

1 *Senate* BILL NO. 127  
 2 INTRODUCED BY *Blaylock (Request of Dept of Revenue)*  
 3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTIONS  
 5 84-2202, 84-2203, AND 84-2209, R.C.M. 1947, RELATING TO THE  
 6 OIL PRODUCERS' LICENSE TAX; AND PROVIDING AN EFFECTIVE  
 7 DATE."

8  
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 10 Section 1. Section 84-2202, R.C.M. 1947, is amended to  
 11 read as follows:

12 "84-2202. Oil producers' license tax -- amount --  
 13 exceptions. Every person engaging in or carrying on the  
 14 business of producing, within this state, petroleum, or  
 15 other mineral or crude oil, or engaging in or carrying on  
 16 the business of owning, controlling, managing, leasing or  
 17 operating within this state any well or wells from which any  
 18 merchantable or marketable petroleum or other mineral or  
 19 crude oil is extracted or produced, sufficient in quantity  
 20 to justify the marketing of the same, must, for the year  
 21 beginning July 1, 1957, and each year thereafter, when  
 22 engaged in or carrying on any such business in this state,  
 23 pay to the state ~~treasury~~ department of revenue, for the  
 24 exclusive use and benefit of the state of Montana, a license  
 25 tax for engaging in and carrying on such business, computed

1 at the following rates:  
 2 (a) Two and one-tenth per cent (2.1%) of the total  
 3 gross value of that portion of all the petroleum and other  
 4 mineral or crude oil produced by such person from each lease  
 5 or unit in the calendar quarter not in excess of an amount  
 6 obtained by multiplying the number of producing wells on  
 7 such lease or unit by four hundred fifty (450) barrels.  
 8 (b) Two and sixty-five hundredths per cent (2.65%) of  
 9 the total gross value of that portion of all the production  
 10 of such person from each lease or unit in each calendar  
 11 quarter in excess of four hundred fifty (450) barrels  
 12 multiplied by the number of producing wells on such lease or  
 13 unit; but in determining the amount of such tax there shall  
 14 be excluded from consideration all petroleum, or other crude  
 15 or mineral oil produced and used by such person during such  
 16 year in connection with his operations in prospecting for,  
 17 developing and producing such petroleum, crude or mineral  
 18 oil; provided, however, that nothing in this act shall be  
 19 construed as requiring laborers or employees, hired or  
 20 employed by any person, to drill any oil well, or to work in  
 21 or about any oil well, or prospect or explore for, or do any  
 22 work for the purpose of developing any petroleum or other  
 23 mineral or crude oil to pay such license tax, nor shall any  
 24 work be done, or the drilling of any well or wells, for the  
 25 purpose of prospecting or exploring for petroleum or other

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1 mineral or crude oils, or for the purpose of developing  
 2 same, be deemed to be engaging in or carrying on of any such  
 3 business; provided, further, that in the doing of any such  
 4 work, or in the drilling of any oil well, or in such  
 5 prospecting, exploring or development work, any merchantable  
 6 or marketable petroleum or other mineral or crude oil in  
 7 excess of the quantity required by such person for carrying  
 8 on such operation shall be produced sufficient in quantity  
 9 to justify the marketing of the same, then such work,  
 10 drilling, prospecting, exploring or development work shall  
 11 be deemed to be the engaging in and carrying on of such  
 12 business within this state within the meaning of this  
 13 section.

14 (c) Every person required to pay such tax hereunder  
 15 shall pay the same in full for his own account and for the  
 16 account of each of the other owner or owners of the gross  
 17 proceeds in value or in kind of all the marketable petroleum  
 18 or other mineral or crude oil extracted and produced,  
 19 including owner or owners of working interest, royalty  
 20 interest, overriding royalty interest, carried working  
 21 interest, net proceeds interest, production payments and all  
 22 other interest or interests owned or carved out of the total  
 23 gross proceeds in value or in kind of such extracted  
 24 marketable petroleum or other mineral or crude oil; in all  
 25 leases establishing royalty interests entered into hereafter

1 or in renewals of existing leases, or in division of  
 2 proceeds orders, or by other contracts, such other owner or  
 3 owners may agree with every person required to pay such tax  
 4 that such other owner or owners will pay their prorata share  
 5 of said tax, and that said prorata share may be deducted  
 6 from any settlements under said lease or leases or division  
 7 of proceeds orders or other contracts."

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

10 "84-2203. Payment of tax. Such license tax shall be  
 11 paid in quarterly installments for the quarterly periods  
 12 ending respectively March 31, June 30, September 30 and  
 13 December 31, of each year, and the amount of the license tax  
 14 for each quarterly period shall be paid to the state  
 15 department of revenue within ~~thirty--(30)~~ sixty (60) days  
 16 after the end of each quarterly period."

17 Section 3. Section 84-2209, R.C.M. 1947, is amended to  
 18 read as follows:

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

1 petroleum and other mineral or crude oil extracted and  
 2 produced by such person in this state during such quarter,  
 3 and during each month thereof, and the average value thereof  
 4 during each such month, and shall determine and fix the  
 5 amount of the license taxes due to the state from such  
 6 person for such quarter ~~and shall make out a statement, in~~  
 7 ~~duplicate, showing the same,~~ and shall add to the amount of  
 8 such license taxes a penalty of ~~twenty-five~~ ten per cent  
 9 (10%) thereof, ~~and deliver one of such statements to the~~  
 10 ~~state treasurer, who shall proceed to collect the amount of~~  
 11 ~~such license taxes, with the penalty added thereto and~~  
 12 ~~interest on the whole thereof at the rate of twelve per~~  
 13 ~~cent, per annum from the date of the making of such~~  
 14 ~~statement by the state department of revenue until paid.~~  
 15 Upon request of the state treasurer, plus interest at the  
 16 rate of one percent (1%) per month or fraction thereof  
 17 computed on the total amount of license taxes and penalty.  
 18 Interest shall be computed from the date the license taxes  
 19 were due to the date of payment. The state department of  
 20 revenue shall mail to the person required to file a  
 21 quarterly statement and pay any license tax, a letter  
 22 setting forth the amount of license tax, penalty, and  
 23 interest due and may file a copy of such letter in the  
 24 office of the county clerk and recorder of the county in  
 25 which the crude oil was produced. It shall be the duty of

1 the attorney general to commence and prosecute to final  
 2 determination in any court of competent jurisdiction, an  
 3 action at law to collect the same. The ~~twenty-five~~ ten per  
 4 cent (10%) penalty herein provided may be waived by the  
 5 state department of revenue if reasonable cause for the  
 6 failure and neglect to file the statement required by  
 7 section 84-2207 is provided to the said department.■

8 The license tax assessed against any person under this  
 9 act, together with penalties and interest thereon, shall be  
 10 a lien upon any and all property owned by such person within  
 11 this state, which lien shall attach on the date when the  
 12 state department of revenue mails a letter assessing license  
 13 tax, penalty, and interest and such lien may be enforced in  
 14 the name of the state of Montana in the same manner as other  
 15 liens are enforced at law."

16 Section 4. This act is effective on passage and  
 17 approval.

-End-

SB 127

Approved by Committee  
on Taxation

1 SENATE BILL NO. 127

2 INTRODUCED BY BLAYLOCK

3 (BY REQUEST OF DEPARTMENT OF REVENUE)

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6 84-2202, 84-2203, AND 84-2209, R.C.M. 1947, RELATING TO THE  
7 OIL PRODUCERS' LICENSE TAX, ~~AND PROVIDING AN EFFECTIVE~~  
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15 business of producing, within this state, petroleum, or  
16 other mineral or crude oil, or engaging in or carrying on  
17 the business of owning, controlling, managing, leasing or  
18 operating within this state any well or wells from which any  
19 merchantable or marketable petroleum or other mineral or  
20 crude oil is extracted or produced, sufficient in quantity  
21 to justify the marketing of the same, must, for the year  
22 beginning July 1, 1957, and each year thereafter, when  
23 engaged in or carrying on any such business in this state,  
24 pay to the state ~~treasurer,~~ department of revenue, for the  
25 exclusive use and benefit of the state of Montana, a license

1 tax for engaging in and carrying on such business, computed  
2 at the following rates:

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

9 (b) Two and sixty-five hundredths per cent (2.65%) of  
10 the total gross value of that portion of all the production  
11 of such person from each lease or unit in each calendar  
12 quarter in excess of four hundred fifty (450) barrels  
13 multiplied by the number of producing wells on such lease or  
14 unit; but in determining the amount of such tax there shall  
15 be excluded from consideration all petroleum, or other crude  
16 or mineral oil produced and used by such person during such  
17 year in connection with his operations in prospecting for,  
18 developing and producing such petroleum, crude or mineral  
19 oil; provided, however, that nothing in this act shall be  
20 construed as requiring laborers or employees, hired or  
21 employed by any person, to drill any oil well, or to work in  
22 or about any oil well, or prospect or explore for, or do any  
23 work for the purpose of developing any petroleum or other  
24 mineral or crude oil to pay such license tax, nor shall any  
25 work be done, or the drilling of any well or wells, for the

1 purpose of prospecting or exploring for petroleum or other  
 2 mineral or crude oils, or for the purpose of developing  
 3 same, be deemed to be engaging in or carrying on of any such  
 4 business; provided, further, that in the doing of any such  
 5 work, or in the drilling of any oil well, or in such  
 6 prospecting, exploring or development work, any merchantable  
 7 or marketable petroleum or other mineral or crude oil in  
 8 excess of the quantity required by such person for carrying  
 9 on such operation shall be produced sufficient in quantity  
 10 to justify the marketing of the same, then such work,  
 11 drilling, prospecting, exploring or development work shall  
 12 be deemed to be the engaging in and carrying on of such  
 13 business within this state within the meaning of this  
 14 section.

15 (c) Every person required to pay such tax hereunder  
 16 shall pay the same in full for his own account and for the  
 17 account of each of the other owner or owners of the gross  
 18 proceeds in value or in kind of all the marketable petroleum  
 19 or other mineral or crude oil extracted and produced,  
 20 including owner or owners of working interest, royalty  
 21 interest, overriding royalty interest, carried working  
 22 interest, net proceeds interest, production payments and all  
 23 other interest or interests owned or carved out of the total  
 24 gross proceeds in value or in kind of such extracted  
 25 marketable petroleum or other mineral or crude oil; in all

1 leases establishing royalty interests entered into hereafter  
 2 or in renewals of existing leases, or in division of  
 3 proceeds orders, or by other contracts, such other owner or  
 4 owners may agree with every person required to pay such tax  
 5 that such other owner or owners will pay their prorata share  
 6 of said tax, and that said prorata share may be deducted  
 7 from any settlements under said lease or leases or division  
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9 Section 2. Section 84-2203, R.C.M. 1947, is amended to  
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 14 December 31, of each year, and the amount of the license tax  
 15 for each quarterly period shall be paid to the state  
 16 department of revenue within ~~thirty--(30)~~ sixty (60) days  
 17 after the end of each quarterly period."

18 Section 3. Section 84-2209, R.C.M. 1947, is amended to  
 19 read as follows:

20 "84-2209. Procedure to compute ~~and--collect~~ tax in  
 21 absence of statement ~~-- penalty -- interest ---tax-tien~~. If  
 22 any such person shall fail, neglect or refuse to file any  
 23 statement required by section 84-2207, within the time  
 24 therein required, the state department of revenue shall,  
 25 immediately after such time has expired, proceed to inform

1 itself, as best it may, regarding the number of barrels of  
 2 petroleum and other mineral or crude oil extracted and  
 3 produced by such person in this state during such quarter,  
 4 and during each month thereof, and the average value thereof  
 5 during each such month, and shall determine and fix the  
 6 amount of the license taxes due to the state from such  
 7 person for such quarter ~~and shall make out a statement, in~~  
 8 ~~duplicate, showing the same,~~ and shall add to the amount of  
 9 such license taxes a penalty of twenty-five ten per cent  
 10 (10%) thereof, ~~and deliver one of such statements to the~~  
 11 ~~state treasurer, who shall proceed to collect the amount of~~  
 12 ~~such license taxes, with the penalty added thereto and~~  
 13 ~~interest on the whole thereof at the rate of twelve per~~  
 14 ~~cent, per annum from the date of the making of such~~  
 15 ~~statement by the state department of revenue until paid.~~  
 16 Upon request of the state treasurer, plus interest at the  
 17 rate of one percent (1%) per month or fraction thereof  
 18 computed on the total amount of license taxes and penalty.  
 19 Interest shall be computed from the date the license taxes  
 20 were due to the date of payment. The state department of  
 21 revenue shall mail to the person required to file a  
 22 quarterly statement and pay any license tax, a letter  
 23 setting forth the amount of license tax, penalty, and  
 24 interest due and may file a copy of such letter in the  
 25 office of the county clerk and recorder of the county in

1 ~~which the crude oil was produced, it shall be the duty of~~  
 2 AND THE LETTER SHALL FURTHER CONTAIN A STATEMENT THAT IF  
 3 PAYMENT IS NOT MADE WITHIN SUCH TIME A LIEN MAY BE FILED AS  
 4 SET FORTH IN [SECTION 3 HEREIN]. UPON RECEIPT OF SAID  
 5 LETTER THE PERSON SHALL REMIT TO THE DEPARTMENT OF REVENUE  
 6 THE FULL AMOUNT OF LICENSE TAX, PENALTY AND INTEREST DUE  
 7 WITHIN FIFTEEN (15) DAYS the attorney general to commence  
 8 and prosecute to final determination in any court of  
 9 competent jurisdiction, an action at law to collect the  
 10 same. The twenty-five ten per cent (10%) penalty herein  
 11 provided may be waived by the state department of revenue if  
 12 reasonable cause for the failure and neglect to file the  
 13 statement required by section 84-2207 is provided to the  
 14 said department.

15 The license tax assessed against any person under this  
 16 act, together with penalties and interest thereon, shall be  
 17 a lien upon any and all property owned by such person within  
 18 this state, which lien shall attach on the date when the  
 19 state department of revenue mails a letter assessing license  
 20 tax, penalty, and interest and such lien may be enforced in  
 21 the name of the state of Montana in the same manner as other  
 22 liens are enforced at law."

23 SECTION 4. THERE IS A NEW R.C.M. SECTION THAT READS AS  
 24 FOLLOWS:

25 PROCEDURE FOR COLLECTION OF TAX. ALL TAX, PENALTY, AND

1 INTEREST DUE FROM ANY PERSON UNDER THIS ACT SHALL BE A LIEN  
2 UPON ANY AND ALL REAL PROPERTY OF SUCH PERSON UPON THE  
3 FILING OF THE STATE DEPARTMENT OF REVENUE OF THE DUPLICATE  
4 OF THE STATEMENT SO MADE BY THE STATE DEPARTMENT OF REVENUE,  
5 OR A CLRTIFIED COPY OF ANY STATEMENT FILED BY SAID  
6 DEPARTMENT IN THE OFFICE OF THE COUNTY CLERK IN THE COUNTY  
7 WHERE SUCH REAL PROPERTY IS SITUATED WHICH LIEN SHALL HAVE  
8 PRECEDENCE OVER ANY OTHLR CLAIM, LIEN OR DEMAND THEREAFTER  
9 FILED AND RECORDED AND WHICH MAY BE ENFORCED IN THE NAME OF  
10 THE STATE OF MONTANA IN THE SAME MANNER AS JUDGMENT LIENS  
11 ARE ENFORCED BY LAW.

12 ~~Section-4.--This--act--is--effective--on--passage---and~~  
13 ~~approval:~~

-End-

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18 operating within this state any well or wells from which any  
19 merchantable or marketable petroleum or other mineral or  
20 crude oil is extracted or produced, sufficient in quantity  
21 to justify the marketing of the same, must, for the year  
22 beginning July 1, 1957, and each year thereafter, when  
23 engaged in or carrying on any such business in this state,  
24 pay to the state ~~treasurer,~~ department of revenue, for the  
25 exclusive use and benefit of the state of Montana, a license

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4 gross value of that portion of all the petroleum and other  
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6 or unit in the calendar quarter not in excess of an amount  
7 obtained by multiplying the number of producing wells on  
8 such lease or unit by four hundred fifty (450) barrels.

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10 the total gross value of that portion of all the production  
11 of such person from each lease or unit in each calendar  
12 quarter in excess of four hundred fifty (450) barrels  
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14 unit; but in determining the amount of such tax there shall  
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15 be excluded from consideration all petroleum, or other crude  
16 or mineral oil produced and used by such person during such  
17 year in connection with his operations in prospecting for,  
18 developing and producing such petroleum, crude or mineral  
19 oil; provided, however, that nothing in this act shall be  
20 construed as requiring laborers or employees, hired or  
21 employed by any person, to drill any oil well, or to work in  
22 or about any oil well, or prospect or explore for, or do any  
23 work for the purpose of developing any petroleum or other  
24 mineral or crude oil to pay such license tax, nor shall any  
25 work be done, or the drilling of any well or wells, for the

1 purpose of prospecting or exploring for petroleum or other  
 2 mineral or crude oils, or for the purpose of developing  
 3 same, be deemed to be engaging in or carrying on of any such  
 4 business; provided, further, that in the doing of any such  
 5 work, or in the drilling of any oil well, or in such  
 6 prospecting, exploring or development work, any merchantable  
 7 or marketable petroleum or other mineral or crude oil in  
 8 excess of the quantity required by such person for carrying  
 9 on such operation shall be produced sufficient in quantity  
 10 to justify the marketing of the same, then such work,  
 11 drilling, prospecting, exploring or development work shall  
 12 be deemed to be the engaging in and carrying on of such  
 13 business within this state within the meaning of this  
 14 section.

15 (c) Every person required to pay such tax hereunder  
 16 shall pay the same in full for his own account and for the  
 17 account of each of the other owner or owners of the gross  
 18 proceeds in value or in kind of all the marketable petroleum  
 19 or other mineral or crude oil extracted and produced,  
 20 including owner or owners of working interest, royalty  
 21 interest, overriding royalty interest, carried working  
 22 interest, net proceeds interest, production payments and all  
 23 other interest or interests owned or carved out of the total  
 24 gross proceeds in value or in kind of such extracted  
 25 marketable petroleum or other mineral or crude oil; in all

1 leases establishing royalty interests entered into hereafter  
 2 or in renewals of existing leases, or in division of  
 3 proceeds orders, or by other contracts, such other owner or  
 4 owners may agree with every person required to pay such tax  
 5 that such other owner or owners will pay their prorata share  
 6 of said tax, and that said prorata share may be deducted  
 7 from any settlements under said lease or leases or division  
 8 of proceeds orders or other contracts."

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

11 "84-2203. Payment of tax. Such license tax shall be  
 12 paid in quarterly installments for the quarterly periods  
 13 ending respectively March 31, June 30, September 30 and  
 14 December 31, of each year, and the amount of the license tax  
 15 for each quarterly period shall be paid to the state  
 16 department of revenue within ~~thirty--(30)~~ sixty (60) days  
 17 after the end of each quarterly period."

18 Section 3. Section 84-2209, R.C.M. 1947, is amended to  
 19 read as follows:

20 "84-2209. Procedure to compute ~~and--collect~~ tax in  
 21 absence of statement ~~-- penalty -- interest ---tax-lien.~~ If  
 22 any such person shall fail, neglect or refuse to file any  
 23 statement required by section 84-2207, within the time  
 24 therein required, the state department of revenue shall,  
 25 immediately after such time has expired, proceed to inform

1 itself, as best it may, regarding the number of barrels of  
 2 petroleum and other mineral or crude oil extracted and  
 3 produced by such person in this state during such quarter,  
 4 and during each month thereof, and the average value thereof  
 5 during each such month, and shall determine and fix the  
 6 amount of the license taxes due to the state from such  
 7 person for such quarter ~~and shall make out a statement, in~~  
 8 ~~duplicate, showing the same,~~ and shall add to the amount of  
 9 such license taxes a penalty of twenty-five ten per cent  
 10 (10%) thereof, ~~and deliver one of such statements to the~~  
 11 ~~state treasurer, who shall proceed to collect the amount of~~  
 12 ~~such license taxes, with the penalty added thereto and~~  
 13 ~~interest on the whole thereof at the rate of twelve per~~  
 14 ~~cent, per annum from the date of the making of such~~  
 15 ~~statement by the state department of revenue until paid.~~  
 16 ~~Upon request of the state treasurer, plus interest at the~~  
 17 ~~rate of one percent (1%) per month or fraction thereof~~  
 18 ~~computed on the total amount of license taxes and penalty.~~  
 19 ~~Interest shall be computed from the date the license taxes~~  
 20 ~~were due to the date of payment. The state department of~~  
 21 ~~revenue shall mail to the person required to file a~~  
 22 ~~quarterly statement and pay any license tax, a letter~~  
 23 ~~setting forth the amount of license tax, penalty, and~~  
 24 ~~interest due and may file a copy of such letter in the~~  
 25 ~~office of the county clerk and recorder of the county in~~

1 ~~which the crude oil was produced, it shall be the duty of~~  
 2 ~~AND THE LETTER SHALL FURTHER CONTAIN A STATEMENT THAT IF~~  
 3 ~~PAYMENT IS NOT MADE WITHIN SUCH TIME A LIEN MAY BE FILED AS~~  
 4 ~~SET FORTH IN [SECTION 3 HEREIN]. UPON RECEIPT OF SAID~~  
 5 ~~LETTER THE PERSON SHALL REMIT TO THE DEPARTMENT OF REVENUE~~  
 6 ~~THE FULL AMOUNT OF LICENSE TAX, PENALTY AND INTEREST DUE~~  
 7 ~~WITHIN FIFTEEN (15) DAYS the attorney general to commence~~  
 8 ~~and prosecute to final determination in any court of~~  
 9 ~~competent jurisdiction, an action at law to collect the~~  
 10 ~~same. The twenty-five ten per cent (10%) penalty herein~~  
 11 ~~provided may be waived by the state department of revenue if~~  
 12 ~~reasonable cause for the failure and neglect to file the~~  
 13 ~~statement required by section 84-2207 is provided to the~~  
 14 ~~said department.~~

15 ~~The license tax assessed against any person under this~~  
 16 ~~act, together with penalties and interest thereon, shall be~~  
 17 ~~a lien upon any and all property owned by such person within~~  
 18 ~~this state, which lien shall attach on the date when the~~  
 19 ~~state department of revenue mails a letter assessing license~~  
 20 ~~tax, penalty, and interest and such lien may be enforced in~~  
 21 ~~the name of the state of Montana in the same manner as other~~  
 22 ~~liens are enforced at law."~~

23 SECTION 4. THERE IS A NEW R.C.M. SECTION THAT READS AS  
 24 FOLLOWS:

25 Procedure for collection of tax. All tax, penalty, and

1 interest due from any person under this act shall be a lien  
2 upon any and all real property of such person upon the  
3 filing of the state department of revenue of the duplicate  
4 of the statement so made by the state department of revenue,  
5 or a certified copy of any statement filed by said  
6 department in the office of the county clerk in the county  
7 where such real property is situated which lien shall have  
8 precedence over any other claim, lien or demand thereafter  
9 filed and recorded and which may be enforced in the name of  
10 the state of Montana in the same manner as judgment liens  
11 are enforced by law.

12 ~~Section 4. This act is effective on passage and~~  
13 ~~approval.~~

-End-