

SENATE BILL NO. 413

INTRODUCED BY GAGE

IN THE SENATE

February 15, 1983	Introduced and referred to Committee on Taxation.
February 16, 1983	Fiscal Note requested.
February 18, 1983	Fiscal Note returned.
March 2, 1983	Committee recommend bill do pass. Report adopted.
	Bill printed and placed on members' desks.
March 3, 1983	Second reading, do pass.
	Correctly engrossed.
March 4, 1983	Third reading, passed. Ayes, 47; Noes, 0. Transmitted to House.

IN THE HOUSE

March 7, 1983	Introduced and referred to Committee on Taxation.
March 22, 1983	Committee recommend bill be concurred in. Report adopted.
March 23, 1983	Second reading, concurred in.
March 25, 1983	Third reading, concurred in.

IN THE SENATE

March 26, 1983	Returned to Senate. Sent to enrolling.
	Reported correctly enrolled.

1 *Sen. Smith* BILL NO. 413  
2 INTRODUCED BY *Sen. Smith*  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING ONLY 70  
5 PERCENT OF THE WINDFALL PROFITS TAXES WITHHELD AND PAID BY  
6 AN OPERATOR TO BE DEDUCTED IN COMPUTING NET PROCEEDS TAXES  
7 ON OIL AND GAS; PROVIDING A METHOD TO ADJUST THE DEDUCTIBLE  
8 PERCENTAGE UPON REQUEST; PROVIDING LIMITATIONS; AMENDING  
9 SECTIONS 15-23-603 AND 15-23-605, MCA; AND PROVIDING A  
10 RETROACTIVE APPLICABILITY DATE."  
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12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
13 NEW SECTION. Section 1. Adjustment of certain  
14 deductions -- when. (1) The department of revenue may adjust  
15 the percentage provided in 15-23-603 and 15-23-605 to  
16 reflect the actual excise taxes imposed by the United States  
17 government on production, sale, or removal of natural gas,  
18 petroleum, or other crude or mineral oil whenever:  
19 (a) requested to do so by the taxpayer; or  
20 (b) the department determines that the percentage does  
21 not accurately reflect the actual excise taxes paid by the  
22 operator.  
23 (2) When the taxpayer requests under subsection (1)  
24 that the department adjust the percentage deduction allowed,  
25 the taxpayer must provide the data reasonably necessary for

1 the department to make a determination under subsection (1).  
2 (3) Any adjustment made under subsection (1) must be  
3 reflected in the net proceeds and royalty values certified  
4 to the county in the taxable year following the year of the  
5 final determination under subsection (1).  
6 NEW SECTION. Section 2. Future returns to reflect  
7 reduced deduction. (1) Except as provided in subsection (2),  
8 each taxpayer who files a return for 1983 production must  
9 reflect the reduced excise tax deduction pursuant to  
10 15-23-603 and 15-23-605 for the period between January 1,  
11 1980, and [the effective date of this act] on the net  
12 proceeds statement required under 15-23-602 in the first  
13 taxable year after the [effective date of this act].  
14 (2) Either the taxpayer or the department may adjust  
15 the deduction under this section to reflect the actual  
16 excise taxes paid by the operator.  
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 sales proceeds of the product yielded from  
21 such well 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 gross sales proceeds thereof the  
25 following:

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

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

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

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

17 (e) 10% of the amount paid or withheld in satisfaction  
18 of liability for excise taxes imposed by the U.S. government  
19 on the production, sale, or removal of the natural gas,  
20 petroleum, or other crude or mineral oil yielded from such  
21 well, other than the amount of such taxes paid by or  
22 withheld from each royalty owner.

23 ~~{2}--The value arrived at under subsection (1) shall be~~  
24 ~~increased by the amount of any refund received from the U.S.~~  
25 ~~government to the extent that the amount refunded was used~~

1 ~~to--reduce--the value of the gross products under subsection~~  
2 ~~{1}(e).~~

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

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

11 "15-23-605. Assessment of royalties. ~~{1}~~ The amount of  
12 royalty received, valued as provided in 15-23-603(1)(a),  
13 less 10% of the amount of excise taxes paid by or withheld  
14 from the royalty owner as reported pursuant to 15-23-602(8),  
15 shall be considered net proceeds to the recipient and shall  
16 be assessed as follows: upon receipt of the lists or  
17 schedules setting forth the names and addresses of any and  
18 all persons owning or claiming royalty and the amount paid  
19 or yielded as royalty to such royalty owners or claimants  
20 during the year for which such return is made, the  
21 department of revenue shall proceed to assess and tax the  
22 same as net proceeds of mines.

23 ~~{2}--The net proceeds to a recipient shall be increased~~  
24 ~~by any refund of an excise tax to the extent that the amount~~  
25 ~~refunded was used to--reduce--the--value--of--the--royalty~~

1 ~~received-under-subsection-(1),"~~

2       **NEW\_SECTION.** Section 5. Applicability date. This act  
3 applies retroactively within the meaning of 1-2-109 to  
4 production years beginning on or after January 1, 1980.

-End-

## STATE OF MONTANA

REQUEST NO. 431-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, 19 83, there is hereby submitted a Fiscal Note for Senate Bill 413 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:

A bill for an act allowing only 70 percent of the windfall profits taxes withheld and paid by an operator to be deducted in computing net proceeds taxes on oil and gas; providing a method to adjust the deductible percentage upon request; providing limitations; and providing a retroactive applicability date.

ASSUMPTIONS:

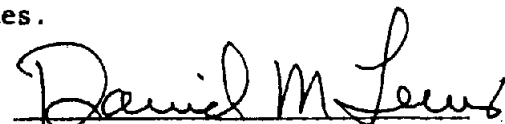
- 1) Estimated statewide taxable valuation for FY84 is \$2,246,035,000 and \$2,299,731,000 for FY85.
- 2) Total windfall profits tax deductions for productions years 80, 81, 82 are estimated to be \$566,886,000.
- 3) Total windfall profits tax deductions for production year 83 are estimated to be \$172,899,000.
- 4) The average county mill levy is 123.5 mills. (Includes 46 mills for foundation program and the university system.)
- 5) The average percent used in computing the windfall profits tax deduction will be 70% and no adjustments will be made under Section 2, Sub. 2.

FISCAL IMPACT:

	FY84	FY85
40 Mill Levy - Foundation Program		
Under Current Law	89.841M	91.989M
Under Proposed Law	89.841M	100.867M
Estimated Increase	0.000M	8.878M
6 Mill Levy - University System		
Under Current Law	13.476M	13.798M
Under Proposed Law	13.476M	15.130M
Estimated Increase	0.000M	1.332M

LOCAL IMPACT:

Based on an average mill levy of 77.5 mills, local government would receive an additional \$17.2 million in net proceeds property tax revenues.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-18-83

LONG-RANGE IMPACT:

Because this legislation applies retroactively to production years beginning on or after January 1, 1980, the fiscal impact for FY85 includes the adjustments for previous years. Subsequent fiscal impact beyond the 1985 biennium, will be approximately \$6.0 million for the foundation program, university system and local governments.

The revenue anticipated will be reduced or increased by the amount of adjustments to the deduction allowed under Section 2, Sub 2 when these adjustments are actually known.

FISCAL NOTE 15: M/2

SECOND PRINTING

SB 413

Approved by committee  
on Taxation

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LC 1340/01

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~~(1) (e).~~

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LC 1340/01

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SB 0413/02

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