



STATE OF MONTANA

REQUEST NO. 427-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 9, 19 77, there is hereby submitted a Fiscal Note for House Bill 553 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

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. Ziegenfuss*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-11-77

Approved by Committee  
on Natural Resources

HOUSE BILL NO. 553

INTRODUCED BY DRISCOLL, MELOY

BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE  
EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION  
CONSUMED IN MONTANA FROM THE NET PROCEEDS TAX FOR ~~A 2-YEAR~~  
~~PERIOD AND PROVIDING AN EFFECTIVE DATE AND SEVERANCE TAX FOR~~  
A 3-YEAR PERIOD; AMENDING SECTIONS 84-2202, 84-2207,  
84-6202, AND 84-6204, R.C.M. 1947."

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 tax. All  
natural gas produced in this state from wells drilled after  
December 31, 1976, and all natural gas produced in this  
state which is contracted for sale after December 31, 1976  
from wells from which no gas was sold during the calendar  
year of 1976 will be exempt from the net proceeds tax  
imposed by Title 84, chapter 62, if the gas is consumed  
solely in Montana.~~

~~Section 3. Act temporary. This act is effective from~~

~~January 1, 1977, until July 1, 1979.~~

SECTION 2. THERE IS A NEW R.C.M. SECTION THAT READS AS  
FOLLOWS:

(1) Exemption from net proceeds and severance tax.  
Natural gas produced from a well 5000 feet deep or deeper on  
which drilling was commenced after December 31, 1976, but  
before December 31, 1980, is exempt from one-half the net  
proceeds tax imposed by chapter 62, Title 84 and all of the  
severance tax imposed by 84-2202 for 3 years if the gas  
produced from the well is

(a) placed into a natural gas distribution system for  
delivery to consumers after diligent completion of the well,  
and

(b) distributed by a natural gas distribution system  
serving only natural gas consumers within Montana, or at  
least 1000 natural gas consumers within Montana. The 3 year  
exemption provided by this section shall begin when natural  
gas from a qualifying well is first placed into a natural  
gas distribution system.

(2) Notwithstanding the provisions of subsection (1),  
all reporting requirements under the net proceeds and  
severance taxes remain in effect.

SECTION 3. SECTION 84-2202, R.C.M. 1947, IS AMENDED TO  
READ AS FOLLOWS:

"84-2202. Oil or gas producers' severance tax --

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 gas 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 gas 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  
 12 revenue, for the exclusive use and benefit of the state of  
 13 Montana, a severance tax, computed at the following rates:

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  
 16 mineral or crude oil produced by such person from each lease  
 17 or unit in the calendar quarter 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 (b) Two and sixty-five hundredths per cent {2.65%} of  
 21 the total gross value of that portion of all the production  
 22 of such person from each lease or unit in each calendar  
 23 quarter in excess of ~~four--hundred--fifty--~~{450} barrels  
 24 multiplied by the number of producing wells on such lease or  
 25 unit; but in determining the amount of such tax there shall

1 be excluded from consideration all petroleum, or other crude  
 2 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  
 6 construed as requiring laborers or employees, hired or  
 7 employed by any person, to drill any oil well, or to work in  
 8 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 other mineral or crude oils, or for the purpose of  
 14 developing same, be deemed to be engaging in or carrying on  
 15 of any such business; provided, further, that in the doing  
 16 of any such work, or in the drilling of any oil well, or in  
 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  
 24 such business within this state within the meaning of this  
 25 section.

1 (c) Two and sixty-five hundredths 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  
 6 his operations in prospecting for, developing and producing  
 7 such gas, or petroleum, crude or mineral oil; and there  
 8 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  
 18 and all other interest or interests owned or carved out of  
 19 the total gross proceeds in value or in kind of such  
 20 extracted marketable petroleum or other mineral or crude oil  
 21 or natural gas, 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  
 2 division of proceeds orders or other contracts.\*

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

5 "84-2207. Statement to accompany payment -- records  
 6 -- collection of tax -- refunds. (1) Each and every person  
 7 must, within ~~sixty~~ ~~(60)~~ days after the end of each following  
 8 quarter, make out on forms prescribed by the department of  
 9 revenue a statement showing the total number of barrels of  
 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 quarter and during the whole quarter, the average value  
 14 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 must, except  
 17 as provided in [section 2] 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

1 making the same. Any such person engaged in carrying on  
 2 such business at more than one place in this state, or  
 3 owning, leasing, controlling, or operating more than one oil  
 4 or gas well in this state, may include all thereof in one  
 5 statement. The department of revenue shall receive and file  
 6 all such statements and collect and receive from such person  
 7 making and filing a statement the amount of tax payable by  
 8 such person, if any, as the same shall appear from the face  
 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  
 12 thereon, and the amount so computed by the department of  
 13 revenue shall be the taxes imposed, assessed against and  
 14 payable by the taxpayer making the statement for the quarter  
 15 for which the statement is filed. If the tax found to be  
 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--(10) 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 quarters, 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:

1 "84-6202. Statement of yield, penalty, extension of  
 2 time. Every person engaged in mining upon any mine  
 3 whatsoever containing natural gas, petroleum, or other crude  
 4 or mineral oil must, except as provided in [section 2] of  
 5 this act, on or before the thirty-first day of March in each  
 6 year make out and deliver to the state department of revenue  
 7 a statement of the gross yield of such natural gas,  
 8 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  
 12 and must be verified by the oath of such person or the  
 13 manager, superintendent, agent, president or vice-president  
 14 of such corporation, association or partnership. Such  
 15 statement shall show the following:

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

23 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

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 6. Cost of construction, repairs and betterments of  
6 mines.  
7 7. Actual cost of fire insurance and workmen's  
8 compensation insurance.

9 If any person shall fail, neglect or refuse to file the  
10 statement required by this section within the time required,  
11 or within any extended period of time allowed, the state  
12 department of revenue when transmitting the net proceeds  
13 valuations to the counties shall inform the county assessor  
14 of such failure, neglect or refusal and the county assessor  
15 in addition to the net proceeds tax, if any, shall assess a  
16 penalty of 2/3 of 1% of such tax for each calendar month or  
17 fraction thereof that the required statement is not filed,  
18 deducting therefrom any moneys collected by the state  
19 department of revenue required by this section. The state  
20 department of revenue shall assess a penalty of \$25 for each  
21 calendar month or fraction thereof, not exceeding four  
22 months, that the required statement is not filed, to be  
23 collected by the state department of revenue and deposited  
24 to the credit of the general fund of the state of Montana.

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, R.C.M. 1947, IS AMENDED TO  
6 READ AS FOLLOWS:

7 "84-6204. Deduction of drilling costs and capital  
8 expenditures. The state department of revenue in computing  
9 the deductions allowable for cost of drilling wells  
10 completed during the period and for other capital  
11 expenditures shall allow ~~ten per cent--(10%)~~ of such cost  
12 each year for a period of ~~ten--(10)~~ 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 ~~(2)~~ years if the well is less than ~~three--thousand--(3,000)~~  
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 7. SEVERABILITY. IF A PART OF THIS ACT IS  
23 INVALID, ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID  
24 PART REMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID IN  
25 ONE OR MORE OF ITS APPLICATIONS, THE PART REMAINS IN EFFECT

HB 0553/02

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

-End-



Taxation

Objection Raised to  
Adverse Committee Report

1 HOUSE BILL NO. 553  
2 INTRODUCED BY DRISCOLL, MELOY  
3 BY REQUEST OF THE GOVERNOR  
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE  
6 EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION  
7 CONSUMED IN MONTANA FROM ~~ONE-HALF OF THE NET PROCEEDS TAX~~  
8 ~~FOR A 2-YEAR PERIOD AND PROVIDING AN EFFECTIVE DATE AND ALL~~  
9 ~~THE SEVERANCE TAX FOR A 3-YEAR PERIOD; AMENDING SECTIONS~~  
10 ~~84-2202, 84-2207, 84-6202, AND 84-6204, AND 84-6208, R.C.M.~~  
11 ~~1947."~~

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  
16 provide for the residents of this state and to lessen  
17 Montana's dependence on imported natural gas.

18 ~~Section 2. Exemption from net proceeds tax. All~~  
19 ~~natural gas produced in this state from wells drilled after~~  
20 ~~December 31, 1976, and all natural gas produced in this~~  
21 ~~state which is contracted for sale after December 31, 1976~~  
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 Title 84, Chapter 62, if the gas is consumed~~  
25 ~~solely in Montana.~~

SECOND READING

SECOND PRINTING

1 ~~Section 3. Act temporary. This act is effective from~~  
2 ~~January 1, 1977, until July 1, 1979.~~

3 ~~SECTION 2. THERE IS A NEW R.C.M. SECTION THAT READS AS~~  
4 ~~FOLLOWS:~~

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 within Montana, or at  
17 least 1000 natural gas consumers within Montana. The 3 year  
18 exemption provided by this section shall begin when natural  
19 gas from a qualifying well is first placed into a natural  
20 gas distribution system.

21 (2) Notwithstanding the provisions of subsection (1),  
22 all reporting requirements under the net proceeds and  
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 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  
 7 wells from which any merchantable or marketable petroleum or  
 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 ~~{2.1%}~~ 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.

21 (b) Two and sixty-five hundredths per cent ~~{2.65%}~~ of  
 22 the total gross value of that portion of all the production  
 23 of such person from each lease or unit in each calendar  
 24 quarter in excess of ~~four--hundred--fifty--{450}~~ barrels  
 25 multiplied by the number of producing wells on such lease or

1 unit; but in determining the amount of such tax there shall  
 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  
 18 such prospecting, exploring or development work, any  
 19 merchantable or marketable petroleum or other mineral or  
 20 crude oil in excess of the quantity required by such person  
 21 for carrying on such operation shall be produced sufficient  
 22 in quantity to justify the marketing of the same, than such  
 23 work, drilling, prospecting, exploring or development work  
 24 shall be deemed to be the engaging in and carrying on of  
 25 such business within this state within the meaning of this

1 section.

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

11 (d) Every person required to pay such tax hereunder  
 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  
 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  
 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  
 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-(60)~~ 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 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--except~~  
 18 ~~as--provided--in--[section-2]--of--this--act,~~ within such ~~sixty~~  
 19 ~~(60)~~ days deliver such statement and, EXCEPT AS PROVIDED IN  
 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  
 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

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  
 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  
 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  
 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  
 19 be paid by the taxpayer to the department of revenue within  
 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."

1 ~~Section 2j--Section 04-6202y--Ry64Mx-1947y-is amended to~~  
 2 ~~read-as-follows:~~

3 ~~"04-6202y--Statement--of--yieldy--penaltyy--extension-of~~  
 4 ~~timey--Every--person--engaged--in--mining--upon--any--mine~~  
 5 ~~whotsoever--containing--natural--gasy--petroleuwy--or--other--crude~~  
 6 ~~or--mineral--oil--musty--except--as--provided--in--(section2j--of--~~  
 7 ~~this--acty 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--yield--of--such--natural--gasy~~  
 10 ~~petroleuwy--or--other--crude--or--mineral--oil--from--each--mine~~  
 11 ~~owned-or-worked-by-such-person--during--the--next--preceding~~  
 12 ~~calendar--yeary--and-the-value--thereofy--Such--statement--shall~~  
 13 ~~be-in-the-form-prescribed-by-the-state-department-of-revenue~~  
 14 ~~and--must--be--verified--by--the--oath--of--such--person--or--the~~  
 15 ~~managery--superintendenty--agency--president--or--vice--president~~  
 16 ~~of--such--corporationy--association--or--partnershipy--Such~~  
 17 ~~statement--shall--show--the--followingy~~

- 18 ~~1y--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--persons--owning--or--claiming--any--royalty~~
- 21 ~~interest--in--the--mineral--product--of--such--mine--or--the--proceeds~~
- 22 ~~derived--from--the--site--thereofy--and--the--amount--or--amounts~~
- 23 ~~paid--or--yielded--as--royalty--to--each--of--such--persons--during~~
- 24 ~~the--period--covered--by--the--statementy~~
- 25 ~~2y--The--description--and--location--of--the--miney~~

1        ~~3v--The number of cubic feet of natural gas barrels of~~  
 2        ~~petroleum or other crude or mineral oil extracted or~~  
 3        ~~produced from the mine during the period covered by the~~  
 4        ~~statements~~  
 5        ~~4v--The gross yield or value in dollars and cents~~  
 6        ~~5v--Actual cost of extracting same from mine~~  
 7        ~~6v--Cost of construction, repairs and betterments of~~  
 8        ~~mines~~  
 9        ~~7v--Actual cost of fire insurance and workmen's~~  
 10        ~~compensation insurance~~  
 11        ~~If any person shall fail, neglect or refuse to file the~~  
 12        ~~statement required by this section within the time required~~  
 13        ~~or within any extended period of time allowed, the state~~  
 14        ~~department of revenue when transmitting the net proceeds~~  
 15        ~~valuations to the counties shall inform the county assessor~~  
 16        ~~of such failure, neglect or refusal and the county assessor~~  
 17        ~~in addition to the net proceeds tax if any shall assess a~~  
 18        ~~penalty of 2/3 of 1% of such tax for each calendar month or~~  
 19        ~~fraction thereof that the required statement is not filed~~  
 20        ~~deducting therefrom any moneys collected by the state~~  
 21        ~~department of revenue required by this section. The state~~  
 22        ~~department of revenue shall assess a penalty of \$25 for each~~  
 23        ~~calendar month or fraction thereof not exceeding four~~  
 24        ~~months that the required statement is not filed, to be~~  
 25        ~~collected by the state department of revenue and deposited~~

1        ~~to the credit of the general fund of the state of Montana~~  
 2        ~~the state department of revenue shall upon a showing of~~  
 3        ~~reasonable cause, grant an extension of time for filing the~~  
 4        ~~statement required by this section~~  
 5        ~~this penalty shall be in addition to penalties provided~~  
 6        ~~in section 84-6209.~~  
 7        SECTION 5. SECTION 84-6204, R.C.M. 1947, IS AMENDED TO  
 8        READ AS FOLLOWS:  
 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 ten per cent (10%) 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  
 18        (2) years if the well is less than three thousand (3,000)  
 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:

1        "84-6208. County assessors to compute taxes.  
 2 Immediately after the county board of commissioners has  
 3 fixed tax levies on the second Monday in August, the county  
 4 assessor shall compute the taxes on such net proceeds,  
 5 ~~except as provided in [section 2] of this act,~~ and royalty  
 6 assessments, and shall deliver the book to the county  
 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  
 14 under the same penalties as provided for the collection of  
 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 REMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID IN

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-

HOUSE BILL NO. 553

INTRODUCED BY DRISCOLL, MELOY

BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE  
EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION  
CONSUMED IN MONTANA FROM ONE-HALF OF THE NET PROCEEDS TAX  
~~FOR A 2-YEAR PERIOD AND PROVIDING AN EFFECTIVE DATE AND ALL~~  
THE SEVERANCE TAX FOR A 3-YEAR PERIOD; AMENDING SECTIONS  
84-2202, 84-2207, 84-6202, AND 84-6204, AND 84-6208, R.C.M.,  
1947."

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 tax. All  
natural gas produced in this state from wells drilled after  
December 31, 1976, and all natural gas produced in this  
state which is contracted for sale after December 31, 1976,  
from wells from which no gas was sold during the calendar  
year of 1976 will be exempt from the net proceeds tax  
imposed by Title 84, chapter 62, if the gas is consumed  
solely in Montana.~~

~~Section 3. Act temporary. This act is effective from  
January 1, 1977, until July 1, 1979.~~

SECTION 2. THERE IS A NEW R.C.M. SECTION THAT READS AS  
FOLLOWS:

(1) Exemption from net proceeds and severance tax.  
Natural gas produced from a well 5000 feet deep or deeper on  
which drilling was commenced after December 31, 1976, but  
before December 31, 1980, is exempt from one-half the net  
proceeds tax imposed by chapter 62, Title 84 and all of the  
severance tax imposed by 84-2202 for 3 years if the gas  
produced from the well is

(a) placed into a natural gas distribution system for  
delivery to consumers after diligent completion of the well,  
and

(b) distributed by a natural gas distribution system  
serving only natural gas consumers A MAJORITY OF WHICH ARE  
within Montana, or at least ~~1000~~ 10,000 natural gas  
consumers within Montana. The 3 year exemption provided by  
this section shall begin when natural gas from a qualifying  
well is first placed into a natural gas distribution system.

(2) Notwithstanding the provisions of subsection (1),  
all reporting requirements under the net proceeds and  
severance taxes remain in effect.

SECTION 3. SECTION 84-2202, R.C.M., 1947, IS AMENDED TO  
READ AS FOLLOWS:

THIRD READING

1        \*84-2202. Oil 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  
 7 wells from which any merchantable or marketable petroleum or  
 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 {2.1%} 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.

21        (b) Two and sixty-five hundredths per cent {2.65%} of  
 22 the total gross value of that portion of all the production  
 23 of such person from each lease or unit in each calendar  
 24 quarter in excess of ~~four hundred fifty~~{450} barrels  
 25 multiplied by the number of producing wells on such lease or

1 unit; but in determining the amount of such tax there shall  
 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  
 18 such prospecting, exploring or development work, any  
 19 merchantable or marketable petroleum or other mineral or  
 20 crude oil in excess of the quantity required by such person  
 21 for carrying on such operation shall be produced sufficient  
 22 in quantity to justify the marketing of the same, then such  
 23 work, drilling, prospecting, exploring or development work  
 24 shall be deemed to be the engaging in and carrying on of  
 25 such business within this state within the meaning of this



1 section.

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

11 (d) Every person required to pay such tax hereunder  
 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  
 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  
 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  
 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~~ (60) 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 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, except~~  
 18 ~~as provided in [section 2] of this act,~~ within such sixty  
 19 (60) days deliver such statement and, EXCEPT AS PROVIDED IN  
 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  
 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

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  
 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  
 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  
 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  
 19 be paid by the taxpayer to the department of revenue within  
 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."

1 ~~Section 5x--Section 04-6202x-RsExMs-1947x-is-amended-to~~  
 2 ~~read-as-follows:~~

3 ~~"84-6202x--Statement-of-yield,penalty,extension-of~~  
 4 ~~time--Every--person--engaged--in--mining--upon--any--mine~~  
 5 ~~whatsoever-containing-natural-gas,petroleum,or-other-crude~~  
 6 ~~or--mineral--oil--must--except--as--provided--in--[section?]--of--~~  
 7 ~~this--actx--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--yield--of--such--natural--gas,petroleum,~~  
 10 ~~or--other--crude--or--mineral--oil--from--each--mine~~  
 11 ~~owned--or--worked--by--such--person--during--the--next--preceding~~  
 12 ~~calendar--year,--and--the--value--thereof. Such--statement--shall~~  
 13 ~~be--in--the--form--prescribed--by--the--state--department--of--revenue~~  
 14 ~~and--must--be--verified--by--the--oath--of--such--person--or--the~~  
 15 ~~manager,--superintendent,--agent,--president--or--vice--president~~  
 16 ~~of--such--corporation,--association--or--partnership. Such~~  
 17 ~~statement--shall--show--the--following:~~

18 ~~1x--The--name--and--address--of--the--operator--of--the--mine,~~  
 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--thereof,--and--the--amount--or--amounts~~  
 23 ~~paid--or--yielded--as--royalty--to--each--of--such--persons--during~~  
 24 ~~the--period--covered--by--the--statement;~~

25 ~~2x--The--description--and--location--of--the--mine;~~

~~3--The number of cubic feet of natural gas, barrels of  
 2 petroleum or other crude or mineral oil extracted or  
 3 produced from the mine during the period covered by the  
 4 statement.  
 5 4--The gross yield or value in dollars and cents.  
 6 5--Actual cost of extracting same from mines.  
 7 6--Cost of construction, repairs and betterments of  
 8 mines.  
 9 7--Actual cost of fire insurance and workmen's  
 10 compensation insurance.  
 11 If any person shall fail, neglect or refuse to file the  
 12 statement required by this section within the time required  
 13 or within any extended period of time allowed, the state  
 14 department of revenue when transmitting the net proceeds  
 15 valuations to the counties shall inform the county assessor  
 16 of such failure, neglect or refusal and the county assessor  
 17 in addition to the net proceeds tax, if any, shall assess a  
 18 penalty of 2/3 of 1% of such tax for each calendar month or  
 19 fraction thereof that the required statement is not filed,  
 20 deducting therefrom any moneys collected by the state  
 21 department of revenue required by this section. The state  
 22 department of revenue shall assess a penalty of \$25 for each  
 23 calendar month or fraction thereof, not exceeding four  
 24 months, that the required statement is not filed, to be  
 25 collected by the state department of revenue and deposited~~

~~1 to the credit of the general fund of the state of Montana.  
 2 The state department of revenue shall upon a showing of  
 3 reasonable cause grant an extension of time for filing the  
 4 statement required by this section.  
 5 This penalty shall be in addition to penalties provided  
 6 in section 84-6209.\*  
 7 SECTION 5, SECTION 84-6204, R.C.M. 1947, IS AMENDED TO  
 8 READ AS FOLLOWS:  
 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 ten per cent (10%) 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  
 18 (2) years if the well is less than three thousand (3,000)  
 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:~~

1           "24-6208. County assessors to compute taxes.  
 2 Immediately after the county board of commissioners has  
 3 fixed tax levies on the second Monday in August, the county  
 4 assessor shall compute the taxes on such net proceeds,  
 5 ~~except as provided in [section 2] of this act,~~ and royalty  
 6 assessments, and shall deliver the book to the county  
 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  
 14 under the same penalties as provided for the collection of  
 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 REMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID IN~~

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-

1 HOUSE BILL NO. 553  
 2 INTRODUCED BY DRISCOLL, MELOY  
 3 BY REQUEST OF THE GOVERNOR  
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE  
 6 EXPLORATION FOR NATURAL GAS BY EXEMPTING NEW GAS PRODUCTION  
 7 CONSUMED IN MONTANA FROM ONE-HALF OF THE NET PROCEEDS TAX  
 8 ~~FOR A 2-YEAR PERIOD AND PROVIDING AN EFFECTIVE DATE AND ALL~~  
 9 THE SEVERANCE TAX FOR A 3-YEAR PERIOD; AMENDING SECTIONS  
 10 84-2202, 84-2207, ~~84-6202~~ AND 84-6204, AND 84-6208, R.C.M.  
 11 1947."

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  
 16 provide for the residents of this state and to lessen  
 17 Montana's dependence on imported natural gas.

18 ~~Section 2. Exemption from net proceeds tax. All~~  
 19 ~~natural gas produced in this state from wells drilled after~~  
 20 ~~December 31, 1976 and all natural gas produced in this~~  
 21 ~~state which is contracted for sale after December 31, 1976~~  
 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 Title 84, chapter 62, if the gas is consumed~~  
 25 ~~locally in Montana.~~

REFER NCE BILL

1 ~~Section 3. Act temporary. This act is effective from~~  
 2 ~~January 1, 1977, until July 1, 1979.~~

3 SECTION 2. THERE IS A NEW R.C.M. SECTION THAT READS AS  
 4 FOLLOWS:

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 A MAJORITY OF WHICH ARE  
 17 within Montana, or at least 100 10,000 natural gas  
 18 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:

1       \*84-2202. Oil 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  
 7 wells from which any merchantable or marketable petroleum or  
 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 ~~{2.1%}~~ 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.

21       (b) Two and sixty-five hundredths per cent ~~{2.65%}~~ of  
 22 the total gross value of that portion of all the production  
 23 of such person from each lease or unit in each calendar  
 24 quarter in excess of ~~four--hundred--fifty--{450}~~ barrels  
 25 multiplied by the number of producing wells on such lease or

1 unit; but in determining the amount of such tax there shall  
 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  
 18 such prospecting, exploring or development work, any  
 19 merchantable or marketable petroleum or other mineral or  
 20 crude oil in excess of the quantity required by such person  
 21 for carrying on such operation shall be produced sufficient  
 22 in quantity to justify the marketing of the same, then such  
 23 work, drilling, prospecting, exploring or development work  
 24 shall be deemed to be the engaging in and carrying on of  
 25 such business within this state within the meaning of this

1 section.

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

11 (d) Every person required to pay such tax hereunder  
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  
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  
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  
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-(60)~~ 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 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, except~~  
18 ~~as provided in section 23 of this act,~~ within such ~~sixty~~  
19 ~~(60)~~ days deliver such statement and, EXCEPT AS PROVIDED IN  
20 [SECTION 23] OF THIS ACT, 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

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  
 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  
 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  
 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  
 19 be paid by the taxpayer to the department of revenue within  
 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."

1 ~~section 5y--section 04-6202v-Rx6vHv-1947v-is-amended-to~~  
 2 ~~read-as-follows:~~

3 ~~"04-6202v--Statement--of--yieldv--penaltyv--extension-of~~  
 4 ~~timev---Every--person--engaged--in--mining--upon--any--mine~~  
 5 ~~whatssoever--containing--natural--gasv--petroleumv--or--other--crude~~  
 6 ~~or--mineral--oil--mustv--except--as--provided--in--section 2j--of~~  
 7 ~~this--actv 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--yield--of--such--natural--gasv~~  
 10 ~~petroleumv--or--other--crude--or--mineral--oil--from--each--mine~~  
 11 ~~owned--or--worked--by--such--person--during--the--next--preceding~~  
 12 ~~calendar--yearv--and--the--value--thereofv--Such--statement--shall~~  
 13 ~~be--in--the--form--prescribed--by--the--state--department--of--revenue~~  
 14 ~~and--must--be--verified--by--the--oath--of--such--person--or--the~~  
 15 ~~managerv--superintendentv--agentv--president--or--vice-president~~  
 16 ~~of--such--corporationv--association--or--partnershipv---Such~~  
 17 ~~statement--shall--show--the--following:~~

18 ~~1v--The--name--and--address--of--the--operator--of--the--minev~~  
 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--thereofv--and--the--amount--or--amounts~~  
 23 ~~paid--or--yielded--as--royalty--to--each--of--such--persons--during~~  
 24 ~~the--period--covered--by--the--statements~~

25 ~~2v--The--description--and--location--of--the--minev~~



1       3~~.-The number of cubic feet of natural gas, barrels of~~  
 2       petroleum, or other crude or mineral oil extracted or  
 3       produced from the mine during the period covered by the  
 4       statement.

5       4~~v.-The gross yield or value in dollars and cents.~~

6       5~~v.-Actual cost of extracting same from mine.~~

7       6~~v.-Cost of construction, repairs and betterments of~~  
 8       mines.

9       7~~v.-Actual cost of fire insurance and workmen's~~  
 10       compensation insurance.

11       If any person shall fail, neglect or refuse to file the  
 12       statement required by this section within the time required,  
 13       or within any extended period of time allowed, the state  
 14       department of revenue when transmitting the net proceeds  
 15       valuations to the counties shall inform the county assessor  
 16       of such failure, neglect or refusal and the county assessor  
 17       in addition to the net proceeds tax, if any, shall assess a  
 18       penalty of ~~2/3~~ of ~~1%~~ of such tax for each calendar month or  
 19       fraction thereof that the required statement is not filed,  
 20       deducting therefrom any moneys collected by the state  
 21       department of revenue required by this section. The state  
 22       department of revenue shall assess a penalty of \$25 for each  
 23       calendar month or fraction thereof, not exceeding four  
 24       months, that the required statement is not filed, to be  
 25       collected by the state department of revenue and deposited

1       to the credit of the general fund of the state of Montana.  
 2       The state department of revenue shall upon a showing of  
 3       reasonable cause grant an extension of time for filing the  
 4       statement required by this section.

5       This penalty shall be in addition to penalties provided  
 6       in section 84-6209.

7       SECTION 5. SECTION 84-6204, R.C.M., 1947, IS AMENDED TO  
 8       READ AS FOLLOWS:

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 ten per cent (10%) 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  
 18       (2) years if the well is less than three thousand (3,000)  
 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:

1 "64-6208. County assessors to compute taxes.  
 2 Immediately after the county board of commissioners has  
 3 fixed tax levies on the second Monday in August, the county  
 4 assessor shall compute the taxes on such net proceeds,  
 5 ~~except as provided in [section 2] of this act,~~ and royalty  
 6 assessments, and shall deliver the book to the county  
 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  
 14 under the same penalties as provided for the collection of  
 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 REMAIN IN EFFECT. IF A PART OF THIS ACT IS INVALID IN

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-