HOUSE BILL NO. 713

Introduced: 02/10/83

Referred to Committee on Taxation: 02/10/83
Hearing: 3/1/83
Report: 03/04/83, Do Not Pass
Bill Killed: 03/07/83

House BILL NO. 713

INTRODUCED BY J. Jensen Daniel Keenan Vincent Metcalf Christiaens Nolan Van Brand Jacobson Blaylock Kadas

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE NATURAL GAS SEVERANCE TAX AND ALLOCATE THE INCREASE TO LOW-INCOME ENERGY ASSISTANCE AND WEATHERIZATION PROGRAMS; AMENDING SECTIONS 15-1-501, 15-36-101, AND 15-36-112, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-1-501, MCA, is amended to read:

"15-1-501. Disposition of moneys from certain designated license and other taxes. (1) The state treasurer shall deposit to the credit of the state general fund all moneys received by him from the collection of:

(a) automobile driver's license fees under subsections (1) through (6) of 61-5-111;

(b) electric energy producer's license taxes under chapter 51;

(c) metalliferous mines license taxes under chapter 37;

(d) oil ~~and gas~~ severance taxes allocated to the general fund under chapter 36;

(e) liquor license taxes under Title 16;

(f) telephone license taxes under chapter 53; and

(g) inheritance and estate taxes under Title 72, chapter 16.

(2) Seventy-five percent of all moneys received from the collection of income taxes under chapter 30 and corporation license and income taxes under chapter 31, except as provided in 15-31-702, shall be deposited in the general fund subject to the prior pledge and appropriation of such income tax and corporation license tax collections for the payment of long-range building program bonds. The remaining 25% of the proceeds of the corporation license tax, excluding that allocated to the counties under 15-31-702, corporation income tax, and income tax shall be deposited to the credit of the earmarked revenue fund for state equalization aid to the public schools of Montana.

(3) The state treasurer shall also deposit to the credit of the state general fund all moneys received by him from the collection of license taxes, fees, and all net revenues and receipts from all other sources under the operation of the Montana Alcoholic Beverage Code.

(4) After making the allocation required in 15-36-112, the state treasurer shall deposit the remaining money collected from the severance tax on natural gas imposed in 15-36-101 as follows:

(a) 44% in the general fund; and

(b) 56% in the earmarked revenue fund for use in low-income energy assistance and weatherization programs."

Section 2. Section 15-36-101, MCA, is amended to read:

"15-36-101. Definitions and rate of tax. (1) Every person engaging in or carrying on the business of producing petroleum, other mineral or crude oil, or natural gas within this state or engaging in or carrying on the business of owning, controlling, managing, leasing, or operating within this state any well or wells from which any merchantable or marketable petroleum, other mineral or crude oil, or natural gas is extracted or produced sufficient in quantity to justify the marketing of the same must, except as provided in 15-36-121, each year when engaged in or carrying on any such business in this state pay to the department of revenue for the exclusive use and benefit of the state of Montana a severance tax computed at the following rates:

(a) 5% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit on or after April 1, 1981, and on or before March 31, 1983, and 6% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit thereafter; but in determining the amount of such tax there shall be excluded from consideration all petroleum or other crude or mineral oil produced and used by such person during such year in

connection with his operations in prospecting for, developing, and producing such petroleum or crude or mineral oil;

(b) ~~2.65%~~ 6% of the total gross value of natural gas produced from each lease or unit; but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas or petroleum or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

(2) Nothing in this part may be construed as requiring laborers or employees hired or employed by any person to drill any oil well or to work in or about any oil well or prospect or explore for or do any work for the purpose of developing any petroleum or other mineral or crude oil to pay such severance tax, nor may any work done or the drilling of any well or wells for the purpose of prospecting or exploring for petroleum or other mineral or crude oils or for the purpose of developing same be considered to be the engaging in or carrying on of any such business. If, in the doing of any such work, in the drilling of any oil well, or in such prospecting, exploring, or development work, any merchantable or marketable petroleum or other mineral or

crude oil in excess of the quantity required by such person for carrying on such operation is produced sufficient in quantity to justify the marketing of the same, such work, drilling, prospecting, exploring, or development work is considered to be the engaging in and carrying on of such business within this state within the meaning of this section.

(3) Every person required to pay such tax hereunder shall pay the same in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production payments, and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county, or municipal governments shall be exempt from taxation under this chapter. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners will be deducted from any settlements under said lease or leases or division of proceeds orders or other contracts."

Section 3. Section 15-36-112, MCA, is amended to read:

"15-36-112. Disposition of oil and gas severance taxes. (1) Each year the department of revenue shall determine the amount of tax collected under this chapter from within each county.

(2) The severance taxes collected under this chapter are allocated as follows:

(a) the amount, if any, by which the tax collected from within a county for any fiscal year exceeds the total amount collected from within that county for the previous fiscal year, by reason of increased production and not because of increase in or elimination of federal price ceilings on oil and gas, is allocated to the general fund of the county for distribution as provided in subsection (3);

(b) any amount not allocated to the county under subsection (2)(a) is allocated ~~to the state general fund~~ as provided in 15-1-501.

(3) (a) The county treasurer shall distribute the money received under this section to the county and to all the incorporated cities and towns within the county in the following manner. The county receives the available money multiplied by the ratio of the rural population to the county population. Each incorporated municipality receives the available money multiplied by the ratio of the population of the incorporated municipality to the county

population. The rural population is that population of the county living outside the boundaries of an incorporated municipality. Population shall be based on the most recent figures as determined by the department of administration.

(b) The money distributed under this subsection may be used for any purpose as determined by the governing body of the county, city, or town."

NEW SECTION. Section 4. Effective date -- applicability date. This act is effective on passage and approval and applies to natural gas produced on or after April 1, 1983.

-End-

STATE OF MONTANA

REQUEST NO. 400-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 15, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 713 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:

House Bill 713 increases the natural gas severance tax and allocates the increase to low-income energy assistance and weatherization programs; and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

1) The Office of Budget and Program Planning's forecasts of natural gas severance tax collections provide the basis for comparison.

FISCAL IMPACT:

Revenue:	FY 84	FY 85
Natural Gas Severance Tax		
Under Current Law	$ 3,425,644	$ 3,824,811
Under Proposed Law	7,756,368	8,660,137
Estimated Increase	$ 4,330,713	$ 4,835,326
General Fund		
Under Current Law	$ 3,083,000	$ 3,442,000
Under Proposed Law	3,071,433	3,429,085
Estimated Decrease	$ (11,567)	$ (12,915)
Distributions to Counties		
Under Current Law	$ 342,655	$ 382,811
Under Proposed Law	775,839	866,761
Estimated Increase	$ 433,184	$ 483,950
Earmarked Revenue Fund for Energy Assistance		
Under Current Law	$ -0-	$ -0-
Under Proposed Law	3,909,096	4,364,291
Estimated Increase	$ 3,909,096	$ 4,364,291

Continued

David M Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-19-83

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The bill would increase distributions of natural gas severance tax revenues to producing counties by $433,184 and $483,950 in FY 84 and FY 85, respectively.

FISCAL IMPACT 14:T/2

HB 713