

SENATE BILL NO. 264
INTRODUCED BY GRAHAM, GALT

IN THE SENATE

January 24, 1983	Introduced and referred to Committee on Taxation.
January 25, 1983	Fiscal Note requested.
January 31, 1983	Fiscal Note returned.
February 22, 1983	Committee recommend bill do pass as amended. Report adopted.
	Statement of Intent attached.
February 23, 1983	Bill printed and placed on members' desks.
February 28, 1983	Second reading, pass consideration.
March 1, 1983	Second reading, pass consideration.
March 2, 1983	Second reading, do pass. Statement of Intent, do pass as amended.
March 3, 1983	Correctly engrossed.
March 4, 1983	Third reading, passed. Ayes, 46; Noes, 3. Transmitted to House.

IN THE HOUSE

March 7, 1983	Introduced and referred to Committee on Taxation.
March 21, 1983	Committee recommend bill be concurred in. Report adopted.

March 22, 1983

Second reading, concurred
in.

March 23, 1983

Third reading, concurred
in.

IN THE SENATE

March 24, 1983

Returned to Senate. Sent
to enrolling.

Reported correctly
enrolled.

1 *Senate* BILL NO. *264*
2 INTRODUCED BY *Senator Hall*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE DEPARTMENT
5 OF REVENUE TO IMPUTE A VALUE ON COAL WHENEVER THE OPERATOR
6 OF A MINE SUBJECTS THE COAL TO PROCESSING THAT IMPROVES ITS
7 QUALITY; AMENDING SECTION 15-35-107, MCA."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Section 15-35-107, MCA, is amended to read:

11 "15-35-107. When value of coal may be imputed --
12 procedure. (1) The department may impute a value to the coal
13 which approximates market value f.o.b. mine in a case where:

14 (a) the operator of a coal mine is using the produced
15 coal in an energy-conversion or other manufacturing process;

16 ~~(b) the operator of a coal mine refines the coal by~~
17 ~~drying, cleaning, or other processing designed to improve~~
18 ~~the quality of the coal;~~

19 ~~(c) a person sells coal under a contract which is~~
20 ~~not an arm's-length agreement; or~~

21 ~~(d) a person neglects or refuses to file a~~
22 ~~statement and tax return under this chapter.~~

23 (2) When imputing value, the department may apply the
24 factors used by the federal government under 26 U.S.C.,
25 section 613, or that provision as it may be labeled or

1 amended, in determining gross income from mining or the
2 department may apply any other or additional criteria it
3 considers appropriate. Each subject taxpayer shall upon
4 request by the department furnish a copy of its federal
5 income tax return, with any amendments, filed for the year
6 in which the value of coal is being imputed and copies of
7 the contracts under which it is selling coal at the time.
8 When the department's estimate of market value is contested
9 in any proceeding, the burden of proof is on the contesting
10 party."

-End-

STATE OF MONTANA

REQUEST NO. 229-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 25, 19 83, there is hereby submitted a Fiscal Note for Senate Bill 264 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.

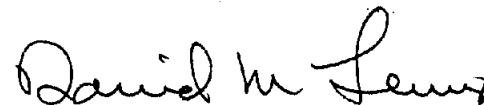
DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 264 allows the Department of Revenue to impute a value on coal whenever the operator of a mine subjects the coal to processing that improves its quality.

FISCAL IMPACT:

It is not anticipated that the proposed legislation will have a fiscal impact during the biennium because currently no coal producers are using a benefaction process to improve the quality of the coal.

FISCAL NOTE 8/V/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-31-83

STATEMENT OF INTENT

SENATE BILL 264

Senate Taxation Committee

It is the intent of SB 264 to give the Department of Revenue authority to adopt rules to impute the market value of coal prior to drying, cleaning or processing designed to improve the quality of the coal. The rules adopted shall:

1. Allow the taxpayer to pay applicable taxes based on market price of like coal prior to processing.

2. Impute market price regardless of whether the processing takes place at the mine site or not.

3. Reflect that the intent is to exempt said processing from applicable taxation.

SECOND READING

SB264

Approved by committee
on Taxation

SENATE BILL NO. 264

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A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE DEPARTMENT
OF REVENUE TO IMPUTE A VALUE ON COAL WHENEVER THE OPERATOR
OF A MINE SUBJECTS THE COAL TO PROCESSING THAT IMPROVES ITS
QUALITY; AMENDING SECTION 15-35-107, MCA."

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Section 1. Section 15-35-107, MCA, is amended to read:

"15-35-107. When value of coal may be imputed --
procedure. (1) The department may ~~OR SHALL AT THE REQUEST OF~~
~~THE TAXPAYER~~ impute a value to the coal which approximates
market value f.o.b. mine in a case where:

(a) the operator of a coal mine is using the produced
coal in an energy-conversion or other manufacturing process;

~~(b) the operator of a coal mine refines the coal by~~
~~drying, cleaning, or other processing designed to improve~~
~~the quality of the coal;~~

~~(b)(1) a person sells coal under a contract which is~~
~~not an arm's-length agreement; or~~

~~(b)(d) a person neglects or refuses to file a~~
~~statement and tax return under this chapter.~~

~~(2) FOR PURPOSES OF SUBSECTION (1)(b), MARKET VALUE~~
~~F.O.B. MINE MEANS THE VALUE OF THE COAL SUBSEQUENT TO~~

~~PRIMARY AND SECONDARY CRUSHING BUT PRIOR TO DRYING,~~
~~CLEANING, OR OTHER PROCESSING.~~

~~(2)(1) When imputing value, the department may apply~~
~~the factors used by the federal government under 26 U.S.C.,~~
~~section 613, or that provision as it may be labeled or~~
~~amended, in determining gross income from mining or the~~
~~department may apply any other or additional criteria it~~
~~considers appropriate. Each subject taxpayer shall upon~~
~~request by the department furnish a copy of its federal~~
~~income tax return, with any amendments, filed for the year~~
~~in which the value of coal is being imputed and copies of~~
~~the contracts under which it is selling coal at the time.~~
~~When the department's estimate of market value is contested~~
~~in any proceeding, the burden of proof is on the contesting~~
~~party."~~

~~THERE IS A NEW MCA SECTION THAT READS:~~

Section 2. Use of imputed value for coal gross
proceeds. Whenever value is imputed under 15-35-107(1)(b),
that value shall be used for purposes of reporting the value
of the gross yield of coal under 15-23-701.

~~SECTION 3. CODIFICATION INSTRUCTION. SECTION 2 IS~~
~~INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15,~~
~~CHAPTER 23, PART 7, AND THE PROVISIONS OF TITLE 15, CHAPTER~~
~~23, PART 7, APPLY TO SECTION 2.~~

-End-

1 STATEMENT OF INTENT

2 SENATE BILL 264

3 Senate Taxation Committee

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6 Revenue authority to adopt rules to impute the market value
7 of coal prior to drying, cleaning or processing designed to
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10 market price of like coal prior to processing.

11 2. Impute market price regardless of whether the
12 processing takes place at the mine site or not.

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THIRD READING

SB 264

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(a) the operator of a coal mine is using the produced coal in an energy-conversion or other manufacturing process;

~~(b) the operator of a coal mine refines the coal by drying, cleaning, or other processing designed to improve the quality of the coal;~~

~~(b)(1) a person sells coal under a contract which is not an arm's-length agreement; or~~

~~(c)(1) a person neglects or refuses to file a statement and tax return under this chapter.~~

~~(2) FOR PURPOSES OF SUBSECTION (1)(B), MARKET VALUE F.O.B. MINE MEANS THE VALUE OF THE COAL SUBSEQUENT TO~~

~~PRIMARY AND SECONDARY CRUSHING BUT PRIOR TO DRYING, CLEANING, OR OTHER PROCESSING.~~

~~(2)(3) When imputing value, the department may apply the factors used by the federal government under 26 U.S.C., section 613, or that provision as it may be labeled or amended, in determining gross income from mining or the department may apply any other or additional criteria it considers appropriate. Each subject taxpayer shall upon request by the department furnish a copy of its federal income tax return, with any amendments, filed for the year in which the value of coal is being imputed and copies of the contracts under which it is selling coal at the time. When the department's estimate of market value is contested in any proceeding, the burden of proof is on the contesting party."~~

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REFERENCE BILL

SB 264

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-End-