

HOUSE BILL NO. 652

INTRODUCED BY SWITZER, DARKO

IN THE HOUSE

February 4, 1985	Introduced and referred to Committee on Taxation.
February 5, 1985	Fiscal Note requested.
February 11, 1985	Fiscal Note returned.
March 6, 1985	Committee recommend bill do not pass as amended. Report adopted.
	On motion, taken from adverse committee report and rereferred to Committee on Taxation.
	Bill printed and placed on members' desks.
March 8, 1985	New Fiscal Note requested.
March 12, 1985	New Fiscal Note returned.
March 14, 1985	Committee recommend bill do pass as amended. Report adopted.
March 15, 1985	Bill printed and placed on members' desks.
March 16, 1985	Second reading, do pass.
March 18, 1985	Considered correctly engrossed.
March 19, 1985	Third reading, passed.
	Transmitted to Senate.

IN THE SENATE

March 20, 1985	Introduced and referred to Committee on Taxation.
April 3, 1985	Committee recommend bill be concurred in. Report adopted.
April 5, 1985	Second reading, concurred in.
April 8, 1985	On motion, taken from third reading and referred to second reading.
April 9, 1985	Second reading, concurred in as amended.
April 11, 1985	Third reading, concurred in. Ayes, 50; Noes, 0. Returned to House with amendments.

IN THE HOUSE

April 12, 1985	Received from Senate.
April 13, 1985	Second reading, amendments concurred in.
April 15, 1985	Third reading, amendments concurred in. Sent to enrolling. Reported correctly enrolled.

1 House BILL NO. 652
2 INTRODUCED BY Switzer Darko
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE DEDUCTION
5 OF CERTAIN COSTS FROM 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; AND PROVIDING AN
8 APPLICABILITY DATE."
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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 15-23-502, MCA, is amended to read:

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

1 or partnership, and must be delivered to the department on
2 or before March 31. Such statement shall show the following:

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

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

11 (3) the number of tons of ore or other mineral
12 products or deposits extracted, produced, and treated or
13 sold from the mine during the period covered by the
14 statement;

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

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

24 (6) cost of extracting from the mine;

25 (7) cost of transporting to place of reduction or



1 sale;

2 (8) cost of reduction or sale;

3 (9) cost of marketing the product and conversion of

4 same into money;

5 (10) cost of construction, repairs, and betterments of

6 mines and cost of repairs and replacements of reduction

7 works;

8 (11) the assessed valuation of reduction works for the

9 calendar year for which such return is made;

10 (12) cost of fire insurance, workers' compensation

11 insurance, boiler and machinery insurance, and public

12 liability insurance paid for the mine, reduction works, or

13 beneficiation process;

14 (13) cost of welfare and retirement fund payments

15 provided for in wage contracts; and

16 (14) cost of testing extracted minerals for the purpose

17 of satisfying federal or state health and safety laws or

18 regulations, the cost of plant security in Montana, the cost

19 of assaying and sampling the extracted minerals, and the

20 costs incurred in Montana for engineering and geological

21 services for existing mining operations but not including

22 any such services beyond the stage of reduction and

23 beneficiation of the minerals;

24 (15) cost of mine reclamation; and

25 (16) costs of office, clerical, and administrative

1 services necessary to the operation of the mine or the

2 reduction or beneficiation process and performed in the

3 vicinity of such operation or processes."

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

5 "15-23-503. Net proceeds -- how computed. (1) The

6 department of revenue shall calculate from the returns the

7 gross product yielded from such mine and its gross value for

8 the year covered by the statement and shall calculate and

9 compute the net proceeds of the mine yielded to the person

10 engaged in mining. Net proceeds shall be determined by

11 subtracting from the value of the gross product thereof the

12 following:

13 (a) all royalty paid or apportioned in cash or in kind

14 by the person so engaged in mining;

15 (b) all moneys expended for necessary labor,

16 machinery, and supplies needed and used in the mining

17 operations and developments;

18 (c) all moneys expended for improvements, repairs, and

19 betterments necessary in and about the working of the mine,

20 except as hereinafter provided;

21 (d) all moneys expended for costs of repairs and

22 replacements of the milling and reduction works used in

23 connection with the mine;

24 (e) depreciation in the sum of 6% of the assessed

25 valuation of such milling and reduction works for the

1 calendar year for which such return is made;

2 (f) all moneys actually expended for transporting the
3 ores and mineral products or deposits from the mines to the
4 mill or reduction works or to the place of sale and for
5 extracting the metals and minerals therefrom and for
6 marketing the product and the conversion of the same into
7 money;

8 (g) all moneys expended for insurance and welfare and
9 retirement costs reported in the statement required in
10 15-23-502;

11 (h) all moneys expended for necessary labor,
12 equipment, and supplies for testing minerals extracted to
13 satisfy federal or state health and safety laws or
14 regulations, for plant security in Montana, for assaying and
15 sampling the extracted minerals, and for engineering and
16 geological services conducted in Montana for existing mining
17 operations but not including any such services beyond the
18 stage of reduction and beneficiation of the minerals;

19 (i) all moneys expended for mine reclamation;

20 (j) costs of office, clerical, and administrative
21 services necessary to the operation of the mine or to the
22 reduction or beneficiation process and performed in the
23 vicinity of such operation or processes.

24 (2) In computing the deductions allowable for repairs,
25 improvements, and betterments to the mine, the department

1 shall allow 10% of such cost each year for a period of 10
2 years.

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

9 (4) No moneys invested in the mines and improvements
10 during any year except the year for which such statement is
11 made and except as provided in this section may be included
12 in such expenditures, and such expenditures may not include
13 the salaries or any portion thereof of any person or officer
14 not actually engaged in the working of the mine, the
15 reduction or beneficiation process, or superintending the
16 management thereof of such operations or of the office,
17 clerical, and administrative services necessary thereto."

18 NEW SECTION. Section 3. Extension of authority. Any
19 existing authority of the department of revenue to make
20 rules on the subject of the provisions of this act is
21 extended to the provisions of this act.

22 NEW SECTION. Section 4. Applicability date. This act
23 is applicable to taxable years beginning after December 31,
24 1985.

-End-

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN 338-85Form BD-15

In compliance with a written request received February 5, 19 85, there is hereby submitted a Fiscal Note for H.B. 652 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 to allow the deduction of certain costs from the net proceeds tax on mines applicable to nonmetallic mines and mining claims; amending sections 15-23-502 and 15-23-503, MCA; and providing an applicability date.

ASSUMPTIONS:

1. The taxable value of nonmetallic mines is assumed constant at the 1984 level of \$7,898,511.
2. Based on audited returns that have claimed these costs, it is estimated that allowing proposed deductions will reduce taxable values by 25% on the average.
3. The taxable value of the state will be \$2,444,888,889 in FY 87.
4. Mill levies are assumed to be 6 mills for the university levy, 45 mills for the school foundation levy, and 169 mills for local governments.

FISCAL IMPACT:

This proposal would not have any impact on the 1986-87 biennium because the act would be applicable to taxable years beginning after December 31, 1985. An estimate for FY 88 and beyond has been provided below.

Revenue:

	<u>FY 88 and Beyond</u>		
	<u>Under</u>	<u>Under</u>	<u>Estimated</u>
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Decrease</u>
University Levy	\$ 14,669,333	\$ 14,657,485	\$(11,848)
School Foundation Levy	110,020,000	109,931,142	(88,858)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Local government revenues would be reduced by approximately \$333,712 in FY 88. Lincoln County would lose approximately 60% of this revenue.

David L. Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

FN7:F/2

Date: Feb 11, 1985

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 16 or gems, vermiculite, bentonite, or other valuable mineral,
 17 except coal and metals, must on or before March 31 each year
 18 make out a statement of the gross yield and value of the
 19 above-named metals or minerals from each mine owned or
 20 worked by such person during the year preceding January 1 of
 21 the year in which such statement is made. Such statement
 22 shall be in the form prescribed by the department of revenue
 23 and must be verified by the oath of the person completing
 24 the statement or the manager, superintendent, agent,
 25 president, or vice-president, if a corporation, association,

1 or partnership, and must be delivered to the department on
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 6 interest in the mineral product of such mine or the proceeds
 7 derived from the sale thereof, and the amount or amounts
 8 paid or yielded as royalty to each of such persons during
 9 the period covered by the statement;

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

11 (3) the number of tons of ore or other mineral
 12 products or deposits extracted, produced, and treated or
 13 sold from the mine during the period covered by the
 14 statement;

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

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

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25 (7) cost of transporting to place of reduction or

1 sale;

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4 same into money;

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8 (11) the assessed valuation of reduction works for the

9 calendar year for which such return is made;

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13 beneficiation process;

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16 (14) cost of testing extracted minerals for the purpose

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18 regulations, the cost of plant security in Montana, the cost

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20 costs incurred in Montana for engineering and geological

21 services for existing mining operations but not including

22 any such services beyond the stage of reduction and

23 beneficiation of the minerals;

24 (15) cost of mine reclamation; and

25 (16) costs, NOT TO EXCEED 5% OF THE GROSS YIELD DURING

1 THE YEAR, of office, clerical, and administrative services

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HB 0652/02

1 1985.

-End-

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HB 652

RE-REFERRED AND
APPROVED BY COMMITTEE
ON TAXATION
AS AMENDED

1 HOUSE BILL NO. 652
2 INTRODUCED BY SWITZER, DARKO
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- 1 sale;
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HB 0652/03

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THIRD READING

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- 20 costs incurred in Montana for engineering and geological
- 21 services for existing mining operations but not including
- 22 any such services beyond the stage of reduction and
- 23 beneficiation of the minerals; AND
- 24 (15) cost of mine reclamation; and
- 25 (16) costs, NOT TO EXCEED 5% OF THE GROSS YIELD, DURING

1 ~~THE YEAR of office, clerical, and administrative services~~
 2 ~~necessary to the operation of the mine or the reduction or~~
 3 ~~beneficiation process and performed in the vicinity of such~~
 4 ~~operation or processes."~~

5 Section 2. Section 15-23-503, MCA, is amended to read:
 6 "15-23-503. Net proceeds -- how computed. (1) The
 7 department of revenue shall calculate from the returns the
 8 gross product yielded from such mine and its gross value for
 9 the year covered by the statement and shall calculate and
 10 compute the net proceeds of the mine yielded to the person
 11 engaged in mining. Net proceeds shall be determined by
 12 subtracting from the value of the gross product thereof the
 13 following:

- 14 (a) all royalty paid or apportioned in cash or in kind
- 15 by the person so engaged in mining;
- 16 (b) all moneys expended for necessary labor,
- 17 machinery, and supplies needed and used in the mining
- 18 operations and developments;
- 19 (c) all moneys expended for improvements, repairs, and
- 20 betterments necessary in and about the working of the mine,
- 21 except as hereinafter provided;
- 22 (d) all moneys expended for costs of repairs and
- 23 replacements of the milling and reduction works used in
- 24 connection with the mine;
- 25 (e) depreciation in the sum of 6% of the assessed

1 valuation of such milling and reduction works for the
2 calendar year for which such return is made;

3 (f) all moneys actually expended for transporting the
4 ores and mineral products or deposits from the mines to the
5 mill or reduction works or to the place of sale and for
6 extracting the metals and minerals therefrom and for
7 marketing the product and the conversion of the same into
8 money;

9 (g) all moneys expended for insurance and welfare and
10 retirement costs reported in the statement required in
11 15-23-502;

12 (h) all moneys expended for necessary labor,
13 equipment, and supplies for testing minerals extracted to
14 satisfy federal or state health and safety laws or
15 regulations, for plant security in Montana, for assaying and
16 sampling the extracted minerals, and for engineering and
17 geological services conducted in Montana for existing mining
18 operations but not including any such services beyond the
19 stage of reduction and beneficiation of the minerals; AND

20 (i) all moneys expended for mine reclamation;
21 (j) costs, NOT TO EXCEED 5% OF THE GROSS YIELD DURING
22 THE YEAR of office, clerical, and administrative services
23 necessary to the operation of the mine or to the reduction
24 or beneficiation process and performed in the vicinity of
25 such operation or processes.

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

5 (3) No moneys invested in mines or improvements may be
6 allowed as a deduction unless all machinery, equipment, and
7 buildings represented by such moneys are returned to the
8 county in which such mine is located for assessment purposes
9 at the level of assessment of all other property in such
10 county.

11 (4) No moneys invested in the mines and improvements
12 during any year except the year for which such statement is
13 made and except as provided in this section may be included
14 in such expenditures, and such expenditures may not include
15 the salaries or any portion thereof of any person or officer
16 not actually engaged in the working of the mine the
17 reduction or beneficiation process, or superintending the
18 management thereof of such operations or of the officer,
19 clerical, and administrative services necessary thereto
20 THEREOF."

21 NEW SECTION. Section 3. Extension of authority. Any
22 existing authority of the department of revenue to make
23 rules on the subject of the provisions of this act is
24 extended to the provisions of this act.

25 NEW SECTION. Section 4. Applicability date. This act

HB 0652/03

1 is applicable to taxable years beginning after December 31,
2 1985.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN338-85 (Amended)

Form BD-15

In compliance with a written request received March 8, 19 85, there is hereby submitted a Fiscal Note for H.B. 652 (Amended) 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.

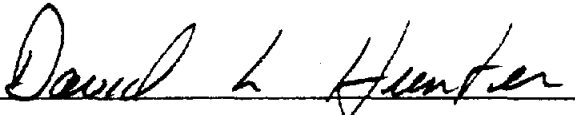
DESCRIPTION

An act to allow the deduction of certain costs from the net proceeds tax on mines applicable to nonmetallic mines and mining claims; amending sections 15-23-502 and 15-23-503, MCA; and providing an applicability date.

FISCAL IMPACT

There will be no impact during the 86-87 biennium because the act is applicable to tax years beginning after December 31, 1985.

The amended bill permits an additional deduction for reclamation costs. Such costs and their potential timing cannot be estimated within the time frame allowed for the completion of this note so a precise estimate of the fiscal impact cannot be given. One index of the amount involved is the value of reclamation bonds for nonmetallic mines. According to Department of State Lands records, there are approximately \$2.8M in reclamation bonds for such mines. In general, the value of reclamation bonds underestimates the actual cost of reclamation.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: March 12, 1985
HB 652 Amended

1 HOUSE BILL NO. 652
 2 INTRODUCED BY SWITZER, DARKO
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE DEDUCTION
 5 OF CERTAIN COSTS FROM 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; AND PROVIDING AN
 8 APPLICABILITY DATE."
 9

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

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



1 sale;

2 (8) cost of reduction or sale;

3 (9) cost of marketing the product and conversion of

4 same into money;

5 (10) cost of construction, repairs, and betterments of

6 mines and cost of repairs and replacements of reduction

7 works;

8 (11) the assessed valuation of reduction works for the

9 calendar year for which such return is made;

10 (12) cost of fire insurance, workers' compensation

11 insurance, boiler and machinery insurance, and public

12 liability insurance paid for the mine, reduction works, or

13 beneficiation process;

14 (13) cost of welfare and retirement fund payments

15 provided for in wage contracts; and

16 (14) cost of testing extracted minerals for the purpose

17 of satisfying federal or state health and safety laws or

18 regulations, the cost of plant security in Montana, the cost

19 of assaying and sampling the extracted minerals, and the

20 costs incurred in Montana for engineering and geological

21 services for existing mining operations but not including

22 any such services beyond the stage of reduction and

23 beneficiation of the minerals; AND

24 (15) cost of mine reclamation ; and

25 (16) costs, NOT TO EXCEED 5% OF THE GROSS YIELD DURING

1 THE YEAR, of office, clerical, and administrative services

2 necessary to the operation of the mine or the reduction or

3 beneficiation process and performed in the vicinity of such

4 operation or processes."

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

6 "15-23-503. Net proceeds -- how computed. (1) The

7 department of revenue shall calculate from the returns the

8 gross product yielded from such mine and its gross value for

9 the year covered by the statement and shall calculate and

10 compute the net proceeds of the mine yielded to the person

11 engaged in mining. Net proceeds shall be determined by

12 subtracting from the value of the gross product thereof the

13 following:

14 (a) all royalty paid or apportioned in cash or in kind

15 by the person so engaged in mining;

16 (b) all moneys expended for necessary labor,

17 machinery, and supplies needed and used in the mining

18 operations and developments;

19 (c) all moneys expended for improvements, repairs, and

20 betterments necessary in and about the working of the mine,

21 except as hereinafter provided;

22 (d) all moneys expended for costs of repairs and

23 replacements of the milling and reduction works used in

24 connection with the mine;

25 (e) depreciation in the sum of 6% of the assessed

1 valuation of such milling and reduction works for the
2 calendar year for which such return is made;

3 (f) all moneys actually expended for transporting the
4 ores and mineral products or deposits from the mines to the
5 mill or reduction works or to the place of sale and for
6 extracting the metals and minerals therefrom and for
7 marketing the product and the conversion of the same into
8 money;

9 (g) all moneys expended for insurance and welfare and
10 retirement costs reported in the statement required in
11 15-23-502;

12 (h) all moneys expended for necessary labor,
13 equipment, and supplies for testing minerals extracted to
14 satisfy federal or state health and safety laws or
15 regulations, for plant security in Montana, for assaying and
16 sampling the extracted minerals, and for engineering and
17 geological services conducted in Montana for existing mining
18 operations but not including any such services beyond the
19 stage of reduction and beneficiation of the minerals; AND

20 (i) all moneys expended for mine reclamation;
21 ~~(j) costs, NOT TO EXCEED 5% OF THE GROSS YIELD DURING~~
22 ~~THE YEAR of office, clerical, and administrative services~~
23 ~~necessary to the operation of the mine or to the reduction~~
24 ~~or beneficiation process and performed in the vicinity of~~
25 ~~such operation or processes.~~

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

5 (3) No moneys invested in mines or improvements may be
6 allowed as a deduction unless all machinery, equipment, and
7 buildings represented by such moneys are returned to the
8 county in which such mine is located for assessment purposes
9 at the level of assessment of all other property in such
10 county.

11 (4) No moneys invested in the mines and improvements
12 during any year except the year for which such statement is
13 made and except as provided in this section may be included
14 in such expenditures, and such expenditures may not include
15 the salaries or any portion thereof of any person or officer
16 not actually engaged in the working of the mine ~~the~~
17 ~~reduction or beneficiation process,~~ or superintending the
18 management thereof ~~of such operations or of the office,~~
19 ~~clerical, and administrative services necessary thereto~~
20 ~~THEREOF.~~"

21 NEW SECTION. Section 3. Extension of authority. Any
22 existing authority of the department of revenue to make
23 rules on the subject of the provisions of this act is
24 extended to the provisions of this act.

25 NEW SECTION. Section 4. Applicability date. This act

HB 0652/03

1 is applicable to taxable years beginning after December 31,
2 1985.

-End-

COMMITTEE OF THE WHOLE AMENDMENT

SENATE

APR 9, 1985

DATE

8:00

TIME

MR. CHAIRMAN: I MOVE TO AMEND HOUSE BILL No. 652

reference reading copy (salmon) as follows:
Color

1. Page 5, line 16.
Following: "minerals,"
Insert: "for the cost of reclamation at the site of the
mine,"

2. Page 5, line 20.
Following: line 19
Strike: subsection (i) in its entirety

PC3HB652.761

ADOPT

REJECT


.....
TOWE

HOUSE BILL NO. 652

INTRODUCED BY SWITZER, DARKO

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE DEDUCTION OF CERTAIN COSTS FROM THE NET PROCEEDS TAX ON MINES APPLICABLE TO NONMETALLIC MINES AND MINING CLAIMS; AMENDING SECTIONS 15-23-502 AND 15-23-503, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Section 15-23-502, MCA, is amended to read:

"15-23-502. Net proceeds tax -- statement of yield.

Every person engaged in mining, extracting, or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals, must on or before March 31 each year make out a statement of the gross yield and value of the above-named metals or minerals from each mine owned or worked by such person during the year preceding January 1 of the year in which such statement is made. Such statement shall be in the form prescribed by the department of revenue and must be verified by the oath of the person completing the statement or the manager, superintendent, agent, president, or vice-president, if a corporation, association,

or partnership, and must be delivered to the department on or before March 31. Such statement shall show the following:

(1) the name and address of the owner or lessee or operator of the mine, together with the names and addresses of any and all persons owning or claiming any royalty interest in the mineral product of such mine 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 mine;

(3) the number of tons of ore or other mineral products or deposits extracted, produced, and treated or sold from the mine during the period covered by the statement;

(4) the amount and character of such ores, mineral products, or deposits and the yield of such ores, mineral products, or deposits from such mine in constituents of commercial value; that is, commercially valuable constituents of the ores, mineral products, or deposits, measured by standard units of measurement, yielded to such person so engaged in mining and to each royalty holder, if any, during the period covered by the statement;

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

(6) cost of extracting from the mine;

(7) cost of transporting to place of reduction or

REFERENCE BILL

1 sale;

2 (8) cost of reduction or sale;

3 (9) cost of marketing the product and conversion of

4 same into money;

5 (10) cost of construction, repairs, and betterments of

6 mines and cost of repairs and replacements of reduction

7 works;

8 (11) the assessed valuation of reduction works for the

9 calendar year for which such return is made;

10 (12) cost of fire insurance, workers' compensation

11 insurance, boiler and machinery insurance, and public

12 liability insurance paid for the mine, reduction works, or

13 beneficiation process;

14 (13) cost of welfare and retirement fund payments

15 provided for in wage contracts; and

16 (14) cost of testing extracted minerals for the purpose

17 of satisfying federal or state health and safety laws or

18 regulations, the cost of plant security in Montana, the cost

19 of assaying and sampling the extracted minerals, and the

20 costs incurred in Montana for engineering and geological

21 services for existing mining operations but not including

22 any such services beyond the stage of reduction and

23 beneficiation of the minerals; AND

24 (15) cost of mine reclamation ; -and

25 (16) costs, NOT TO EXCEED 5% OF THE GROSS YIELD--BURING

1 ~~THE--YEAR, of-office, clerical, and administrative services~~

2 ~~necessary to the operation of the mine or the reduction or~~

3 ~~beneficiation process and performed in the vicinity of such~~

4 ~~operation or processes."~~

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

6 "15-23-503. Net proceeds -- how computed. (1) The

7 department of revenue shall calculate from the returns the

8 gross product yielded from such mine and its gross value for

9 the year covered by the statement and shall calculate and

10 compute the net proceeds of the mine yielded to the person

11 engaged in mining. Net proceeds shall be determined by

12 subtracting from the value of the gross product thereof the

13 following:

14 (a) all royalty paid or apportioned in cash or in kind

15 by the person so engaged in mining;

16 (b) all moneys expended for necessary labor,

17 machinery, and supplies needed and used in the mining

18 operations and developments;

19 (c) all moneys expended for improvements, repairs, and

20 betterments necessary in and about the working of the mine,

21 except as hereinafter provided;

22 (d) all moneys expended for costs of repairs and

23 replacements of the milling and reduction works used in

24 connection with the mine;

25 (e) depreciation in the sum of 6% of the assessed

1 valuation of such milling and reduction works for the
2 calendar year for which such return is made;

3 (f) all moneys actually expended for transporting the
4 ores and mineral products or deposits from the mines to the
5 mill or reduction works or to the place of sale and for
6 extracting the metals and minerals therefrom and for
7 marketing the product and the conversion of the same into
8 money;

9 (g) all moneys expended for insurance and welfare and
10 retirement costs reported in the statement required in
11 15-23-502;

12 (h) all moneys expended for necessary labor,
13 equipment, and supplies for testing minerals extracted to
14 satisfy federal or state health and safety laws or
15 regulations, for plant security in Montana, for assaying and
16 sampling the extracted minerals, FOR THE COST OF RECLAMATION
17 AT THE SITE OF THE MINE, and for engineering and geological
18 services conducted in Montana for existing mining operations
19 but not including any such services beyond the stage of
20 reduction and beneficiation of the minerals; AND

21 ~~(i) all moneys expended for mine reclamation;~~
22 ~~(j) costs not to exceed 5% of the gross yield during~~
23 ~~the year of office, clerical, and administrative services~~
24 ~~necessary to the operation of the mine or to the reduction~~
25 ~~or beneficiation process and performed in the vicinity of~~

1 such operation or processes.

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

6 (3) No moneys invested in mines or improvements may be
7 allowed as a deduction unless all machinery, equipment, and
8 buildings represented by such moneys are returned to the
9 county in which such mine is located for assessment purposes
10 at the level of assessment of all other property in such
11 county.

12 (4) No moneys invested in the mines and improvements
13 during any year except the year for which such statement is
14 made and except as provided in this section may be included
15 in such expenditures, and such expenditures may not include
16 the salaries or any portion thereof of any person or officer
17 not actually engaged in the working of the mine; ~~the~~
18 ~~reduction or beneficiation process,~~ or superintending the
19 management thereof ~~of such operations or of the office,~~
20 ~~clerical, and administrative services necessary thereto~~
21 THEREOF."

22 NEW SECTION. Section 3. Extension of authority. Any
23 existing authority of the department of revenue to make
24 rules on the subject of the provisions of this act is
25 extended to the provisions of this act.

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2 is applicable to taxable years beginning after December 31,
3 1985.

-End-