

HOUSE BILL NO. 582

INTRODUCED BY SWITZER, MUELLER

IN THE HOUSE

January 31, 1983	Introduced and referred to Committee on Taxation.
March 11, 1983	Committee recommend bill do not pass. Report adopted. Objection to Adverse Committee Report. Bill placed on second reading.
March 14, 1983	Bill printed and placed on members' desks.
March 15, 1983	Second reading, do pass as amended.
March 16, 1983	Correctly engrossed.
March 18, 1983	Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 19, 1983	Introduced and referred to Committee on Taxation.
March 31, 1983	Committee recommend bill be concurred in as amended. Report adopted.
April 5, 1983	Second reading, concurred in as amended.
April 6, 1983	Third reading, concurred in. Ayes, 50; Noes, 0.

IN THE HOUSE

April 6, 1983

Returned to House with
amendments.

April 8, 1983

Second reading, amendments
concurred in.

April 9, 1983

Third reading, amendments
concurred in.

Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *582*
2 INTRODUCED BY *Switzer Mueller*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE
5 DEDUCTION PROVISIONS OF THE NET PROCEEDS TAX ON MINES
6 APPLICABLE TO NONMETALLIC MINES AND MINING CLAIMS; AMENDING
7 SECTIONS 15-23-502 AND 15-23-503, MCA."
8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
10 Section 1. Section 15-23-502, MCA, is amended to read:
11 "15-23-502. Net proceeds tax -- statement of yield.
12 Every person engaged in mining, extracting, or producing
13 from any quartz vein or lode, placer claim, dump or
14 tailings, or other place or source whatever precious stones
15 or gems, vermiculite, bentonite, or other valuable mineral,
16 except coal and metals, must on or before March 31 each year
17 make out a statement of the gross yield and value of the
18 above-named metals or minerals from each mine owned or
19 worked by such person during the year preceding January 1 of
20 the year in which such statement is made. Such statement
21 shall be in the form prescribed by the department of revenue
22 and must be verified by the oath of the person completing
23 the statement or the manager, superintendent, agent,
24 president, or vice-president, if a corporation, association,
25 or partnership, and must be delivered to the department on

1 or before March 31. Such statement shall show the following:
2 (1) the name and address of the owner or lessee or
3 operator of the mine, together with the names and addresses
4 of any and all persons owning or claiming any royalty
5 interest in the mineral product of such mine or the proceeds
6 derived from the sale thereof, and the amount or amounts
7 paid or yielded as royalty to each of such persons during
8 the period covered by the statement;
9 (2) the description and location of the mine;
10 (3) the number of tons of ore, barrels of petroleum,
11 cubic feet of natural gas, or other mineral products or
12 deposits extracted, produced, and treated or sold from the
13 mine during the period covered by the statement;
14 (4) the amount and character of such ores, mineral
15 products, or deposits and the yield of such ores, mineral
16 products, or deposits from such mine in constituents of
17 commercial value; that is, barrels of petroleum or other
18 crude or mineral oil, cubic feet of natural gas, or other
19 commercially valuable constituents of the ores, mineral
20 products, or deposits, measured by standard units of
21 measurement, yielded to such person so engaged in mining and
22 to each royalty holder, if any, during the period covered by
23 the statement;
24 (5) the gross yield or value in dollars and cents;
25 (6) cost of extracting from the mine;

1 (7) cost of transporting to place of reduction or
 2 sale;
 3 (8) cost of reduction or sale;
 4 (9) cost of marketing the product and conversion of
 5 same into money;
 6 (10) cost of construction, repairs, and betterments of
 7 mines and cost of repairs and replacements of reduction
 8 works;
 9 (11) the assessed valuation of reduction works for the
 10 calendar year for which such return is made;
 11 (12) cost of fire insurance, and workers' compensation
 12 insurance, boiler and machinery insurance, and public
 13 liability insurance paid for the mine;
 14 (13) cost of a reduction or beneficiation process;
 15 (14) cost of welfare and retirement fund payments
 16 provided for in wage contracts;
 17 (15) cost of gross mineral and excise taxes paid to the
 18 state of Montana; and
 19 (16) administrative costs attributable to the support
 20 of the mine or to the reduction or beneficiation process."

21 Section 2. Section 15-23-503, MCA, is amended to read:

22 "15-23-503. Net proceeds -- how computed. (1) The
 23 department of revenue shall calculate from the returns the
 24 gross product yielded from such mine and its gross value for
 25 the year covered by the statement and shall calculate and

1 compute the net proceeds of the mine yielded to the person
 2 engaged in mining. Net proceeds shall be determined by
 3 subtracting from the value of the gross product thereof the
 4 following:

5 (a) all royalty paid or apportioned in cash or in kind
 6 by the person so engaged in mining;

7 (b) all moneys expended for necessary labor,
 8 machinery, and supplies needed and used in the mining
 9 operations and developments, including costs for office,
 10 clerical, plant security, engineering, geological, and
 11 assaying and sampling services and those administrative
 12 costs allocable to the Montana mining operation;

13 (c) all moneys expended for improvements, repairs, and
 14 betterments necessary in and about the working of the mine,
 15 except as hereinafter provided;

16 (d) all moneys expended for costs of repairs and
 17 replacements of the milling and reduction works used in
 18 connection with the mine;

19 (e) depreciation in the sum of 6% of the assessed
 20 valuation of such milling and reduction works for the
 21 calendar year for which such return is made;

22 (f) all moneys actually expended for transporting the
 23 ores and mineral products or deposits from the mines to the
 24 mill or reduction works or to the place of sale and for
 25 extracting the metals and minerals therefrom and for

1 marketing the product and the conversion of the same into
2 money;

3 (g) all moneys expended for fire ~~taxes,~~ insurance, and
4 ~~workers'-compensation-insurance-and--for--payments--by--mine~~
5 ~~operators--to~~ costs, including welfare and retirement funds
6 ~~when-provided-for-in-wage-contracts-between--mine--operators~~
7 ~~and--employees~~ costs reported in the statement required in
8 15-23-502.

9 (2) In computing the deductions allowable for repairs,
10 improvements, and betterments to the mine, the department
11 shall allow 10% of such cost each year for a period of 10
12 years.

13 (3) No moneys invested in mines or improvements may be
14 allowed as a deduction unless all machinery, equipment, and
15 buildings represented by such moneys are returned to the
16 county in which such mine is located for assessment purposes
17 at the level of assessment of all other property in such
18 county.

19 (4) No moneys invested in the mines and improvements
20 during any year except the year for which such statement is
21 made and except as provided in this section may be included
22 in such expenditures, and such expenditures may not include
23 the salaries or any portion thereof of any person or officer
24 not actually engaged in the working of the mine or
25 superintending the management thereof, except those persons

1 providing services referred to in subsection (1)(b) or those
2 engaged in the sale and marketing of the product and
3 conversion of the same into money, including administrative
4 personnel."

-End-

STATE OF MONTANA

REQUEST NO. 305-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, 19 83, there is hereby submitted a Fiscal Note for House Bill 582 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:

House Bill 582 clarifies the deduction provisions of the net proceeds tax on mines applicable to nonmetallic mines and mining claims.

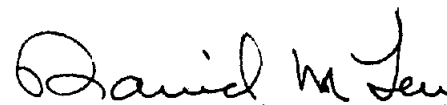
FISCAL IMPACT:

The proposal should have a significant impact on taxes collected from miscellaneous mines net proceeds, although it is impossible to estimate the precise impact since the likely increase in deductions is not known.

The department has estimated the loss in net proceeds resulting from the allowance of a deduction for taxes paid on mineral production. In 1982, miscellaneous mines net proceeds totalled \$6,069,290 statewide. The deduction of taxes on production would decrease net proceeds by approximately \$1,410,000; producing a revenue loss of \$8,460 to the university levy, \$56,400 to the school equalization levy and \$241,480 to the producing counties each year.

Extending deductions for insurance, employee benefits, beneficiation, an administrative costs serve to further the revenue loss. Administrative costs could result in a 20 to 25% additional reduction in the net proceeds of miscellaneous mines.

FISCAL NOTE 11:B/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-8-83

Approved by committee
on Taxation

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6 APPLICABLE TO NONMETALLIC MINES AND MINING CLAIMS; AMENDING
7 SECTIONS 15-23-502 AND 15-23-503, MCA."
8

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

10 Section 1. Section 15-23-502, MCA, is amended to read:
11 "15-23-502. Net proceeds tax -- statement of yield.
12 Every person engaged in mining, extracting, or producing
13 from any quartz vein or lode, placer claim, dump or
14 tailings, or other place or source whatever precious stones
15 or gems, vermiculite, bentonite, or other valuable mineral,
16 except coal and metals, must on or before March 31 each year
17 make out a statement of the gross yield and value of the
18 above-named metals or minerals from each mine owned or
19 worked by such person during the year preceding January 1 of
20 the year in which such statement is made. Such statement
21 shall be in the form prescribed by the department of revenue
22 and must be verified by the oath of the person completing
23 the statement or the manager, superintendent, agent,
24 president, or vice-president, if a corporation, association,
25 or partnership, and must be delivered to the department on

1 or before March 31. Such statement shall show the following:

2 (1) the name and address of the owner or lessee or
3 operator of the mine, together with the names and addresses
4 of any and all persons owning or claiming any royalty
5 interest in the mineral product of such mine or the proceeds
6 derived from the sale thereof, and the amount or amounts
7 paid or yielded as royalty to each of such persons during
8 the period covered by the statement;

9 (2) the description and location of the mine;

10 (3) the number of tons of ore, barrels of petroleum,
11 cubic feet of natural gas, or other mineral products or
12 deposits extracted, produced, and treated or sold from the
13 mine during the period covered by the statement;

14 (4) the amount and character of such ores, mineral
15 products, or deposits and the yield of such ores, mineral
16 products, or deposits from such mine in constituents of
17 commercial value; that is, barrels of petroleum or other
18 crude or mineral oil, cubic feet of natural gas, or other
19 commercially valuable constituents of the ores, mineral
20 products, or deposits, measured by standard units of
21 measurement, yielded to such person so engaged in mining and
22 to each royalty holder, if any, during the period covered by
23 the statement;

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

25 (6) cost of extracting from the mine;

1 (7) cost of transporting to place of reduction or
 2 sale;
 3 (8) cost of reduction or sale;
 4 (9) cost of marketing the product and conversion of
 5 same into money;
 6 (10) cost of construction, repairs, and betterments of
 7 mines and cost of repairs and replacements of reduction
 8 works;
 9 (11) the assessed valuation of reduction works for the
 10 calendar year for which such return is made;
 11 (12) cost of fire insurance, and workers' compensation
 12 insurance, boiler and machinery insurance, and public
 13 liability insurance paid for the mine;
 14 (13) cost of a reduction or beneficiation process;
 15 (14) cost of welfare and retirement fund payments
 16 provided for in wage contracts;
 17 (15) cost of gross mineral and excise taxes paid to the
 18 state of Montana; and
 19 (16) administrative costs attributable to the support
 20 of the mine or to the reduction or beneficiation process."
 21 Section 2. Section 15-23-503, MCA, is amended to read:
 22 "15-23-503. Net proceeds -- how computed. (1) The
 23 department of revenue shall calculate from the returns the
 24 gross product yielded from such mine and its gross value for
 25 the year covered by the statement and shall calculate and

1 compute the net proceeds of the mine yielded to the person
 2 engaged in mining. Net proceeds shall be determined by
 3 subtracting from the value of the gross product thereof the
 4 following:
 5 (a) all royalty paid or apportioned in cash or in kind
 6 by the person so engaged in mining;
 7 (b) all moneys expended for necessary labor,
 8 machinery, and supplies needed and used in the mining
 9 operations and developments, including costs for office,
 10 clerical, plant security, engineering, geological, and
 11 assaying and sampling services and those administrative
 12 costs allocable to the Montana mining operation;
 13 (c) all moneys expended for improvements, repairs, and
 14 betterments necessary in and about the working of the mine,
 15 except as hereinafter provided;
 16 (d) all moneys expended for costs of repairs and
 17 replacements of the milling and reduction works used in
 18 connection with the mine;
 19 (e) depreciation in the sum of 6% of the assessed
 20 valuation of such milling and reduction works for the
 21 calendar year for which such return is made;
 22 (f) all moneys actually expended for transporting the
 23 ores and mineral products or deposits from the mines to the
 24 mill or reduction works or to the place of sale and for
 25 extracting the metals and minerals therefrom and for

1 marketing the product and the conversion of the same into
2 money;

3 (g) all moneys expended for ~~fire taxes,~~ insurance, and
4 ~~workers' compensation insurance and for payments by mine~~
5 ~~operators to costs including welfare and retirement funds~~
6 ~~when provided for in wage contracts between mine operators~~
7 ~~and employees costs reported in the statement required in~~
8 ~~15-23-502.~~

9 (2) In computing the deductions allowable for repairs,
10 improvements, and betterments to the mine, the department
11 shall allow 10% of such cost each year for a period of 10
12 years.

13 (3) No moneys invested in mines or improvements may be
14 allowed as a deduction unless all machinery, equipment, and
15 buildings represented by such moneys are returned to the
16 county in which such mine is located for assessment purposes
17 at the level of assessment of all other property in such
18 county.

19 (4) No moneys invested in the mines and improvements
20 during any year except the year for which such statement is
21 made and except as provided in this section may be included
22 in such expenditures, and such expenditures may not include
23 the salaries or any portion thereof of any person or officer
24 not actually engaged in the working of the mine or
25 superintending the management thereof, ~~except those persons~~

1 ~~providing services referred to in subsection (1)(b) or those~~
2 ~~engaged in the sale and marketing of the product and~~
3 ~~conversion of the same into money, including administrative~~
4 ~~personnel."~~

-End-

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2 INTRODUCED BY SWITZER, MUELLER

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4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE
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18 above-named metals or minerals from each mine owned or
19 worked by such person during the year preceding January 1 of
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7 paid or yielded as royalty to each of such persons during
8 the period covered by the statement;

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10 (3) the number of tons of ore, barrels of petroleum,
11 cubic feet of natural gas, or other mineral products or
12 deposits extracted, produced, and treated or sold from the
13 mine during the period covered by the statement;

14 (4) the amount and character of such ores, mineral
15 products, or deposits and the yield of such ores, mineral
16 products, or deposits from such mine in constituents of
17 commercial value; that is, barrels of petroleum or other
18 crude or mineral oil, cubic feet of natural gas, or other
19 commercially valuable constituents of the ores, mineral
20 products, or deposits, measured by standard units of
21 measurement, yielded to such person so engaged in mining and
22 to each royalty holder, if any, during the period covered by
23 the statement;

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

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 2 sale;
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 5 same into money;
 6 (10) cost of construction, repairs, and betterments of
 7 mines and cost of repairs and replacements of reduction
 8 works;
 9 (11) the assessed valuation of reduction works for the
 10 calendar year for which such return is made;
 11 (12) cost of fire insurance, and workers' compensation
 12 insurance, ~~holler and machinery insurance, and public~~
 13 ~~liability insurance paid for the mine, REDUCTION WORKS, OR~~
 14 ~~BENEFICIATION PROCESS:~~
 15 ~~113 cost of a reduction or beneficiation process~~
 16 ~~114(13) cost of welfare and retirement fund payments~~
 17 ~~provided for in wage contracts;~~
 18 ~~115 cost of gross mineral and excise taxes paid to the~~
 19 ~~state of Montana and~~
 20 ~~116(14) administrative costs INCURRED IN MONTANA~~
 21 ~~attributable to the support of the mine or to the reduction~~
 22 ~~or beneficiation process."~~
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 6 following:
 7 (a) all royalty paid or apportioned in cash or in kind
 8 by the person so engaged in mining;
 9 (b) all moneys expended for necessary labor,
 10 machinery, and supplies needed and used in the mining
 11 operations and developments, including costs for office,
 12 clerical, plant security, engineering, geological, and
 13 assaying and sampling services and those administrative
 14 costs attributable PERTAINING to the Montana mining operation;
 15 (c) all moneys expended for improvements, repairs, and
 16 betterments necessary in and about the working of the mine,
 17 except as hereinafter provided;
 18 (d) all moneys expended for costs of repairs and
 19 replacements of the milling and reduction works used in
 20 connection with the mine;
 21 (e) depreciation in the sum of 6% of the assessed
 22 valuation of such milling and reduction works for the
 23 calendar year for which such return is made;
 24 (f) all moneys actually expended for transporting the
 25 ores and mineral products or deposits from the mines to the

1 mill or reduction works or to the place of sale and for
2 extracting the metals and minerals therefrom and for
3 marketing the product and the conversion of the same into
4 money;

5 (g) all moneys expended for fire ~~taxes~~, insurance, and
6 workers~~-compensation-insurance-and-for-payments-by-mine~~
7 operators--to costs, including welfare and retirement funds
8 when~~provided-for-in-wage-contracts-between-mine-operators~~
9 and~~employees~~ costs reported in the statement required in
10 15-23-502.

11 (2) In computing the deductions allowable for repairs,
12 improvements, and betterments to the mine, the department
13 shall allow 10% of such cost each year for a period of 10
14 years.

15 (3) No moneys invested in mines or improvements may be
16 allowed as a deduction unless all machinery, equipment, and
17 buildings represented by such moneys are returned to the
18 county in which such mine is located for assessment purposes
19 at the level of assessment of all other property in such
20 county.

21 (4) No moneys invested in the mines and improvements
22 during any year except the year for which such statement is
23 made and except as provided in this section may be included
24 in such expenditures, and such expenditures may not include
25 the salaries or any portion thereof of any person or officer

1 not actually engaged in the working of the mine or
2 superintending the management thereof, except those persons
3 providing services referred to in subsection (1)(b) or those
4 engaged in the sale and marketing of the product and
5 conversion of the same into money, including administrative
6 personnel."

-End-

March 31, 1983

SENATE STANDING COMMITTEE REPORT
(Taxation)

That House Bill No. 582 be amended as follows:

1. Title, line 4

Following: "AN ACT TO"

Strike: "CLARIFY THE"

2. Title, line 5.

Following: line 4

Strike: "DEDUCTION PROVISIONS OF"

Insert: "PROVIDE ADDITIONAL DEDUCTIONS ON"

Following: "PROCEEDS"

Strike: "TAX ON"

Insert: OF"

3. Title, line 7.

Following: "15-23-503, MCA"

Insert: "; AND PROVIDING AN APPLICABILITY DATE"

4. Page 3, line 20 through line 22

Following: "(14)"

Strike: remainder of line 20 through "process" on line 22

Insert: "Cost of testing extracted minerals for the purpose of satisfying federal or state health and safety laws or regulations, the cost of plant security in Montana, the cost of assaying and sampling the extracted minerals, and the costs incurred in Montana for engineering and geological services for existing mining operations, but not including any such services beyond the stage of reduction and beneficiation of the minerals."

5. Page 4, line 11.

Following: "developments"

Strike: ", including the costs for office, clerical, plant security, engineering, geological, and assaying and sampling services and those administrative costs allocable PERTAINING to the Montana mining operation"

6. Page 5, line 5.

Following: "~~fire~~"

Strike: "taxes,"

Following: "insurance"

Strike: ","

7. Page 5, line 7.

Following: "operators-to"

Strike: "costs, including"

SENATE STANDING COMMITTEE REPORT

Taxation - House Bill No. 582

March 31, 1983

Page 2

8. Page 5, line 10.

Following: "15-23-502"

Strike: "."

Insert: ";"

9. Page 5, line 11.

Following: line 10

Insert: "(h) All moneys expended for necessary labor, equipment, and supplies for testing minerals extracted to satisfy federal or state health and safety laws or regulations, for plant security in Montana, for assaying and sampling the extracted minerals, and for engineering and geological services conducted in Montana for existing mining operations, but not including any such services beyond the stage of reduction and beneficiation of the minerals."

10. Page 6, line 2.

Following: "thereof"

Strike: remainder of line 2 through line 6

Insert: "NEW SECTION. Section 3. Applicability date. This act is applicable to taxable periods beginning after December 31, 1982."

REFERENCE BILL

MISSING