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INTRODUCED BY House BILL NO. 631
Dunn *July*

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE THE PRODUCTION OF NATURAL GAS BY PROVIDING INCENTIVES TO PRODUCERS OF NATURAL GAS."

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

Section 1. Short title. This act may be cited as the "Natural Gas Production Incentives Act of 1977".

Section 2. Legislative findings. The legislature finds that:

- (1) the state of Montana has natural gas reserves which, if developed, could provide significant supplies of natural gas to the citizens of this state;
- (2) the supplies of natural gas available for consumption in Montana may not meet demand for that fuel in the future;
- (3) shortages of natural gas, if allowed to occur, would cause great economic, social, and other hardships on the citizens, businesses, and industries of the state of Montana;
- (4) one alternative available to avoid shortages of natural gas is to encourage production of Montana's natural gas resources in an orderly and responsible manner.

INTRODUCED BILL

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Section 3. Purpose. The purpose of this act is to provide financial incentives for the production of natural gas in the state of Montana in order to secure sufficient supplies of that fuel for the state's residential, commercial, and industrial natural gas consumers.

Section 4. Definitions. As used in this act, the following definitions apply:

- (1) "New gas" means natural gas from wells which start production in commercial quantities after July 1, 1977.
- (2) "Natural gas producers" means persons, firms, or corporations engaged in the business of exploring for or production of natural gas in the state of Montana.
- (3) "Department" means the state department of revenue.
- (4) "Tax liability" means taxes levied under 84-2202 through 84-2209.1 and 84-6201 through 84-6215.

Section 5. Suspension of tax liability -- payment. (1) Natural gas producers may elect to suspend payment of tax liability on new gas for any or all of the first 4 years of tax liability.

(2) Taxes which are suspended in accordance with subsection (1) of this section shall be paid, in no less than equal installments, over a 5-year term, immediately following the suspension.

(3) This act affects only payment of tax liability and

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1 not other duties, reports, or statements required of natural
2 gas producers by law.

3 Section 6. Department duties. The department shall
4 determine the eligibility of a natural gas producer for
5 suspension of tax liability, promulgate rules, prepare
6 forms, maintain records, and perform other duties necessary
7 to carry out this act. The department may cooperate with any
8 other state agency or other governmental agencies of the
9 state to effect the objects and purposes of this act.

10 Section 7. Limitations. Suspension of tax liability is
11 available only to natural gas producers who are not subject
12 to penalties stated in 60-142.

-End-

STATE OF MONTANA

REQUEST NO. 425-77

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 631 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 the production of natural gas by providing incentives to producers of natural gas.

ASSUMPTIONS

This bill will have no measurable fiscal impact. The proposal allows producers to defer tax payments due on all gas from wells that begin producing natural gas in commercial quantities after July 1, 1977. The tax liability may be deferred for four years but then must be paid in equal installments over the period of the next five years. All wells that are currently in production still must pay the taxes.

LONG-RANGE EFFECT

The long-range effect will be no fiscal impact. This is because the taxes must eventually be paid.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Younger

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-11-77