

HOUSE BILL NO. 370

INTRODUCED BY UNDERDAL, CONROY, LUND, DEVLIN, SWITZER

IN THE HOUSE

January 20, 1981	Introduced and referred to Committee on Taxation.
January 22, 1981	Fiscal note requested.
January 27, 1981	Fiscal note returned.
February 3, 1981	Committee recommend bill do pass. Report adopted.
February 4, 1981	Bill printed and placed on members' desks.
February 6, 1981	Second reading, do pass.
February 7, 1981	Considered correctly engrossed.
February 9, 1981	Third reading, passed. Transmitted to Senate.

IN THE SENATE

February 10, 1981	Introduced and referred to Committee on Taxation.
March 20, 1981	Committee recommend bill be concurred in as amended. Report adopted.
March 23, 1981	Second reading, concurred in.
March 25, 1981	Third reading, concurred in as amended. Ayes, 50; Noes, 0.

IN THE HOUSE

March 26, 1981	Returned from Senate with amendments.
April 8, 1981	Second reading, amendments concurred in.

April 9, 1981

Third reading, amendments concurred in. Ayes, 94; Noes, 0. Sent to enrolling.

Reported correctly enrolled.

HOUSE BILL NO. 370

INTRODUCED BY *Undeadel - Conway Grand Berlin Switzer*

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT OIL AND GAS NET PROCEEDS TAX BE LEVIED ONLY ON OIL AND GAS SOLD DURING THE TAXABLE YEAR; AMENDING SECTIONS 15-23-602, 15-23-603, AND 15-23-605, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-23-602, MCA, is amended to read:

"15-23-602. Statement of yield. Each operator or producer of natural gas, petroleum, or other crude or mineral oil must on or before March 31 in each year make out and deliver to the department of revenue a statement of the gross ~~yield~~ sales proceeds of such natural gas, petroleum, or other crude or mineral oil from each well owned or worked by such person during the next preceding calendar year ~~and the value thereof~~. Such statement shall be in the form prescribed by the department and must be verified by the oath of the operator or producer or the manager, superintendent, agent, president, or vice-president of such corporation, association, or partnership. Such statement shall show the following:

(1) the name and address of the operator, together

with a list in duplicate of the names and addresses of any and all persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

(2) the description and location of the well;

(3) the number of cubic feet of natural gas, barrels of petroleum or other crude or mineral oil ~~extracted or produced~~ sold from the well during the period covered by the statement;

(4) the gross ~~yield or value~~ sales proceeds in dollars and cents ~~or, in the case of sales between parties not acting at arm's length, the greater of the gross sales proceeds from or the fair market value of the products sold;~~

(5) actual cost of extracting product from well;

(6) cost of construction, repairs, and betterments;

(7) actual cost of fire insurance and workers' compensation insurance."

Section 2. Section 15-23-603, MCA, is amended to read:

"15-23-603. Net proceeds -- how computed. (1) The department of revenue shall calculate and compute from the returns the gross sales proceeds of the product yielded from such well ~~and--its-gross-value~~ for the year covered by the statement and shall calculate the net proceeds of the well

1 yielded to the producer, which net proceeds shall be
2 determined by subtracting from the ~~value--of--the~~ gross
3 ~~products sales proceeds~~ thereof the following:

4 (a) all royalty paid ~~or-apportioned~~ in cash or in-kind
5 by the operator or producer ~~and the gross value of all~~
6 ~~royalty apportioned in kind by the operator or producer that~~
7 ~~shall be determined by using as the value of a barrel of oil~~
8 ~~or a cubic foot of gas the average selling price for the~~
9 ~~calendar year of a barrel of oil or a cubic foot of gas from~~
10 ~~the well out of which the royalty was paid;~~

11 (b) all moneys expended for necessary labor,
12 machinery, and supplies needed and used in the operation and
13 development;

14 (c) all moneys expended for improvements, repairs, and
15 betterments necessary in and about the working of the well;

16 (d) all moneys expended for fire insurance and
17 workers' compensation insurance and for payments by
18 operators to welfare and retirement funds when provided for
19 in wage contracts between operators and employees.

20 (2) No moneys invested in the well and improvements
21 during any year except the year for which such statement is
22 made may be included in such expenditures, except as
23 provided in 15-23-604, and such expenditures may not include
24 the salaries or any portion thereof of any person or officer
25 not actually engaged in the working of the well or

1 superintending the management thereof."

2 Section 3. Section 15-23-605, MCA, is amended to read:

3 "15-23-605. Assessment of royalties. The amount of
4 royalty received, ~~valued as provided in 15-23-603 (1)(a),~~
5 shall be considered net proceeds to the recipient and shall
6 be assessed as follows: upon receipt of the lists or
7 schedules setting forth the names and addresses of any and
8 all persons owning or claiming royalty and the amount paid
9 or yielded as royalty to such royalty owners or claimants
10 during the year for which such return is made, the
11 department of revenue shall proceed to assess and tax the
12 same as net proceeds of mines."

13 Section 4. Tax computation during transition. For the
14 calendar year 1981, the operator or producer may exclude
15 from the statement filed pursuant to 15-23-602, and the
16 department of revenue shall exclude from the computation of
17 net proceeds in 15-23-603 and 15-23-605, the gross sales
18 proceeds of any product the value of which was included in
19 determining the net proceeds of any well or royalty for the
20 calendar year 1980.

21 Section 5. Applicability. This act applies to taxable
22 years beginning after December 31, 1979.

23 Section 6. Effective date. This act is effective
24 January 1, 1981.

-End-

STATE OF MONTANA

REQUEST NO. 187-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 24, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 370 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

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

An act to provide that oil and gas net proceeds tax be levied only on oil and gas sold during the taxable year and providing an effective date and an applicability date.

FISCAL IMPACT

It is felt that this proposal would have an insignificant fiscal impact, although no data are available to quantify the impact. The proposal would establish a common basis for the oil and natural gas net proceeds and severance taxes, therefore allowing returns to be cross referenced between divisions.

PREPARED BY THE DEPARTMENT OF REVENUE

David M Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-27-81

Approved by Committee
on Taxation

HOUSE BILL NO. 370

INTRODUCED BY

*Undecid Couray Grand Revlin
Switzer*

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

Section 1. Section 15-23-602, MCA, is amended to read:

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(1) the name and address of the operator, together

with a list in duplicate of the names and addresses of any and all persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

(2) the description and location of the well;

(3) the number of cubic feet of natural gas, barrels of petroleum or other crude or mineral oil ~~extracted or produced~~ produced ~~and~~ sold from the well during the period covered by the statement;

(4) the gross ~~yield or value~~ sales proceeds in dollars and cents ~~or, in the case of sales between parties not acting at arm's length, the greater of the gross sales proceeds from or the fair market value of the products sold;~~

(5) actual cost of extracting product from well;

(6) cost of construction, repairs, and betterments;

(7) actual cost of fire insurance and workers' compensation insurance."

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1 yielded to the producer, which net proceeds shall be
 2 determined by subtracting from the ~~value--of--the~~ gross
 3 ~~products sales proceeds~~ thereof the following:

4 (a) all royalty paid ~~or apportioned~~ in cash or in-kind
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 7 ~~shall be determined by using as the value of a barrel of oil~~
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 9 ~~calendar year of a barrel of oil or a cubic foot of gas from~~
 10 ~~the well out of which the royalty was paid;~~

11 (b) all moneys expended for necessary labor,
 12 machinery, and supplies needed and used in the operation and
 13 development;

14 (c) all moneys expended for improvements, repairs, and
 15 betterments necessary in and about the working of the well;

16 (d) all moneys expended for fire insurance and
 17 workers' compensation insurance and for payments by
 18 operators to welfare and retirement funds when provided for
 19 in wage contracts between operators and employees.

20 (2) No moneys invested in the well and improvements
 21 during any year except the year for which such statement is
 22 made may be included in such expenditures, except as
 23 provided in 15-23-604, and such expenditures may not include
 24 the salaries or any portion thereof of any person or officer
 25 not actually engaged in the working of the well or

1 superintending the management thereof."

2 Section 3. Section 15-23-605, MCA, is amended to read:

3 "15-23-605. Assessment of royalties. The amount of
 4 royalty received, valued as provided in 15-23-603 (1)(a),
 5 shall be considered net proceeds to the recipient and shall
 6 be assessed as follows: upon receipt of the lists or
 7 schedules setting forth the names and addresses of any and
 8 all persons owning or claiming royalty and the amount paid
 9 or yielded as royalty to such royalty owners or claimants
 10 during the year for which such return is made, the
 11 department of revenue shall proceed to assess and tax the
 12 same as net proceeds of mines."

13 Section 4. Tax computation during transition. For the
 14 calendar year 1981, the operator or producer may exclude
 15 from the statement filed pursuant to 15-23-602, and the
 16 department of revenue shall exclude from the computation of
 17 net proceeds in 15-23-603 and 15-23-605, the gross sales
 18 proceeds of any product the value of which was included in
 19 determining the net proceeds of any well or royalty for the
 20 calendar year 1980.

21 Section 5. Applicability. This act applies to taxable
 22 years beginning after December 31, 1979.

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(2) the description and location of the well;

(3) the number of cubic feet of natural gas, barrels of petroleum or other crude or mineral oil extracted or produced sold from the well during the period covered by the statement;

(4) the gross yield or value sales proceeds in dollars and cents or, in the case of sales between parties not acting at arm's length, the greater of the gross sales proceeds from or the fair market value of the products sold;

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18 by such person during the next preceding calendar year ~~and~~
19 ~~the--value--thereof.~~ THE GROSS SALES PROCEEDS SHALL BE
20 DETERMINED BY MULTIPLYING THE UNITS OF PRODUCTION SOLD FROM
21 THE WELL TIMES THE ROYALTY UNIT VALUE OF THAT PRODUCTION AT
22 THE WELL. Such statement shall be in the form prescribed by
23 the department and must be verified by the oath of the
24 operator or producer or the manager, superintendent, agent,
25 president, or vice-president of such corporation,

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 23 calendar year 1980.

24 Section 5. Applicability. This act applies to taxable
 25 years beginning after December 31, 1979.

HB 0370/02

1 Section 6. Effective date. This act is effective
2 January 1, 1981.

-End-

March 20, 1981

SENATE STANDING COMMITTEE REPORT
(Taxation)

That House Bill No. 370 be amended as follows:

1. Page 1, line 19.

Following: "thereof."

Insert: "The gross sales proceeds shall be determined by multiplying the units of production sold from the well times the royalty unit value of that production at the well."