

1 *Senate* BILL NO. *66*  
 2 INTRODUCED BY *Richard A. Tolberg*

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 4 A BILL FOR AN ACT ENTITLED: "AN ACT IMPOSING A TAX ON THE  
 5 PRIVILEGE OF CONSUMING WATER IN A COAL GASIFICATION PLANT.  
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7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

8 Section 1. Statement of purpose. The production of  
 9 synthetic pipeline gas by a coal gasification process  
 10 involves the literal consumption of water by detaching the  
 11 hydrogen atoms from a molecule of water. Water thus used is  
 12 a source of energy as much as coal is a source of energy.  
 13 The legislature finds that each source of energy consumed in  
 14 an energy conversion process in the state should pay a fair  
 15 share of tax revenue to the state. The purpose of this act  
 16 is to impose a tax on the consumption of water in coal  
 17 gasification plants.

18 Section 2. Definitions. As used in this act, (1)  
 19 "coal gasification plant" means an industrial facility which  
 20 manufactures a combustible gas, in a form commercially  
 21 useful as a substitute for natural gas, by means of a  
 22 process which uses coal and water and which may use other  
 23 materials;

24 (2) "water consumed" means water which undergoes a  
 25 chemical reaction in a coal gasification plant such that it

1 is converted into other compounds and removed from the  
 2 hydrological cycle. Water which leaves a coal gasification  
 3 plant in the form of vapor, steam, or liquid, without losing  
 4 the chemical composition of water, is not considered  
 5 consumed.

6 Section 3. Privilege tax imposed -- rates. There is a  
 7 tax on the privilege of using water in a coal gasification  
 8 plant in the state of Montana, at the following rates:

9 (1) One cent (\$.01) per one hundred (100) gallons of  
 10 water consumed, or

11 (2) Five percent (5%) of the gross value of the  
 12 synthetic pipeline gas as delivered from the plant.

13 The formula which yields the greater amount of revenue  
 14 in a particular case shall be applied in that case.

15 Section 4. Quarterly statement and payment of tax.  
 16 Each person operating a coal gasification plant shall  
 17 compute the privilege tax due on the water consumed in each  
 18 quarter-year's worth of gas production on forms prescribed  
 19 by the department of revenue. The statement shall indicate  
 20 the volume of gas produced, the price received for the  
 21 production, the volume of water consumed, and such other  
 22 information as the department may by regulation require.  
 23 The completed form in duplicate, with the tax payment, shall  
 24 be delivered to the department not later than thirty (30)  
 25 days following the close of the quarter. The form shall be

1 verified by an officer of the producer.

2       Section 5. Water consumption checked by department of  
3 natural resources and conservation. Upon request by the  
4 department of revenue, the department of natural resources  
5 and conservation shall investigate the operation of a coal  
6 gasification plant to determine whether the operator's  
7 report is accurate as to the quantity of water consumed at  
8 the plant. In conducting an investigation, the department  
9 of natural resources and conservation may enter any lands or  
10 buildings controlled by the operator and may examine any  
11 books or records of the operator.

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