HOUSE BILL NO. 652

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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

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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.
	I	N 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.

LC 1605/01

INTRODUCED BY Switzer Darko 1 2 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, 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 17 except coal and metals, must on or before March 31 each year 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 22 shall be in the form prescribed by the department of revenue 23 and must be verified by the oath of the person completing the statement or the manager, superintendent, agent, 24 25 president, or vice-president, if a corporation, association,

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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 З 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 б 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

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;

(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, valuable commercially 16 constituents of the ores, mineral products, or deposits, 19 measured by standard units of measurement, yielded to such 20 person so engaged in mining and to each royalty holder, if 21 any, during the period covered by the statement; 22 (5) the gross yield or value in dollars and cents; 23

- 24 (6) cost of extracting from the mine;
- 25 (7) cost of transporting to place of reduction or

-2- INTRODUCED BILL HB 452

LC 1605/01

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1	sale;	1	services necessary to the operation of the mine or the
2	(8) cost of reduction or sale;	2	reduction or beneficiation process and performed in the
3	(9) cost of marketing the product and conversion of	-	vicinity of such operation or processes."
4	same into money;	4	Section 2. Section 15-23-503, MCA, is amended to read:
5	(10) cost of construction, repairs, and betterments of	5	"15-23-503. Net proceeds how computed. (1) The
6	mines and cost of repairs and replacements of reduction	6	department of revenue shall calculate from the returns the
7	works;	7	gross product yielded from such mine and its gross value for
8	(11) the assessed valuation of reduction works for the		
9	calendar year for which such return is made;	8	the year covered by the statement and shall calculate and
	-	9	compute the net proceeds of the mine yielded to the person
10	(12) cost of fire insurance, workers' compensation	10	engaged in mining. Net proceeds shall be determined by
11	insurance, boiler and machinery insurance, and public	11	subtracting from the value of the gross product thereof the
12	liability insurance paid for the mine, reduction works, or	1 2	following:
13	beneficiation process;	13	(a) all royalty paid or apportioned in cash or in kind
14	(13) cost of welfare and retirement fund payments	14	by the person so engaged in mining;
15	provided for in wage contracts; and	15	(b) all moneys expended for necessary labor,
16	(14) cost of testing extracted minerals for the purpose	16	machinery, and supplies needed and used in the mining
17	of satisfying federal or state health and safety laws or	17	operations and developments;
18	regulations, the cost of plant security in Montana, the cost	18	(c) all moneys expended for improvements, repairs, and
19	of assaying and sampling the extracted minerals, and the	19	betterments necessary in and about the working of the mine,
20	costs incurred in Montana for engineering and geological	20	except as hereinafter provided;
21	services for existing mining operations but not including	21	(d) all moneys expended for costs of repairs and
22	any such services beyond the stage of reduction and	22	replacements of the milling and reduction works used in
23	beneficiation of the minerals+ <u>;</u>	23	connection with the mine;
24	(15) cost of mine reclamation; and	24	(e) depreciation in the sum of 6% of the assessed
25	(16) costs of office, clerical, and administrative	25	valuation of such milling and reduction works for the
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1 calendar year for which such return is made;

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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;

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

19 (i) all moneys expended for mine reclamation;

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

(2) In computing the deductions allowable for repairs,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 not actually engaged in the working of the mine, the 14 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 <u>NEW SECTION.</u> 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.

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

-End-

LC 1605/01

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STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN 338-85

Form 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:	FY 88 and Beyond			
	Under	Under	Estimated	
	Current Law	Proposed Law	Decrease	
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 h funta

BUDGET DIRECTOR Office of Budget and Program Planning

Date: Fib 11, 1985 HB 652

FN7:F/2

49th Legislature

HB 0652/02 RE-REFERRED COMMITTEE ON TAXATION AS AMENDED RECOMMEND DO NOT PASS

1	HOUSE BILL NO. 652
2	INTRODUCED BY SWITZER, DARKO
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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
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1 or partnership, and must be delivered to the department on 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 л of any and all persons owning or claiming any royalty 5 interest in the mineral product of such mine or the proceeds 6 7 derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during 8 9 the period covered by the statement:

the description and location of the mine;

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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;

(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, 18 commercially valuable constituents of the ores, mineral products, or deposits, 19 20 measured by standard units of measurement, yielded to such person so engaged in mining and to each royalty holder, if 21 any, during the period covered by the statement; 22

- 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

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HB 652 SECOND READING

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HB 0652/02

sale; 1 THE YEAR, of office, clerical, and administrative services 1 (8) cost of reduction or sale; necessary to the operation of the mine or the reduction or 2 2 (9) cost of marketing the product and conversion of beneficiation process and performed in the vicinity of such 3 3 operation or processes." same into money; 4 4 Section 2. Section 15-23-503, MCA, is amended to read: (10) cost of construction, repairs, and betterments of 5 5 mines and cost of repairs and replacements of reduction 6 "15-23-503, Net proceeds -- how computed. (1) The 6 7 works: 7 department of revenue shall calculate from the returns the (11) the assessed valuation of reduction works for the 8 gross product yielded from such mine and its gross value for 8 the year covered by the statement and shall calculate and 9 calendar year for which such return is made: 9 compute the net proceeds of the mine yielded to the person 10 (12) cost of fire insurance, workers' compensation 10 insurance, boiler and machinery insurance, and public 11 engaged in mining. Net proceeds shall be determined by 11 12 liability insurance paid for the mine, reduction works, or 12 subtracting from the value of the gross product thereof the following: 13 beneficiation process; 13 (13) cost of welfare and retirement fund payments 14 (a) all royalty paid or apportioned in cash or in kind 14 by the person so engaged in mining; 15 provided for in wage contracts; and 15 (b) all moneys expended for necessary labor, (14) cost of testing extracted minerals for the purpose 16 16 17 of satisfying federal or state health and safety laws or 17 machinery, and supplies needed and used in the mining operations and developments; regulations, the cost of plant security in Montana, the cost 18 18 of assaying and sampling the extracted minerals, and the 19 (c) all moneys expended for improvements, repairs, and 19 20 costs incurred in Montana for engineering and geological 20 betterments necessary in and about the working of the mine, services for existing mining operations but not including 21 except as hereinafter provided; 21 any such services beyond the stage of reduction and 22 (d) all moneys expended for costs of repairs and 22 replacements of the milling and reduction works used in 23 beneficiation of the minerals; 23 (15) cost of mine reclamation; and 24 connection with the mine: 24 (16) costs, NOT TO EXCEED 5% OF THE GROSS YIELD DURING 25 (e) depreciation in the sum of 6% of the assessed 25

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valuation of such milling and reduction works for the 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;

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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 satisfy federal or state health and safety laws or 14 regulations, for plant security in Montana, for assaying and 15 16 sampling the extracted minerals, and for engineering and 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

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(i) all moneys expended for mine reclamation;

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existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

24 <u>NEW SECTION.</u> Section 4. Applicability date. This act
25 is applicable to taxable years beginning after December 31,

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HB 652

-End-

HB 652

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1 1985.

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49th Legislature

HB 0652/03 RE-REFERRED ANI APPROVED BY COMMITTEE ON TAXATION AS AMENDED

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HOUSE BILL NO. 652 INTRODUCED BY SWITZER, DARKO

A BILL POR 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
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Montana Legislative Council

HB 0652/03

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(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;

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

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SECOND READING

HB 652 Second Printing

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sale:

works;

HB 0652/03

THE--YEAR; of-office;-clerical;-and-administrative-services 1 2 necessary-to-the-operation-of-the-mine-or-the--reduction--or (8) cost of reduction or sale; з beneficiation--process-and-performed-in-the-vicinity-of-such (9) cost of marketing the product and conversion of operation-or-processes." same into money; Section 2. Section 15-23-503, MCA, is amended to read: (10) cost of construction, repairs, and betterments of "15-23-503. Net proceeds -- how computed. (1) The mines and cost of repairs and replacements of reduction 6 7 department of revenue shall calculate from the returns the 8 gross product yielded from such mine and its gross value for (11) the assessed valuation of reduction works for the 9 the year covered by the statement and shall calculate and calendar year for which such return is made; 10 compute the net proceeds of the mine yielded to the person (12) cost of fire insurance, workers' compensation engaged in mining. Net proceeds shall be determined by insurance, boiler and machinery insurance, and public 11 subtracting from the value of the gross product thereof the liability insurance paid for the mine, reduction works, or 12 13 following: beneficiation process; (a) all royalty paid or apportioned in cash or in kind 14 (13) cost of welfare and retirement fund payments 15 by the person so engaged in mining; provided for in wage contracts; and (b) all moneys expended for necessary labor, 16 (14) cost of testing extracted minerals for the purpose machinery, and supplies needed and used in the mining 17 of satisfying federal or state health and safety laws or regulations, the cost of plant security in Montana, the cost 18 operations and developments; 19 (c) all moneys expended for improvements, repairs, and of assaying and sampling the extracted minerals, and the betterments necessary in and about the working of the mine. 20 costs incurred in Montana for engineering and geological 21 except as hereinafter provided; services for existing mining operations but not including (d) all moneys expended for costs of repairs and 22 any such services beyond the stage of reduction and 23 replacements of the milling and reduction works used inbeneficiation of the minerals; AND connection with the mine; 24 (15) cost of mine reclamation 7-and (e) depreciation in the sum of 6% of the assessed 25 116)-costs7-NOP-PO-EXCEED-5%-OP-THE-GROSS-VIELD--DURING HB 652 -4--3~ HB 652

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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 5 mill or reduction works or to the place of sale and for extracting the metals and minerals therefrom and for 6 marketing the product and the conversion of the same into 7 8 money;

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

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

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

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-5-

1 is applicable to taxable years beginning after December 31,

2 1985.

-End-

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HOUSE BILL NO. 652

INTRODUCED BY SWITZER, DARKO

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- (6) cost of extracting from the mine;
- (7) cost of transporting to place of reduction or THIRD READING
 - -2- HB 652

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sale: 2 necessary-to-the-operation-of-the-mine-or-the--reduction--or (8) cost of reduction or sale: 3 beneficiation--process-and-performed-in-the-vicinity-of-such (9) cost of marketing the product and conversion of 4 operation-or-processes." same into money; 5 Section 2. Section 15-23-503, MCA, is amended to read: (10) cost of construction, repairs, and betterments of "15-23-503. Net proceeds -- how computed. (1) The 6 mines and cost of repairs and replacements of reduction 7 department of revenue shall calculate from the returns the works: 8 gross product yielded from such mine and its gross value for (11) the assessed valuation of reduction works for the 9 the year covered by the statement and shall calculate and calendar year for which such return is made: 10 compute the net proceeds of the mine yielded to the person (12) cost of fire insurance, workers' compensation 11 engaged in mining. Net proceeds shall be determined by insurance, boiler and machinery insurance, and public subtracting from the value of the gross product thereof the 12 liability insurance paid for the mine, reduction works, or following: 13 beneficiation process; (a) all royalty paid or apportioned in cash or in kind 14 (13) cost of welfare and retirement fund payments 15 by the person so engaged in mining; provided for in wage contracts; and 16 (b) all moneys expended for necessary labor, (14) cost of testing extracted minerals for the purpose 17 machinery, and supplies needed and used in the mining of satisfying federal or state health and safety laws or operations and developments; 18 regulations, the cost of plant security in Montana, the cost (c) all moneys expended for improvements, repairs, and 19 of assaying and sampling the extracted minerals, and the 20 betterments necessary in and about the working of the mine, costs incurred in Montana for engineering and geological 21 except as hereinafter provided; services for existing mining operations but not including

(d) all moneys expended for costs of repairs and 22 23 replacements of the milling and reduction works used in connection with the mine; 24

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

THE---YBAR7 of-officey-elericaly-and-administrative-services

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HB 652

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16 17 18 19 20 21 such services beyond the stage of reduction and 22 any 23 beneficiation of the minerals; AND

24 (15) cost of mine reclamation 7-and

25 116)-costsy-NOT-TO-EXCEED-5%-OF-THE-GROSS-VIELD--BURING

-3-

HB 652

valuation of such milling and reduction works for the
 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;

(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 15 regulations, for plant security in Montana, for assaying and 16 sampling the extracted minerals, and for engineering and geological services conducted in Montana for existing mining 17 operations but not including any such services beyond the 18 19 stage of reduction and beneficiation of the minerals; AND (i) all moneys expended for mine reclamation; 20

21 <u>(j)--costs7-NOT-TO-EXCEED-5%-OP-THE-GROSS-VIELD--DURING</u>
22 <u>THE--VEAR7</u> of-office7-clerical7-and-administrative-services
23 <u>necessary-to-the-operation-of-the-mine-or-to--the--reduction</u>
24 <u>or--beneficiation--process--and-performed-in-the-vicinity-of</u>
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 clericaly--and--administrative--services--necessary--thereto 20 THEREOF." 21 NEW SECTION. Section 3. Extension of authority. Any

existing authority of the department of revenue to make
rules on the subject of the provisions of this act is
extended to the provisions of this act.

NEW SECTION. Section 4. Applicability date. This act

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HB 652

1 is applicable to taxable years beginning after December 31,

2 1985.

-End-

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STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN338-85(Amended)

Form BD-15

In compliance with a written request received <u>March 8</u>, 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.

Hunter

BUDGET DIRECTOR Office of Budget and Program Planning

12, 1985 Date:

HB652 Amended

HOUSE BILL NO. 652

INTRODUCED BY SWITZER, DARKO

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE DEDUCTION 4 OF CERTAIN COSTS FROM THE NET PROCEEDS TAX ON MINES 5 APPLICABLE TO NONMETALLIC MINES AND MINING CLAIMS: AMENDING б 7 SECTIONS 15-23-502 AND 15-23-503, MCA: AND PROVIDING AN APPLICABILITY DATE." 8

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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: "15-23-502. Net proceeds tax -- statement of yield. 12 13 Every person engaged in mining, extracting, or producing 14 from any guartz 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 make out a statement of the gross yield and value of the 18 above-named metals or minerals from each mine owned or 19 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,

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 5 of any and all persons owning or claiming any royalty interest in the mineral product of such mine or the proceeds 6 7 derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during 8 9 the period covered by the statement;

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

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

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

- 22
- 23 (5) the gross yield or value in dollars and cents;
- (6) cost of extracting from the mine; 24
- 25 (7) cost of transporting to place of reduction or

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REFERENCE BILL



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1	sale;	1	THEYEAR; of-office;-clerical;-and-administrative-services
2	(8) cost of reduction or sale;	2	necessary-to-the-operation-of-the-mine-or-thereductionor
3	(9) cost of marketing the product and conversion of	3	beneficiationprocess-and-performed-in-the-vicinity-of-such
4	same into money;	4	operation-or-processes."
5	(10) cost of construction, repairs, and betterments of	5	Section 2. Section 15-23-503, MCA, is amended to read:
6	mines and cost of repairs and replacements of reduction	6	"15-23-503. Net proceeds how computed. (1) The
7	works;	7	department of revenue shall calculate from the returns the
8	(11) the assessed valuation of reduction works for the	8	gross product yielded from such mine and its gross value for
9	calendar year for which such return is made;	9	the year covered by the statement and shall calculate and
10	(12) cost of fire insurance, workers' compensation	10	compute the net proceeds of the mine yielded to the person
11	insurance, boiler and machinery insurance, and public	11	engaged in mining. Net proceeds shall be determined by
12	liability insurance paid for the mine, reduction works, or	12	subtracting from the value of the gross product thereof the
13	beneficiation process;	13	following:
14	(13) cost of welfare and retirement fund payments	14	(a) all royalty paid or apportioned in cash or in kind
15	provided for in wage contracts; and	15	by the person so engaged in mining;
16	(14) cost of testing extracted minerals for the purpose	16	(b) all moneys expended for necessary labor,
17	of satisfying federal or state health and safety laws or	17	machinery, and supplies needed and used in the mining
18	regulations, the cost of plant security in Montana, the cost	18	operations and developments;
19	of assaying and sampling the extracted minerals, and the	19	(c) all moneys expended for improvements, repairs, and
20	costs incurred in Montana for engineering and geological	20	betterments necessary in and about the working of the mine,
. 21	services for existing mining operations but not including	21	except as hereinafter provided;
22	any such services beyond the stage of reduction and	22	(d) all moneys expended for costs of repairs and
23	beneficiation of the minerals -; AND	23	replacements of the milling and reduction works used in
24	(15) cost of mine reclamation 7-and	24	connection with the mine;
25	tic)-costs;-NOT-TO-EXCEED-5%-OP-THE-GROSS-TIELDDURING	25	(e) depreciation in the sum of 6% of the assessed
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HB 652

valuation of such milling and reduction works for the
 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. equipment, and supplies for testing minerals extracted to 13 14 satisfy federal or state health and safety laws or 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 18 operations but not including any such services beyond the stage of reduction and beneficiation of the minerals; AND 19

20 (i) all moneys expended for mine reclamation;

21 <u>fj)-costsy-NOT-TO-EXCEED-5t-OP-THE-GROSS-VIEED-DURING</u>
22 <u>THE--YEAR7</u> of-office7-clerical7-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.

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(2) In computing the deductions allowable for repairs, improvements, and betterments to the mine, the department shall allow 10% of such cost each year for a period of 10 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 in such expenditures, and such expenditures may not include 14 15 the salaries or any portion thereof of any person or officer not actually engaged in the working of the mine--the 16 reduction-or-beneficiation-process; or superintending the 17 18 management thereof of--such--operations--or-of-the-office; 19 clerical;--and--administrative--services--necessary--thereto 20 THEREOF." 21

21 <u>NEW SECTION.</u> 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.

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NEW SECTION. Section 4. Applicability date. This act

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HB 652

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1 is applicable to taxable years beginning after December 31,

2 1985.

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COMMITTEE OF THE WHOLE AMENDMENT

SENALE	APR 9, 1985 DATE
	8:00 TIME
MR. CHAIRMAN: I MOVE TO AMEND HOUSE BILL	<u>No652</u>
referencereading copy (salmon) as follows: Color	
 Page 5, line 16. Following: "minerals," Insert: "for the cost of reclamation at the site of mine," 	of the
2. Page 5, line 20. Following: line 19 Strike: subsection (i) in its entirety	

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HB 0652/04

HB 0652/04

HOUSE BILL NO. 652 INTRODUCED BY SWITZER, DARKO

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:

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

Montana Legislative Council

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; q

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;

(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, commercially valuable 18 constituents of the ores, mineral products, or deposits, 19 measured by standard units of measurement, yielded to such 20 person so engaged in mining and to each royalty holder, if 21 any, during the period covered by the statement; 22 (5) the gross yield or value in dollars and cents; 23

24 (6) cost of extracting from the mine;

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

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REFERENCE BILL

HB 652 SECOND PRINTING AS AMENDED .

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1	sale;	1	THEYEAR7 of-office;-clerical;-and-administrative-services
2	(8) cost of reduction or sale;	2	necessary-to-the-operation-of-the-mine-or-thereductionor
3	(9) cost of marketing the product and conversion of	3	beneficiationprocess-and-performed-in-the-vicinity-of-such
4	same into money;	4	operation-or-processes."
5	(10) cost of construction, repairs, and betterments of	5	Section 2. Section 15-23-503, MCA, is amended to read:
6	mines and cost of repairs and replacements of reduction	6	"15-23-503. Net proceeds how computed. (1) The
7	works;	7	department of revenue shall calculate from the returns the
8	(11) the assessed valuation of reduction works for the	8	gross product yielded from such mine and its gross value for
9	calendar year for which such return is made;	9	the year covered by the statement and shall calculate and
10	(12) cost of fire insurance, workers' compensation	10	compute the net proceeds of the mine yielded to the person
11	insurance, boiler and machinery insurance, and public	11	engaged in mining. Net proceeds shall be determined by
12	liability insurance paid for the mine, reduction works, or	12	subtracting from the value of the gross product thereof the
13	beneficiation process;	13	following:
14	(13) cost of welfare and retirement fund payments	14	(a) all royalty paid or apportioned in cash or in kind
15	provided for in wage contracts; and	15	by the person so engaged in mining;
16	(14) cost of testing extracted minerals for the purpose	16	(b) all moneys expended for necessary labor,
17	of satisfying federal or state health and safety laws or	17	machinery, and supplies needed and used in the mining
18	regulations, the cost of plant security in Montana, the cost	18	operations and developments;
19	of assaying and sampling the extracted minerals, and the	19	(c) all moneys expended for improvements, repairs, and
20	costs incurred in Montana for engineering and geological	20	bet erments necessary in and about the working of the mine,
21	services for existing mining operations but not including	21	except as hereinafter provided;
22	any such services beyond the stage of reduction and	22	(d) all moneys expended for costs of repairs and
23	beneficiation of the minerals . ; AND	23	replacements of the milling and reduction works used in
24	(15) cost of mine reclamation ;-and	24	connection with the mine;
25	ti6)-costs;-NOT-TO-EXCEED-5%-OF-THE-GROSS-VIELDBURING	25	(e) depreciation in the sum of 6% of the assessed
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HB 0652/04

HB 652

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

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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;

(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, FOR THE COST OF RECLAMATION 16 17 AT THE SITE OF THE MINE, and for engineering and geological services conducted in Montana for existing mining operations 18 but not including any such services beyond the stage of 19 reduction and beneficiation of the minerals+; ANB 20

21 tit--all-moneys-expended-for-mine-reclamation;

 22
 (j)--costs7--NOT-TO-EXCEED-5%-OP-THE-GROSS-YIELD-DURING

 23
 THE-YEAR7 of-office7-clerical7-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

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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 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 17 not actually engaged in the working of the mine---the 18 reduction--or--beneficiation--process; or superintending the management thereof of-such--operations--or--of--the--officer 19 20 clerical;--and--administrative--services--necessary--thereto 21 THEREOF." NEW SECTION. Section 3. Extension of authority. Any 22 existing authority of the department of revenue to make 23

24 rules on the subject of the provisions of this act is
25 extended to the provisions of this act.

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<u>NEW SECTION.</u> Section 4. Applicability date. This act
 is applicable to taxable years beginning after December 31,
 1985.

-End-

-7-

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