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| • | HOUSE BILL NO. 26 |
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| 2 | INTRODUCED BY MARKS |
| 3 | |
| 4 | A BILL FOR AN ACT ENTITLED: "AN ACT TO CORRECT GRAHMAR AND |
| 5 | INTERNAL REFERENCES, AND DELETE REDUNDANT MATTER IN THE COAL |
| 6 | SEVERANCE TAX, OIL AND GAS SEVERANCE TAX, METAL MINES |
| 7 | LICENSE TAY, AND RESOURCE INDERNITY TRUST TAY LAWS, IN AID |
| 8 | OF RECODIFICATION; AMENDING SECTIONS 84-1313, 84-1319, |
| 9 | 84-1320, 84-2003, 84-2004, 84-2008.1, 84-2010, 84-2202, |
| 0 | 84-2206, 84-2209.1, AND 84-7012, R.C.H. 1947; REPEALING |
| 1 | 84-2011, R.C.H. 1947.* |
| 2 | |
| 3 | BE IT EMACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: |
| 4 | Section 1. Section 84-1313, R.C.B. 1947, is amended to |
| 5 | read as follows: |
| 6 | #84-1313. Definitions. As used in this chapter the |
| 7 | following definitions apply: |
| 18 | (1) "Contract sales price" means either (a) the price |
| 9 | of coal extracted and prepared for shipment f.o.b. mine, |
| 20 | excluding that amount charged by the seller to pay taxes |
| !1 | paid on production, or (b) a price imputed by the department |
| 22 | under section 84-1318. |
| 23 | (2) "Energy conversion process" includes any process |
| 24 | by which coal in the solid state is transformed into slurry, |
| 25 | qas, electric energy, or any other form of energy. |

- (3) "Produced" means severed from the earth.
- 2 (4) "Strip mining" or "surface mining" is defined in section 50-1036.
- 4 (5) "Underground mining" means a coal mining method
 5 utilizing shafts and tunnels, and not regulated under
 6 section 50-1039 and as further defined in 50-1036 (20).
 - (6) "Ton" means two thousand (2,000) pounds.
 - (7) "Department" means the department of revenue.
- 9 (8) "Taxes paid on production" includes any 10 tax paid to the federal, state, or local governments upon 11 the quantity of coal produced as a function of either the 12 volume or the value of production, and do does not include 13 any tak upon the value of mining equipment, machinery, or buildings and lands, any tax upon a person's net income 14 15 derived in whole or in part from the sale of coal, or any 16 license fee.
- 17 Section 2. Section 84-1319, R.C.M. 1947, is amended to 18 read as follows:
- 19 #84-1319. Disposal of ligense or severance taxes.
 20 Ligense or neverance Severance taxes collected under the
 21 provisions of this chapter or such sections as may enact a
 22 severance tax on coal in 1975 are allocated as follows:
- 23 (1) The to the county for such purposes as the governing body of that county may determine from which coal was mined for each calendar year prior to January 1, 1980,

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three cents (34) 3 cents per a ton or four percent (4%) of the severance tax paid on the coal mined in that county, whichever is higher, and for each calendar year following December 31, 1979, three cents (34) 3 cents per a ton or three and one half percent (3 1/2%) of the severance tax paid on the coal mined in that county, whichever is higher-;

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- (2) ***re- and one-half per cent (2 1/2%) of total collections per a year until December 31, 1979, and thereafter four per cent (4%) of total collections per a year to the earmarked revenue fund, to the credit of the alternative energy research development and demonstration account,
- (3) Twenty seven and one half per sent (27.5 27 1/2%) of total collections per a year, until July 1, 1979, and thereafter thirty five per sent (35%), to the earmarked revenue fund to the credit of the local impact and education trust fund account;
- (4) For for each of the four (4) fiscal years following the effective date of this ast July 1, 1975, ten per cent (10%) of total collections per a year to the earmarked revenue fund to the credit of the coal area highway improvement account:
- 23 (5) Ten per sent (10%) of total collections per a
 24 year, to the earmarked revenue fund, for state equalization
 25 aid to public schools of the state;

1 (6) For for the period ending December 31, 1979, one
2 per ent (1%) of total collections per a year to the
3 earwarked revenue 9fu fund, to the credit of the county land
4 planning account;

- (7) Two and one half persons (2 1/2%) of total collections per a year, to the sinking fund, to the credit of the renewable resource development bond account;
- (8) Two-and one-half percent (2 1/2%) of total collections per a year through June 30, 1979, of which 9 10 portion one-half (1/2) shall be allegated to the earmarked 11 revenue fund, for the purpose of acquisition of sites and 12 areas described in sestion 62-304, subject to legislative 13 appropriations, and one-half-(1/2)-chall be allocated to the trust and legacy fund, for the purpose of parks 14 acquisition-: After after June 30, 1979, five percent (5%) 15 of total collections per a year shall-be-allocated to the 16 17 trust and legacy fund, for the purpose of parks acquisition. Income from the fund established in this subsection may be 18 appropriated for the acquisition of sites and areas 19 described in section 62-304. 20
 - 21 (9) To the carmarked revenue fundy such pertions of
 22 the severance tax as may be authorized by laws enacted in
 23 1975.
 - 24 (40)(9) All all other revenues from ligense or 25 severance taxes collected under the provisions of this

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1 chapter shall be deposited to the credit of the general fund 2 of the state."

- 3 Section 3. Section 84-1320, R.C.M. 1947, is amended to read as follows:
- 5 "84-1320. Reporting gross proceeds from coal. Each person engaged in mining coal must, on or before March 31 6 each year, file with the department of revenue a statement 7 of the gross wield from each coal mine owned or worked by such person in the preceding calendar year, and the value 9 10 thereof. The statement shall be in the form prescribed by the department of revenue, which way be coordinated with the 11 form used under sestion 84-1316 84-1315, and must be 12 verified by an officer of the firm. The statement shall 13 include: 14
- 15 (1) The the name and address of the owner or lessee or operator of the miner:
- 17 (2) The the location of the mine-:
- 18 (3) The the tons of ere coal extracted, treated, and
 19 sold from the mine during the tarable period+:
- 20 (4) The the gross yield or value in dollars and cents
 21 derived from the contract sales price.**
- 22 Section 4. Section 84-2003, R.C.M. 1947, is amended to
- 23 read as follows:
- 24 "84-2003. Gross value of products, how determined
 25 <u>metal mine yield computation</u>. The total "gross value of

product", as used in this act, shall sean the market value 1 of all merchantable metals, or precious and semiprecious 2 3 gems and stones extracted or produced, each year from any mine or mining property in the state of Montana or recovered from the smelting, milling, reduction, or treatment in any manner of ores extracted from any such mine or mining 6 property or from tailings resulting from the smelting, reduction, or treatment of any such ores. That whenever 9 Whenever the ores require smelting, reduction, or treatment 10 to ascertain the metal contents of such ores, the gross value of the product thereof shall be determined by taking 11 12 the market value of all merchaptable metals or mineral products extracted or recovered thereby, as shown by the 13 gross smelter returns of such metals or mineral product in 14 dollars and cents, without any deductions for costs of 15 smelting, reduction, or treatment, or otherwise, based upon 16 the average quotations of the price of such metals, or 17 mineral products, in the city of New York, as evidenced by 18 some established authority or market report, such as the 19 Saginoering and Mining Journal of Now-York City, or other 20 standard publications, giving the market reports during the 21 calendar year immediately preceding. Should there be no 22 23 quotation covering any particular product, then the state 24 department of revenue shall fix the value of such gross product, or such portion thereof, in such a manner as may

| 2 | Section 5. Section 84-2004, R.C.H. 1947, is amended to |
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| 3 | read as follows: |
| 4 | #84-2004. *** Rate of tax. The annual license tax |
| 5 | to be paid by such person engaged in or carrying on the |
| 6 | business of working or operating any mine or mining property |
| 7 | in this state from which gold, silver, copper, lead, or any |
| 8 | other metal or metals, or precious or semiprecious gens or |
| 9 | stones are produced, shall be for the production years |
| 10 | commonsing on or after January 1, 1970 and for each |
| 11 | production year thereafter, be an amount computed on the |
| 12 | gross value of product which may have been derived by such |
| 13 | person from such business, work, or operation within this |
| 14 | state during the calendar year immediately preceding, at the |
| 15 | following rates: The rate of tax shall be fifteen hundredths |
| 16 | of one per cent (0.15 of 1%) of the first one handred |
| 17 | thousand dellars (\$100,000) of the gross value of the |
| 18 | product, five hundred seventy-five thousandths of one per |
| 19 | cent-(0.575 of 14) of the amount by which such gross value |
| 20 | of product exceeds-one-hundred-thousand-dellars (\$100,000) |
| 21 | and does not exceed two hundred and fifty thousand dellars |
| 22 | (\$250,000); eighty-siz - hundredths-of-one-per-sent-(0.86-of |
| 23 | 18) of the amount by which such gross value of product |
| 24 | ercoods two hundred and fifty thousand dollars (\$250,000) |
| 25 | and does not exceed - four hundred thousand dollars |
| | |

seem equitable."

| 1 | (\$400,000); one and fifteen hundredthe per cent (1.15%) of |
|----|--|
| 2 | the amount by which the gross value of product exceeds four |
| 3 | hundred thousand dollars (\$400,000) and does not exceed five |
| 4 | hundred-thousand dellars (\$500,000) and one and four hundred |
| 5 | thirty eight thousandths per sent (1.438%) of the amount by |
| 6 | which the gross value of product exceeds five hundred |
| 7 | thossand dellars (\$500,000). |
| 8 | Gross value Rate of Tax |
| 9 | of product (percentage of gross value) |
| 10 | first \$100,000 0.15% |
| 11 | more than \$100,000 and |
| 12 | not more than \$250,000 0.575% of the increment |
| 13 | more than \$250,000 and |
| 14 | not more than \$400,000 0.86% of the increment |
| 15 | more than \$400,000 and |
| 16 | not more than \$500,000 1.15% of the increment |
| 17 | more than \$500,000 1.438% of the increment |
| 18 | Section 6. Section 84-2008.1, R.C.M. 1947, is amended |
| 19 | to read as follows: |
| 20 | *84-2008.1. Procedure for collection of tax. All tax, |
| 21 | penalty, and interest due from any person under this act |
| 22 | shall be a lien upon any and all real property of such |
| 23 | person upon the filing of <u>when</u> the state department of |

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revenue of the duplicate of the statement so made by the state department of revenue, or a certified copy of any statement filed by said department files in the office of the county clerk in the county where such real property is situated a certified copy of its statement of estimated tax computed under 84-2008. which This lien shall have 7 precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner as judgment liens are enforced by law. "

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11 Section 7. Section 84-2010, R.C.H. 1947, is amended to 12 read as follows:

*84-2010. Hearing on determination of value of gross 13 14 product or amount of tax. Every person whose license tax has been determined and assessed by the state department of 15 16 revenue under any of the provisions of this act, who shall 17 feel feels aggrieved by the determination and assessment of 18 the department as to the amount of gross value of product, or as to the amount of the license tax, may, at any time 19 20 within ten 10 days after the date receipt of the required 21 notice thereof, required to be given to such person of such 22 determination and assessment, file with the state tax appeal board a petition for a hearing in which petition must be 23 24 stated and set forth particularly and specifically the 25 grounds and reasons therefor, and the manner in which the

amount of the gross value of product or the amount of the license tax, or both, should be changed or corrected. Upon the filing of such petition, if it appears to the 3 satisfaction of the state tax appeal board therefrom that the department of revenue has erred in any manner in ascertaining and determining the amount of the gross value 7 of product, or the amount of the license tax, or both, the board shall immediately correct such error, or errors,: and 9 if such correction shall be is in conformity with the 10 request contained in the petition for a hearing, the board 11 shall take no further steps in connection with such 12 petition, other than to notify the state department of 13 revenue of the correct amount of the license tax due from 14 such person after the making of such correction, and 15 notifying such person thereof. If, from such examination, it does not appear to the satisfaction of the state tax 16 17 appeal board that the department of revenue has erred in any 18 manner, the board shall grant the hearing, fix a day when the board will take up and hear such matter, and give notice 19 20 to such person of such date of hearing as the board say doos considers reasonable. At the hearing of such person 21 petition, any taxpayer interested, and the department of 22 23 revenue may introduce witnesses and present testimony on any material matters connected with such return and license tax, 24 25 and after considering such evidence the board shall fix and

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determine the gross value of product, and reassess the
amount of the license tax to be paid by such person, and
give notice thereof to such person and the state department
of revenue."

5 Section 8. Section 84-2202, R.C.M. 1947, is amended to fead as follows:

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m84-2202. Oil or gas producers' severance tax — amount — exceptions. [1] Every person engaging in or carrying on the business of producing, within this state, petroleum, er other mineral or crude oil, or natural gas within this state or engaging in or carrying on the business of owning, controlling, managing, leasing, or operating within this state any well or wells from which any merchantable or marketable petroleum, er other mineral or crude oil, or natural gas is extracted or produced, sufficient in quantity to justify the marketing of the same, must, each year when engaged in or carrying on any such business in this state, pay to the state department of revenue, for the exclusive use and benefit of the state of Montana, a severance tax, computed at the following rates:

(a) Two-and one-tenth per cont (2.1%) of the total gross value of that portion of all the petroleum and other mineral or crude oil produced by such person from each lease or unit in the calendar quarter not in excess of an amount obtained by multiplying the number of producing wells on

1 such lease or unit by four hundred fifty (450) barrels:

2 (b) Two and gisty five bundredths per cent (2.65%) of the total gross value of that portion of all the production 3 of such person from each lease or unit in each calendar quarter in ercess of four hundred fifty (450) barrels 5 multiplied by the number of producing wells on such lease or 7 unit: but in determining the amount of such tax there shall be excluded from consideration all petroleum, or other crude or mineral oil produced and used by such person during such 9 vear in connection with his operations in prospecting for, 10 developing, and producing such petroleum, or crude or 11 12 mineral oil; provided, however, that nothing Nothing in this act shall may be construed as requiring laborers or 13 14 employees, hired or employed by any person, to drill any oil well- or to work in or about any oil well- or prospect or 15 emplore for, or do any work for the purpose of developing 16 17 any petroleum or other mineral or crude oil to pay such severance tax, nor shall may any work be done, or the 18 19 drilling of any well or wells, for the purpose of prospecting or exploring for petroleum or other mineral or 20 21 crude cils, or for the purpose of developing same, be decemed considered to be the engaging in or carrying on of any such 22 business, provided, further, that <u>If</u> in the doing of any 23 such work, or in the drilling of any oil well, or in such 24 prospecting, exploring, or development work, 25

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read as follows:

serchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by such person for carrying on such operation shall be is produced sufficient in quantity to justify the marketing of the same, then such work, drilling, prospecting, exploring, or development work shall be deemed is considered to be the engaging in and carrying on of such business within this state within the meaning of this section.

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(c) two and sisty five handredths percent (2.65%) of the total gross value of natural gas produced from each lease or unit, but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas, or petroleum, or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

the (2) Every person required to pay such tax hereunder shall pay the same in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production

payments, and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county, or municipal governments shall be exempt from taxation under this chapter. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners will be deducted from any settlements under said lease or leases or division of proceeds orders or other contracts."

Section 9. Section 84-2206. R.C.B. 1947. is amended to

13 *84-2206. Record of product -- carriers to furnish 14 data. Every such person shall keep a record in such form as the state department of revenue may require, of all 15 petroleum and other mineral or crude oil or natural gas 16 extracted or produced by such person in this state, and such 17 records shall at all times during the business hours of the 18 day be subject to inspection by the state department of 19 20 revenue, or its members, agents, or employees. It shall be the duty of railroad sespanies, pipeline, and transportation 21 22 companies carrying crude or mineral oil, or natural gas to 23 furnish to the state department of revenue, whenever 24 requested so to do, all data relative to the shipment of said such products, that may be required to properly enforce LC 0017/01 LC 0017/01

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the provisions of this act. The failure of any railroad 1 company, pipeline, and or transportation companies company 2 to comply with the provisions of this section shall make 3 such companies company liable to a penalty of one hundred 48100,000 dollars for each day it shall fails to 5 furnish such statement." 6

7 Section 10. Section 84-2209.1, R.C.M. 1947, is amended 8 to read as follows:

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"84-2209.1. Procedure for collection of tax, All tax, penalty, and interest due from any person under this act shall be a lien upon any and all real property of such person upon the filing of when the state department of revenue of the duplicate of the statement so made by the state-department of revenue, or a certified copy of any statement filed-by-said department files in the office of the county clerk in the county where such real property is situated a certified copy of its statement of estimated tax computed under 84-2209. which This lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Sontana in the same manner as judgment liens are enforced by law. "

23 Section 11. Section 84-7012, R.C.B. 1947, is amended to read as follows: 24

25 "84-7012. Procedure in case of failure to file

statement -- penalty -- interest -- tax lien. (1) If any person shall fail, refuse or anglest fails, refuses, or neglects to make and file a statement and return it within 3 the time prescribed, the department shall, immediately after such time has expired, assertain and determine, as nearly as may be possible from any returns or reports filed with the 7 state or from any other information which the department may be able to obtain, the total gross value of product of such 8 person from such business during the calendar year 9 immediately preceding the year in which the tax is to be 10 paid, and shall determine and fix the amount of the tax due 11 to the state from such person for such calendar year and 12 shall add to the amount of such tax a penalty of ten-percent 13 410%+ thereof plus interest at the rate of eas-persont (1%) 14 15 per a month or fraction thereof computed on the total amount of tax and penalty. Interest shall be computed from the 16 date the tax was due to the date of payment. 17

- (2) The department shall mail to the person required to file an annual statement and pay any tax, a letter setting forth the amount of tax, penalty, and interest due. 20 Upon receipt of this letter, the person shall remit to the 21 department the full amount of license tax, penalty, and 22 interest due within fifteen (15) days. 23
- (3) The ten-percent (10%) penalty herein-provided may 24 be waived by the state department of revenue if reasonable 25

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1 cause for the failure and neglect to file the statement required by acction 84-7005 is provided to the department.

3 (4) The tax assessed against any person under this act, together with penalties and interest thereon, shall be a lien upon any and all property owned by such person within 5 this state, which lien shall attach on the date the state department of revenue files a duplicate of the statement so sade by the department, or a certified copy of any statement filed by the department in the office of the county clerk in 10 the county where such property is situated a certified copy of its letter sent under subsection (2), which This lien 11 shall have precedence over any other claim, lien, or demand 12 13 thereafter filed and recorded and *hich may be enforced in 14 the name of the state of Montana in the same manner as 15 judgment liens are enforced by law." 16 Section 12. Repealer. Section 84-2011, R.C.H. 1947, is 17

-End-

repealed.

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EXECUTIVE DIRECTOR

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LC0017

1977 Legislature Code Commissioner Bill - Summary

House Bill No. 26

TO CORRECT GRAMMAR ETC., IN COAL SEVERANCE, OIL AND GAS, METAL MINES LICENSE, AND RESOURCE INDEMNITY TRUST TAX LAWS.

(This summary does not include discussion of routine form or grammatical changes.)

Section 1. 84-1313 in the coal tax refers to underground coal mining as not regulated under 50-1039, whereas another 1975 act amended 50-1039 to make underground coal mining subject to reclamation regulations. The amendment would substitute another cross-reference, thus citing the definition of underground mining in the coal reclamation law.

Section 2. 84-1319. Deletes references to "license" tax, which was replaced by the term "severance tax" in 1975. Deletes subsection (9), temporary language from one of the coal tax-spending bills enacted in 1975. All earmarked revenue accounts receiving coal tax moneys are described in other subsections of this section.

Section 3. 84-1320 contains a reference back to an earlier coal tax section which should have been 1315 rather than 1316; the amendment makes this change. The second amendment changes "tons of ore" to "tons of coal", since coal is not ore and coal is meant.

Section 4. 84-2003. Is amended by inserting an "or" after "metals" to improve the grammar, changes "That whenever" to "Whenever" to improve the grammar, and deletes a superfluous reference to one particular source of market quotations in New York.

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- Section 5. 84-2008.1 is amended to make the section intelligible; a reference to "any statement filed by said department" is dropped and the middle of the section rearranged.
- Section 6. 84-2010 is amended to clarify a reference back to a notice of tax due and to render more grammatical a phrase describing a hearing at STAB.
- Section 7. 84-2202 is amended by deleting two "provided, however"s and substituting separate complete sentences, by inserting "the" before the word "engaging" where the latter is evidently employed as a gerund, to make that fact clear, by deleting the word "be" from the phrase "nor shall any work be done", where it is grammatically incorrect, and by inserting the word "If" at the beginning of the last amendment, to make it clear that the production of oil or gas in marketable quantities during exploration is a condition precedent to such production being taxable.
- Section 8. <u>84-2206</u> is amended by rewording two references so they clearly refer equally to a railroad company, a pipeline company, or a transportation company.
- Section 9. 84-2209.1 is amended to make the section intelligible (see notes to 84-2008.1; same considerations apply here).
- Section 10. 84-7012(4) is amended to make the section intelligible, as in the cases of 84-2209.1 and 84-2008.1
- Section 11. 84-2011 deals with the prerequisites to the perfecting of a tax lien; a bill in 1975 enacted 84-2008.1 which deals with the very same subject and presumably supersedes this section; hence, its repeal is proposed.

HB 0026/02

45th Legislature

Approved by Committee on <u>Texation</u>

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| 13 | BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: |
| 14 | Section 1. Section 84-1313, R.C.M. 1947, is amended to |
| 15 | read as follows: |
| 16 | #84-1313. Definitions. As used in this chapter the |
| 17 | following definitions apply: |
| 18 | (1) "Contract sales price" means either (a) the price |
| 19 | of coal extracted and prepared for shipment f.o.b. mine, |
| 20 | excluding shat amount charged by the seller to pay taxes |
| 21 | paid on production, or (b) a price imputed by the department |
| 22 | under section 84-1318. |
| 23 | (2) "Energy conversion process" includes any process |
| 24 | by which coal in the solid state is transformed into slurry. |
| 25 | gas, electric energy, or any other form of energy. |

| 2 | (4) "Strip mining" or "surface mining" is defined in |
|----|--|
| 3 | section 50-1036. |
| 4 | (5) "Underground mining" means a coal mining method |
| 5 | utilizing shafts and tunnels y-fandf-not-regulated-unde |
| 6 | section-50-1039 and as further defined in 50-1036(20). |
| 7 | (6) "Ton" means two-thousand-{2,000} pounds. |
| 8 | (7) "Department" means the department of revenue. |
| 9 | (8) "Taxes paid on production" includes and |
| 10 | tax paid to the federal, state, or local governments upon |
| 11 | the quantity of coal produced as a function of either the |
| 12 | volume or the value of production, and do does not include |
| 13 | any tax upon the value of mining equipment, machinery, or |
| 14 | buildings and lands, any tax upon a person's net income |
| 15 | derived in whole or in part from the sale of coal, or any |
| 16 | license fee." |
| 17 | Section 2. Section 84-1319, R.C.M. 1947, is amended to |
| 18 | read as follows: |
| 19 | #84-1319. Disposal of licenseor severance taxes |
| 20 | License-or-severance <u>Severance</u> taxes collected under the |
| 21 | provisions of this chapter or such-sections os-may-enact- |
| 22 | severance-tax-on-coal-in-1975 are allocated as follows: |
| 23 | (1) Fo $\pm o$ the county for such purposes as the |
| 24 | governing body of that county may determine from which coal |
| 25 | was mined for each calendar year prior to January 1, 1980, |
| | |

(3) "Produced" means severed from the earth.

| threecents(3g) 3 cents per a ton or four-percent-(4%) of |
|--|
| the severance tax paid on the coal mined in that county, |
| whichever is higher, and for each calendar year following |
| December 31, 1979, three-cents-(3g) 3_cants per a ton or |
| threeondone-halfpercent{3 1/2%} of the severance tax |
| paid on the coal mined in that county, whichever is higherwi |

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- (2) Two-and-one-half-per-cent-(2 1/2%) of total collections per a year until December 31, 1979, and thereafter four-per-cent-(4%) of total collections per a year to the earmarked revenue fundy to the credit of the alternative energy research development and demonstration accounts.
- (3) Twenty-seven—and-one-half-per-cent-(27+5 21.1/2%) of total collections per a yeary until July 1, 1979, and thereafter thirty-five-per-cent-(35%) to the earmarked revenue fund to the credit of the local impact and education trust fund accounts:
- (4) For for each of the four--(4) fiscal years following the effective date-of-this-act July 1: 1975: ten per-cent-(10%) of total collections per a year to the earmarked revenue fund to the credit of the coal area highway improvement accounts:
- (5) Ten-per-cent-(10%) of total collections per a year to the earmarked revenue fundy for state equalization aid to public schools of the state*:

| (6) For for the period ending December | 31, | 1979, | 085 |
|--|-----|---------|------|
| percent(1%) of total collections per | a, | year to | the |
| earmarked revenue 9fm fundy to the credit of | the | county | land |
| planning account*: | | | |

- (7) Two--end--one-half--percent--(2 1/2%) of total collections per a yeary to the sinking fundy to the credit of the renewable resource development bond account*:
- (8) Two-and-one-half-percent-(2 1/2%) of total collections per a year through June 30, 1979, of-which portion-one-half-(1/2)-shalf-be-allocated to the earmarked revenue fundy for the purpose of acquisition of sites and areas described in section 62-304; subject to legislative appropriations, and one-half-(1/2)-shalf-be-allocated to the trust and legacy fundy for the purpose of parks acquisitions: Affer affer June 30, 1979, five-percent-(5%) of total collections per a year shalf-be-allocated to the trust and legacy fundy for the purpose of parks acquisition. Income from the fund established in this subsection may be appropriated for the acquisition of sites and areas described in section 62-304.
- {9}--To-the-earmarked-revenue-fundy--such--portions--of
 the--severance--tax--as-may-be-authorized-by-laws-enacted-in
 ±975*
- tion the severance taxes collected under the provisions of this

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chapter shall-be-deposited to the credit of the general fund of the state."

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- 3 Section 3. Section 84-1320, R.C.M. 1947, is amended to 4 read as follows:
 - *84-1320. Reporting gross proceeds from coal. Each person engaged in mining coal must, on or before March 31 each year; file with the department of revenue a statement of the gross yield from each coal mine owned or worked by such person in the preceding calendar year, and the value thereof. The statement shall be in the form prescribed by the department of-revenue, which may be coordinated with the form used under section-84-1316. 84-1315, and must be verified by an officer of the firm. The statement shall include:
- 15 (1) The the name and address of the owner or lessee or looperator of the minew:
 - (2) Fae the location of the minew:
- 13 (3) The the tons of ore <u>coal</u> extracted, treated, and 19 sold from the mine during the taxable period:
- 20 (4) The the gross yield or value in dollars and cents
 21 derived from the contract sales price.
- 22 Section 4. Section 84-2003, R.C.M. 1947, is amended to read as follows:
- 24 #84-2003. Gross value of productsy--how--determined
 25 metal mine vield -- computation. The total "gross value of

product** as used in this act; shall mean the market value 2 of all merchantable metals, or precious and semiprecious 3 gems and stones extracted or producedy each year from any mine or mining property in the state of Montana or recovered 5 from the smelting, milling, reduction, or treatment in any 6 manner of ores extracted from any such mine or mining 7 property or from tailings resulting from the smelting, reductions or treatment of any such press #hat--whenever 9 Whenever the ores require smelting, reduction, or treatment 10 to ascertain the metal contents of such ores, the gross 11 value of the product thereof shall be determined by taking the market value of all merchantable metals or mineral 12 13 products extracted or recovered thereby, as shown by the 14 gross smelter returns of such metals or mineral product in 15 dollars and cents, without any deductions for costs of 16 smelting, reductions or treatment, or otherwise, based upon 17 the average quotations of the price of such metalsy or 18 mineral productsy in the city of New York, as evidenced by 19 some established authority or market report, such-as-the 20 Engineering-und-Mining-Journal-of-New-York--Cityy--or--other 21 standard--publications, giving the market reports during the 22 calendar year immediately preceding. Should there be no quotation covering any particular product, then the state 23 24 department of revenue shall fix the value of such gross 25 producty or such portion thereofy in such a manner as may

-6-

| 1 | seem equitable." |
|-----|--|
| 2 . | Section 5. Section 84-2004, R.C.M. 1947, is amended to |
| 3 | read as follows: |
| 4 | #84-2004. Amount Rate of tax. The annual license tax |
| 5 | to be paid by such person engaged in or carrying on the |
| 6 | business of working or operating any mine or mining property |
| 7 | in this state from which gold, silver, copper, leads or any |
| 8 | other metal or metalsy or precious or semiprecious gems or |
| 9. | stones are producedy shall befor-theproductionyears |
| 0 | commencing-on-or-after-January-1y-1978-and-for-each |
| ı | production-year-thereaftery be an amount computed on the |
| 2 | gross value of product which may have been derived by such |
| 3 | person from such business, works or operation within this |
| 4 : | state during the calendar year immediately preceding, at the |
| 5 | following rates: The rate of tox shell-be fifteen-hundredths |
| 6 | of one per cent (8:15 of -12) of the first one hundred |
| 7 | thousand-dollars(\$100y808)ofthegrassvalueofthe |
| 8 | producty - five-hundred-seventy-five-thousandths-of-one-per |
| 9 | cent-f8=575-of-1%;-of-the-amount-by-which-suchgrossvalue |
| 0 | ofproductexceeds-one-hundred-thousand-dallars-(\$190,000) |
| 1 - | and-does-not-exceed-two-hundred-and-fiftythousanddollars |
| 2 : | ************************************** |
| 3 | 11-of-the-amount-bywhichsuchgrossvalueofproduct |
| 4 | exceedstwohundredand-fifty-thousand-dollars-1\$250y000) |
| | exceeds—two—manared—and—rrrty thousand dorrars (*2200000) |

| 1 | (\$400+800)}oneand-fift een- | hundredths-per-cent-(1+15%)-of |
|----|--|---|
| 2 | the-amount-by-which-the-gross- | value-of- product-exceedsfour |
| 3 | h undred-thousand-dollars- (\$400 | +8997-land-does-not-exceed-five |
| 4 | hundred-thousand-dollars-(\$500 | y888}-and-one-and-four-hundred |
| 5 | thirty-eightthousandths-per- | cent-(1:438%)-of-the-amount-by |
| 6 | which-thegrossvalueofp | roductexceedsfivehundred |
| 7 | thousand-dollars-(\$590v090)= | |
| 8 | Gross value | <u>Rate_of_Iax</u> |
| 9 | of product | (percentage of gross value) |
| 10 | first_\$100:000 | Qe153 |
| 11 | more than \$100.000 and | |
| 12 | not more than \$250,000 | 0.575% of the increment |
| 13 | more than \$250.000 and | |
| 14 | not more than \$500,000 | 0.862 of the increment |
| 15 | more than \$400.000 and | |
| 16 | not more than \$500,000 | 1.15% of the increment |
| 17 | more than \$500.000 | 1.438% of the increment" |
| 18 | Section 6. Section 84-2 | 008.1, R.C.M. 1947, is amended |
| 19 | to read as follows: | |
| 20 | "84-2008.1. Procedure fo | r collection of tax. All tax, |
| 21 | penalty, and interest due | from any person under this act |
| 22 | shall be a lien upon any and | all real property of such |
| ~~ | | she was done and not |

revenue of-the-duplicate-of-the statement—so-made—by—the state—department—of-revenuey—or—a-certified copy—of-any statement—filed by—said department files in the office of the county clerk in the county where such real property is situated a certified copy of its statement of estimated tax computed under 84-2008, which This lien shall have precedence over any other claim, lien; or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner as judgment liens are enforced by law."

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Section 7. Section 84-2010, R.C.M. 1947, is amended to read as follows:

m84-2010. Hearing on determination of value of gross product or amount of tax. Every person whose license tax has been determined and assessed by the state department of revenue under any of the provisions of this acty who shall feel feels aggrieved by the determination and assessment of the department as to the amount of gross value of producty or as to the amount of the license taxy may, at any time within ten 10 days after the date receipt of the required notice thereofy-required to be given to such person of such determination and assessment, file with the state tax appeal board a petition for a hearing in which petition must be stated end-set-forth-particularly-and-specifically the grounds and reasons therefory and the manner in which the

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amount of the gross value of product or the amount of the license tax, or both, should be changed or corrected. Upon the filing of such petition, if it appears to the 3 satisfaction of the state tax appeal board therefrom that 5 the department of--revenue has erred in any manner in ascertaining and determining the amount of the gross value 7 of producty or the amount of the license tax, or both, the board shall immediately correct such errory or errorsy: and if such correction shall—be is in conformity with the 10 request contained in the petition for a hearing. the board 11 shall take no further steps in connection with such 12 petitiony other than to notify the state department of 13 revenue of the correct amount of the license tax due from 14 such person after the making of such correction, and notifying such person thereof. Ify from such examinationy 16 it does not appear to the satisfaction of the state tax 17 appeal board that the department of revenue has erred in any 18 manner, the board shall grant the hearing, fix a day when 19 the board will take up and hear such matter, and give notice 20 to such person of such date of hearing as the board may-deem considers reasonable. At the hearing of such person 21 22 petition, any taxpayer interested, and the department of 23 revenue may introduce witnesses and present testimony on any 24 material matters connected with such return and license tax, and after considering such evidence the board shall fix and

determine the gross value of producty and reassess the amount of the license tax to be paid by such persony and give notice thereof to such person and the state department of revenue.*

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24 25 Section 8. Section 84-2202, R.C.M. 1947, is amended to read as follows:

m84-2202. Oil or gas producers' severance tax —
amount — exceptions. [11] Every person engaging in or
carrying on the business of producings within—this—states
petroleum, or other mineral or crude oil, or natural gas
within this state or engaging in or carrying on the business
of owning, controlling, managing, leasing, or operating
within this state any well or wells from which any
merchantable or marketable petroleum, or other mineral or
crude oil, or natural gas is extracted or produceds
sufficient in quantity to justify the marketing of the sames
must, each year when engaged in or carrying on any such
business in this state, pay to the state department of
revenue, for the exclusive use and benefit of the state of
Montana, a severance taxy computed at the following rates:

(a) Two--and--one-tenth--per--cent-{2.11} of the total gross value of that portion of all the petroleum and other mineral or crude oil produced by such person from each lease or unit in the calendar quarter not in excess of an amount obtained by multiplying the number of producing wells on

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such lease or unit by four-hundred-fifty-f450; barrels=:

(b) Two--and-sixty-five-hundredths-per-cent-(2.65%) of 2 3 the total gross value of that portion of all the production of such person from each lease or unit in each calendar quarter in excess of four--hundred--fifty--(450) barrels multiplied by the number of producing wells on such lease or 7 unit: but in determining the amount of such tax there shall be excluded from consideration all petroleumy or other crude or mineral oil produced and used by such person during such 10 year in connection with his operations in prospecting for, 11 developing, and producing such petroleumy or crude or 12 mineral oils. providedy-howevery-that-nothing Nothing in 13 this act shaff may be construed as requiring laborers or 14 employees, hired or employed by any person, to drill any oil 15 welly or to work in or about any oil welly or prospect or 16 explore for or do any work for the purpose of developing 17 any petroleum or other mineral or crude oil to pay such 18 severance tax, nor shall may any work be doney or the 19 drilling of any well or wellsy for the purpose of 20 prospecting or exploring for petroleum or other mineral or crude oilsy or for the purpose of developing samey be deemed 21 22 considered to be the engaging in or carrying on of any such 23 business, provided, further, that If in the doing of any 24 such work, or in the drilling of any oil well, or in such 25 prospecting, exploring, or development work. any

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merchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by such person for carrying on such operation shall—be is produced sufficient in quantity to justify the marketing of the same, then such work, drilling, prospecting, explorings or development work shall—be—deemed is considered to be the engaging in and carrying on of such business within this state within the meaning of this section.

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(c) Two:-and--sixty-five-hundredths-percent-(2.65%) of the total gross value of natural gas produced from each lease or unit, but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas, or petroleumy or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

tdj[2] Every person required to pay such tax hereunder shall pay the same in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production

payments, and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county, or municipal governments shall be exempt from taxation under this chapter. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners will be deducted from any settlements under said lease or leases or division of proceeds orders or other contracts.*

11 Section 9. Section 84-2206, R.C.M. 1947, is amended to 12 read as follows:

m84-2206. Record of product -- carriers to furnish data. Every such person shall keep a record in such form as the state department of revenue may requirer of all petroleum and other mineral or drude oil or natural gas extracted or produced by such person in this state, and such records shall at all times during the business hours of the day be subject to inspection by the state department of revenuer or its members, agents, or amployees. It shall be the duty of railroad companies, pipeline, and transportation companies carrying crude or mineral oily or natural gas to furnish to the state department of revenue, whenever requested so to do, all data relative to the shipment of said such products, that may be required to properly enforce

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the provisions of this act. The failura of any railroad company, pipeline, and or transportation companies company to comply with the provisions of this section shall make such companies company liable to a penalty of one-hundred (\$100-00)--dollars for each day it shall--fails to furnish such statement."

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7 Section 10. Section 84-2209.1, R.C.N. 1947, is amended 8 to read as follows:

penalty, and interest due from any person under this act shall be a lien upon any and all real property of such person upon the filing of when the state department of revenue of the duplicate of the statement so made by the state department of the department of revenue of the duplicate of the statement so made by the statement filing in the office of the county clerk in the county where such real property is situated a Cartified coay of its statement of estimated tax computed under 85-2204 which This lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner as judgment liens are enforced by law."

Section II. Section 84-7012, R.C.M. 1947, is amended to read as follows:

*84-7012. Procedure in case of failure to file.

statement -- penalty -- interest -- tax lien. (1) If any person shall-faily-refuse--or--neglect fails: refuses. Of 3 neglects to make and file a statement and return it within the time prescribed, the department shall, immediately ofter such time has expired, ascertain and determine as nearly as may be possible from any returns or reports filed with the 7 state or from any other information which the department may be able to obtain, the total gross value of product of such 9 person from such business during the calendar year 10 immediately preceding the year in which the tax is to be paid, and shall determine—and fix the amount of the tax due to the state from such person for such calendar year and 12 shall add to the amount of such tax a penalty of ten-percent 13 tiD%; thereof plus interest at the rate of one-percent--fl%; 14 . 15 per a month or fraction thereof computed on the total amount of tax and penalty. Interest shall be computed from the 16 date the tax was due to the date of payment. 17

- (2) The department shall mail to the person required to file an annual statement and pay any taxy a letter setting forth the amount of tax, penalty, and interest due. Upon receipt of this letters the person shall remit to the department the full amount of license tax, penaltys and interest due within fifteen-(15) days.
- (3) The ten-percent-(10%) penalty herein-provided may be waived by the state department of-revenue if reasonable

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required by section 84-7005 is provided to the department.

repealed.

(4) The tax assessed against any person under this act, together with penalties and interest thereon, shall be a lien upon any and all property owned by such person within this state, which lien shall attach on the date the state department of-revenue files a duplicate of the statement so made-by-the department or a destified copy of any statement filed by-the department in the office of the county clerk in the county where such property is situated a destified copy of its letter sent under subsection [2], which This lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner as judgment liens are enforced by law."

Section 12. Repealer. Section 84-2011, R.C.M. 1947, is

-End-

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| 1 | HOUSE BILL NO. 26 |
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| 2 | INTRODUCED BY MARKS |
| 3 | |
| 4 | A BILL FOR AN ACT ENTITLED: MAN ACT TO CORRECT GRAMMAR AND |
| 5 | INTERNAL REFERENCES. AND DELETE REDUNDANT MATTER IN THE COAL |
| 6 | SEVERANCE TAX, OIL AND GAS SEVERANCE TAX, METAL MINES |
| 7 | LICENSE TAX, AND RESDURCE INDEMNITY TRUST TAX LAWS, IN AID |
| 8 | OF RECODIFICATION; AMENDING SECTIONS 84-1313, 84-1319, |
| 9 | 84-1320, 84-2003, 84-2004, 84-2008.1, 84-2010, 84-2202, |
| 10 | 84-2206, 84-2209.1, AND 84-7012, R.C.M. 1947; REPEALING |
| 11 | 84-2011, R.C.M. 1947. |
| 12 | |
| 13 | BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: |
| 14 | Section 1. Section 84-1313, R.C.M. 1947, is amended to |
| 15 | read as follows: |
| 15 | *84-1313. Definitions. As used in this chapter tha |
| 17 | following definitions apply: |
| 18 | (1) "Contract sales price" means eitner fat the price |
| 19 | of coal extracted and prepared for shipment f.o.b. mine, |
| 20 | excluding that amount charged by the seller to pay taxes |
| 21 | paid on production, or th) a price imputed by the department |
| 27 | under section 84-1318. |
| 2 3 | (2) "Energy conversion process" includes any process |
| 24 | by which coal in the solid state is transformed into slurry. |

gas, electric energy, or any other form of energy.

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2 (4) "Strip mining" or "surface mining" is defined in section 50-1036. 3 (5) "Underground mining" means a coal mining method utilizing shafts and tunnelsy--and--not--regulated--under section-50-1039 and as further defined in 50-1036(20). 7 (6) "Ton" means two-thousand-(2,000) pounds. (7) "Department" means the department of revenue. (8) "Taxes paid on production" includes any 9 10 tax paid to the federal, state, or local governments upon 11 the quantity of coal produced as a function of either the volume or the value of productions and do does not include 12 13 any tax upon the value of mining equipment, machinery, or buildings and lands, any tax upon a person's net income 14 15 derived in whole or in part from the sale of coal, or any 16 license fee." 17 Section 2. Section 84-1319, R.C.M. 1947, is amended to 18 read as follows: 19 "84-1319. Disposal of license-or severance taxes. 20 ticense-or-severance Severance taxes collected under the 21 provisions of this chapter or-such-sections-as-may-enact-a 22 severance-tax-on-cost-in-1975 are allocated as follows: (1) To to the county for such purposes as the 23 governing body of that county may determine from which coal 24

(3) "Produced" means severed from the earth.

was mined for each calendar year prior to January 1, 1980,

three-cents-(3g) 3 cents per a ton or four-percent (4%) of the severance tax paid on the coal mined in that county, whichever is higher, and for each calendar year following December 31, 1979, three-cents-(3g) 3 cants per a ton or three-and-one-half-percent-(3 1/2%) of the severance tax paid on the coal mined in that county, whichever is higher+:

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- (2) Two-and-one-half-per-cent-(2 1/2%) of total collections per a year until December 31, 1979, and thereafter four-per-cent-(4%) of total collections per a year to the earmarked revenue fundy to the credit of the alternative energy research development and demonstration accounts:
- (3) Twenty-seven--and-one-half-per-cent-(27*5 27 1/2%) of total collections per a yeary until July 1, 1979, and thereafter thirty-five--per--cent--(35%)y to the earmarked revenue fund to the credit of the local impact and education trust fund account*:
- (4) For for each of the four--(4) fiscal years following the--effective-date-of-this-act July 1: 1975; ten per-cent-(10%) of total collections per a year to the earmarked revenue fund to the credit of the coal area highway improvement accounts:
- (5) Ten-per-cent-(10%) of total collections per a yeary to the earmarked revenue fundy for state equalization aid to public schools of the state*:

1 (6) For for the period ending December 31, 1979, one
2 per-cent-(1%) of total collections per a year to the
3 earmarked revenue 9fw fundy to the credit of the county land
4 planning accounty:

- 5 (7) **** Two--and--one-half--percent--(2 1/2*)* of total
 6 collections per a year* to the sinking fund* to the credit
 7 of the renewable resource development bond account*:
- (8) Two--and--one-half--percent--(2 1/2%) of total collections per a year through June 30, 1979, of-which 10 portion-one-half-f1/21-shall-be-allocated to the earmarked revenue fundy for the purpose of acquisition of sites and 11 areas described in section 62-304, subject to legislative 12 appropriations, and one-half-(1/2)-shall-be-allocated to the 13 14 trust and legacy fundy for the purpose of parks acquisitions: After after June 30, 1979, five-percent--- (5%) 15 of total collections per a year shall-be-allocated to the 16 trust and legacy fundy for the purpose of parks acquisition. 17 Income from the fund established in this subsection may be 13 appropriated for the acquisition of sites and areas 19 described in section 62-304. 20
- 21 t97--To-the-earmarked-revenue-fundy--such--portrons--of
 22 the--severance--tax--as-may-be-authorized-by-lows-enacted-in
 23 1975*
- 24 (18)(9) #11 all other revenues from license---or 25 severance taxes collected under the provisions of this

H3 25

- chapter shall-be-deposited to the credit of the general fund
 of the state."
- 3 Section 3. Section 84-1320, R.C.M. 1947, is amended to read as follows:
 - m84-1320. Reporting gross proceeds from coal. Each person engaged in mining coal must, on or before March 31 each year, file with the department of revenue a statement of the gross yield from each coal mine owned or worked by such person in the preceding calendar year, and the value thereof. The statement shall be in the form prescribed by the department of-revenue, which may be coordinated with the form used under section—84-1316 84-1315, and must be verified by an officer of the firm. The statement shall include:
- 15 (1) The the name and address of the owner or lessee or operator of the minew:
 - (2) The the location of the minewi

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- 13 (3) The the tons of ore coal extracted, treated, and
 19 sold from the mine during the taxable period*:
- 20 (4) The the gross yield or value in dollars and cents
 21 derived from the contract sales price.**
- 22 Section 4. Section 84-2003, R.C.M. 1947, is amended to 23 read as follows:
- 24 **84-2003. Gross value of productsy-how-determined
 25 metal mine yield -- computation. The total **gross value of

2 of all merchantable metals, or precious and semiprecious gems and stones extracted or producedy each year from any mine or mining property in the state of Montana or recovered from the smelting, milling, reduction, or treatment in any manner of ores extracted from any such mine or mining property or from tailings resulting from the smelting, 7 reductions or treatment of any such ores. That--whenever Whenever the ores require smelting, reduction, or treatment 10 to ascertain the metal contents of such ores, the pross value of the product thereof shall be determined by taking 11 the market value of all merchantable metals or mineral 12 13 products extracted or recovered thereby, as shown by the 14 gross smelter returns of such metals or mineral product in 15 dollars and cents, without any deductions for costs of smelting, reduction, or treatment, or otherwise, based upon 1ó 17 the average quotations of the price of such metalsy or mineral productsy in the city of New York, as evidenced by 18 some established authority or market report, such-as-the 19 20 Engineering-und-Mining-Journal-of-New-York--Eityy--or--other standard--sublications, giving the market reports during the 21 calendar year immediately preceding. Should there be no 22 23 quotation covering any particular product, then the state department of revenue shall fix the value of such gross 24 producty or such portion thereofy in such a manner as may 25

product** as used in this act, shall mean the smarket value

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Section 5. Section 84-2004, R.C.M. 1947, is amended to read as follows:

#84-2004. Amount Rate of tax. The annual license tax to be paid by such person engaged in or carrying on the business of working or operating any mine or mining property in this state from which gold, silver, copper, lead, or any other metal or metalsy or precious or semiprecious gems or stones are producedy shall be--for--the--production--years commencing-on-or-eafter-January-1976-and-for-each production year thereaftery be an amount computed on the gross value of product which may have been derived by such person from such business, works or operation within this state during the calendar year immediately preceding, at the following rates: The rate of text shall be fifteen hundredths of-one-per-cent-(8-15-of-11)-of-the-first-one-handred thousand-dollars--f\$100v0001--of--the--gross--value--of--the producty-five-hundred-seventy-five-thousandths-of-one-per cent-(0.575-of-1%)-of-the-amount-by-which-such-gross--value of--product--exceeds-one-handred-thousand-dollars-(\$100,600) and-does-not-exceed-two-hundred-and-fifty--thousand--dollars 14258:000};--eighty-six--hundredths-of-one-per-cent-(0:86-of 1%)-of-the-amount-by--which--such--gross--value--of--product exceeds--two--hundred--and-fifty-thousand-dollars-t\$250,000) and--does--not--exceed---four---hundred---thousand---dollars

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|----|---|--|--|--|--|
| 2 | the-amount-by-which-the-gross-value-of-product-exceedsfour | | | | |
| 3 | hundred-thousand-dollars-(\$400y990)-and-does-not-exceed-five | | | | |
| 4 | hundred-thousand-dollars-(\$500y000)-and-one-and-four-hundred | | | | |
| 5 | thirty-eightthousandtns-per-cent-(1*438%)-of-the-amount-by | | | | |
| 6 | which-thegrossvalueofproductexceedsfivehundred | | | | |
| 7 | thousand-dollars-(\$588y898)= | | | | |
| 8 | Gross value Rate of Tax | | | | |
| 9 | of product (parcentage of gross value) | | | | |
| 10 | first_\$100.000 0.15% | | | | |
| 11 | more than \$100.000 and | | | | |
| 12 | not more than \$250.000 0.575% of the increment | | | | |
| 13 | more than \$250-000 and | | | | |
| 14 | not more than \$400.000 O.862 of the increment | | | | |
| 15 | more than \$400.000 and | | | | |
| 16 | not more than \$500,000 l.15% of the increment | | | | |
| 17 | more than \$500.000 1.438% of the increment" | | | | |
| 18 | Section 6. Section 84-2008.1, R.C.M. 1947, is amended | | | | |
| 19 | to read as follows: | | | | |
| 20 | "84-2008.1. Procedure for collection of tax. All tax. | | | | |
| 21 | penalty, and interest due from any person under this act | | | | |
| 22 | shall be a liem upon any and all real property of such | | | | |
| 23 | porton was attanced lines of the state department of | | | | |

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revenue of the duplicate of the statement—so made—by—the state—department—of revenuev—or—a certified copy of any statement filed by sold department files in the office of the county clerk in the county where such real property is situated a certified copy of its statement of estimated tax computed under 84-2008, which This lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner as judgment liens are enforced by law."

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Section 7. Section 84-2010, R.C.M. 1947, is amended to read as follows:

"84-2010. Hearing on determination of value of gross product or amount of tax. Every person whose license tax has been determined and assessed by the state department of revenue under any of the prodisions of this acty who shall feel feels aggrieved by the determination and assessment of the department as to the amount of gross value of producty or as to the amount of the license taxy may, at any time within ten 10 days after the date receipt of the required notice thereofy required to be given to such person of such determination and assessment, file with the state tax appeal board a petition for a hearing in which petition must be stated and set forth particularly and specifically the grounds and reasons therefory and the manner in which the

license tax, or both, should be changed or corrected. Upon filing of such petition, if it appears to the satisfaction of the state tax appeal board therefrom that the department of revenue has erred in any manner in ascertaining and determining the amount of the gross value 7 of producty or the amount of the license tax; or both, the board shall immediately correct such errors or errors : and if such correction shall the is in conformity with the 10 request contained in the petition for a hearing. :the board 11 shall take no further steps in consection with such 12 petitions other than to notify the state department of 13 revenue of the correct amount of the license tax due from such person after the making of such correction, and 14 notifying such person thereof. Ify from such examinations 15 it does not appear to the satisfaction of the 'state tax 16 17 appeal board that the department of revenue has erred in any manners the board shall grant the hearing, fix a day when 18 the board will take up and hear such matter, and give notice to such person of such date of hearing as the board may deem 20 considers reasonable. At the hearing of such person 21 petition, any taxpayer interested, and the department of 22 23 revenue may introduce witnesses and present testimony on any material matters connected with such return and license tax, 24 and after considering such evidence the board shall fix and 25

amount of the gross value of product or the amount of the

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determine the gross value of producty and reassess the amount of the license tax to be paid by such persony and give notice thereof to such person and the state department of revenue.*

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Section 8. Section 84-2202, R.C.M. 1947, is amended to read as follows:

m84-2202. Dil or gas producers' severance tax —
amount — exceptions. (1) Every person engaging in or
carrying on the business of producings within—this—states
petroleum, or other mineral or crude oil, or natural gas
within this state or engaging in or carrying on the business
of owning, controlling, managing, leasing, or operating
within this state any well or wells from which any
merchantable or marketable petroleum, or other mineral or
crude oil, or natural gas is extracted or produceds
sufficient in quantity to justify the marketing of the sames
must, each year when engaged in or carrying on any such
business in this state, pay to the state department of
revenue, for the exclusive use and benefit of the state of
Montana, a severance taxy computed at the following rates:

(a) Two--and--one-tenth--per--cent-(2.1%) of the total gross value of that portion of all the petroleum and other mineral or crude oil produced by such person from each lease or unit in the calendar quarter not in excess of an amount obtained by multiplying the number of producing wells on

such lease or unit by four-hundred-fifty-(450) barrels#:

2 (b) Two--and-sixty-five-hundredths-per-cent-(2.65%) of 3 the total gross value of that portion of all the production of such person from each lease or unit in each calendar quarter in excess of four--hundred--fifty--(450) barrels multiplied by the number of producing wells on such lease or unit; but in determining the amount of such tax there shall be excluded from consideration all petroleumy or other crude or mineral oil produced and used by such person during such 9 year in connection with his operations in prospecting for, 10 11 developing, and producing such petroleum, or crude or mineral oilts provided -- howevery -- that nothing in 12 13 this act shalf may be construed as requiring laborers or 14 employees, hired or employed by any person, to drill any oil 15 welly or to work in or about any oil welly or prospect or 16 explore for or do any work for the purpose of developing 17 any petroleum or other mineral or crude pil to pay such severance tax, nor shall may any work be doney or the 81 19 drilling of any well or wellsy for the purpose of 20 prospecting or exploring for petroleum or other mineral or 21 crude oilsy or for the purpose of developing same, be deemed considered to be the engaging in or carrying on of any such 22 23 business; srovided, further, that If in the doing of any 24 such work, or in the drilling of any oil well, or in such prospecting, exploring or development

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merchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by such person for carrying on such operation shall—be is produced sufficient in quantity to justify the marketing of the same, then such work, drilling, prospecting, exploring, or development work shall—be—deemed is considered to be the engaging in and carrying on of such business within this state within the meaning of this section.

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(c) Two--and--sixty-five-hundredths-percent-(2.65%) of the total gross value of natural gas produced from each lease or unit, but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas, or petroleum, or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

tdf(2) Every person required to pay such tax hereunder shall pay the same in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production

payments, and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county, or municipal governments shall be exempt from taxation under this chapter. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners will be deducted from any settlements under said lease or leases or division of proceeds orders or other contracts.* Section 9. Section 84-2206, R.C.M. 1947; is amended to

read as follows:

**84-2206. Record of product -- carriers to furnish data. Every such person shall keep a record in such form as the state department of revenue may requirer of all petroleum and other mineral or crude oil or natural gas extracted or produced by such person in this state, and such records shall at all times during the business hours of the day be subject to inspection by the state department of revenuer or its members agents or employees. It shall be the duty of railroad companies, pipeline, and transportation companies carrying crude or mineral oily or natural gas to furnish to the state department of revenue, whenever requested so to do, all data relative to the shipment of said such products, that may be required to properly enforce

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the provisions of this act. The failure of any railroad company, pipeline, and or transportation companies company to comply with the provisions of this section shall make such companies company liable to a penalty of one--hundred (\$100+60)--dollars for each day it shall--fail fails to furnish such statement.*

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7 Section 10. Section 84-2209.1; R.C.M. 1947; is amended 8 to read as follows:

#84-2209.1. Procedure for collection of tax. All tax, penalty, and interest due from any person under this act shall be a lien upon any and all real property of such person upon the filting of when the state department of revenue of the duplicate of the statement—so—made—by—the state—department of revenuey—or—a certified copy of any statement—filed by said department files in the office of the county clerk in the county where such real property is situated a certified copy of its statement of estimated tax computed—under 84-2209, which This lien shall have precedence over any other claim, lien, or demand—thereafter filed—and recorded and which may be enforced in the name of the state of Montana in the same manner—as—judgment—liens are enforced by law."

23 Section 11. Section 84-7012, R.C.M. 1747, is amended 24 to read as follows:

25 "84-7012. Procedure in case of failure to file

statement -- penalty -- interest -- tax lien. (1) If any person shall-faily-refuse--or--neglect fails, refuses, or neglects to make and file a statement and return it within the time prescribed, the department shall, immediately after such time has expired, ascertain-and determine, as nearly as may be possible from any returns or reports filed with the 7 state or from any other information which the department may be able to obtain, the total gross value of product of such 9 person from such business during the calendar year 10 immediately preceding the year in which the tax is to be 11 paid, and shall: determine-and fix the amount of the tax due to the state from such person for such calendar year and 12 shall add to the amount of such tax a penalty of ten-percent 13 14 f10% thereof plus interest at the rate of one-percent -- (1%) 15 per a month or fraction thereof computed on the total amount 16 of tax and penalty. Interest shall be computed from the 17 date the tax was due to the date of payment.

- (2) The department shall mail to the person required to file an annual statement and pay any taxy a letter setting forth the amount of taxy penalty, and interest due.

 Upon receipt of this letter, the person shall remit to the department the full amount of license taxy penalty, and interest due within fifteen-(15) days.
- 24 (3) The ten-percent-(10%) penalty herein-provided may 25 be waived by the state department of-revenue if reasonable

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cause for the failure and neglect to file the statement required by section 84-7005 is provided to the department.

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repealed.

3 (4) The tax assessed against any person under this act, together with penalties and interest thereon, shall be a lien upon any and all property owned by such person within this state, which lien shall attach on the date the state department of-revenue files a-suplicate-of-the-statement-so made-by-the-departmenty-or-a-certified-copy-of-any-statement filed-by-the department in the office of the county clerk in the county where such property is situated a certified copy of its letter sent under subsection (21. which Tris lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same wanner as judgment liens are enforced by law.* Section 12. Repealer. Section 84-2011, R.C.M. 1947, is

-End-

HH 0026/03 45th Legislature

HOUSE SILL NO. 26 1 (3) "Produced" means severed from the earth. INTRODUCED BY MARKS (4) "Strip mining" or "surface mining" is defined in 2 section 50-1036. A BILL FOR AN ACT ENTITLED: MAN ACT TO CORRECT GRAMMAR AND (5) "Underground mining" means a coal mining method INTERVAL REFERENCES. AND DELETE REDUNDANT MATTER IN THE COAL 5 utilizing shafts and tunnelsy--and--not--regulated--under 5 SEVERANCE TAX. DIL AND GAS SEVERANCE TAX. METAL MINES LICENSE TAX, AND RESOURCE INDEMNITY TRUST TAX LAWS, IN AID (6) "Ton" means two-thousand-(2,000) pounds. RECODIFICATION: AMENDING SECTIONS 84-1313, 84-1319, 84-1320. 84-2003. 84-2004. 84-2008.1, 84-2010. 84-2202. 10 84-2236. 84-2209.1. AND 84-7012. R.C.M. 1947; REPEALING 10 84-2011. R.C.M. 1947." 11

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 13

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Section 1. Section 84-1313, R.C.M. 1947, is amended to 14 read as follows: 15

#64-1313. Definitions. As used in this chapter the 10 11 tollowing definitions apply:

- (1) "Contract sales price" means either (a) the price of coal extracted and prepared for shipment f.o.b. mine. excluding that amount charged by the seller to pay taxes paid on production, or (b) a price imputed by the department under section 84-1318.
- (2) "Energy conversion process" includes any process 23 by which coal in the solid state is transformed into slurry, 24 25 gas, electric energy, or any other form of energy.

- section-50-1039 and as further defined in 50-1036(20).
- - (7) "Department" means the department of revenue.
- (8) "Taxes paid on production" includes any tax paid to the federal, state, or local governments upon 11 the quantity of coal produced as a function of either the 12 volume or the value of production, and do does not include 13 any tax upon the value of mining equipment, machinery, or 14 buildings and lands, any tax upon a person's net income
- derived in whole or in part from the sale of coal, or any
- 16 license fee."
- 17 Section 2. Section 84-1319, R.C.M. 1947, is amended to 18 read as tollows:
- "84-1319. Disposal of ticense--or severance taxes. 19 20 ticense-or-severance Severance taxes collected under the 21 provisions of this chapter or-such-sections-as-may-enact-a severance-tax-on-coal-in-1975 are allocated as follows:
- 23 (1) to to the county for such purposes as the 24 governing body of that county may determine from which coal 25 was mined for each calendar year prior to January 1, 1980,

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three--cents--(3f) 3_cents per a ton or four-nercent (4%) of the severance tax paid on the coal mined in that county, whichever is higher, and for each calendar year following December 31, 1979, three-cents-(3f) 3_cents per a ton or three--end--one-half--percent--(3 1/2%) of the severance tax paid on the coal mined in that county, whichever is higher.

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- (2) Two--and--one-half--per--cent--(2 1/2%) of total collections per a year until December 31. 1979, and thereafter four-per-cent-(4%) of total collections per a year to the earmarked revenue fund, to the credit of the alternative energy research development and demonstration account:
- (4) For for each of the four--(4) fiscal years following the--effective-date-of-this-act July 1, 1975, ten per-cent-(10%) of total collections per a year to the earmarked revenue fund to the credit of the coal area highway improvement accounts:
- 23 (5) Fen-per-cent-(10%) of total collections per a

 24 year* to the earmarked revenue fund* for state equalization

 25 aid to public schools of the state*:

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(6) for for the period ending December 31, 1979, one per-cent--(12) of total collections ner a year to the earmarked revenue 9fu fundy to the credit of the county land planning accounts:

(7) \(\frac{1}{2\pi} \) of total collections \(\frac{per}{a} \) year\(\frac{1}{2} \) to the sinking fund\(\frac{1}{2} \) to the credit of the renewable resource development bond account\(\frac{1}{2} \).

(8) Two--and--one-half--percent--f2 1/2% of total collections per a year through June 30, 1979, of-which 10 portion-one-holf-f1/2)-shall-be-allocated to the earmarked revenue fundy for the purpose of acquisition of sites and 1 Ł areas described in section 62-304, subject to legislative 12 appropriations, and one-half-(1/2)-shall-be-allocated to the 13 trust and legacy fundy for the purpose of parks 14 acquisitionw: *fter after June 30, 1979, five-percent--+ 5% 15 of total collections per a year shall-be-allocated to the ÌЪ 17 trust and legacy fundy for the purpose of parks acquisition. Income from the fund established in this subsection may be 10 appropriated for the acquisition of sites and areas 19 29 described in section 62-304.

21 (9)--To-the-sarmarked-revenue-fundy--such--martians--of
22 the--severance--tax--as-may-be-authorized-by-laws-enacted-in
23 1975*

24 <u>ft0f(9)</u> *++ all other revenues from ++c-nse---or 25 severince taxes collected under the provisions of this

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- chapter shell-be-decosited to the credit of the general fund
 of the state.*
- Section 3. Section 84-1320, R.C.M. 1947, is amended to
 - #84-1320. Reporting gross proceeds from coal. Each person engaged in mining coal must, on or before March 31 each years file with the department of revenue a statement of the gross yield from each coal mine owned or worked by such person in the preceding calendar years and the value thereof. The statement shall be in the form prescribed by the department of revenue, which may be coordinated with the form used under section—84-1316 84-1315, and must be verified by an officer of the firm. The statement shall include:
- 15 (1) The <u>the</u> name and address of the owner or lessee or
 16 operator of the minew:
- 17 {2} The the location of the minew:

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- 18 (3) The the tons of ore coal extracted, treated, and
 19 sold from the mine during the taxable period;
- 20 (4) The the gross yield or value in dollars and cents
 21 derived from the contract sales price.**
- 22 Section 4. Section 84-2003, R.C.M. 1947, is amended to 23 read as follows:
- 24 #84-2003. Gross value of productsy--how--determined
 25 metal mine vield == computation. The total "gross value of

product*s as used in this act, shall mean the market value 1 of all merchantable metalsy or precious and semiprecious gems and stones extracted or producedy each year from any mine or mining property in the state of Montana or recovered from the smelting, milling, reduction, or treatment in any manner of ores extracted from any such mine or mining 7 property or from tailings resulting from the smelting, reductions or treatment of any such ores. That--whenever whenever the ores require smelting, reduction, or treatment 10 to ascertain the metal contents of such ores, the gross 11 value of the product thereof shall be determined by taking 12 the market value of all merchantable metals or mineral 13 products extracted or recovered thereby, as shown by the 14 gross smelter returns of such metals or mineral product in dollars and centsy without any deductions for costs of 15 smelting, reduction, or treatment, or otherwise, based upon 15 the overage quotations of the price of such metalsy or 17 18 mineral productsy in the city of New York, as evidenced by 19 some established authority or market report, such-as-the 20 Engineering-and-Mining-Journal-of-New-York--Cityy--or--other 21 standard--publicationsy diving the market reports during the calendar year immediately preceding. Should there be no 22 23 quotation covering any particular product, then the state 14 department of revenue shall fix the value of such gross 25 producty or such portion thereofy in such a manner as may

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| seem aquitable." |
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| section 5. Section 84-2004, R.C.M. 1947, is amended to |
| read as follows: |
| #84-2004。 Amount <u>Rate</u> of tax. The annual license tax |
| to be paid by such person engaged in or carrying on the |
| business of working or operating any mine or mining property |
| in this state from which gold, silver, cooper, lead, or any |
| other metal or metals, or precious or semiprecious dems or |
| stones are producedy shall befortheproductionyears |
| commencingonorefterdanuaryly1970endforeach |
| production-year-thereafter, be an amount computed on the |
| gross value of product which may have been derived by such |
| person from such business, work, or operation within this |
| state during the calendar year immediately preceding, at the |
| following rates: The-rate-of-tax-shall-be-fifteen-hundredths |
| ofonepercent(0+15of1%)of-the-first-one-hundred |
| thousand-dollars(\$180v800)ofthegrossvalueofthe |
| productyfivehundredseventy-five-thousandths-of-one-per |
| cent-{0+575-of-1%}-of-the-amount-by-which-sucharossvalue |
| ofproductexceeds-ons-hundred-thousend-dollers-(\$100,000) |
| and-does-not-exceed-two-hundred-and-fiftythousanddellars |
| (\$250;000);eighty-sixhundredths-of-one-per-cent-(0:06-of |
| 1%)-of-the-smount-bywhichsuchsrossvalueofproduct |
| exceedstwohundredand-fifty-thousand-dollars-(\$250\000) |
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| f tesn-hundredtns-per-cent-(1+15*)-o | 1 (\$400;000) ;oneand-f | 1 |
|--|------------------------------------|-----|
| qross-volue-of-product-exceedsfou | 2 the-amount-by-which-the | 2 |
| - (\$488y888)-and-does-not-exceed-fiv | 3 hundred-thousand-dollar | 3 |
| - (\$500y000}-ond-one-and-four-hundre | 4 <u>hundred-thousend-dollar</u> | 4 |
| 5 thirty-eightthousandths-per-cent-(1+430%)-of-the-amount-by | | |
| 5 which-thegrossvalueofproductexceedsfivehundred | | |
| 99) = | i tnousand-dollars-(\$500) | ì |
| Rate_of_Lax | 8 <u>Gross value</u> | 8 |
| (percentage of gross value | y <u>of product</u> | y |
| Qa15 | o first_\$100+000 | 10 |
| | nore than \$100,000 and | 11 |
| Q=575% of the increment | z <u>not more than \$250,000</u> | 12 |
| | nore than \$250.000 and | 13 |
| 0.86% of the increment | 4 <u>not more than \$400,000</u> | 14 |
| | more than \$400.000 and | 1 > |
| 1.15% of the increment | 00t more than \$500.000 | 16 |
| 1.438% of the increment | 7 more than \$500.000 | 17 |
| 84-2008.1, R.C.M. 1947, is amended | 8 Section 6. Section | 18 |
| | y to read as follows: | 19 |
| ure for collection of tax. All tax | 0 #84-2008.1. Proce | 20 |
| due from any person under this act | penalty, and interest | 21 |
| and all real property of such | z shall be a lien upon an | 22 |
| qof when the state department of | 3 person uponthefili | 23 |

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and--does--not--exceed---four---hundred---thousand---dollars

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revenue of-the-duplicate-of-the-statement-so-made-by-the state-department-of-revenuey-or-a-certified-copy of any statement-filed-by-said-department files in the office of the county clerk in the county where such real property is situated a certified copy of its statement of estimated tax computes under 84-2008, which This lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner as judgment liens are enforced by law."

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Section 7. Section 84-2010, R.C.M. 1947, is amended to read as follows:

#84-2010. Hearing on determination of value of gross product or amount of tax. Every person whose license tax has been determined and assessed by the state department of revenue under any of the provisions of this acty who shall feel teels aggrieved by the determination and assessment of the department as to the amount of gross value of producty or as to the amount of the license taxy may, at any time within ten 10 days after the date receipt of the required notice thereofy-required-to-be-given-to-such-person of Such determination and assessment, file with the state tax appeal board a petition for a hearing in which petition must be grounds and reasons therefory and the manner in which the

license tax. or both, should be changed or corrected. Upon filing of such petition, if it appears to the 3 satisfaction of the state tax appeal board therefrom that 5 the Jepartment of-revenue has erred in any manner in ascertaining and determining the amount of the gross value 7 of producty or the amount of the license tax, or both, the board small immediately correct such errory or errorsy: and if such correction shall—be is in conformity with the request contained in the petition for a hearing, the board 10 small take no further steps in connection with such petitiony other than to notify the state department of 12 1.3 revenue of the correct amount of the license tax due from 14 such person after the making of such correction, and 15 notifying such person thereof. Ify from such examinations 15 it does not appear to the satisfaction of the state tax 17 appeal board that the department of-revenue has erred in any 18 manner, the board shall grant the hearing, fix a day when 19 the board will take up and hear such matter, and give notice 20 to such person of such date of hearing as the board may-deem 21 considers reasonable. At the hearing of such person 20 petition, any taxpayer interested, and the department of 23 revenue may introduce witnesses and present testimony on any 24 material matters connected with such return and license tax, 25 and after considering such evidence the board shall fix and

amount of the gross value of product or the amount of the

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determine the gross value of producty and reassess the amount of the license tax to be paid by such persony and give notice thereof to such person and the state department of revenue."

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Section 8. Section 84-2202, R.C.M. 1947, is amended to 5 read as follows: 6

"84-2202. Oil or gas producers' severance tax -amount -- exceptions. (1) Every person engaging in or carrying on the business of producingy within-this--statey petroleum. or other mineral or crude oil. or natural das within this state or engaging in or carrying on the business of owning, controlling, managing, leasing, or operating within this state any well or wells from which any merchantable or marketable petroleums or other mineral or crude oils or natural gas is extracted or producedy sufficient in quantity to justify the marketing of the same, must, each year when engaged in or carrying on any such business in this state, pay to the state department of revenue, for the exclusive use and benefit of the state of Montana, a severance tax, computed at the following rates:

(a) fwo-and-one-tenth-per-cent-{2.1%} of the total gross value of that portion of all the petroleum and other mineral or crude oil produced by such person from each lease or unit in the calendar quarter not in excess of an amount obtained by multiplying the number of producing wells on 1 such lease or unit by four-hundred-fifty-f450) barrelswi

(b) fwo--and-sixty-five-hundredths-per-cent-12.65%) of the total gross value of that portion of all the production of such person from each lease or unit in each calendar quarter in excess of four--hundred--fifty--t450) barrels multiplied by the number of producing wells on such lease or unit: but in determining the amount of such tax there shall be excluded from consideration all petroleums or other crude or mineral oil produced and used by such person during such year in connection with his operations in prospecting for, developing and producing such petroleum or crude or mineral oils. providedy--howevery--that-nothing Nothing in this act shall may be construed as requiring laborers or employees, hired or employed by any person, to drill any oil welly or to work in or about any oil welly or prospect or explore forw or do any work for the purpose of developing any betroleum or other mineral or crude oil to pay such severance tax, nor shall may any work be doney or the drilling of any well or wellsy for the purpose of prospecting or exploring for petroleum or other mineral or crude oilsy or for the purpose of developing same, be deemed considered to be the engaging in or carrying on of any such nusinesste providedy-furthery-that If in the doing of any such work, or in the drilling of any oil well, or in such prospecting, exploring, or development

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work.

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read as follows:

merchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by such person for carrying on such operation shall—be is produced sufficient in quantity to justify the marketing of the same, then such work, drilling, prospecting, exploring, or development work shall—be—deemed is considered to be the engaging in and carrying on of such business within this state within the meaning of this section.

(c) Two--and--sixty-five-hundredths-percent-(2.65%) of the total gross value of natural das produced from each lease or unit, but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such last or petroleumy of crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

tdf121 Every person required to pay such tax hereunder shall pay the same in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable betroleum or other mineral or crude oil or natural bas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production

payments, and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county, or municipal governments shall be exempt from taxation under this chapter. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners will be deducted from any settlements under said lease or leases or division of proceeds orders or other contracts.**

section 9. Section 84-2206, R.C.M. 1947, is amended to

#84-2206. Record of product — carriers to furnish data. Every such person shall keep a record in such form as the state department of revenue may requirer of all petroleum and other mineral or crude oil or natural gas extracted or produced by such person in this state, and such records shall at all times during the business hours of the day be subject to inspection by the state department of revenuer or its members agents or employees. It shall be the duty of railroad companies, pipeline, and transportation companies carrying crude or mineral oily or natural gas to furnish to the state department of—revenue, whenever requested so to do, all data relative to the shipment of said such products, that may be required to properly enforce

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the provisions of this act. The failure of any railroad

company, pipeline, and or transportation companies company

to comply with the provisions of this section shall make

such companies company liable to a penalty of one-hundred

tiloowee--deliars for each day it shall--fail fails to

furnish such statement.

I Section 10. Section 84-2209.1, R.C.M. 1947, is amended
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"84-2209.1. Procedure for collection of tax. All tax, penalty, and interest due from any person under this act snall be a lien upon any and all real property of such person upon—the—filing—of when the state department of revenue of—the—duplicate—of—the—statement—so—made—by—the state—department—of—revenuey—or—a certified—copy—of—any statement—filed—by—said—department files in the office of the county clerk in the county where such real property is situated a certified copy of its statement of estimated tax computed—under—84-2209. Which This lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner—as—judgment—liens are enforced by law."

23 Section 11. Section 84-7012, R.C.M. 1947, is amended 24 to read as follows:

25 #84-7012. Procedure in case of failure to file

statement -- penalty -- interest -- tax lien. (1) If any 1 person shall-fail-refuse--or--meglect fails, refuses, or neglects to make and file a statement and return it within 3 the time prescribed, the department shall, immediately after such time has expired, escertain-and determine, as nearly as ÷ may be possible from any returns or reports filed with the 6 state or from any other information which the department may 1 be able to obtain, the total gross value of product of such 9 person from such business during the calendar year immediately preceding the year in which the tax is to be 10 11 paid, and shall determine—and fix the amount of the tax due 12 to the state from such person for such calendar year and 13 shall add to the amount of such tax a penalty of ten-percent 14 110%) thereof plus interest at the rate of one-percent--(1%) 15 per a month or fraction thereof computed on the total amount 16 of tax and penalty. Interest shall be computed from the 17 date the tax was due to the date of payment.

(2) The department shall mail to the person required to file an annual statement and pay any taxy a letter setting forth the amount of tax, penalty, and interest due.

Upon receipt of this letter, the person shall remit to the department the full amount of license tax, penalty, and interest due within fifteen-(15) days.

(3) The ten-percent-(10%) penalty herein-provided may be waived by the state department of-revenue if reasonable

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cause for the failure and neglect to file the statement required by section 84-7005 is provided to the department.

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repealed.

(4) The tax assessed against any person under this act, together with penalties and interest thereon, shall be a lien upon any and all property owned by such person within this state, which lien shall attach on the date the state department of-revenue files a duplicate of the statement-so made-by-the-department, or a certified copy of ony statement filed-by-the-department in the office of the county clerk in the county where such property is situated a certified copy of its letter sent under subsection (2), which Ihis lien shall have precedence over any other claim, lien, or demand thereafter filed and recorded and which may be enforced in the name of the state of Montana in the same manner as judgment liens are enforced by law.**

Section 12. Repealer. Section 84-2011, R.C.M. 1947, is

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