LC 1399/01

BIA NO. 553 1 INTRODUCED BY 2 BY REQUEST OF THE GOVERNOR 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE 5 EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION 6 CONSUMED IN MONTANA FROM THE NET PROCEEDS TAX FOR A 2-YEAR 7 PERIOD AND PROVIDING AN EFFECTIVE DATE." 8 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 10 Section 1. Policy. It is the public policy of this 11 state to promote a sufficient supply of natural gas to 12 13 provide for the residents of this state and to lessen 14 Montana's dependence on imported natural gas. 15 Section 2. Exemption from net proceeds tax. All 16 natural gas produced in this state from wells drilled after 17 December 31, 1976, and all natural gas produced in this state which is contracted for sale after December 31, 1976, 18 19 from wells from which no gas was sold during the calendar 20 year of 1976 will be exempt from the net proceeds tax 21 imposed by Title 84, chapter 62, if the gas is consumed 22 solely in Montana. 23 Section 3. Act temporary. This act is effective from 24 January 1, 1977, until July 1, 1979. -End-

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# INTRODUCED BILL

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# STATE OF MONTANA

REQUEST NO. \_\_\_\_\_427-77

# FISCAL NOTE

Form BD-15

n	compliance	with a	written	request received	February	<u> </u>	<u>_//</u> _,·	there is he	reby submit	tted a Fiscal Not	te
for	House	<u>Bill</u>	553	pursua	ant to Chapter 53, L	aws of Monta	ana, 1965	i - Thirty-N	inth Legislat	tive Assembly.	
Ba	ckground inf	ormatio	n used in	i developing this I	Fiscal Note is availab	ble from the C	Office of I	Budget and	Program Pla	anning, to membe	ers
nf	the Leoislatu	re upo	n request	t.	1						

## DESCRIPTION

This bill encourages exploration for natural gas by exempting new gas production consumed in Montana from the net proceeds tax for a 2-year period and provides an effective date.

## ASSUMPTIONS

This bill will have no measurable fiscal impact. The exemption from tax applies only to those wells that are new or those which are currently not paying any taxes. Wells which are now producing will continue to pay taxes as long as they continue to produce natural gas.

## LONG-RANGE EFFECTS

The long-range impact will occur when the state returns to current law on July 1, 1979. After that date the gas produced by new wells which began producing between July 1, 1977 and June 30, 1979 would become subject to taxation.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Zran

BUDGET DIRECTOR Office of Budget and Program Planning Date: \_\_\_\_\_\_7

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HB 0553/02

## Approved by Committee on <u>Natural Resources</u>

ı	HUUSE BILL NU. 553	1	January-ly-1977y-until-July-1y-1979∎
ż	INTRODUCED BY DRISCOLL, MELOY	2	SECTION 2. THERE IS A NEW R.C.M. SECTION THAT READS AS
3	BY REQUEST OF THE GOVERNOR	3	EOLLO*S:
4		4	(1) Exemption from net proceeds and severance tax.
7	A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE	5	Natural gas produced from a well 5000 feet deep or deeper on
6	EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION	6	which prilling was commenced after December 31, 1976, but
1	CONSUMED IN MONTANA FROM THE NET PROCEEDS TAX FORA2-YEAR	ł	before December 31, 1980, is exempt from one-half the net
8	PERIOD-AND-PROVIDING-AN-EFFECTIVE-DATE AND_SEVERANCE_TAX_FOR	в	proceeds tax imposed by chapter 62, Title 84 and all of the
9	A 3-YEAR PERIOD: AMENDING SECTIONS 84-2202. 84-2207.	9	severance tax imposed by 84-2202 for 3 years if the gas
10	<u>34-6222+ AND 84-6204+ ReC+H+ 1947</u> +"	19	produced from the well is
11		11	(a) placed into a natural gas distribution system for
12	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	12	delivery to consumers after diligent completion of the well,
13	Section 1. Policy. It is the public policy of this	13	and
14	state to promote a sufficient supply of natural gas to	14	(b) distributed by a natural gas distribution system
15	provice for the residents of this state and to lessen	15	serving only natural gas consumers within Hontana, or at
16	Montana's dependence on imported natural gas.	16	least 1000 natural gas consumers within Montana. The 3 year
17	Section-2sExemptionfromnet-proceedstaxs	17	exemption provided by this section shall begin when natural
18	natural-gas-produced-in-this-state-from-wells-drilledafter	18	gas from a qualifying well is first placed into a natural
1,	<del>Decemper31y1976yandallnetural-ass-produced-in-this</del>	19	gas distribution system.
20	state-which-is-contracted-for-sale-after-Becember-31y1976y	20	(2) Notwithstanding the provisions of subsection $(1)_{\bullet}$
21	fromwellsfromwhich-no-gas-was-sold-during-the-colendar	21	all reporting requirements under the net proceeds and
22	year-of-1976-willbeexemptfromthenetproceedstax	22	severance taxes remain in effect.
23	imposedbyfitle84ychapter62y-if-the-das-is-consumed	23	SECTION 3. SECTION 84-2202. R.C.M. 1947. IS AMENDED TO
24	sofe <del>ty-in-Xontonav</del>	24	READ_AS_FOLLOWS:
25	Section-3wAct-temporaryw This-act-iseffectivefrom	25	"84-2202. Oil or gas producers' severance tax

SECOND READING

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1 amount -- exceptions. Every person engaging in or carrying 2 on the business of producing, within this state, petroleum, 3 or other mineral or crude oil, or natural cas or engaging in 4 or carrying on the business of owning, controlling, 5 managing, leasing or operating within this state any well or 6 wells from which any merchantable or marketable petroleum or 7 other mineral or crude oil or natural das is extracted or 8 produced, sufficient in quantity to justify the marketing of 9 the same, must, except as provided in [section 2] of this 10 act, each year when engaged in or carrying on any such 11 business in this state, pay to the state department of revenue, for the exclusive use and benefit of the state of 12 Montana, a severance tax, computed at the following rates: 13 14 (a) Two and one-tenth per cent +2.1%+ of the total 15 gross value of that portion of all the petroleum and other 15 mineral or crude oil produced by such person from each lease 17 or unit in the calendar guarter not in excess of an amount obtained by multiplying the number of producing wells on 18 such lease or unit by four hundred fifty +450+ barrels. 19

(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 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

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be excluded from consideration all petroleum, or other crude 1 or mineral oil produced and used by such person during such 2 year in connection with his operations in prospecting for, 3 developing and producing such petroleum, crude or mineral 4 oil; provided, however, that nothing in this act shall be 5 construed as requiring laborers or employees, hired or ъ employed by any person, to drill any oil well, or to work in 7 or about any oil well, or prospect or explore for, or do any 8 9 work for the purpose of developing any petroleum or other 10 mineral or crude oil to pay such severance tax, nor shall 11 any work be done, or the drilling of any well or wells, for 12 the purpose of prospecting or exploring for petroleum or other mineral or crude oils, or for the purpose of 13 14 developing same, be deemed to be engaging in or carrying on 15 of any such business; provided, further, that in the doing of any such work, or in the drilling of any oil well, or in 16 17 such prospecting, exploring or development work, any 18 merchantable or marketable petroleum or other mineral or 19 crude oil in excess of the quantity required by such person 20 for carrying on such operation shall be produced sufficient 21 in quantity to justify the marketing of the same, then such 22 work, drilling, prospecting, exploring or development work 23 shall be deemed to be the engaging in and carrying on of such business within this state within the meaning of this 24 25 section.

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1 (c) Two and sixty-five hundredths percent +2.65% of the total gross value of natural gas produced from each 2 lease or unit, but in determining the amount of such tax 3 there shall be excluded from consideration all gas produced 4 and used by such person during such year in connection with 5 his operations in prospecting for, developing and producing 5 such das, or petroleum, crude or mineral oil; and there 7 shall also be excluded from consideration all gas recycled в 9 or reinjected into the ground.

(d) Every person required to pay such tax hereunder 10 shall pay the same in full for his own account and for the 11 account of each of the other owner or owners of the gross 12 proceeds in value or in kind of all the marketable petroleum 13 14 or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, 15 rovalty interest, overriding rovalty interest, carried 16 working interest, net proceeds interest, production payments 17 and all other interest or interests owned or carved out of 16 the total gross proceeds in value or in kind of such 19 extracted marketable petroleum or other mineral or crude oil 20 21 or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county or municipal 22 governments shall be exempt from taxation under this 23 chapter. Unless otherwise provided in a contract or lease, 24 the pro rata share of any royalty owner or owners will be 25

deducted from any settlements under said lease or leases or
 aivision of proceeds orders or other contracts.\*

3 SECTION 4. SECTION 84-2207: R.C.H. 1947. IS AMENDED TO 4 READ AS FOLLOWS:

5 #34-2207. Statement to accompany payment -- records -- collection of tax -- refunds. (1) Each and every person 6 7 must, within sixty-f60; days after the end of each following 8 quarter, make out on forms prescribed by the department of revenue a statement showing the total number of barrels of 9 10 merchantable or marketable petroleum, and other mineral or 11 crude oil or cubic feet of natural gas produced or extracted 12 by such person in the state of Montana during each month of 13 such guarter and during the whole guarter, the average value 14 thereof during each wonth and the total value thereof for 15 the whole quarter, together with the total amount due to the 16 state as severance taxes for such quarter; and must. except 17 as provided in fsection 21 of this act, within such sixty 18 (60) days deliver such statement and pay to the department 19 of revenue the amount of the taxes shown by such statement 20 to be due to the state of Montana for the quarter for which 21 such statement is made. Such statement must be signed and 22 verified by the oath of the individual or individuals, or by 23 the president, vice-president, treasurer, assistant 24 treasurer, or managing agent in this state of the 25 association, corporation, joint-stock company or syndicate

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1 making the same. Any such person engaged in carrying on such business at more than one place in this state, or 2 з owning, leasing, controlling, or operating more than one oil or gas well in this state, may include all thereof in one 4 5 statement. The department of revenue shall receive and file all such statements and collect and receive from such person б 7 making and filing a statement the amount of tax payable by such person, if any, as the same shall appear from the face 8 9 of the statement.

10 (2) It shall be the duty of the department of revenue 11 to examine each of such statements and compute the taxes thereon, and the amount so computed by the department of 12 13 revenue shall be the taxes imposed, assessed against and 14 payable by the taxpayer making the statement for the quarter for which the statement is filed. If the tax found to be 15 16 due shall be greater than the amount paid, the excess shall 17 be paid by the taxpayer to the department of revenue within 18 ten--fl0; days after written notice of the amount of the 19 deficiency shall be mailed by the department of revenue to 20 such taxpayer. Provided, that if the tax imposed shall be 21 less than the amount paid, the difference must be applied as 22 a credit against tax liability for subsequent guarters, or 23 refunded if there is no subsequent tax liability."

24 SECTION 5. SECTION 84-6202. R.C.M. 1947. IS AMENDED TO 25 READ AS FOLLOWS:

#84-6202. Statement of yield, penalty, extension of 1 time. Every person engaged in mining upon any mine ż 3 whatspever containing natural gas, petroleum, or other crude 4 or mineral oil must, except as provided in [section 2] of this act, on or before the thirty-first day of March in each 5 6 year make out and deliver to the state department of revenue 7 a statement of the gross yield of such natural gas, R petroleum, or other crude or mineral oil from each mine 9 owned or worked by such person during the next preceding 10 calendar year, and the value thereof. Such statement shall 11 be in the form prescribed by the state department of revenue and must be verified by the oath of such person or the 12 13 manager, superintendent, agent, president or vice-president 14 of such corporation, association or partnership. Such statement shall show the following: 15

1. The name and address of the operator of the mine, 16 together with a list in duplicate of the names and addresses 17 of any and all persons owning or claiming any royalty 18 interest in the mineral product of such mine or the proceeds 19 derived from the sale thereof, and the amount or amounts 20 paid or yielded as royalty to each of such persons during 21 22 the period covered by the statement.

2. The description and location of the mine. 24 3. The number of cubic feet of natural gas, barrels of 25 petroleum, or other crude or mineral oil extracted or

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1 produced from the mine during the period covered by the 2 statement. 3 4. The gross yield or value in dollars and cents. 4 5. Actual cost of extracting same from mine. 5 5. Cost of construction. repairs and betterments of 5 mines. 7 7. Actual cost of fire insurance and workmen's compensation insurance. a If any person shall fail, neglect or refuse to file the 9 statement required by this section within the time required, 10 or within any extended period of time allowed, the state 11 department of revenue when transmitting the net proceeds 12 valuations to the counties shall inform the county assessor 13 of such failure, neglect or refusal and the county assessor 14 in addition to the net proceeds tax, if any, shall assess a 15 penalty of 2/3 of 1% of such tax for each calendar month or 16 fraction thereof that the required statement is not filed. 17 deducting therefrom any moneys collected by the state 18 department of revenue required by this section. The state 19 department of revenue shall assess a penalty of \$25 for each 20 21 calendar month or fraction thereof, not exceeding four 22 months, that the required statement is not filed, to be collected by the state department of revenue and deposited 23 to the credit of the general fund of the state of Montana. 24 25 The state department of revenue shall upon a showing of

1 reasonable cause, grant an extension of time for filing the

2 statement required by this section.

3 This penalty shall be in addition to penalties provided 4 in section 84-6209."

 5
 SECTION 6.
 SECTION 84-6204.
 Rec. M.
 1947.
 IS.
 AMENDED TO

 6
 READ AS\_EDLLONS:

#84-6204. Deduction of drilling costs and capital 7 expenditures. The state department of revenue in computing 8 9 the deductions allowable for cost of drilling wells completed during the period and for other capital 10 11 expenditures shall allow ten-per-cent--(10%) of such cost 12 each year for a period of ten-f10+ years, beginning after 13 the 3 year exemption period allowed in [section 2] of this 14 act for qualified wells: provided, however, the operator or 15 producer may elect to amortize the cost over a period of two 16 f2; years if the well is less than three--thousand--f3,000; 17 feet deep. 18 The department shall also compute and allow deductions 19 for any capital expenditures made during the year 1953, 20 where the same have not been previously allowed in computing 21 such net proceeds under the laws of the state of Montana." 22 SECTION T. SEVERABILITY. IE A PART DE THIS ACT IS 23 INVALIDE ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID 24 PART SEMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID IN

25 ONE JR MORE OF ITS APPLICATIONS. THE PART REMAINS IN EFFECT

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## 1 IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE

### 2 INVALID\_APPLICATIONS.

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H5 0553/03

### Taxation

#### Objection Raised to Adverse Committee Report

1	HOUSE BILL NO. 553	1	Section-3#Act-temporary# This-act-iseffectivefrom
Ż	INTRODUCED BY DRISCOLL, MELOY	ż	<del>January-1y-1977y-until-july-1y-1979y</del>
، <b>د</b>	BY REQUEST OF THE GOVERNOR	٤	SECTION 2. THERE IS A NEW ROCOMO SECTION THAT BEADS AS
4		4	EULLORSE
5	A JILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE	5	(1) Exemption from net proceeds and severance tax.
ø	EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION	6	Satural gas produced from a well 5000 feet deep or deeper on
T	CONSUMED IN MUNTANA FROM <u>ONE-HALE OF</u> THE NET PROCEEDS TAX	7	which drilling was commenced after December 31, 1976, but
Ð	FURA-2-¥EAR-PERIOD-AND-PROVIDING-AN-EFFECTIVE-DATE AND ALL	8	before December 31, 1980, is exempt from one-half the net
y	Ide_SEVERANCE_IAX_FOR_A3-YEARPERIOD:AMENDINGSECTIONS	9	proceeds tax imposed by chapter 62, Title 84 and all of the
10	<u>84-22021 84-2207: 84-6202; AND 84-6204; AND 84-6208; R.C.M.</u>	10	severance tax imposed by 84-2202 for 3 years if the gas
11	1941."	11	produced from the well is
12		12	(a) placed into a natural gas distribution system for
13	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	13	delivery to consumers after diligent completion of the well;
14	section 1. Policy. It is the public policy of this	14	and
15	state to promote a sufficient supply of natural gas to	15	(b) distributed by a natural gas distribution system
16	provide for the residents of this state and to lessen	16	sarving only natural gas consumers within Montana, or at
17	Montana's dependence on imported natural gas.	17	least 1000 natural gas consumers within Montana. The 3 year
18	Section-2aExemptionfromnetproceedstexa	18	exemption provided by this section shall begin when natural
19	natural-gas-produced-in-this-state-from-wells-drilledafter	19	gas from a qualifying well is first placed into a natural
20	<del>december31y1976yandallnatural-gas-produced-in-this</del>	20	gas distribution system.
21	state-which-is-contracted-for-sale-after-Becember-31y1976y	21	(2) Notwithstanding the provisions of subsection (1)+
22	fromwellsfromwhich-no-gas-was-sold-during-the-colendar	22	all reporting requirements under the net proceeds and
23	year-of-1976-will-beexemptfromthenetproceedstax	23	severance taxes remain in effect.
24	<del>imposedbyTitle84ychapter62y-if-the-gas-is-consumed</del>	24	SECTION 3. SECTION 04-2202. R.C.M. 1947. IS AMENDED TO
25	sofely-in-hontenes SECOND READING	25	READ AS FOLLOWS:

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SECOND PRINTING

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#### HH 0553703

L "84-2202. Oil or das producers' severance tax ---1 amount -- exceptions. Every person engaging in or carrying on the business of producing, within this state, petroleum, 3 or other mineral or crude oil, or natural gas or engaging in 4 5 carrying on the business of owning, controlling, OF. managing, leasing or operating within this state any well or 6 7 wells from which any merchantable or marketable petroleum or other mineral or crude oil or natural gas is extracted or в produced, sufficient in quantity to justify the marketing of 9 the same, must. except as provided in [section 2] of this 10 act, each year when engaged in or carrying on any such 11 business in this state, pay to the state department of 12 13 revenue. for the exclusive use and benefit of the state of Hontana, a severance tax, computed at the following rates: 14 (a) Two and one-tenth per cent f2.1%; of the total 15 gross value of that portion of all the petroleum and other 16 17 mineral or crude oil produced by such person from each lease or unit in the calendar guarter not in excess of an amount 18 obtained by multiplying the number of producing wells on 19 such lease or unit by four hundred fifty (450) barrels. 20

(o) 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 unit in each calendar quarter in excess of four-hundred-fifty-(450) barrels aultiplied by the number of producing wells on such lease or

unit: but in determining the amount of such tax there shall 1 pe excluded from consideration all petroleum, or other crude or mineral oil produced and used by such person during such 3 year in connection with his operations in prospecting for, 4 developing and producing such petroleum, crude or mineral 5 oil; provided, however, that nothing in this act shall be 5 construed as requiring laborers or employees, hired or 7 employed by any person, to drill any oil well, or to work in я or about any oil well, or prospect or explore for, or do any 9 work for the purpose of developing any petroleum or other 10 mineral or crude oil to pay such severance tax, nor shall 11 any work be done, or the drilling of any well or wells, for 12 the purpose of prospecting or exploring for petroleum or 13 14 other mineral or crude oils, or for the purpose of developing same, be deemed to be engaging in or carrying on 15 16 of any such business; provided, further, that in the doing of any such work, or in the drilling of any oil well, or in 17 1£ such prospecting, exploring or development work, any 19 merchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by such person 20 for carrying on such operation shall be produced sufficient 21 in quantity to justify the marketing of the same, then such 22 23 work, wrilling, prospecting, exploring or development work shall be deemed to be the engaging in and carrying on of 24 such pusiness within this state within the meaning of this 25

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#### 1 section.

(c) Two and sixty-five hundredths percent +2.65%+ of ż з the total pross value of natural gas produced from each lease or unit, but in determining the amount of such tax 4 there shall be excluded from consideration all das produced 5 and used by such person during such year in connection with 6 nis operations in prospecting for, developing and producing 1 such gas, or petroleum, crude or mineral oil; and there в shall also be excluded from consideration all gas recycled 9 or reinjected into the ground. 10

(d) Every person required to pay such tax hereunder 11 shall pay the same in full for his own account and for the 12 account of each of the other owner or owners of the gross 13 proceeds in value or in kind of all the marketable petroleum 14 or other mineral or crude oil or natural gas extracted and 15 produced, including owner or owners of working interest. 16 royalty interest, overriding royalty interest, carried 17 working interest, net proceeds interest, production payments 1 ø and all other interest or interests owned or carved out of 17 the total gross proceeds in value or in kind of such 2G extracted marketable petroleum or other mineral or crude oil 21 or natural das, except that any of the aforesaid interests 22 that are owned by the federal, state, county or municipal 23 governments shall be exempt from taxation under this 24 chapter. Unless otherwise provided in a contract or lease. 25

the pro rata share of any royalty owner or owners will be 1 deducted from any settlements under said lease or leases or ć. division of proceeds orders or other contracts." 4 4 SECTION 4. SECTION 84-2207. R.C.M. 1947. IS AMENDED TO 5 READ AS FOLLOWS: 6 \*64-2207. Statement to accompany payment -- records 7 -- collection of tax -- refunds. (1) Each and every person must, within sixty-f60; days after the end of each following 8 quarter, make out on forms prescribed by the department of 4 10 revenue a statement showing the total number of barrels of merchantable or marketable petroleum, and other mineral or 11 crude oil or cubic feet of natural gas produced or extracted 12 13 by such person in the state of Montana during each wonth of 14 such quarter and during the whole quarter. the average value thereof during each month and the total value thereof for 15 the whole quarter, together with the total amount due to the 16 state as severance taxes for such quarter; and mustr-except 17 as provided in faction 2] of this act, within such sixty 18 (60) days deliver such statement and <u>EXCEPT AS PROVIDED IN</u> 19 20 <u>ISECIEDY 21 OF THIS ACT</u>, pay to the department of revenue the amount of the taxes shown by such statement to be due to 21 the state of Montana for the quarter for which such 22 23 statement is made. Such statement must be signed and verified by the oath of the individual or individuals, or by 24 the president, vice-president, treasurer, assistant 25

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1 treasurer, or managing agent in this state of the 2 association, corporation, joint-stock company or syndicate 3 making the same. Any such person engaged in carrying on such susiness at more than one place in this state, or 4 owning, leasing, controlling, or operating more than one oil 5 or gas well in this state, may include all thereof in one 6 statement. The department of revenue shall receive and file 7 all such statements and collect and receive from such person ĥ 9 making and filing a statement the amount of tax payable by 10 such person, if any, as the same shall appear from the face 11 of the statement.

12 (2) It shall be the duty of the department of revenue to examine each of such statements and compute the taxes 13 therepro- and the amount so computed by the department of 14 revenue shall be the taxes imposed, assessed against and 15 16 payable by the taxpayer making the statement for the quarter 17 for which the statement is filed. If the tax found to be 15 due shall be creater than the amount paid, the excess shall be paid by the taxpayer to the department of revenue within 19 20 ten--(10) days after written notice of the amount of the 21 deficiency shall be mailed by the department of revenue to 22 such taxpayer. Provided, that if the tax imposed shall be 23 less than the amount paid, the difference must be applied as a credit against tax liability for subsequent quarters, or 24 25 refunded if there is no subsequent tax liability."

L Section-Su-Section-04-6202x-Ruberty-1947y-is-pended-to > read-ss-followst #84-6282w--Statement--of--yieldy--penaltyy-extension-of -4 times---Every--person--engaged--in--mining--uppn---nny---mine 5 whatspever-containing-natural-gasy-petroleumy-or-ather-crude 6 or--mineral--oil--mustr\_except\_ssprovided\_in\_fsection2l-of\_ 7 this sets on-or-before-the-thirty-first-day-of-March-in-eoch н vear-sake-out-ond-deliver-to-the-state-department-of-revenue 9 a--statement--of--the--gross--yield--of--such--natural--gasy 10 petroleumy--or--other--crude--or--mineral-oil-from-eech-mine 11 owned-or-worked-by-such-person--during--the--next--preceding calender--yeary--and-the-value-thereofy-Such-statement-shall 12 13 be-in-the-form-preseribed-by-the-state-department-of-revenue 14 and-must-be-verified-by-the--oath--of--such--person--or--the 15 16 of--such--corporationy--association--or--partnershipu----Such 17 statesent-shall-show-the-following: 18 ts--The--name--and-address-of-the-operator-of-the-miney 19 together-with-a-list-in-duplicate-of-the-names-and-addresses 20 of-any-and--all--sersons--awning--or--claiming--any--royalty 21 interest-in-the-mineral-product-of-such-mine-proceeds 22 derived--from--the--sale--thereofy-and-the-amount-or-amounts 23 paid-pr-vielded-ap-rovalty-to-each-of--such--persons--during 24 tne-period-covered-by-the-statement. 25 #\*--The-description-and-location-of-the-minex

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ĩ	<del>}∗The-number-of-cubic-feet-of-natural-gasy-barrels-of</del>
Z	petroleumyorothercrudeormineraloilextracted-or
ė	produced-from-the-mine-duringtheperiodcoveredbythe
4	statements
٦	4∎The-gross-yfeld-or-value-in-dollars-and-cents⊎
5	5 <del>*Actual-cost-of-extracting-same-from-mine</del> *
7	5*Eostofconstructionyrepairs-and-betterments-of
4	mines.
9	₹#Actualcostoffireinsuranceandworkmen*s
10	compensation-insurance.
11	If-any-person-shall-faily-neglect-or-refuse-to-file-the
12	stotement-required-by-this-section-within-the-time-required,
13	orwithinanyextendedperiod-of-time-allowedy-the-state
14	department-of-revenue-whentransmittingthenetproceeds
15	valuationsto-the-counties-shall-inform-the-county-assessor
16	ot-such-failurey-neglect-or-refusal-and-the-countyassessor
17	inaddition-to-the-net-proceeds-taxy-if-anyy-shall-assess-a
18	penalty-of-2/3-of-1%-of-such-tax-for-each-calendar-month-or
19	fractionthereofthot-the-required-statement-is-not-filedy
20	deductingtherefromanymoneyscollectedbytnestate
21	departmentofrevenuerequired-by-this-sections-The-state
22	department-of-revenue-shall-assess-s-penalty-of-\$25-for-each
23	calendar-monthorfractionthereofynotexceedingfour
24	monthsythattherequiredstatementis-not-filedy-to-be
25	<del>collestsd-by-the-state-department-of-revenueanddeposited</del>

2	fhe-state-department-of-revenue-shall-upon-a-showing-of
3	reasonablecausey-arant-an-extension-of-time-for-filing-the
4	statement-required-by-this-section+
5	fhis-penalty-shall-be-in-addition-to-penalties-provided
6	<del>in-section-84-6209*</del>
1	SECTION 5. SECTION 84-6204, R.C.M. 1947, IS AMENDED TO
8	READ_AS_EDLLOWS:
4	₩84-6204. Deduction of drilling costs and capital
10	expenditures. The state department of revenue in computing
11	the deductions allowable for cost of drilling wells
12	completed during the period and for other capital
13	expenditures shall allow <del>ten-per-cent(</del> 10% <del>)</del> of such cost
14	each year for a period of ten-{10} years, beginning after
15	the 3 year exemption period allowed in [section 2] of this
16	act for qualified wells: provided, however, the operator or
17	producer may elect to amortize the cost over a period of two
13	<pre>{2 years if the well is less than threethousand{3,000}</pre>
19	feet jeep.
20	The department shall also compute and allow deductions
21	for any capital expenditures made during the year 1953,
22	where the same have not been previously allowed in computing
23	such met proceeds under the laws of the state of Hontana.*
24	2ECIION 5. SECIION 34-6208. R.C.M. 1947. IS AMENDED ID
25	READ AS FOLLOWS:

-10-

1 to-the-credit-of-the-general-fund-of-the-state-of-Montana.

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484-6208. County 1 assessors to compute taxes. Immediately after the county board of commissioners has 2 3 fixed tax levies on the second Monday in August, the county assessor shall compute the taxes on such net proceeds. 4 except as provided in [section 2] of this act. and royalty 5 assessments, and shall deliver the book to the county 6 7 treasurer on or before the fifteenth day of September. The 8 county treasurer shall proceed to give full notice thereof to such operator and to collect the same in manner provided 9 10 by law.

The operator or producer shall be liable for the 11 payment of said taxes and same shall be payable by and shall 12 be collected from such operators in the same manner and 13 under the same penalties as provided for the collection of 14 taxes upon net proceeds of mines; provided, however, that 15 the operator may, at his option, withhold from the proceeds 16 of royalty interest, either in kind or in money, an 17 estimated amount of the tax to be paid by him upon such 18 royalty or royalty interest, after such withholding any 19 deviation between the estimated tax and the actual tax may 20 be accounted for by adjusting subsequent withholdings from 21 the proceeds of royalty interests." 22

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 SECTION 7\*
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 OF
 THIS
 ACT
 IS
 INVALID\*

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- 1 DNE ON AURE OF ITS APPLICATIONS. THE PART REMAINS IN EFFECT
- 2 IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE
- 3 INVALID APPLICATIONS.

-End-

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HB 0553/04

INTRODUCED BY DRISCOLL, MELOY 2 BY REQUEST OF THE GOVERNOR 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE 5 EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION 6 CONSUMED IN MONTANA FROM <u>ONE-HALE OF</u> THE NET PROCEEDS TAX 7 8 FUR--A-2-YEAR-PERIOD-AND-PROVIDING-AN-EFFECTIVE-DATE AND ALL THE SEVERANCE TAX FOR A 3-YEAR PERIOD; AMENDING SECTIONS 9 10 84-22021 84-22071 84-62021 AND 84-62081 R.C.M. 1941.\* 11 12 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 Section 1. Policy. It is the public policy of this 15 state to promote a sufficient supply of natural gas to provice for the residents of this state and to lessen 10 Montana's dependence on imported natural gas. 17 18 Section-2---Exemption---from---net--proceeds--taxe All 19 natural-gas-produced-in-this-state-from-wells-drilled--after 29 December--31y--1976y--and--all--natural-gas-produced-in-this 21 state-wnich-is-contracted-for-sale-after-Becember-31y---1976y 22 froa--wells--from--which-no-gas-was-sold-during-the-calendar 23 year-of-1976-will-be--exempt--from--the--net--proceeds--tax 24 imposed--by--Title--84y--chapter--62y-if-the-gas-is-consumed 25 setety-in-Montanew

HOUSE BILL NO. 553

THIRD READING

HB 0553/04

1	. Section-3=Act-temporary= This-act-iseffectivefrom
2	<del>January-ly-ly77y-until-July-ly-ly-1979</del> #
3	SECTION 2. THERE IS A NEW R.C. H. SECTION THAT READS AS
4	EOLLOWS:
5	(1) Exemption from net proceeds and severance tax.
6.	Natural gas produced from a well 5000 feet deep or deeper on
7	which drilling was commenced after December 31, 1976, but
8	before December 31, 1980, is exempt from one-half the net
9	proceeds tax imposed by chapter 62, Title 84 and all of the
10	severance tax imposed by 84-2202 for 3 years if the gas
11	produced from the well is
12	(a) placed into a natural gas distribution system for
13	delivery to consumers after diligent completion of the well.
14	and
15	(b) distributed by a natural gas distribution system
16	serving only natural gas consumers <u>A MAJORITY OF</u>
17	within Montana, or at least <del>1000</del> <u>10,000</u> natural gas
lď	consumers within Montana. The 3 year exemption provided by
19	this section shall begin when natural gas from a qualifying
20	well is first placed into a natural gas distribution system.
21	(2) Notwithstanding the provisions of subsection (1)+
22	all reporting requirements under the net proceeds and
23	severance taxes remain in effect.
24	SECTION 3. SECTION 84-2202, R.C.M. 1947, IS AMENDED TO
25	READ_AS_FOLLOWS:

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1 \*84-2202. Dil or gas producers' severance tax --2 amount -- exceptions. Every person engaging in or carrying з on the business of producing, within this state, petroleum, 4 or other mineral or crude oil, or natural gas or engaging in carrying on the business of owning, controlling, 5 or managing, leasing or operating within this state any well or ь 7 wells from which any merchantable or marketable petroleum or đ other mineral or crude oil or natural gas is extracted or 9 produced, sufficient in quantity to justify the marketing of 10 the same, must, except as provided in [section 2] of this 11 act each year when engaged in or carrying on any such 12 business in this state, pay to the state department of 13 revenue, for the exclusive use and benefit of the state of 14 Nontana, a severance tax, computed at the following rates: 15 (a) Two and one-tenth per cent  $f_{2.127}$  of the tota)

16 gross value of that portion of all the petroleum and other 17 mineral or crude oil produced by such person from each lease 18 or unit in the calendar quarter not in excess of an amount 19 obtained by multiplying the number of producing wells on 20 such lease or unit by four hundred fifty t450+ 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 unit in each calendar quarter in excess of four-hundred-fifty-(450) barrels multiplied by the number of producing wells on such lease or HB 0553/04

unit; but in determining the amount of such tax there shall 1 2 be excluded from consideration all petroleum, or other crude 3 or mineral oil produced and used by such person during such 4 year in connection with his operations in prospecting for, 5 developing and producing such petroleum, crude or mineral 6 oil; provided, however, that nothing in this act shall be 7 construed as requiring laborers or employees, hired or 8 employed by any person, to drill any oil well, or to work in 9 or about any oil well, or prospect or explore for, or do any 10 work for the purpose of developing any petroleum or other 11 mineral or crude oil to pay such severance tax, nor shall 12 any work be done, or the drilling of any well or wells, for 13 the purpose of prospecting or exploring for petroleum or 14 other mineral or crude oils, or for the purpose of 15 developing same, be deemed to be engaging in or carrying on 16 of any such business; provided, further, that in the doing 17 of any such work, or in the drilling of any oil well, or in such prospecting, exploring or development work, any 18 19 merchantable or marketable petroleum or other mineral or 20 crude oil in excess of the quantity required by such person for carrying on such operation shall be produced sufficient 21 in quantity to justify the marketing of the same, then such 22 work, crilling, prospecting, exploring or development work ذ2 shall be deemed to be the engaging in and carrying on of 24 such business within this state within the meaning of this 25

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(c) Two and sixty-five hundredths percent +2+65% + of ż the total gross value of natural gas produced from each Э lease or unit, but in determining the amount of such tax 4 there shall be excluded from consideration all gas produced -5 and used by such person during such year in connection with 6 his operations in prospecting for, developing and producing 7 8 such gas, or petroleum, crude or mineral oil; and there shall also be excluded from consideration all gas recycled 9 or reinjected into the ground. 10

(d) Every person required to pay such tax hereunder 11 12 shall pay the same in full for his own account and for the 13 account of each of the other owner or owners of the gross 14 proceeds in value or in kind of all the marketable petroleum 15 or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, 15 17 royalty interest, overriding royalty interest, carried 18 working interest, net proceeds interest, production payments 19 and all other interest or interests owned or carved out of 20 the total gross proceeds in value or in kind of such 21 extracted marketable petroleum or other mineral or crude oil 22 or natural gas, except that any of the aforesaid interests 23 that are owned by the federal, state, county or municipal governments shall be exempt from taxation under this 24 25 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

3 division of proceeds orders or other contracts."

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4 SECTION 4. SECTION 84-2207. R.C. N. 1947. IS AMENDED TO 5 READ AS FOLLOWS:

\*84-2207. Statement to accompany payment -- records 6 7 -- collection of tax -- refunds. (1) Each and every person must, within sixty-(60) days after the end of each following 8 9 quarter, make out on forms prescribed by the department of 10 revenue a statement showing the total number of barrels of 11 merchantable or marketable petroleum, and other mineral or 12 crude oil or cubic feet of natural gas produced or extracted 13 by such person in the state of Nontana during each month of 14 such quarter and during the whole quarter, the average value 15 thereof during each month and the total value thereof for 16 the whole quarter, together with the total amount due to the 17 state as severance taxes for such quarter; and must 18 as-provided-in-fsection-2]-of-this-act, within such sixty 19 to0t days deliver such statement and EXCEPT AS PROVIDED IN 20 [SECILON\_2] OF THIS ACL, pay to the department of revenue 21 the amount of the taxes shown by such statement to be due to 22 the state of Montana for the quarter for which such 23 statement is made. Such statement must be signed and 24 verified by the oath of the individual or individuals, or by 25 the president, vice-president, treasurer, assistant

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1 treasurer, or managing agent in this state of the 2 association, corporation, joint-stock company or syndicate making the same. Any such person engaged in carrying on 3 such business at more than one place in this state; or 4 owning, leasing, controlling, or operating more than one oil 5 6 or gas well in this state, may include all thereof in one 7 statement. The department of revenue shall receive and file 8 all such statements and collect and receive from such person 9 making and filing a statement the amount of tax payable by 10 such person, if any, as the same shall appear from the face 11 of the statement.

12 (2) It shall be the duty of the department of revenue 13 to examine each of such statements and compute the taxes 14 thereon, and the amount so computed by the department of revenue shall be the taxes imposed, assessed against and 15 16 payable by the taxpayer making the statement for the guarter 17 for which the statement is filed. If the tax found to be 18 due shall be greater than the amount paid, the excess shall be paid by the taxpayer to the department of revenue within 19 20 ten--(10) days after written notice of the amount of the 21 deficiency shall be mailed by the department of revenue to 22 such taxpayer. Provided, that if the tax imposed shall be 23 less than the amount paid, the difference must be applied as 24 a credit against tax liability for subsequent quarters, or 25 refunded if there is no subsequent tax liability."

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#### Ł Section-Section-84-6202+-R+C+M+-1967+-is-amended-to 2 read-os-follows+ 3 M84-6202x--Statement--of--yieldy--penaltyy-extension-of 4 time ---- Every --- person---engaged---in---mining--upon---any----mine 5 whatsoever-containing-natural-gasy-petroleumy-or-other-crude or-mineral--oil-musty\_gazetas-provided\_in-feetion21-afò 7 this\_acts on-or-before-the-thirty-first-day-of-March-in-each 8 Year-make-out-and-deliver-to-the-state-department-of-revenue 9 a--statement--of--the--gross--vield--of--such--natural--gasy 10 petroleumy--or--other--crude--or--mineral-oil-from-each-mine owned-or-worked-by-such-person--during--the--next--preceding 11 12 catendar--yeary--and-the-yalue-thereofy-Such-statement-shalt 13 be-in-the-form-prescribed-by-the-state-department-of-revenue 14 and-sust-be-verified-by-the--oath--of--such--person--or--the 15 managery--superintendenty-agenty-president-or-vice-president of--such--corporationy--association--or--partnershipy---Such 16 17 statement-shall-show-the-following+ ty--The--name--and-address-of-the-operator-of-the-miney 11 19 together-with-a-list-in-duplicate-of-the-names-and-addresses 20 of-any-and--all--persons--owning--or--claiming--any--royalty 21 interest-in-the-mineral-product-of-such-mine-or-the-proceeds 22 derived-from--the--sale--thereofy-and-the-amount-of-amounts 23 said-or-vielded-as-rovalty-to-each-of--such--persons--during 24 the-period-covered-by-the-statement.

25 data description-and-location-of-the-miner

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1	JwThe-number-of-cubic-feet-of-natural-gasy-barrels-of
2	petroleumyorothercrudeormineraloilextracted-or
з	produced-from-the-mine-duringtheperiodcoveredbythe
4	statements
5	4+The-gross-yield-or-value-in-dollars-and-cents+
6	5#Actusl-cost-of-extracting-same-from-minew
7	owCostofconstructionyrepairs-and-betterments-of
8	#ines.
9	<del>7sActualcost-offireinsuranceandworkmen*s</del>
10	compensation-insurance.
11	if-any-person-shall-faily-neglect-or-refuse-to-file-the
12	statement-required-by-this-section-within-the-time-requiredy
13	orwithinonyextendedperiod-of-time-allowedy-the-state
14	department-of-revenue-whentransmittingthenetproceeds
15	valuationsto-the-counties-shall-inform-the-county-assessor
ló	o <del>r-such-failurey-neglect-or-refusal-and-the-countyassessor</del>
17	inaddition-to-the-net-proceeds-taxy-if-anyy-shall-assess-a
18	penalty-of-2/3-of-1%-of-such-tax-for-each-calendar-monthor
19	fractionthereofthat-the-required-statement-is-not-filedy
20	deductingtherefromanymoneyscollectedbythestate
21	deportmentofrevenuerequired-by-this-sections-The-state
22	department-of-revenue-shall-assess-a-penalty-of-\$25-for-each
23	calensar-monthorfractionthereofynotexceedingfour
24	monthsythattherequiredstatementis-not-filedy-to-be
25	coffected-by-the-state-department-of-revenueanddeposited

to-the-credit-of-the-general-fund-of-the-state-of-Montanaw
<del>The-state-department-of-revenue-shall-upon-a-showing-of</del>
reasonablecausev-grant-an-extension-of-time-for-filing-the
statement-required-by-this-section.
<del>This-penalty-shall-be-in-addition-to-penalties-provided</del>
in-section-84-6209**
SECTION 5. SECTION 84-6204. R.C.M. 1947. IS AMENDED TO
READ_AS_FOLLOWS:
#84-6204. Deduction of drilling costs and capital
expenditures. The state department of revenue in computing
the deductions allowable for cost of drilling wells
completed during the period and for other capital
expenditures shall allow <del>ten-per-cent{</del> 10% <del>}</del> of such cost
each year for a period of <del>ten (</del> 10 <del>)</del> years, <u>beginning after</u>
the 3 year exemption period allowed in [section 2] of this
act for qualified wells: provided, however, the operator or
producer may elect to amortize the cost over a period of <del>two</del>
t2) years if the well is less than threethousandt3,000;
feet weep.
The department shall also compute and allow deductions
for any capital expenditures made during the year 1953,
where the same have not been previously allowed in computing
such net proceeds under the laws of the state of Montana."
SECTION 6. SECTION 84-6208. R.C.M. 1947. IS AMENDED TO

25 READ AS FULLOWS:

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1 #34-6208. County assessors to compute taxes. 2 Immediately after the county board of commissioners has fixed tax levies on the second Monday in August, the county 3 assessor shall compute the taxes on such net proceeds. 4 except as provided in [section 2] of this act, and royalty 5 6 assessments, and shall deliver the book to the county 7 treasurer on or before the fifteenth day of September. The county treasurer shall proceed to give full notice thereof 8 9 to such operator and to collect the same in manner provided 10 by law.

11 The operator or producer shall be liable for the 12 payment of said taxes and same shall be payable by and shall be collected from such operators in the same manner and 13 14 under the same penalties as provided for the collection of taxes upon net proceeds of mines; provided, however, that 15 the operator may, at his option, withhold from the proceeds 16 17 of royalty interest, either in kind or in money, an estimated amount of the tax to be paid by him upon such 18 19 royalty or royalty interest, after such withholding any deviation between the estimated tax and the actual tax may 20 21 be accounted for by adjusting subsequent withholdings from 22 the proceeds of royalty interests."

 23
 SECTION 7. SEVERABILITY. IE A PART DE THIS ACT IS

 24
 INVALID. ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID

 25
 PART REMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID. IN

-11-

#### 1 ONE OR MORE OF ITS APPLICATIONS. THE PART REMAINS IN EFFECT

### 2 IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE

3 INVALID APPLICATIONS.

-End-

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INTRODUCED BY DRISCOLL, MELOY BY REQUEST OF THE GOVERNOR A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE EXPLOSATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION

HOUSE BILL NO. 553

CONSUMED IN MONTANA FROM <u>ONE-HALE OF</u> THE NET PROCEEDS TAX
FOR--A-2-YEAR-PERIOD-AND-PROVIDING-AN-EFFECTIVE-DATE <u>AND ALL</u>
<u>THE SEVERANCE TAX FOR A. 3-YEAR PERIOD: AMENDING SECTIONS</u>
<u>84-2202: 84-2207: 84-6202: AND 84-6208: ReC.M.</u>
1947."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: Section 1. Policy. It is the public policy of this state to promote a sufficient supply of natural gas to provide for the residents of this state and to lessen Montana's dependence on imported natural gas.

Section-2+--Exemption---from---net--proceeds--taxy All 18 19 natural-das-produced-in-this-state-from-wells-drilled-after 20 Becember--31y--1976y--and--all--natural-gas-produced-in-this state-which-is-contracted-for-sale-after-December-31y--1976y 21 22 from--wells--from--which-no-gas-was-sold-during-the-calendar 23 year-of-1976-will--be--exempt--from--the--net--proceeds--tax 24 imposed--by--fitle--84y--chapter--62y-if-the-gas-is-consumed 25 solely-in-Montana.

## REFER NCE BILL

1 Section-Ba--Act-temporarya This-act-is--effective--from January-1+-1977+-until-July-1+-1979\* 2 3 SECTION 2. THERE IS A NEW R.C.M. SECTION THAT READS AS EOLLOWS: 4 5 (1) Exemption from net proceeds and severance tax. Natural gas produced from a well 5000 feet deep or deeper on 6 which drilling was commenced after December 31, 1976, but 7 8 before December 31, 1980, is exempt from one-half the net 9 proceeds tax imposed by chapter 62, Title 84 and all of the severance tax imposed by 84-2202 for 3 years if the gas 10 11 produced from the well is (a) placed into a natural gas distribution system for 12 13 delivery to consumers after diligent completion of the well, 14 and 15 (b) distributed by a natural gas distribution system serving only natural gas consumers <u>A MAJORITY OF WHICH ARE</u> 16 17 within Montana, or at least 1000 los000 natural gas consumers within Montana. The 3 year exemption provided by 18 19 this section shall begin when natural gas from a gualitying 213 well is first placed into a natural gas distribution system. 21 {2} Notwithstanding the provisions of subsection (1). 22 all reporting requirements under the net proceeds and

23 Severance taxes remain in effect.

### 24 SECTION 3. SECTION 84-2202. R.C.M. 1947. IS AMENDED TO

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25 <u>READ AS FOLLOWS:</u>

L "84-2202. Bil or gas producers' severance tax ---2 amount -- exceptions. Every person engaging in or carrying 3 on the business of producing, within this state, petroleum, 4 or other mineral or crude oil, or natural gas or engaging in 5 or carrying on the business of owning, controlling, 6 managing, leasing or operating within this state any well or wells from which any merchantable or marketable petroleum or 1 8 other mineral or crude oil or natural gas is extracted or 9 produced, sufficient in quantity to justify the marketing of 10 the same, must, except as provided in [section 2] of this 11 act, each year when engaged in or carrying on any such 12 business in this state, pay to the state department of 13 revenue, for the exclusive use and benefit of the state of 14 Montana, a severance tax, computed at the following rates: 15 (a) Two and one-tenth per cent f2.1%; of the total 16 gross value of that portion of all the petroleum and other 17 mineral or crude oil produced by such person from each lease 18 or unit in the calendar quarter not in excess of an amount 19 obtained by multiplying the number of producing wells on 20 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 unit in each calendar quarter in excess of four-hundred--fifty--(450) barrels multiplied by the number of producing wells on such lease or

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unit; but in determining the amount of such tax there shall 1 2 be excluded from consideration all petroleum, or other crude 3 or mineral oil produced and used by such person during such 4 year in connection with his operations in prospecting for. 5 developing and producing such petroleum, crude or mineral 6 oil; provided, however, that nothing in this act shall be 7 construed as requiring laborers or employees, hired or R employed by any person, to drill any oil well, or to work in 9 or about any oil well, or prospect or explore for, or do any 10 work for the purpose of developing any petroleum or other 11 mineral or crude oil to pay such severance tax, nor shall any work be done, or the drilling of any well or wells, for 12 13 the purpose of prospecting or exploring for petroleum or 14 other mineral or crude oils, or for the purpose of 15 developing same, be deemed to be engaging in or carrying on 16 of any such business; provided, further, that in the doing of any such work, or in the drilling of any oil well, or in 17 prospecting, exploring or development work, any 18 such merchantable or marketable petroleum or other mineral or 17 20 crude oil in excess of the quantity required by such person for carrying on such operation shall be produced sufficient 21 in quantity to justify the marketing of the same, then such 22 23 work, crilling, prospecting, exploring or development work shall be deemed to be the engaging in and carrying on of 24 25 such business within this state within the meaning of this

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1 section.

(c) Two and sixty-five hundrenths percent +2.65%+ of 2 the total gross value of natural gas produced from each 3 lease or unit, but in determining the amount of such tax 4 there shall be excluded from consideration all gas produced 5 and used by such person during such year in connection with 5 his operations in prospecting for, developing and producing 7 3 such gas, or petroleum, crude or mineral oil; and there shall also be excluded from consideration all gas recycled 9 10 or reinjected into the ground.

(d) Every person required to pay such tax hereunder 11 12 shall pay the same in full for his own account and for the 13 account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum 14 15 or other mineral or crude oil or natural gas extracted and 16 produced, including owner or owners of working interest, 17 royalty interest, overriding royalty interest, carried 18 working interest, net proceeds interest, production payments 19 and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such 20 21 extracted marketable petroleum or other mineral or crude oil 22 or natural gas, except that any of the aforesaid interests 23 that are owned by the federal, state, county or municipal 24 governments shall be exempt from taxation under this 25 chapter. Unless otherwise provided in a contract or lease,

1 the pro rata share of any royalty owner or owners will be 2 deducted from any settlements under said lease or leases or 3 division of proceeds orders or other contracts." 4 SECTION 4. SECTION 84-2207. R.C.M. 1947. IS AMENDED TO 5 READ AS FOLLOWS: 6 #84-2207. Statement to accompany payment -- records 7 -- collection of tax -- refunds. (1) Each and every person 8 must, within sixty-f60; days after the end of each following 9 quarter, make out on forms prescribed by the department of 10 revenue a statement showing the total number of barrels of 11 merchantable or marketable petroleum, and other mineral or 12 crude oil or cubic feet of natural gas produced or extracted 13 by such person in the state of Montana during each month of 14 such quarter and during the whole guarter, the average value 15 thereof during each month and the total value thereof for 16 the whole quarter, together with the total amount due to the 17 state as severance taxes for such quarter; and musty--except 18 as\_provided\_in\_fsection\_2]-of-this\_act, within such sixty +60+ days deliver such statement and <u>EXCEPT AS PROVIDED IN</u> 19 20 [SECTION\_2] OF THIS ACT, pay to the department of revenue 21 the amount of the taxes shown by such statement to be due to the state of Montana for the quarter for which such 22 23 statement is made. Such statement must be signed and verified by the oath of the individual or individuals, or by 24 25 t he president, vice-president, treasurer, assistant

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L treasurer, or managing agent in this state of the 2 association, corporation, joint-stock company or syndicate making the same. Any such person engaged in carrying on 3 4 such business at more than one place in this state, or 5 owning, leasing, controlling, or operating more than one oil 6 or gas well in this state, may include all thereof in one 1 statement. The department of revenue shall receive and file 8 all such statements and collect and receive from such person 9 making and filing a statement the amount of tax payable by 10 such person, if any, as the same shall appear from the face 11 of the statement.

12 (2) It shall be the duty of the department of revenue 13 to examine each of such statements and compute the taxes 14 thereon, and the amount so computed by the department of 15 revenue shall be the taxes imposed, assessed against and 16 payable by the taxpayer making the statement for the quarter 17 for which the statement is filed. If the tax found to be 18 due shall be greater than the amount paid, the excess shall be paid by the taxpayer to the department of revenue within 19 20 ten--(10) days after written notice of the amount of the deficiency shall be mailed by the department of revenue to 21 22 such taxpayer. Provided, that if the tax imposed shall be 23 less than the amount paid, the difference must be applied as a credit against tax liability for subsequent quarters, or 24 25 refunded if there is no subsequent tax liability."

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r	<pre>section-5xSection-04=6202x-RxExHx-1947x-is-amended-to</pre>
2	<u>read-as-follows</u> t
3	#84-62 <del>02vStatementofyi</del> eid <del>vpenaityv-extension-of</del>
4	timewEverypersonengagedinmininguponanymine
5	whatspever-containing-natural-gasy-petroleumy-or-other-crude
6	ormineraloilmust <u>x-except-as-provided-in-Esection-21-of</u>
7	<u>this-act</u> on-or-before-the-thirty-first-day-of-March-in-each
a	year-make-out-and-deliver-to-the-state-department-of-revenue
9	astatementofthearossyieldofsuchnoturalgosy
10	petroleumyorothercrudeorminerel-oil-from-each-mine
11	owned-or-worked-by-such-personduringthenextpreceding
12	calradaryearyand-thu-value-thereofy-Such-statement-shall
13	be-in-the-form-prescribed-by-the-state-department-of-revenue
14	and-must-be-verified-by-theosthofsuchpersonorthe
15	managerysuperintendenty-agenty-president-or-vice-president
15	ofsuchcorporationassociationorpartnershipSuch
17	statement-sholl-show-the-following+
18	la-The-nameand-address-of-the-operator-of-the-mines
19	tagetnor-with-a-list-in-Suplicate-of-the-names-and-addresses
20	of-any-andattpersonsowningoretoiminganyroyatty
21	interest-in-the-mineral-product-of-such-mine-or-the-proceeds
22	derivedfromthesalethereofy-and-the-amount-or-amounts
23	paid-or-yielded-as-royalty-to-each-ofsuchpersonsduring
24	the-period-covered-by-the-statement.
25	2wfne-description-and-location-of-the-minew

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1	∃∎The-number-of-cubic-feet-of-natural-gasy-barrels-of
2	petroleumyorothercrudeormineraloilextracted-or
3	produced-from-the-mine-duringtheperiodcoveredbythe
4	statementy
5	4The-gross-yield-or-volue-in-dollars-and-cents-
6	5xActual-cost-of-extracting-same-from-mine∗
7	6Costofconstructionrepairs-and-betterments-of
8	mines
9	7Actualcostoffireinsuranceandworkmen*s
10	compensation-insurance.
11	If-any-person-shall-faily-neglect-or-refuse-to-file-the
12	statement-required-by-this-section-within-the-time-requiredy
13	orwithinanyextendedperiod-of-time-allowedy-the-state
14	department-of-revenue-whentransmittingthenetproceeds
15	valuationsto-the-counties-shall-inform-the-county-assessor
16	of-such-faiturey-neglect-or-refusal-and-the-countyassessor
17	inaddition-to-the-net-proceeds-taxy-if-anyy-shall-assess-a
13	penalty-of-2/3-of-1%-of-such-tax-for-each-calendar-monthor
19	fractionthereofthat-the-required-statement-is-not-filedy
20	deductingtherefromanymoneyscollectedbythestate
21	departmentofrevenuerequired-by-this-sections-The-state
22	department-of-revenue-shall-assess-a-penalty-of-\$25-for-each
23	calendar-monthorfractionthereofynotexceedingfour
24	<del>aonthsythattherequiredstatementis-not-filedy-to-be</del>
25	collected-by-the-state-department-of-revenueanddeposited

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1	to-the-credit-of-the-general-fund-of-the-state-of-Montanas
2	<del>ins-state-department-of-revenue-shall-upon-a-showing-of</del>
3	reasonablecausey-grant-an-extension-of-time-for-filing-the
4	statement-required-by-this-section.
5	<del>Tnis-penalty-shall-be-in-addition-to-penalties-provided</del>
5	in-section-84-6209#"
7	SECTION 5. SECTION 84-6204, R.C.M. 1947, IS AMENDED TO
6	READ_AS_EOLLOWS:
9	#84-6204. Deduction of drilling costs and capital
10	expenditures. The state department of revenue in computing
11	the deductions allowable for cost of drilling wells
12	completed during the period and for other capital
13	expenditures shall allow t <del>en-per-cent(</del> 10 <del>%)</del> of such cost
14	each year for a period of <del>ten (</del> 10 <del>)</del> years, <u>beginning after</u>
15	the 3 year exemption period allowed in [section 2] of this
16	act for qualified wells: provided, however, the operator or
17	producer may elect to amortize the cost over a period of <del>two</del>
18	<pre>+2+ years if the well is less than three-thousand{3,000+</pre>
19	feet deep.
20	The department shall also compute and allow deductions
21	for any capital expenditures made during the year 1953.
22	where the same have not been previously allowed in computing
23	such net proceeds under the laws of the state of Montana."
24	SECTION 6. SECTION 84-6208. R.C.M. 1947. IS AMENDED TO
25	READ AS FOLLOWS:

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"64-6208. County 1 assessors to compute taxes. 2 Immediately after the county board of commissioners has fixed tax levies on the second Konday in August, the county 3 4 assessor shall compute the taxes on such net proceeds. except as provided in (section 2) of this act, and royalty 5 assessments, and shall deliver the book to the county ó 7 treasurer on or before the fifteenth day of September. The 8 county treasurer shall proceed to give full notice thereof 9 to such operator and to collect the same in manner provided 10 by law.

11 The operator or producer shall be liable for the 12 payment of said taxes and same shall be payable by and shall 13 be collected from such operators in the same manner and under the same penalties as provided for the collection of 14 15 taxes upon net proceeds of mines; provided, however, that 16 the operator may, at his option, withhold from the proceeds 17 of royalty interest, either in kind or in money, an 18 estimated amount of the tax to be paid by him upon such 19 royalty or royalty interest, after such withholding any 20 deviation between the estimated tax and the actual tax may 21 be accounted for by adjusting subsequent withholdings from 22 the proceeds of royalty interests."

 23
 SECTION 7. SEVERABILITY. IF A. PART OF THIS ACT IS

 24
 INVALID. ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID

 25
 PART\_BEMAIN\_IN\_EFFECT. IF A PART OF THIS ACT IS INVALID IN

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### ONE DR MORE DE ITS APPLICATIONS. THE PART BEMAINS IN EFFECT

- 2 IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE
- 3 INVALID APPLICATIONS.

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