HOUSE BILL NO. 787

2/11	Introduced
2/11	Referred to Taxation
2/11	Fiscal Note Requested
2/16	Fiscal Note Received
2/22	Hearing
3/05	Committee Report-Bill Pass As Amended
3/06	2nd Reading Do Not Pass
3/07	Reconsideration
3/14	Tabled

HOUSE BILL NO. 787

INTRODUCED BY Hayne/Gordon, Asay, ..., Ellison, Keating, Iverson, Shaw, Cobb, ..., Switzer, Gilbert, Hulestad, E. Smith, Keller, Hand, Manuel

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING FROM 5 PERCENT TO 4 PERCENT THE SEVERANCE TAX ON OIL PRODUCED FROM A WELL PRODUCING 10 BARRELS OR LESS PER DAY; AMENDING SECTIONS 15-36-101 AND 15-36-105, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-36-101, MCA, is amended to read:

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

(a) ~~5%-of-the-total-gross-value-of-all--the--petroleum~~

~~and--other-mineral-or-crude-oil-produced-by-such-person-from each-lease-or-unit-on-or-after-April--1,--1981,--and--on--or before--March--31,--1983,-6%-of-the-total-gross-value-of-all the-petroleum-and-other-mineral-or--crude--oil--produced--by such--person--from--each--lease-or-unit-on-or-after-April-1, 1983,-and-on-or-before-March-31,-1985,-and~~ 5% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit ~~thereafter~~ on or after April 1, 1985, but not more than 4% of the total gross value of all the petroleum and other mineral or crude oil produced from any well that has produced 10 barrels or less of merchantable or marketable petroleum or other mineral or crude oil per day for 1 year prior to the quarter for which the production is reported as required by 15-36-105; ~~but~~ and in determining the amount of such tax there shall be excluded from consideration all petroleum or other crude or mineral oil produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such petroleum or crude or mineral oil;

(b) 2.65% of the total gross value of natural gas produced from each lease or unit; but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in

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prospecting for, developing, and producing such gas or petroleum or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

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

(3) Every person required to pay such tax hereunder

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

Section 2. Section 15-36-105, MCA, is amended to read:

"15-36-105. Statement to accompany payment -- records -- collection of tax -- refunds. (1) Each and every person must, within 60 days after the end of each following quarter, make out on forms prescribed by the department of revenue a statement showing the total number of barrels of merchantable or marketable petroleum and other mineral or crude oil or cubic feet of natural gas produced or extracted by such person in the state during each month of such quarter and during the whole quarter, the average value thereof during each month, and the total value thereof for the whole quarter, together with the total amount due to the state as severance taxes for such quarter, and must within such 60 days deliver such statement and, except as provided in 15-36-121, pay to the department the amount of the taxes shown by such statement to be due to the state for the quarter for which such statement is made. Such statement must be signed by the individual or the president, vice-president, treasurer, assistant treasurer, or managing agent in this state of the association, corporation, joint-stock company, or syndicate making the statement. Any such person engaged in carrying on such business at more than one place in this state or owning, leasing, controlling, or operating more than one oil or gas well in this state may include all thereof in one statement. The department shall receive and file all such statements and collect and receive from such person making and filing a statement the amount of tax payable by such person, if any, as the same shall appear from the face of the statement.

(2) The department shall provide that the forms prescribed in subsection (1) require a statement showing the total number of barrels of merchantable or marketable petroleum and other mineral or crude oil produced or

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extracted from any well that has produced 10 barrels or less of petroleum or other mineral or crude oil per day for 1 year prior to the quarter for which the production is reported in the statement.

~~(2)~~(3) It shall be the duty of the department to examine each of such statements and compute the taxes thereon, and the amount so computed by the department shall be the taxes imposed, assessed against, and payable by the taxpayer making the statement for the quarter for which the statement is filed. If the tax found to be due shall be greater than the amount paid, the excess shall be paid by the taxpayer to the department within 10 days after written notice of the amount of the deficiency shall be mailed by the department to such taxpayer. If the tax imposed shall be less than the amount paid, the difference must be applied as a credit against tax liability for subsequent quarters or refunded if there is no subsequent tax liability."

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. Effective date. This act is effective April 1, 1985.

-End-

STATE OF MONTANA

REQUEST NO. FNN 392-85

F I S C A L   N O T E

Form BD-15

In compliance with a written request received February 13, 19 85 , there is hereby submitted a Fiscal Note for House Bill 787 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 reducing from 5% to 4% the severance tax on oil produced from a well producing 10 barrels or less per day.

ASSUMPTIONS:

1. Total oil production is estimated to be 28,341,000 barrels in FY 1986 and 27,939,000 barrels in FY 1987 (OBPP).
2. Price per barrel for oil is estimated to be $26.097 in FY 1986 and $24.990 in FY 1987 (OBPP).
3. Production from stripper wells is assumed to be 10% of the total annual production. This assumption is based on published data in the Montana Oil Journal, November 20, 1984.
4. Total revenue from oil severance taxes under current law is estimated to be $36,981,000 in FY 1986 and $34,911,000 in FY 1987.

FISCAL IMPACT:

	FY 1986			FY 1987		
	Under Current Law	Under Proposed Law	Difference	Under Current Law	Under Proposed Law	Difference
Oil Severance Tax	$36,981,000	$36,241,385	($739,615)	$34,911,000	$34,212,804	($698,196)
TOTAL REVENUE	$36,981,000	$36,241,385	($739,615)	$34,911,000	$34,212,804	($698,196)
Fund Information						
General Fund	$24,654,000	$24,160,923	($493,077)	$23,274,000	$22,808,536	($465,464)
Local Government Block Grant	$12,327,000	$12,080,462	($246,538)	$11,637,000	$11,404,268	($232,732)

David L Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 18, 1985

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FN9:D/3

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 787

INTRODUCED BY HAYNE, GOODOVER, SPAETH, THAYER, ELLISON, KEATING, AKLESTAD, IVERSON, SHAW, COBB, GAGE, TVEIT, SWITZER, GILBERT, E. SMITH, KELLER, HAND, MANUEL

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severance tax computed at the following rates:

(a) ~~5%-of-the-total-gross-value-of-all--the--petroleum and--other-mineral-or-crude-oil-produced-by-such-person-from each-lease-or-unit-on-or-after-April--1,--1981,--and--on--or before--March--31,--1983,-6%-of-the-total-gross-value-of-all the-petroleum-and-other-mineral-or--crude--oil--produced--by such--person--from--each--lease-or-unit-on-or-after-April-1, 1983,-and-on-or-before-March-31,-1985,-and~~ 5% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit ~~thereafter~~ on or after April 1, 1985, but not more than 4% of the total gross value of all the petroleum and other mineral or crude oil produced from any well that has produced AN AVERAGE OF 10 barrels or less of merchantable or marketable petroleum or other mineral or crude oil per day OF PRODUCTION for 1 year prior to AND INCLUDING the quarter for which the production is reported as required by 15-36-105; ~~but~~ and in determining the amount of such tax there shall be excluded from consideration all petroleum or other crude or mineral oil produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such petroleum or crude or mineral oil;

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SECOND READING

amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas or petroleum or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

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

business within this state within the meaning of this section.

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

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(2) The department shall provide that the forms

prescribed in subsection (1) require a statement showing the total number of barrels of merchantable or marketable petroleum and other mineral or crude oil produced or extracted from any well that has produced AN AVERAGE OF 10 barrels or less of petroleum or other mineral or crude oil per day OF PRODUCTION for 1 year prior to AND INCLUDING the quarter for which the production is reported in the statement. IN COMPUTING THE AVERAGE DAILY PRODUCTION FOR A WELL, THE TOTAL BARRELS PRODUCED DURING THE PERIOD PRESCRIBED IN THIS SECTION SHALL BE DIVIDED BY THE NUMBER OF DAYS THE WELL WAS IN PRODUCTION DURING THAT SAME PERIOD.

~~(2)~~(3) It shall be the duty of the department to examine each of such statements and compute the taxes thereon, and the amount so computed by the department shall be the taxes imposed, assessed against, and payable by the taxpayer making the statement for the quarter for which the statement is filed. If the tax found to be due shall be greater than the amount paid, the excess shall be paid by the taxpayer to the department within 10 days after written notice of the amount of the deficiency shall be mailed by the department to such taxpayer. If the tax imposed shall be less than the amount paid, the difference must be applied as a credit against tax liability for subsequent quarters or refunded if there is no subsequent tax liability."

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