

1 HB BILL NO. 111
 2 INTRODUCED BY Dariusz Szymon
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO CHANGE THE METHOD OF
 6 COMPUTING THE OIL PRODUCERS' SEVERANCE TAX; AMENDING SECTION
 7 84-2202, R.C.M. 1947."
 8

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

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

1 (a) ~~Two-and-one-tenth-per-cent--(2.1%)~~ of the first
 2 \$5,000 of the total gross value of ~~that portion~~ of all the
 3 petroleum and other mineral or crude oil produced by such
 4 person from each lease or each lease within a unitized
 5 property unit in the calendar quarter; ~~not-in-excess-of--an~~
 6 ~~amount-obtained-by-multiplying-the-number-of-producing-wells~~
 7 ~~on-such-lease-or-unit-by-four-hundred-fifty-(450)-barrels;~~

8 (b) ~~Two--and-sixty-five-hundredths-per-cent--(2.65%)~~ of
 9 the total gross value of that portion of all the production
 10 of such person from each lease or each lease within a
 11 unitized property unit in each calendar quarter in excess of
 12 the first \$5,000 of the total gross value; ~~four--hundred~~
 13 ~~fifty--(450)--barrels--multiplied-by-the-number-of-producing~~
 14 ~~wells-on-such-lease-or-unit;~~ but in determining the amount
 15 of such tax there shall be excluded from consideration all
 16 petroleum, or other crude or mineral oil produced and used
 17 by such person during such year in connection with his
 18 operations in prospecting for, developing, and producing
 19 such petroleum, or crude or mineral oil; provided, however,
 20 that nothing in this act shall be construed as requiring
 21 laborers or employees, hired or employed by any person, to
 22 drill any oil well, or to work in or about any oil well, or
 23 prospect or explore for, or do any work for the purpose of
 24 developing any petroleum or other mineral or crude oil to
 25 pay such severance tax, nor shall may any work be done, or

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

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

24 (d) [2] Every person required to pay such tax hereunder
 25 shall pay the same in full for his own account and for the

1 account of each of the other owner or owners of the gross
 2 proceeds in value or in kind of all the marketable petroleum
 3 or other mineral or crude oil or natural gas extracted and
 4 produced, including owner or owners of working interest,
 5 royalty interest, overriding royalty interest, carried
 6 working interest, net proceeds interest, production
 7 payments, and all other interest or interests owned or
 8 carved out of the total gross proceeds in value or in kind
 9 of such extracted marketable petroleum or other mineral or
 10 crude oil or natural gas, except that any of the aforesaid
 11 interests that are owned by the federal, state, county, or
 12 municipal governments shall be exempt from taxation under
 13 this chapter. Unless otherwise provided in a contract or
 14 lease, the pro rata share of any royalty owner or owners
 15 will be deducted from any settlements under said lease or
 16 leases or division of proceeds orders or other contracts."

-End-

STATE OF MONTANA

REQUEST NO. 49-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 11, 19 77, there is hereby submitted a Fiscal Note for House Bill 111 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

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

DESCRIPTION OF PROPOSED LEGISLATION

This bill is an act to change the method of computing the oil producer's severance tax.

ASSUMPTIONS

1. Administrative costs will remain unchanged by this bill.
2. Based on data from Miscellaneous Tax Division, the proposed legislation will have no effect on state revenues. The computations were based on a sample of oil severance tax returns. When generalized to all taxpayers of the oil severance tax, the error should be less than 3%.

FISCAL IMPACT

No Effect

(Prepared by Department of Revenue)

Richard L. Dancy for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 1-16-77

Approved by Committee
on Natural Resources

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11 read as follows:

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13 amount -- exceptions. (1) Every person engaging in or
14 carrying on the business of producing, within this state,
15 petroleum, or other mineral or crude oil, or natural gas or
16 engaging in or carrying on the business of owning,
17 controlling, managing, leasing, or operating within this
18 state any well or wells from which any merchantable or
19 marketable petroleum or other mineral or crude oil or
20 natural gas is extracted or produced, sufficient in quantity
21 to justify the marketing of the same, must, each year when
22 engaged in or carrying on any such business in this state,
23 pay to the state department of revenue, for the exclusive
24 use and benefit of the state of Montana, a severance tax
25 computed at the following rates:

1 (a) ~~Two-and-one-tenth-per-cent--(2.1%) of the first~~
2 ~~\$5,000 \$6,000 of the total gross value of that portion of~~
3 all the petroleum and other mineral or crude oil produced by
4 such person from each lease or each lease within a unitized
5 property unit in the calendar quarter; ~~not in excess of an~~
6 ~~amount obtained by multiplying the number of producing wells~~
7 ~~on such lease or unit by four hundred fifty (450) barrels;~~

8 (b) ~~Two-and-sixty-five-hundredths-per-cent--(2.65%) of~~
9 the total gross value of that portion of all the production
10 of such person from each lease or each lease within a
11 unitized property unit in each calendar quarter in excess of
12 ~~the first \$5,000 \$6,000 of the total gross value; four~~
13 ~~hundred-fifty (450) barrels multiplied by the number of~~
14 ~~producing wells on such lease or unit; but in determining~~
15 the amount of such tax there shall be excluded from
16 consideration all petroleum or other crude or mineral oil
17 produced and used by such person during such year in
18 connection with his operations in prospecting for,
19 developing, and producing such petroleum or crude or
20 mineral oil; provided, however, that nothing in this act
21 shall be construed as requiring laborers or employees, hired
22 or employed by any person, to drill any oil well, or to work
23 in or about any oil well, or prospect or explore for, or do
24 any work for the purpose of developing any petroleum or
25 other mineral or crude oil to pay such severance tax, nor

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

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

25 (c) FOR PURPOSES OF COMPUTING THE TAX IN SUBSECTIONS

1 (1)(A) AND (1)(B) ABOVE, LEASE COUNT INCLUDES ALL LEASES
 2 CONTRIBUTING TO THE UNITIZED AREA WITHIN A UNIT OR ALL
 3 TRACS WITHIN A UNIT PARTICIPATING IN PRODUCTION.

4 ~~(d) (3)~~ Every person required to pay such tax
 5 hereunder shall pay the same in full for his own account and
 6 for the account of each of the other owner or owners of the
 7 gross proceeds in value or in kind of all the marketable
 8 petroleum or other mineral or crude oil or natural gas
 9 extracted and produced, including owner or owners of working
 10 interest, royalty interest, overriding royalty interest,
 11 carried working interest, net proceeds interest, production
 12 payments, and all other interest or interests owned or
 13 carved out of the total gross proceeds in value or in kind
 14 of such extracted marketable petroleum or other mineral or
 15 crude oil or natural gas, except that any of the aforesaid
 16 interests that are owned by the federal, state, county, or
 17 municipal governments shall be exempt from taxation under
 18 this chapter. Unless otherwise provided in a contract or
 19 lease, the pro rata share of any royalty owner or owners
 20 will be deducted from any settlements under said lease or
 21 leases or division of proceeds orders or other contracts."

-End-

HOUSE BILL NO. 111

INTRODUCED BY DASSINGER, SEVERSON

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A BILL FOR AN ACT ENTITLED: "AN ACT TO CHANGE THE METHOD OF COMPUTING THE OIL PRODUCERS' SEVERANCE TAX; AMENDING SECTION 84-2202, R.C.M. 1947."

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

Section 1. Section 84-2202, R.C.M. 1947, is amended to read as follows:

"84-2202. Oil or gas producers' severance tax -- amount -- exceptions. (1) Every person engaging in or carrying on the business of producing, within this state, petroleum, or other mineral or crude oil, or natural gas 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 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-cent-(2.1%) of the first \$5,000 \$6,000 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 each lease within a unitized property 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.~~

(b) ~~Two-and-sixty-five-hundredths-per-cent-(2.65%) of the total gross value of that portion of all the production of such person from each lease or each lease within a unitized property unit in each calendar quarter in excess of the first \$5,000 \$6,000 of the total gross value; four hundred-fifty-(450)-barrels-multipplied-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 petroleum 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 oil; provided, however, that nothing in this act shall be construed as requiring laborers or employees, hired or employed by any person, to drill any oil well, or to work in or about any oil well, or prospect or explore for, or do any work for the purpose of developing any petroleum or other mineral or crude oil to pay such severance tax, nor~~

THIRD READING

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

16 (c) ~~Two-and-sixty-five-hundredths-percent--(2.65%)~~ of
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 22 such gas, or petroleum, or crude or mineral oil; and there
 23 shall also be excluded from consideration all gas recycled
 24 or reinjected into the ground.

25 (2) FOR PURPOSES OF COMPUTING THE TAX IN SUBSECTIONS

1 (1)(A) AND (1)(B) ABOVE, LEASE COUNT INCLUDES ALL LEASES
 2 CONTRIBUTING TO THE UNITIZED AREA WITHIN A UNIT OR ALL
 3 TRACTS WITHIN A UNIT PARTICIPATING IN PRODUCTION.

4 ~~(d)(2)(3)~~ Every person required to pay such tax
 5 hereunder shall pay the same in full for his own account and
 6 for the account of each of the other owner or owners of the
 7 gross proceeds in value or in kind of all the marketable
 8 petroleum or other mineral or crude oil or natural gas
 9 extracted and produced, including owner or owners of working
 10 interest, royalty interest, overriding royalty interest,
 11 carried working interest, net proceeds interest, production
 12 payments, and all other interest or interests owned or
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