 9 railroad companies, pipeline and transportation companies
 10 carrying crude or mineral oil, or natural gas to furnish to
 11 the state department of revenue, whenever requested so to
 12 do, all data relative to the shipment of said products, that
 13 may be required to properly enforce the provisions of this
 14 act. The failure of any railroad company, pipeline, and
 15 transportation companies to comply with the provisions of
 16 this section shall make such companies liable to a penalty
 17 of one hundred (\$100.00) dollars for each day it shall fail
 18 to furnish such statement."

19 Section 5. Section 84-2207, R.C.M. 1947, is amended to
 20 read as follows:

21 "84-2207. Statement to accompany payment--
 22 records--collection of tax--refunds. (1) Each and every
 23 person must, ~~within--thirty--days--after--the--quarter--ending~~
 24 ~~March--31--1923--and~~ within sixty (60) days after the end of
 25 each following quarter, make out on forms prescribed by the

1 department of revenue a statement showing the total number
 2 of barrels of merchantable or marketable petroleum, and
 3 other mineral or crude oil or cubic feet of natural gas
 4 produced or extracted by such person in the state of Montana
 5 during each month of such quarter and during the whole
 6 quarter, the average value thereof during each month and the
 7 total value thereof for the whole quarter, together with the
 8 total amount due to the state as license severance taxes for
 9 such quarter; and must, within such sixty (60) days deliver
 10 such statement and pay to the department of revenue the
 11 amount of the license taxes shown by such statement to be
 12 due to the state of Montana for the quarter for which such
 13 statement is made. Such statement must be signed and
 14 verified by the oath of the individual or individuals, or by
 15 the president, vice-president, treasurer, assistant
 16 treasurer, or managing agent in this state of the
 17 association, corporation, joint-stock company or syndicate
 18 making the same. Any such person engaged in carrying on
 19 such business at more than one place in this state, or
 20 owning, leasing, controlling, or operating more than one oil
 21 or gas well in this state, may include all thereof in one
 22 statement. The department of revenue shall receive and file
 23 all such statements and collect and receive from such person
 24 making and filing a statement the amount of tax payable by
 25 such person, if any, as the same shall appear from the face

1 of the statement.

2 (2) It shall be the duty of the department of revenue
 3 to examine each of such statements and compute the taxes
 4 thereon, and the amount so computed by the department of
 5 revenue shall be the taxes imposed, assessed against and
 6 payable by the taxpayer making the statement for the quarter
 7 for which the statement is filed. If the tax found to be
 8 due shall be greater than the amount paid, the excess shall
 9 be paid by the taxpayer to the department of revenue within
 10 ten (10) days after written notice of the amount of the
 11 deficiency shall be mailed by the department of revenue to
 12 such taxpayer. Provided, that if the tax imposed shall be
 13 less than the amount paid, the difference must be applied as
 14 a credit against tax liability for subsequent quarters, or
 15 refunded if there is no subsequent tax liability."

16 Section 6. Section 84-2209, R.C.M. 1947, is amended to
 17 read as follows:

18 "84-2209. Procedure to compute and collect tax in
 19 absence of statement. If any such person shall fail, neglect
 20 or refuse to file any statement required by section 84-2207,
 21 within the time therein required, the state department of
 22 revenue shall, immediately after such time has expired,
 23 proceed to inform itself, as best it may, regarding the
 24 number of barrels of petroleum and other mineral or crude
 25 oil or cubic feet of gas extracted and produced by such

1 person in this state during such quarter, and during each
2 month thereof, and the average value thereof during each
3 such month, and shall determine and fix the amount of the
4 license severance taxes due to the state from such person
5 for such quarter and shall make out a statement, in
6 duplicate, showing the same, and shall add to the amount of
7 such license taxes a penalty of twenty-five per cent
8 thereof, and deliver one of such statements to the state
9 treasurer, who shall proceed to collect the amount of such
10 license severance taxes, with the penalty added thereto and
11 interest on the whole thereof at the rate of twelve per
12 cent, per annum from the date of the making of such
13 statement by the state department of revenue until paid.
14 Upon request of the state treasurer, it shall be the duty of
15 the attorney general to commence and prosecute to final
16 determination in any court of competent jurisdiction, an
17 action at law to collect the same. The twenty-five per cent
18 penalty herein provided may be waived by the state
19 department of revenue if reasonable cause for the failure
20 and neglect to file the statement required by section
21 84-2207 is provided to the said department."

22 Section 7. Repealer. Sections 84-2101 through
23 84-2110, R.C.M. 1947, are repealed.

-End-