

*Called to the floor 7/27
to the floor (?)*

1 Senate BILL NO. 212
2 INTRODUCED BY Sen. [Name]

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO SET THE SEVERANCE
5 TAX ON LIGNITE AT THE SAME PERCENTAGE APPLIED TO OTHER TYPES
6 OF COAL; AMENDING SECTIONS 84-1312 AND 84-1314, R.C.M.
7 1947."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
10 Section 1. Section 84-1312, R.C.M. 1947, is amended to
11 read as follows:

12 "84-1312. Legislative findings and declarations of
13 purpose. (1) The legislature finds that while coal is
14 extracted from the earth like metal minerals, there are
15 differences between coal and metal minerals such that they
16 should be classified in different categories for taxation
17 purposes. The legislature finds that while coal can be
18 utilized like petroleum products, there are differences
19 between coal and petroleum such that they should be
20 classified in different categories for taxation purposes.
21 The legislature further finds that:

- 22 (a) coal is the only mineral which can supply energy
23 while being easily found in abundance in Montana;
- 24 (b) coal is the only mineral which is so often
25 marketed through sales contracts of many years' duration;

1 (c) coal, unlike most minerals, varies widely in
2 composition and consequent value when marketed;

3 (d) coal in Montana is subject to regional and
4 national demands for development which could affect the
5 economy and environment of a larger portion of the state
6 than any other mineral development has done;

7 (e) coal in Montana, when sub-bituminous and
8 recoverable by strip mining, is in sufficient demand that at
9 least one-third (1/3) of the price it commands at the mine
10 may go to the economic rents of royalties and production
11 taxes;

12 ~~(f) coal in the lignite form is in less demand and~~
13 ~~producers of lignite are able to pay lesser amounts of~~
14 ~~royalty and production tax than producers of sub-bituminous~~
15 ~~can pay;~~

16 ~~(g)(f)~~ coal produced in underground mines has higher
17 production costs and underground producers are able to pay
18 lesser amounts of royalty and production tax than strip-mine
19 producers can pay;

20 ~~(h)(g)~~ coal production in Montana has been subject to
21 an uncoordinated array of taxes which overlap one another
22 and yield revenue in an inconsistent and unpredictable
23 manner.

24 (2) The legislature declares that the purposes of this
25 chapter are:

INTRODUCED BILL

SB 212

1 (a) to allow the severance taxes on coal production to
2 remain a constant percentage of the price of coal;

3 (b) to stabilize the flow of tax revenue from coal
4 mines to local governments through the property taxation
5 system;

6 (c) to simplify the structure of coal taxation in
7 Montana, reducing tax overlap and improving the
8 predictability of tax projections; and

9 (d) to accomplish the foregoing purposes by
10 establishing categories of taxation which recognize the
11 unique character of coal as well as the variations found
12 within the coal industry."

13 Section 2. Section 84-1314, R.C.M. 1947, is amended to
14 read as follows:

15 "84-1314. Severance tax -- rates imposed --
16 exemptions. A severance tax is imposed on each ton of coal
17 produced in the state, in accordance with the following
18 schedule:

19 Heating quality	Surface	Underground
20 (Btu per pound	Mining	Mining
21 of coal):		
22 Under 7,000	12 cents or	5 cents or
23	20% of value	3% of value
24 7,000-8,000	22 cents or	8 cents or
25	30% of value	4% of value

1 8,000-9,000	34 cents or	10 cents or
2	30% of value	4% of value
3 Over 9,000	40 cents or	12 cents or
4	30% of value	4% of value
5 The formula which yields the greater amount of tax in a		
6 particular case shall be used at each point on this		
7 schedule. "Value" means the contract sales price. A person		
8 is not liable for any severance tax upon the first five		
9 thousand (5,000) tons of coal he produces in a		
10 quarter-year."		

-End-

STATE OF MONTANA

REQUEST NO. 168-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 24, 1977, there is hereby submitted a Fiscal Note for Senate Bill 212 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION

This bill sets the severance tax on lignite at the same percentage applied to other types of coal.

ASSUMPTIONS

- 1. Only one company currently pays severance tax on lignite coal.
2. The Department of Revenue coal severance tax revenue projections of \$41.187M in FY 78 and \$51.257M in FY 79 were assumed correct.
3. Coal severance tax paid under the current law would be gross value of production x .2 under the current law and gross value of production x .3 under the proposed law.
4. Administrative costs would remain unchanged.

FISCAL IMPACT

Table with 3 columns: Description, FY 78, FY 79. Rows include Coal Severance Tax Revenue under current law, Coal Severance Tax Revenue under proposed law, and TOTAL INCREASE IN REVENUE.

EFFECT ON LOCAL REVENUE

Local governments in which coal mining takes place receive 4% of the severance tax, so increases in revenues will accompany increases in coal severance tax collections.

LONG-RANGE EFFECT

The long range effect of this bill will be increasing of severance tax revenue by approximately \$.170M each fiscal year the act is in effect.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Drury for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 1-24-77