

SENATE BILL NO. 200

INTRODUCED BY LEE, KOLSTAD, BRIGGS, ROTH,  
JACOBSEN, BURNETT, E. SMITH, UNDERDAL, CONROY,  
HAFFERMAN, CONOVER, C. SMITH, KEATING, KANDUCH

IN THE SENATE

January 20, 1981	Introduced and referred to Committee on Taxation.
	Fiscal note requested.
January 26, 1981	Fiscal note returned.
March 28, 1981	Committee recommend bill do pass as amended. Report adopted.
	Statement of intent attached.
March 30, 1981	Bill printed and placed on members' desks.
April 1, 1981	Second reading, no affirmative action.
	Second reading, do pass as amended.
April 2, 1981	Correctly engrossed.
April 3, 1981	Third reading, passed. Ayes, 30; Noes, 20. Transmitted to House.

IN THE HOUSE

April 4, 1981	Introduced and referred to Committee on Taxation.
April 14, 1981	Committee recommend bill be not concurred in.
April 21, 1981	On motion to take from the Taxation Committee report and place on second reading this day. Motion adopted.

April 21, 1981

Second reading, concurred in  
as amended.

Segregated.

Second reading, concurred in  
as amended.

On motion rules suspended and  
bill placed on third reading  
this day.

Third reading, concurred in  
as amended. Ayes, 64; Noes, 33.

IN THE SENATE

April 22, 1981

Returned from House with  
amendments.

Second reading, amendments  
concurred in.

On motion rules suspended. Bill  
placed on calendar for third  
reading this day.

Third reading, amendments con-  
curred in. Ayes, 41; Noes, 5.  
Sent to enrolling.

Reported correctly enrolled.

*Keating*

*Senate* BILL NO. *200*

INTRODUCED BY *Lee Head Briggs Jacobson*  
*Burnett Smith Underdal Conway Handuch*  
*Hoffman Canover Smith Roth*

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING FOR THE DEDUCTION OF FEDERAL EXCISE TAXES WHEN COMPUTING OIL AND GAS NET PROCEEDS TAX; AMENDING SECTIONS 15-23-602, 15-23-603, AND 15-23-605, MCA; AND PROVIDING FOR AN EFFECTIVE AND 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 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 from the well during the period covered by the statement;

(4) the gross yield or value in dollars and cents;

(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;

~~(8) the amount paid or withheld in satisfaction of liability for excise taxes imposed by the United States government on the production, sale, or removal of the natural gas, petroleum, or other crude or mineral oil reported pursuant to subsection (3), including a separate statement of the amount of such taxes paid or withheld from each royalty owner."~~

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

"15-23-603. Net proceeds -- how computed. (1) The

1 department of revenue shall calculate and compute from the  
 2 returns the gross product yielded from such well and its  
 3 gross value for the year covered by the statement and shall  
 4 calculate the net proceeds of the well yielded to the  
 5 producer, which net proceeds shall be determined by  
 6 subtracting from the value of the gross products thereof the  
 7 following:

8 (a) all royalty paid or apportioned in cash or in kind  
 9 by the operator or producer;

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

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

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

19 ~~(e) the amount paid or withheld in satisfaction of~~  
 20 ~~liability for excise taxes imposed by the United States~~  
 21 ~~government on the production, sale, or removal of the~~  
 22 ~~natural gas, petroleum, or other crude or mineral oil~~  
 23 ~~yielded from such well, other than the amount of such taxes~~  
 24 ~~paid by or withheld from each royalty owner.~~

25 ~~(2) The value arrived at under subsection (1) shall be~~

1 ~~increased by the amount of any refund received from the~~  
 2 ~~United States government to the extent that the amount~~  
 3 ~~refunded was used to reduce the value of the gross products~~  
 4 ~~under subsection (1)(e).~~

5 ~~(2)(3) No moneys invested in the well and improvements~~  
 6 ~~during any year except the year for which such statement is~~  
 7 ~~made may be included in such expenditures, except as~~  
 8 ~~provided in 15-23-604, and such expenditures may not include~~  
 9 ~~the salaries or any portion thereof of any person or officer~~  
 10 ~~not actually engaged in the working of the well or~~  
 11 ~~superintending the management thereof."~~

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

13 "15-23-605. Assessment of royalties. (1) The amount of  
 14 royalty received, ~~less the amount of excise taxes paid by or~~  
 15 ~~withheld from the royalty owner as reported pursuant to~~  
 16 ~~15-23-602(8),~~ shall be considered net proceeds to the  
 17 recipient and shall be assessed as follows: upon receipt of  
 18 the lists or schedules setting forth the names and addresses  
 19 of any and all persons owning or claiming royalty and the  
 20 amount paid or yielded as royalty to such royalty owners or  
 21 claimants during the year for which such return is made, the  
 22 department of revenue shall proceed to assess and tax the  
 23 same as net proceeds of mines.

24 ~~(2) The net proceeds to a recipient shall be increased~~  
 25 ~~by any refund of an excise tax to the extent that the amount~~

1 ~~refunded was used to reduce the value of the royalty~~  
2 ~~received under subsection (1)."~~

3 Section 4. Applicability. This act applies to taxable  
4 years beginning after December 31, 1979.

5 Section 5. Effective date. This act is effective on  
6 passage and approval.

-End-

## STATE OF MONTANA

REQUEST NO. 176-81

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 23, 19 81, there is hereby submitted a Fiscal Note for Senate Bill 200 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:

An act allowing for the deduction of federal excise taxes when computing oil and gas net proceeds tax, and providing for an effective and applicability date.

## ASSUMPTIONS:

1. The gross value of oil produced in the State will be \$757 million and \$885 million in FY 82 and FY 83, respectively.
2. Net value is 55.43% of the gross value for the time period.
3. Mill levies are 150 for the counties and 6 mills for the university levy.
4. On average the windfall profit tax that will be paid is 25 percent of gross value.

## FISCAL IMPACT:

	FY 82	FY 83
University Levy		
Under current law	\$2,517,600	\$2,943,300
Under proposed law	<u>1,382,000</u>	<u>1,561,000</u>
Estimated Decrease	\$ (1,135,600)	\$ (1,382,300)

## EFFECT ON LOCAL GOVERNMENTS

The effect on county tax revenue is given below:

	FY 83	FY 83
Under current law	\$62,940,765	\$73,583,325
Under proposed law	<u>34,553,265</u>	<u>40,395,825</u>
Estimated Decrease	\$ (28,387,500)	\$ (33,187,500)

## TECHNICAL NOTE:

The proposal could have a significant effect on expenditures if a provision is not included to make the tax returns confidential information. This modification would allow the cross reference of information with the federal authorities and avoid increases in auditing staff.

*Lytle Manley, for*  
 BUDGET DIRECTOR  
 Office of Budget and Program Planning  
 Date: 1-26-81

## STATE OF MONTANA

REQUEST NO. 176-81

## FISCAL NOTE

revised

Form BD-15

In compliance with a written request received February 3, 19 81, there is hereby submitted a Fiscal Note for Senate Bill 200 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 of Proposed Legislation

An act allowing for the deduction of Federal Excise Taxes when computing oil and gas net proceeds tax; and providing for an effective and applicability date.

Assumptions

1. The gross value of oil produced in the state will be \$820 million in FY 1982 and \$885 million in FY 1983. The FY 1982 estimate was increased by assuming the more expedient decontrol of domestic oil prices would increase average prices by \$2.50 per barrel.
2. Net value is 55.43% of the gross value for the time period.
3. On average, the windfall profit tax that will be paid is 25% of gross value.
4. Mill levies are 150 for county purposes and 6 mills for the university levy.

<u>Fiscal Impact</u>	<u>FY 1982</u>	<u>FY 1983</u>
University Levy		
Under current law	\$ 2,727,156	\$ 2,943,300
Under proposed law	<u>1,497,156</u>	<u>1,561,000</u>
Estimated Decrease	(\$ 1,230,000)	(\$ 1,382,300)

Effect on Local Government

The effect on county revenue is:

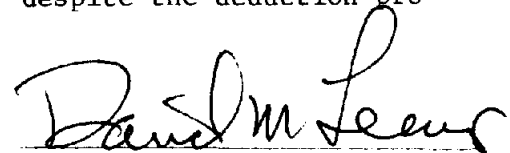
Under current law	\$68,178,900	\$73,583,325
Under proposed law	<u>37,428,900</u>	<u>40,395,825</u>
Estimated Decrease	(\$30,750,000)	(\$33,187,500)

Comment

The amounts indicated above represent a loss of potential revenue to the various taxing jurisdictions. The figures do not necessarily represent a decrease from current revenue levels. Due to increases in oil prices in 1980, most local governments would experience an increase in oil net proceeds taxable valuation, despite the deduction provided in the bill.

Technical Note

The proposal could have a significant effect on expenditures if a provision is not included to make the tax returns confidential information. This modification would allow the cross-reference of information with the federal authorities and would avoid increases in auditing staff.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4-21-81

STATE OF MONTANA

REQUEST NO.176-81-REVISED

FISCAL NOTE

Form BD-15

In compliance with a written request received February 4, 19 81, there is hereby submitted a Fiscal Note for SENATE BILL 200 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 allowing for the deduction of Federal Excise Taxes when computing oil and gas net proceeds tax; and providing for an effective and applicability date.

ASSUMPTIONS

- 1. The gross value of oil produced in the state will be \$820 million and \$885 million in FY 82 and FY 83, respectively. The FY 82 estimate was increased by assuming the more expedient decontrol of domestic oil prices would increase average prices by \$2.50 per barrel.
2. Net value is 55.43% of the gross value for the time period.
3. On average the windfall profit tax that will be paid is 25% of gross value.
4 Mill levies are 150 for county purposes and 6 mills for the university levy.

FISCAL IMPACT

Table with 3 columns: University Levy, FY 82, FY 83. Rows include Under current law, Under proposed law, and Estimated Decrease.

EFFECT ON LOCAL GOVERNMENT

The effect on county revenue is given below:

Table with 3 columns: Under current law, Under proposed law, Estimated Decrease, FY 82, FY 83.

TECHNICAL NOTE

The proposal could have a significant effect on expenditures if a provision is not included to make the tax returns confidential information. This modification would allow the cross reference of information with the federal authorities and would avoid increases in auditing staff.

Handwritten signature of David M. Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-6-81



## STATE OF MONTANA

REQUEST NO. 176-81  
revised

## FISCAL NOTE

Form BD-15

In compliance with a written request received April 8, 19 81, there is hereby submitted a Fiscal Note for Senate Bill 200 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 of Proposed Legislation

An act allowing for the deduction of Federal Excise Taxes when computing oil and gas net proceeds tax; and providing for an effective and applicability date.

Assumptions

1. The gross value of oil produced in the state will be \$1,015,000,000 in taxable year 1982 and \$1,131,000,000 in taxable year 1983. The taxable year 1982 estimate was based on \$35 per barrel and the taxable year 1983 estimate was based on \$39 per barrel.
2. Net value, including royalties, is 67.68% of the gross value for the time period.
3. On average, the windfall profit tax that will be paid is 25% of gross value.
4. Mill levies are 150 for county purposes and 6 mills for the university levy.

Fiscal Impact

	Taxable Year <u>1982</u>	Taxable Year <u>1983</u>
University Levy:		
Under current law	\$ 4,121,712	\$ 4,592,765
Under proposed law	<u>2,599,212</u>	<u>2,896,265</u>
Estimated Decrease	\$ (1,522,500)	\$ (1,696,500)
Effect on Local Government:		
Under current law	\$103,042,800	\$114,819,120
Under proposed law	<u>64,980,300</u>	<u>72,406,620</u>
Estimated Decrease	\$(38,062,500)	\$(42,412,500)

Comment

The amounts indicated above represent a loss of potential revenue to the various taxing jurisdictions. The figures do not necessarily represent a decrease from current revenue levels. In fact, it is probable that there will be a moderate growth in the aggregate net proceeds revenue to the counties under the provisions of Senate Bill 200. The Department of Revenue has estimated that the liability to the counties for the oil net proceeds tax will be \$58,060,405 in taxable year 1981. This means that under Senate Bill 200 the counties will receive an 11.92% increase in the oil net proceeds tax for taxable year 1982 and a 24.71% increase for taxable year 1983. This compares to 77.48% and 97.76% increases, respectively, under current law.

*David M. Lewis*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4-8-81

1                   STATEMENT OF INTENT

2                   SENATE BILL 200

3                   SENATE TAXATION COMMITTEE

4

5           This act permits the deduction of the windfall profit  
6 tax on domestic crude oil in computing net proceeds for the  
7 net proceeds tax on oil and gas. In promulgating rules to  
8 implement this act, the Department of Revenue may require  
9 taxpayers to furnish or make available supporting  
10 information and documents to enable the department to verify  
11 the amount claimed as the windfall profit tax deduction.

12           First adopted by the Senate Taxation Committee on March  
13 25, 1981.

Approved by Committee  
on Taxation

SENATE BILL NO. 200

INTRODUCED BY LEE, KOLSTAD, BRIGGS, ROTH,  
JACOBSEN, BURNETT, E. SMITH, UNDERDAL, CONROY,  
HAFFERMAN, CONOVER, C. SMITH, KEATING, KANDUCH

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING FOR THE  
DEDUCTION OF FEDERAL EXCISE TAXES WHEN COMPUTING OIL AND GAS  
NET PROCEEDS TAX; DEFINING THE TERM EXCISE TAX; AMENDING  
SECTIONS 15-23-601, 15-23-602, 15-23-603, AND 15-23-605,  
MCA; AND PROVIDING FOR AN EFFECTIVE AND APPLICABILITY DATE."

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

SECTION 1. SECTION 15-23-601, MCA, IS AMENDED TO READ:

"15-23-601. Definitions. As used in this part, the  
following definitions apply:

(1) "Excise tax" means the windfall profit tax on  
domestic crude oil imposed by Title I of the federal Crude  
Oil Windfall Profit Tax Act of 1990, as enacted or as  
amended.

{2} The terms "operator" and "producer" mean any  
person who engages in the business of drilling for,  
extracting, or producing any natural gas, petroleum, or  
other crude or mineral oil.

{2}{3} The term "well" includes each single well or  
group of wells, including dry wells, in one field or

production unit and under the control of one operator or  
producer."

Section 2. 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 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

1 of petroleum or other crude or mineral oil extracted or  
2 produced from the well during the period covered by the  
3 statement;

- 4 (4) the gross yield or value in dollars and cents;  
5 (5) actual cost of extracting product from well;  
6 (6) cost of construction, repairs, and betterments;  
7 (7) actual cost of fire insurance and workers'  
8 compensation insurance;
- 9 (8) the amount paid or withheld in satisfaction of  
10 liability for excise taxes imposed by the United States  
11 government on the production, sale, or removal of the  
12 natural gas, petroleum, or other crude or mineral oil  
13 reported pursuant to subsection (3), including a separate  
14 statement of the amount of such taxes paid or withheld from  
15 each royalty owner."

16 Section 3. Section 15-23-603, MCA, is amended to read:

17 "15-23-603. Net proceeds -- how computed. (1) The  
18 department of revenue shall calculate and compute from the  
19 returns the gross product yielded from such well and its  
20 gross value for the year covered by the statement and shall  
21 calculate the net proceeds of the well yielded to the  
22 producer, which net proceeds shall be determined by  
23 subtracting from the value of the gross products thereof the  
24 following:

- 25 (a) all royalty paid or apportioned in cash or in kind

1 by the operator or producer;

2 (b) all moneys expended for necessary labor,  
3 machinery, and supplies needed and used in the operation and  
4 development;

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

7 (d) all moneys expended for fire insurance and  
8 workers' compensation insurance and for payments by  
9 operators to welfare and retirement funds when provided for  
10 in wage contracts between operators and employees;

11 (e) the amount paid or withheld in satisfaction of  
12 liability for excise taxes imposed by the United States  
13 government on the production, sale, or removal of the  
14 natural gas, petroleum, or other crude or mineral oil  
15 yielded from such well, other than the amount of such taxes  
16 paid by or withheld from each royalty owner.

17 (2) The value arrived at under subsection (1) shall be  
18 increased by the amount of any refund received from the  
19 United States government to the extent that the amount  
20 refunded was used to reduce the value of the gross products  
21 under subsection (1)(e).

22 ~~(2)~~ (3) No moneys invested in the well and improvements  
23 during any year except the year for which such statement is  
24 made may be included in such expenditures, except as  
25 provided in 15-23-604, and such expenditures may not include

1 the salaries or any portion thereof of any person or officer  
2 not actually engaged in the working of the well or  
3 superintending the management thereof."

4 Section 4. Section 15-23-605, MCA, is amended to read:

5 "15-23-605. Assessment of royalties. (1) The amount of  
6 royalty received, less the amount of excise taxes paid by or  
7 withheld from the royalty owner as reported pursuant to  
8 15-23-602(8), shall be considered net proceeds to the  
9 recipient and shall be assessed as follows: upon receipt of  
10 the lists or schedules setting forth the names and addresses  
11 of any and all persons owning or claiming royalty and the  
12 amount paid or yielded as royalty to such royalty owners or  
13 claimants during the year for which such return is made, the  
14 department of revenue shall proceed to assess and tax the  
15 same as net proceeds of mines.

16 (2) The net proceeds to a recipient shall be increased  
17 by any refund of an excise tax to the extent that the amount  
18 refunded was used to reduce the value of the royalty  
19 received under subsection (1)."

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

22 Section 6. Effective date. This act is effective on  
23 passage and approval.

-End-

## 1 STATEMENT OF INTENT

## 2 SENATE BILL 200

## 3 SENATE TAXATION COMMITTEE

4

5 This act permits the deduction of the windfall profit  
6 tax on domestic crude oil in computing net proceeds for the  
7 net proceeds tax on oil and gas. In promulgating rules to  
8 implement this act, the Department of Revenue may require  
9 taxpayers to furnish or make available supporting  
10 information and documents to enable the department to verify  
11 the amount claimed as the windfall profit tax deduction.

12 First adopted by the Senate Taxation Committee on March  
13 25, 1981.

1 SENATE BILL NO. 200

2 INTRODUCED BY LEE, KOLSTAD, BRIGGS, ROTH,  
3 JACOBSEN, BURNETT, E. SMITH, UNDERDAL, CONROY,  
4 HAFFERMAN, CONOVER, C. SMITH, KEATING, KANDUCH

5  
6 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING FOR THE  
7 DEDUCTION OF FEDERAL EXCISE TAXES WHEN COMPUTING OIL AND GAS  
8 NET PROCEEDS TAX; DEFINING THE TERM EXCISE TAX; AMENDING  
9 SECTIONS 15-23-601, 15-23-602, 15-23-603, AND 15-23-605,  
10 MCA; AND PROVIDING FOR AN EFFECTIVE, AND APPLICABILITY, DATE  
11 AND TERMINATION DATES."

12  
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 SECTION 1. SECTION 15-23-601, MCA, IS AMENDED TO READ:

15 "15-23-601. Definitions. As used in this part, the  
16 following definitions apply:

17 (1) "Excise tax" means the windfall profit tax on  
18 domestic crude oil imposed by Title I of the federal Crude  
19 Oil Windfall Profit Tax Act of 1980, as enacted or as  
20 amended.

21 (2) The terms "operator" and "producer" mean any  
22 person who engages in the business of drilling for,  
23 extracting, or producing any natural gas, petroleum, or  
24 other crude or mineral oil.

25 (2)(3) The term "well" includes each single well or

1 group of wells, including dry wells, in one field or  
2 production unit and under the control of one operator or  
3 producer."

4 Section 2. Section 15-23-602, MCA, is amended to read:

5 "15-23-602. Statement of yield. Each operator or  
6 producer of natural gas, petroleum, or other crude or  
7 mineral oil must on or before March 31 in each year make out  
8 and deliver to the department of revenue a statement of the  
9 gross yield of such natural gas, petroleum, or other crude  
10 or mineral oil from each well owned or worked by such person  
11 during the next preceding calendar year and the value  
12 thereof. Such statement shall be in the form prescribed by  
13 the department and must be verified by the oath of the  
14 operator or producer or the manager, superintendent, agent,  
15 president, or vice-president of such corporation,  
16 association, or partnership. Such statement shall show the  
17 following:

18 (1) the name and address of the operator, together  
19 with a list in duplicate of the names and addresses of any  
20 and all persons owning or claiming any royalty interest in  
21 the production from the well or the proceeds derived from  
22 the sale thereof, and the amount or amounts paid or yielded  
23 as royalty to each of such persons during the period covered  
24 by the statement;

25 (2) the description and location of the well;

1 (3) the number of cubic feet of natural gas, barrels  
2 of petroleum or other crude or mineral oil extracted or  
3 produced from the well 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 product from well;

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

8 (7) actual cost of fire insurance and workers'  
9 compensation insurance;

10 (8) the amount paid or withheld in satisfaction of  
11 liability for excise taxes imposed by the United States  
12 government on the production, sale, or removal of the  
13 natural gas, petroleum, or other crude or mineral oil  
14 reported pursuant to subsection (3), including a separate  
15 statement of the amount of such taxes paid or withheld from  
16 each royalty owner."

17 Section 3. Section 15-23-603, MCA, is amended to read:

18 "15-23-603. Net proceeds -- how computed. (1) The  
19 department of revenue shall calculate and compute from the  
20 returns the gross product yielded from such well and its  
21 gross value for the year covered by the statement and shall  
22 calculate the net proceeds of the well yielded to the  
23 producer, which net proceeds shall be determined by  
24 subtracting from the value of the gross products thereof the  
25 following:

1 (a) all royalty paid or apportioned in cash or in kind  
2 by the operator or producer;

3 (b) all moneys expended for necessary labor,  
4 machinery, and supplies needed and used in the operation and  
5 development;

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

8 (d) all moneys expended for fire insurance and  
9 workers' compensation insurance and for payments by  
10 operators to welfare and retirement funds when provided for  
11 in wage contracts between operators and employees;

12 (e) the amount paid or withheld in satisfaction of  
13 liability for excise taxes imposed by the United States  
14 government on the production, sale, or removal of the  
15 natural gas, petroleum, or other crude or mineral oil  
16 yielded from such well, other than the amount of such taxes  
17 paid by or withheld from each royalty owner.

18 (2) The value arrived at under subsection (1) shall be  
19 increased by the amount of any refund received from the  
20 United States government to the extent that the amount  
21 refunded was used to reduce the value of the gross products  
22 under subsection (1)(e).

23 ~~(2)(3)~~ No moneys invested in the well and improvements  
24 during any year except the year for which such statement is  
25 made may be included in such expenditures, except as



1 provided in 15-23-604, and such expenditures may not include  
2 the salaries or any portion thereof of any person or officer  
3 not actually engaged in the working of the well or  
4 superintending the management thereof."

5 Section 4. Section 15-23-605, MCA, is amended to read:

6 "15-23-605. Assessment of royalties. (1) The amount of  
7 royalty received, less the amount of excise taxes paid by or  
8 withheld from the royalty owner as reported pursuant to  
9 15-23-602(8), shall be considered net proceeds to the  
10 recipient and shall be assessed as follows: upon receipt of  
11 the lists or schedules setting forth the names and addresses  
12 of any and all persons owning or claiming royalty and the  
13 amount paid or yielded as royalty to such royalty owners or  
14 claimants during the year for which such return is made, the  
15 department of revenue shall proceed to assess and tax the  
16 same as net proceeds of mines.

17 (2) The net proceeds to a recipient shall be increased  
18 by any refund of an excise tax to the extent that the amount  
19 refunded was used to reduce the value of the royalty  
20 received under subsection (1)."

21 Section 5. Applicability. This act applies to THE  
22 taxable years beginning after December 31, 1979 1980.

23 Section 6. Effective date — TERMINATION DATE. This  
24 act is effective on passage and approval AND TERMINATES AND  
25 SHALL NOT APPLY TO ANY TAXABLE YEAR AFTER DECEMBER 31, 1981.

1 STATEMENT OF INTENT

2 SENATE BILL 200

3 SENATE TAXATION COMMITTEE

4

5 This act permits the deduction of the windfall profit  
6 tax on domestic crude oil in computing net proceeds for the  
7 net proceeds tax on oil and gas. In promulgating rules to  
8 implement this act, the Department of Revenue may require  
9 taxpayers to furnish or make available supporting  
10 information and documents to enable the department to verify  
11 the amount claimed as the windfall profit tax deduction.

12 First adopted by the Senate Taxation Committee on March  
13 25, 1981.

1 SENATE BILL NO. 200

2 INTRODUCED BY LEE, KOLSTAD, BRIGGS, ROTH,

3 JACOBSEN, BURNETT, E. SMITH, UNDERDAL, CONROY,

4 HAFFERMAN, CONOVER, C. SMITH, KEATING, KANDUCH

5  
6 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING FOR THE  
7 DEDUCTION OF FEDERAL EXCISE TAXES WHEN COMPUTING OIL AND GAS  
8 NET PROCEEDS TAX; DEFINING THE TERM EXCISE TAX; AMENDING  
9 SECTIONS 15-23-601, 15-23-602, 15-23-603, AND 15-23-605,  
10 MCA; AND PROVIDING FOR AN EFFECTIVE AND AND APPLICABILITY AND  
11 DATE AND-TERMINATION DATES."

12  
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 SECTION 1. SECTION 15-23-601, MCA, IS AMENDED TO READ:

15 "15-23-601. Definitions. As used in this part, the  
16 following definitions apply:

17 (1) "Excise tax" means the windfall profit tax on  
18 domestic crude oil imposed by Title I of the federal Crude  
19 Oil Windfall Profit Tax Act of 1980, as enacted or as  
20 amended.

21 (2) The terms "operator" and "producer" mean any  
22 person who engages in the business of drilling for,  
23 extracting, or producing any natural gas, petroleum, or  
24 other crude or mineral oil.

25 (3) The term "well" includes each single well or

1 group of wells, including dry wells, in one field or  
2 production unit and under the control of one operator or  
3 producer."

4 Section 2. Section 15-23-602, MCA, is amended to read:

5 "15-23-602. Statement of yield. Each operator or  
6 producer of natural gas, petroleum, or other crude or  
7 mineral oil must on or before March 31 in each year make out  
8 and deliver to the department of revenue a statement of the  
9 gross yield of such natural gas, petroleum, or other crude  
10 or mineral oil from each well owned or worked by such person  
11 during the next preceding calendar year and the value  
12 thereof. Such statement shall be in the form prescribed by  
13 the department and must be verified by the oath of the  
14 operator or producer or the manager, superintendent, agent,  
15 president, or vice-president of such corporation,  
16 association, or partnership. Such statement shall show the  
17 following:

18 (1) the name and address of the operator, together  
19 with a list in duplicate of the names and addresses of any  
20 and all persons owning or claiming any royalty interest in  
21 the production from the well or the proceeds derived from  
22 the sale thereof, and the amount or amounts paid or yielded  
23 as royalty to each of such persons during the period covered  
24 by the statement;

25 (2) the description and location of the well;

1 (3) the number of cubic feet of natural gas, barrels  
2 of petroleum or other crude or mineral oil extracted or  
3 produced from the well 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 product from well;

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

8 (7) actual cost of fire insurance and workers'  
9 compensation insurance;

10 (8) 75% of the amount paid or withheld in satisfaction  
11 of liability for excise taxes imposed by the United States  
12 government on the production, sale, or removal of the  
13 natural gas, petroleum, or other crude or mineral oil  
14 reported pursuant to subsection (3), including a separate  
15 statement of the amount of such taxes paid or withheld from  
16 each royalty owner."

17 Section 3. Section 15-23-603, MCA, is amended to read:

18 "15-23-603. Net proceeds -- how computed. (1) The  
19 department of revenue shall calculate and compute from the  
20 returns the gross product yielded from such well and its  
21 gross value for the year covered by the statement and shall  
22 calculate the net proceeds of the well yielded to the  
23 producer, which net proceeds shall be determined by  
24 subtracting from the value of the gross products thereof the  
25 following:

1 (a) all royalty paid or apportioned in cash or in kind  
2 by the operator or producer;

3 (b) all moneys expended for necessary labor,  
4 machinery, and supplies needed and used in the operation and  
5 development;

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

8 (d) all moneys expended for fire insurance and  
9 workers' compensation insurance and for payments by  
10 operators to welfare and retirement funds when provided for  
11 in wage contracts between operators and employees;

12 (e) 75% of the amount paid or withheld in satisfaction  
13 of liability for excise taxes imposed by the United States  
14 government on the production, sale, or removal of the  
15 natural gas, petroleum, or other crude or mineral oil  
16 yielded from such well, other than the amount of such taxes  
17 paid by or withheld from each royalty owner.

18 (2) The value arrived at under subsection (1) shall be  
19 increased by the amount of any refund received from the  
20 United States government to the extent that the amount  
21 refunded was used to reduce the value of the gross products  
22 under subsection (1)(e).

23 ~~(3)~~ (3) No moneys invested in the well and improvements  
24 during any year except the year for which such statement is  
25 made may be included in such expenditures, except as

1 provided in 15-23-604, and such expenditures may not include  
2 the salaries or any portion thereof of any person or officer  
3 not actually engaged in the working of the well or  
4 superintending the management thereof."

5 Section 4. Section 15-23-605, MCA, is amended to read:

6 "15-23-605. Assessment of royalties. (1) The amount of  
7 royalty received, less 75% of the amount of excise taxes  
8 paid by or withheld from the royalty owner as reported  
9 pursuant to 15-23-602(8), shall be considered net proceeds  
10 to the recipient and shall be assessed as follows: upon  
11 receipt of the lists or schedules setting forth the names  
12 and addresses of any and all persons owning or claiming  
13 royalty and the amount paid or yielded as royalty to such  
14 royalty owners or claimants during the year for which such  
15 return is made, the department of revenue shall proceed to  
16 assess and tax the same as net proceeds of mines.

17 (2) The net proceeds to a recipient shall be increased  
18 by any refund of an excise tax to the extent that the amount  
19 refunded was used to reduce the value of the royalty  
20 received under subsection (1)."

21 Section 5. Applicability. This act applies to THE  
22 taxable years beginning after December 31, 1979 ~~1980~~ 1979.

23 Section 6. Effective date ~~---~~TERMINATION-DATE. This  
24 act is effective on passage and approval ~~AND-TERMINATES--AND~~  
25 ~~SHALL-NOT-APPLY-TO-ANY-TAXABLE-YEAR-AFTER-DECEMBER-31-1981.~~

House amendments to Senate Bill 200  
April 21, 1981

1. Page 3, line 10.

Following: "(8)"

Strike: "75% of"

2. Page 4, line 12.

Following: "(e)"

Strike: "75% of"

3. Page 5, line 7.

Following: "less"

Strike: "75% of"