

HOUSE BILL NO. 926

2/27 Introduced
2/27 Referred to Taxation
3/06 Fiscal Note Requested
3/06 Fiscal Note Received
3/19 Hearing
3/29 Adverse Committee Report
3/29 Objection to Adverse Committee Report
4/01 2nd Reading Do Not Pass
4/01 Bill Killed

1 HOUSE BILL NO. 926 Connelly
 2 INTRODUCED BY Bready, Korman, Vincent, Alex Manahan
 3 Fitz, Park, Alder, Ream, Roney, Barker, Clarke
 4 Rodas, J. Westwood, Kopp-Smidt, Williams
 5 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA
 6 INFRASTRUCTURE TRUST FUND; CHANGING THE REPORTING AND TAX
 7 PAYMENT PERIOD FOR WITHHOLDING TAXES, COAL SEVERANCE TAXES,
 8 AND OIL AND GAS SEVERANCE TAXES; AMENDING SECTIONS 15-1-501,
 9 15-30-204, 15-35-102, 15-35-104, 15-35-105, 15-35-108,
 10 15-36-102, 15-36-105, 15-36-107, AND 15-36-112, MCA; AND
 11 PROVIDING EFFECTIVE DATES."

12 WHEREAS, the Governor's Task Force on Infrastructure
 13 found that at least \$100 million in repairs to the state's
 14 municipal water supply systems was needed in 1983; and

15 WHEREAS, the same Task Force further found that \$231
 16 million in repairs is needed to bring Montana's public sewer
 17 systems up to current standards; and

18 WHEREAS, the cost to bring Montana's streets and county
 19 roads into good condition is estimated at \$8 billion in
 20 1984; and

21 WHEREAS, 52 of Montana's 53 county jails need a minimum
 22 of \$56 million in improvements to comply with constitutional
 23 standards; and

24 WHEREAS, much of the other infrastructure within the
 25 state, including the infrastructure of the university

1 system, is in need of expansion, repair, or replacement; and
 2 WHEREAS, the creation of the Montana Infrastructure
 3 Trust Fund is an appropriate use of state revenues,
 4 including general fund revenues, provided that the interest
 5 income is used at least initially to reimburse the general
 6 fund.

7
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 NEW SECTION. Section 1. Montana infrastructure trust
 10 fund. (1) There is a permanent Montana infrastructure trust
 11 fund. The fund consists of:

12 (a) all taxes deducted and withheld from wages, as
 13 provided in 15-30-202, during the period beginning July 1,
 14 1985, and ending September 1, 1985;

15 (b) all coal severance taxes owed the state, as
 16 provided in 15-35-104, on the production of coal, as
 17 provided in 15-35-103 and 15-35-104, during the period
 18 beginning July 1, 1985, and ending September 1, 1985, except
 19 that portion of coal severance taxes required to be
 20 deposited in the coal severance tax trust fund under
 21 15-35-108 and Article IX, section 5, of the Montana
 22 constitution;

23 (c) all oil and gas severance taxes owed the state on
 24 the production of any petroleum or other mineral or crude
 25 oil or natural gas, as provided in 15-36-101 and 15-36-102,



-2- INTRODUCED BILL
 HB 926

1 during the period beginning July 1, 1985, and ending
2 September 1, 1985;

3 (d) except as provided in subsection (2), all interest
4 and other income earned on the trust fund; and

5 (e) any other funds that the legislature may from time
6 to time appropriate to the trust fund.

7 (2) The legislature may appropriate the interest and
8 other income to:

9 (a) the general fund, but only until the amount
10 deposited in the trust fund, as required under subsections
11 (1)(a) through (1)(c), has been reimbursed to the general
12 fund; and

13 (b) construct, maintain, or preserve the
14 infrastructure of the state, including the university
15 system, counties, and municipalities.

16 Section 2. Section 15-1-501, MCA, is amended to read:

17 "15-1-501. Disposition of moneys from certain
18 designated license and other taxes. (1) The state treasurer
19 shall deposit to the credit of the state general fund all
20 moneys received by him from the collection of:

21 (a) automobile driver's license fees under subsections
22 (1) through (6) of 61-5-111;

23 (b) electrical energy producer's license taxes under
24 chapter 51;

25 (c) severance taxes allocated to the general fund

1 under chapter 36;

2 (d) liquor license taxes under Title 16;

3 (e) telephone [company] license taxes under chapter
4 53; and

5 (f) inheritance and estate taxes under Title 72,
6 chapter 16.

7 (2) ~~Seventy-five~~ percent Except as provided in
8 [section 1], 75% of all moneys received from the collection
9 of income taxes under chapter 30 and corporation license and
10 income taxes under chapter 31, except as provided in
11 15-31-702, shall be deposited in the general fund subject to
12 the prior pledge and appropriation of such income tax and
13 corporation license tax collections for the payment of
14 long-range building program bonds. The remaining 25% of the
15 proceeds of the corporation license tax, excluding that
16 allocated to the counties under 15-31-702, corporation
17 income tax, and income tax shall be deposited to the credit
18 of the state special revenue fund for state equalization aid
19 to the public schools of Montana.

20 (3) The state treasurer shall also deposit to the
21 credit of the state general fund all moneys received by him
22 from the collection of license taxes, fees, and all net
23 revenues and receipts from all other sources under the
24 operation of the Montana Alcoholic Beverage Code.

25 (4) Thirty-three and one-third percent of the total

1 collections of the oil severance tax under chapter 36 shall
 2 be deposited into the local government block grant account
 3 within the state special revenue fund. After the
 4 distribution provided for in 15-36-112, the remainder of the
 5 oil severance tax collections shall be deposited in the
 6 general fund."

7 Section 3. Section 15-30-204, MCA, is amended to read:

8 "15-30-204. ~~Quarterly~~ Payment. (1) On or
 9 before the last day of each month, every employer subject to
 10 the provisions of 15-30-202 and 15-30-203, except as
 11 provided in subsections (2) and (3), shall file a return in
 12 such form and containing such information as may be required
 13 by the department and shall pay therewith the amount
 14 required by 15-30-202 to be deducted and withheld by said
 15 employer from wages paid during the preceding month.

16 (2) An employer subject to the provisions of 15-30-202
 17 and 15-30-203 whose projected total liability for
 18 withholdings does not exceed \$1,000 in 1 month may,
 19 following application to and written approval by the
 20 department, in lieu of the return and payment required under
 21 subsection (1), on or before the last day of the months of
 22 April, July, October, and January of each calendar year,
 23 ~~every--employer--subject--to--the--provisions--of--15-30-202--and~~
 24 ~~15-30-203--shall~~ file a return in such form and containing
 25 such information as may be required by the department and

1 shall pay therewith the amount required by 15-30-202 to be
 2 deducted and withheld by said employer from wages paid
 3 during the preceding quarterly period of 3 months.

4 ~~(2)~~(3) If the total amount of the tax withheld by an
 5 employer under the provisions of 15-30-202 upon the wages of
 6 all employees of any employer is less than \$10 in each
 7 ~~quarterly~~ monthly period of any year, such employer shall
 8 not be required to file the monthly or quarterly returns or
 9 to make the monthly or quarterly payments as provided in the
 10 ~~preceding~~ subsection (1) or (2), but in lieu thereof such
 11 employer shall, on or before February 15 of the year
 12 succeeding that in which such wages were paid, file an
 13 annual return in such form as may be required by the
 14 department and shall pay therewith the amount required to be
 15 deducted and withheld by the employer from all wages paid
 16 during the preceding calendar year.

17 ~~(3)~~(4) If the department has reason to believe that
 18 collection of the amount of any tax withheld is in jeopardy,
 19 it may proceed as provided for under 15-30-312 with respect
 20 to jeopardy assessments of income tax."

21 Section 4. Section 15-35-102, MCA, is amended to read:

22 "15-35-102. Definitions. As used in this chapter, the
 23 following definitions apply:

24 (1) "Contract sales price" means either the price of
 25 coal extracted and prepared for shipment f.o.b. mine,

1 excluding that amount charged by the seller to pay taxes
 2 paid on production, or a price imputed by the department
 3 under 15-35-107. Contract sales price must be based on the
 4 statements required in 15-35-104 and includes all royalties
 5 paid on production, no matter how such royalties are
 6 calculated. However, with respect to royalties paid to the
 7 government of the United States, the state of Montana, or a
 8 federally recognized Indian tribe, the contract sales price
 9 includes only:

10 (a) for ~~quarterly~~ monthly periods ending on and after
 11 ~~September--30, 1984~~ June 30, 1985, 15 cents per ton plus 75%
 12 of the difference between 15 cents per ton and the amount of
 13 such federal, state, and tribal government royalties
 14 actually paid;

15 (b) for ~~quarterly~~ monthly periods ending on and after
 16 September 30, 1985, 15 cents per ton plus 50% of the
 17 difference between 15 cents per ton and the amount of such
 18 federal, state, and tribal government royalties actually
 19 paid;

20 (c) for ~~quarterly~~ monthly periods ending on and after
 21 September 30, 1986, 15 cents per ton plus 25% of the
 22 difference between 15 cents per ton and the amount of such
 23 federal, state, and tribal government royalties actually
 24 paid; and

25 (d) for ~~quarterly~~ monthly periods ending on and after

1 September 30, 1987, 15 cents per ton.

2 (2) "Department" means the department of revenue.

3 (3) "Energy conversion process" includes any process
 4 by which coal in the solid state is transformed into slurry,
 5 gas, electric energy, or any other form of energy.

6 (4) "Produced" means severed from the earth.

7 (5) "Strip mining" or "surface mining" is defined in
 8 82-4-203.

9 (6) "Taxes paid on production" includes any tax paid
 10 to the federal, state, or local governments upon the
 11 quantity of coal produced as a function of either the volume
 12 or the value of production and does not include any tax upon
 13 the value of mining equipment, machinery, or buildings and
 14 lands, any tax upon a person's net income derived in whole
 15 or in part from the sale of coal, or any license fee.

16 (7) "Ton" means 2,000 pounds.

17 (8) "Underground mining" means a coal mining method
 18 utilizing shafts and tunnels and as further defined in
 19 82-4-203."

20 Section 5. Section 15-35-104, MCA, is amended to read:

21 "15-35-104. Quarterly Monthly statement and payment of
 22 tax. Each coal mine operator shall compute the severance tax
 23 due on each ~~quarter-year's~~ month's worth of production on
 24 forms prescribed by the department. The statement shall
 25 indicate the tonnage produced, the average Btu value of the

1 production, the contract sales price received for the
 2 production, and such other information as the department may
 3 require. The completed form in duplicate, with the tax
 4 payment, shall be delivered to the department not later than
 5 30 days following the ~~close end~~ of the quarter month. The
 6 form shall be signed by the operator if the operator is an
 7 individual or by an officer of the coal mine operator if the
 8 operator is a business entity. A person operating more than
 9 one coal mine in this state may include all of his mines in
 10 one statement. The department may grant a reasonable
 11 extension of time for filing statements and payment of taxes
 12 due upon good cause shown therefor."

13 Section 6. Section 15-35-105, MCA, is amended to read:

14 "15-35-105. Penalty for delinquent tax. The department
 15 shall add to the amount of all delinquent severance taxes a
 16 penalty of 10% of the delinquent amount plus interest at the
 17 rate of 1% per month or fraction thereof computed on the
 18 total amount of severance tax and penalty. Interest shall be
 19 computed from the date the severance tax was due to the date
 20 of payment. The department shall mail to the person required
 21 to file a quarterly monthly report and pay any severance
 22 tax, a letter setting forth the amount of tax, penalty, and
 23 interest due, and the letter shall further contain a
 24 statement that if payment is not made, a warrant for
 25 distraint may be filed. The penalty amount may be waived by

1 the department if reasonable cause for the failure or
 2 neglect to file the ~~quarterly~~ monthly statement is provided
 3 to the department."

4 Section 7. Section 15-35-108, MCA, is amended to read:

5 "15-35-108. Disposal of severance taxes. Severance
 6 Except as provided in [section 1], severance taxes collected
 7 under the provisions of this chapter are allocated as
 8 follows:

9 (1) To the trust fund created by Article IX, section
 10 5, of the Montana constitution, 25% of total collections a
 11 year. After December 31, 1979, 50% of coal severance tax
 12 collections are allocated to this trust fund. The trust fund
 13 moneys shall be deposited in the fund established under
 14 17-6-203(5) and invested by the board of investments as
 15 provided by law.

16 (2) Starting July 1, 1986, and ending June 30, 1987,
 17 6% of coal severance tax collections are allocated to the
 18 highway reconstruction trust fund account in the state
 19 special revenue fund. Starting July 1, 1987, and ending June
 20 30, 1993, 12% of coal severance tax collections are
 21 allocated to the highway reconstruction trust fund account
 22 in the state special revenue fund.

23 (3) Coal severance tax collections remaining after the
 24 allocations provided by subsections (1) and (2) are
 25 allocated in the following percentages of the remaining

1 balance:

2 (a) to the county in which coal is mined, 2% of the
3 severance tax paid on the coal mined in that county until
4 January 1, 1980, for such purposes as the governing body of
5 the county may determine;

6 (b) 2 1/2% until December 31, 1979, and thereafter
7 4 1/2% to the state special revenue fund to the credit of
8 the alternative energy research development and
9 demonstration account;

10 (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%
11 to the state special revenue fund to the credit of the local
12 impact and education trust fund account;

13 (d) for each of the 2 fiscal years following June 30,
14 1977, 13% to the state special revenue fund to the credit of
15 the coal area highway improvement account;

16 (e) 10% to the state special revenue fund for state
17 equalization aid to public schools of the state;

18 (f) 1% to the state special revenue fund to the credit
19 of the county land planning account;

20 (g) 1 1/4% to the credit of the renewable resource
21 development bond fund;

22 (h) 5% to a nonexpendable trust fund for the purpose
23 of parks acquisition or management, protection of works of
24 art in the state capitol, and other cultural and aesthetic
25 projects. Income from this trust fund shall be appropriated

1 as follows:

2 (i) 1/3 for protection of works of art in the state
3 capitol and other cultural and aesthetic projects; and
4 (ii) 2/3 for the acquisition of sites and areas
5 described in 23-1-102 and the operation and maintenance of
6 sites so acquired;

7 (i) 1% to the state special revenue fund to the credit
8 of the state library commission for the purposes of
9 providing basic library services for the residents of all
10 counties through library federations and for payment of the
11 costs of participating in regional and national networking;

12 (j) 1/2 of 1% to the state special revenue fund for
13 conservation districts;

14 (k) 1 1/4% to the debt service fund type to the credit
15 of the water development debt service fund;

16 (l) all other revenues from severance taxes collected
17 under the provisions of this chapter to the credit of the
18 general fund of the state."

19 Section 8. Section 15-36-102, MCA, is amended to read:
20 "15-36-102. Quarterly Monthly payment of tax. Such
21 severance tax shall be paid in quarterly monthly
22 ~~installments for-the-quarterly-periods-ending,-respectively,~~
23 ~~March--31,-June--30,-September--30,-and-December-31-of-each~~
24 ~~year,~~ and the amount of the tax for each quarterly monthly
25 period shall be paid to the department of revenue within 60

1 30 days after the end of each quarterly-period month."
 2 Section 9. Section 15-36-105, MCA, is amended to read:
 3 "15-36-105. Statement to accompany payment -- records
 4 -- collection of tax -- refunds. (1) Each and every person
 5 must, within ~~60~~ 30 days after the end of each ~~following~~
 6 ~~quarter month~~, make out on forms prescribed by the
 7 department of revenue a statement showing the total number
 8 of barrels of merchantable or marketable petroleum and other
 9 mineral or crude oil or cubic feet of natural gas produced
 10 or extracted by such person in the state during ~~each the~~
 11 ~~month of such quarter and during the whole quarter,~~ and the
 12 average value thereof during ~~each the~~ month, ~~and the total~~
 13 ~~value thereof for the whole quarter,~~ together with the total
 14 amount due to the state as severance taxes for such ~~quarter~~
 15 ~~month~~, and must within such ~~60~~ 30 days deliver such
 16 statement and, except as provided in 15-36-121, pay to the
 17 department the amount of the taxes shown by such statement
 18 to be due to the state for the ~~quarter month~~ for which such
 19 statement is made. Such statement must be signed by the
 20 individual or the president, vice-president, treasurer,
 21 assistant treasurer, or managing agent in this state of the
 22 association, corporation, joint-stock company, or syndicate
 23 making the statement. Any such person engaged in carrying on
 24 such business at more than one place in this state or
 25 owning, leasing, controlling, or operating more than one oil

1 or gas well in this state may include all thereof in one
 2 statement. The department shall receive and file all such
 3 statements and collect and receive from such person making
 4 and filing a statement the amount of tax payable by such
 5 person, if any, as the same shall appear from the face of
 6 the statement.

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

20 Section 10. Section 15-36-107, MCA, is amended to
 21 read:

22 "15-36-107. Procedure to compute tax in absence of
 23 statement -- penalty and interest. If any such person shall
 24 fail, neglect, or refuse to file any statement required by
 25 15-36-105 within the time therein required, the department

1 of revenue shall, immediately after such time has expired,
 2 proceed to inform itself as best it may regarding the number
 3 of barrels of petroleum and other mineral or crude oil or
 4 cubic feet of gas extracted and produced by such person in
 5 this state ~~during--such-quarter-and~~ during each applicable
 6 month ~~thereof~~ and the average value thereof during each such
 7 month and shall determine and fix the amount of the
 8 severance taxes due to the state from such person for such
 9 ~~quarter month~~ and shall add to the amount of such severance
 10 taxes a penalty of 25% thereof plus interest at the rate of
 11 1% per month or fraction thereof computed on the total
 12 amount of severance taxes and penalty. Interest shall be
 13 computed from the date the severance taxes were due to the
 14 date of payment. The department shall mail to the person
 15 required to file a ~~quarterly~~ monthly statement and pay any
 16 severance tax, a letter setting forth the amount of
 17 severance tax, penalty, and interest due, and the letter
 18 shall further contain a statement that if payment is not
 19 made, a warrant for distraint may be filed. The 25% penalty
 20 herein provided may be waived by the department if
 21 reasonable cause for the failure and neglect to file the
 22 statement required by 15-36-105 is provided to the
 23 department."

24 Section 11. Section 15-36-112, MCA, is amended to
 25 read:

1 "15-36-112. Disposition of oil and gas severance
 2 taxes. (1) Each year the department of revenue shall
 3 determine the amount of tax collected under this chapter
 4 from within each county.

5 (2) ~~The~~ Except as provided in [section 1], the
 6 severance taxes collected under this chapter are allocated
 7 as follows:

8 (a) 33 1/3% of the oil severance tax, not to exceed
 9 \$42 million for the biennium ending June 30, 1985, is
 10 deposited in the local government block grant account within
 11 the state special revenue fund;

12 (b) the amount, if any, by which the tax collected
 13 from within a county for any fiscal year exceeds the total
 14 amount collected from within that county for the previous
 15 fiscal year, by reason of increased production and not
 16 because of increase in or elimination of federal price
 17 ceilings on oil and gas, is allocated to the general fund of
 18 the county for distribution as provided in subsection (3);

19 (c) any amount not allocated to the local government
 20 block grant account or the county under subsection (2)(a) or
 21 (2)(b) is allocated to the state general fund.

22 (3) (a) The county treasurer shall distribute the
 23 money received under subsection (2)(b) of this section to
 24 the county and to all the incorporated cities and towns
 25 within the county in the following manner. The county

1 receives the available money multiplied by the ratio of the
2 rural population to the county population. Each incorporated
3 municipality receives the available money multiplied by the
4 ratio of the population of the incorporated municipality to
5 the county population. The rural population is that
6 population of the county living outside the boundaries of an
7 incorporated municipality. Population shall be based on the
8 most recent figures as determined by the department of
9 commerce.

10 (b) The money distributed under this subsection may be
11 used for any purpose as determined by the governing body of
12 the county, city, or town."

13 NEW SECTION. Section 12. Extension of authority. Any
14 existing authority of the department of revenue to make
15 rules on the subject of the provisions of this act is
16 extended to the provisions of this act.

17 NEW SECTION. Section 13. Effective dates. (1)
18 Sections 1 through 11 are effective July 1, 1985.

19 (2) Section 12 and this section are effective on
20 passage and approval, but no rules adopted under section 12
21 may be made effective before July 1, 1985.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN 512-85

Form BD-15

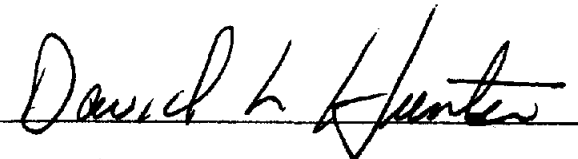
In compliance with a written request received February 28, 19 85, there is hereby submitted a Fiscal Note for House Bill 926 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act creating the Montana infrastructure trust fund; changing the reporting and tax payment period for withholding taxes, coal severance taxes and oil and gas severance taxes.

ASSUMPTIONS:

1. FY86 collections will be as follows: Individual Income Tax = \$196,158,000, Oil Severance Tax = \$36,981,000, Coal Severance Tax = \$103,866,000 and Natural Gas Severance Tax = \$3,650,000.
2. Withholding payments are 88.45% of total fiscal year income tax collections. Employers with annual withholding greater than \$12,000 per year represent 76% of the total amount withheld.
3. It is assumed that personal, coal, oil and natural gas tax payments are uniformly distributed over the fiscal year.
4. Each revenue source will contribute approximately the same revenue to statutory accounts after distributions to the trust fund as under current law.
5. An additional 14 FTE will be required to process the monthly returns. Data processing charges would increase by approximately \$90,000 in FY86 and \$75,000 in FY87.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: March 5, 1985
HB 926

FISCAL IMPACT:

	<u>FY1986</u>			<u>FY1987</u>		
	<u>Under Current Law</u>	<u>Under Proposed Law</u>	<u>Difference</u>	<u>Under Current Law</u>	<u>Under Proposed Law</u>	<u>Difference</u>
Effect on Expenditures						
Personal Services	0	\$ 234,038	\$ 234,038	0	\$218,601	\$218,601
Operating Expenses	0	121,562	121,562	0	99,651	99,651
Capital Outlay	0	61,500	61,500	0	0	0
TOTAL GENERAL FUND EXPENDITURES	<u>0</u>	<u>\$ 417,100</u>	<u>\$ 417,100</u>	<u>0</u>	<u>\$318,252</u>	<u>\$318,252</u>
Fund Information:						
Infrastructure Trust Fund	0	\$37,404,222	\$37,404,222			

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Section 4 (1)(a) strikes September 30, 1984 and inserts June 30, 1985. This amendment would extend the effective date of the first phase of the coal severance tax royalty deduction by 9 months. The fiscal note has been prepared assuming this was a drafting error and not the intent of the legislation.

COMMITTEE
ON TAXATION
RECOMMEND DO NOT PASS
OBJECTION RAISED TO
ADVERSE COMMITTEE REPORT

1 HOUSE BILL NO. 926 Connelly
 2 INTRODUCED BY Boyd, Keenan, Vincent, Mike Mumph.
 3 Fitz, Park, Kelly, Reson, Nancy, Barker, Burke
 4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA William
 5 INFRASTRUCTURE TRUST FUND; CHANGING THE REPORTING AND TAX
 6 PAYMENT PERIOD FOR WITHHOLDING TAXES, COAL SEVERANCE TAXES,
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 10 PROVIDING EFFECTIVE DATES."

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12 WHEREAS, the Governor's Task Force on Infrastructure
13 found that at least \$100 million in repairs to the state's
14 municipal water supply systems was needed in 1983; and

15 WHEREAS, the same Task Force further found that \$231
16 million in repairs is needed to bring Montana's public sewer
17 systems up to current standards; and

18 WHEREAS, the cost to bring Montana's streets and county
19 roads into good condition is estimated at \$8 billion in
20 1984; and

21 WHEREAS, 52 of Montana's 53 county jails need a minimum
22 of \$56 million in improvements to comply with constitutional
23 standards; and

24 WHEREAS, much of the other infrastructure within the
25 state, including the infrastructure of the university

1 system, is in need of expansion, repair, or replacement; and
2 WHEREAS, the creation of the Montana Infrastructure
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4 including general fund revenues, provided that the interest
5 income is used at least initially to reimburse the general
6 fund.
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8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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11 fund. The fund consists of:

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14 1985, and ending September 1, 1985;

15 (b) all coal severance taxes owed the state, as
16 provided in 15-35-104, on the production of coal, as
17 provided in 15-35-103 and 15-35-104, during the period
18 beginning July 1, 1985, and ending September 1, 1985, except
19 that portion of coal severance taxes required to be
20 deposited in the coal severance tax trust fund under
21 15-35-108 and Article IX, section 5, of the Montana
22 constitution;

23 (c) all oil and gas severance taxes owed the state on
24 the production of any petroleum or other mineral or crude
25 oil or natural gas, as provided in 15-36-101 and 15-36-102,



1 during the period beginning July 1, 1985, and ending
2 September 1, 1985;

3 (d) except as provided in subsection (2), all interest
4 and other income earned on the trust fund; and

5 (e) any other funds that the legislature may from time
6 to time appropriate to the trust fund.

7 (2) The legislature may appropriate the interest and
8 other income to:

9 (a) the general fund, but only until the amount
10 deposited in the trust fund, as required under subsections
11 (1)(a) through (1)(c), has been reimbursed to the general
12 fund; and

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14 infrastructure of the state, including the university
15 system, counties, and municipalities.

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18 designated license and other taxes. (1) The state treasurer
19 shall deposit to the credit of the state general fund all
20 moneys received by him from the collection of:

21 (a) automobile driver's license fees under subsections
22 (1) through (6) of 61-5-111;

23 (b) electrical energy producer's license taxes under
24 chapter 51;

25 (c) severance taxes allocated to the general fund

1 under chapter 36;

2 (d) liquor license taxes under Title 16;

3 (e) telephone [company] license taxes under chapter
4 53; and

5 (f) inheritance and estate taxes under Title 72,
6 chapter 16.

7 (2) ~~Seventy-five---percent~~ Except as provided in
8 [section 1], 75% of all moneys received from the collection
9 of income taxes under chapter 30 and corporation license and
10 income taxes under chapter 31, except as provided in
11 15-31-702, shall be deposited in the general fund subject to
12 the prior pledge and appropriation of such income tax and
13 corporation license tax collections for the payment of
14 long-range building program bonds. The remaining 25% of the
15 proceeds of the corporation license tax, excluding that
16 allocated to the counties under 15-31-702, corporation
17 income tax, and income tax shall be deposited to the credit
18 of the state special revenue fund for state equalization aid
19 to the public schools of Montana.

20 (3) The state treasurer shall also deposit to the
21 credit of the state general fund all moneys received by him
22 from the collection of license taxes, fees, and all net
23 revenues and receipts from all other sources under the
24 operation of the Montana Alcoholic Beverage Code.

25 (4) Thirty-three and one-third percent of the total

1 collections of the oil severance tax under chapter 36 shall
2 be deposited into the local government block grant account
3 within the state special revenue fund. After the
4 distribution provided for in 15-36-112, the remainder of the
5 oil severance tax collections shall be deposited in the
6 general fund."

7 Section 3. Section 15-30-204, MCA, is amended to read:

8 "15-30-204. Quarterly---payment Payment. (1) On or
9 before the last day of each month, every employer subject to
10 the provisions of 15-30-202 and 15-30-203, except as
11 provided in subsections (2) and (3), shall file a return in
12 such form and containing such information as may be required
13 by the department and shall pay therewith the amount
14 required by 15-30-202 to be deducted and withheld by said
15 employer from wages paid during the preceding month.

16 (2) An employer subject to the provisions of 15-30-202
17 and 15-30-203 whose projected total liability for
18 withholdings does not exceed \$1,000 in 1 month may,
19 following application to and written approval by the
20 department, in lieu of the return and payment required under
21 subsection (1), on or before the last day of the months of
22 April, July, October, and January of each calendar year,
23 every--employer--subject--to--the--provisions--of--15-30-202--and
24 15-30-203--shall file a return in such form and containing
25 such information as may be required by the department and

1 ~~shall~~ pay therewith the amount required by 15-30-202 to be
2 deducted and withheld by said employer from wages paid
3 during the preceding quarterly period of 3 months.

4 ~~(2)~~(3) If the total amount of the tax withheld by an
5 employer under the provisions of 15-30-202 upon the wages of
6 all employees of any employer is less than \$10 in each
7 ~~quarterly~~ monthly period of any year, such employer shall
8 not be required to file the monthly or quarterly returns or
9 to make the monthly or quarterly payments as provided in the
10 ~~preceding~~ subsection (1) or (2), but in lieu thereof such
11 employer shall, on or before February 15 of the year
12 succeeding that in which such wages were paid, file an
13 annual return in such form as may be required by the
14 department and shall pay therewith the amount required to be
15 deducted and withheld by the employer from all wages paid
16 during the preceding calendar year.

17 ~~(3)~~(4) If the department has reason to believe that
18 collection of the amount of any tax withheld is in jeopardy,
19 it may proceed as provided for under 15-30-312 with respect
20 to jeopardy assessments of income tax."

21 Section 4. Section 15-35-102, MCA, is amended to read:

22 "15-35-102. Definitions. As used in this chapter, the
23 following definitions apply:

24 (1) "Contract sales price" means either the price of
25 coal extracted and prepared for shipment f.o.b. mine,

1 excluding that amount charged by the seller to pay taxes
 2 paid on production, or a price imputed by the department
 3 under 15-35-107. Contract sales price must be based on the
 4 statements required in 15-35-104 and includes all royalties
 5 paid on production, no matter how such royalties are
 6 calculated. However, with respect to royalties paid to the
 7 government of the United States, the state of Montana, or a
 8 federally recognized Indian tribe, the contract sales price
 9 includes only:

10 (a) for quarterly monthly periods ending on and after
 11 ~~September--307-1984~~ June 30, 1985, 15 cents per ton plus 75%
 12 of the difference between 15 cents per ton and the amount of
 13 such federal, state, and tribal government royalties
 14 actually paid;

15 (b) for quarterly monthly periods ending on and after
 16 September 30, 1985, 15 cents per ton plus 50% of the
 17 difference between 15 cents per ton and the amount of such
 18 federal, state, and tribal government royalties actually
 19 paid;

20 (c) for quarterly monthly periods ending on and after
 21 September 30, 1986, 15 cents per ton plus 25% of the
 22 difference between 15 cents per ton and the amount of such
 23 federal, state, and tribal government royalties actually
 24 paid; and

25 (d) for quarterly monthly periods ending on and after

1 September 30, 1987, 15 cents per ton.

2 (2) "Department" means the department of revenue.

3 (3) "Energy conversion process" includes any process
 4 by which coal in the solid state is transformed into slurry,
 5 gas, electric energy, or any other form of energy.

6 (4) "Produced" means severed from the earth.

7 (5) "Strip mining" or "surface mining" is defined in
 8 82-4-203.

9 (6) "Taxes paid on production" includes any tax paid
 10 to the federal, state, or local governments upon the
 11 quantity of coal produced as a function of either the volume
 12 or the value of production and does not include any tax upon
 13 the value of mining equipment, machinery, or buildings and
 14 lands, any tax upon a person's net income derived in whole
 15 or in part from the sale of coal, or any license fee.

16 (7) "Ton" means 2,000 pounds.

17 (8) "Underground mining" means a coal mining method
 18 utilizing shafts and tunnels and as further defined in
 19 82-4-203."

20 Section 5. Section 15-35-104, MCA, is amended to read:
 21 "15-35-104. Quarterly Monthly statement and payment of
 22 tax. Each coal mine operator shall compute the severance tax
 23 due on each ~~quarter-year's~~ month's worth of production on
 24 forms prescribed by the department. The statement shall
 25 indicate the tonnage produced, the average Btu value of the

1 production, the contract sales price received for the
 2 production, and such other information as the department may
 3 require. The completed form in duplicate, with the tax
 4 payment, shall be delivered to the department not later than
 5 30 days following the close end of the quarter month. The
 6 form shall be signed by the operator if the operator is an
 7 individual or by an officer of the coal mine operator if the
 8 operator is a business entity. A person operating more than
 9 one coal mine in this state may include all of his mines in
 10 one statement. The department may grant a reasonable
 11 extension of time for filing statements and payment of taxes
 12 due upon good cause shown therefor."

13 Section 6. Section 15-35-105, MCA, is amended to read:

14 "15-35-105. Penalty for delinquent tax. The department
 15 shall add to the amount of all delinquent severance taxes a
 16 penalty of 10% of the delinquent amount plus interest at the
 17 rate of 1% per month or fraction thereof computed on the
 18 total amount of severance tax and penalty. Interest shall be
 19 computed from the date the severance tax was due to the date
 20 of payment. The department shall mail to the person required
 21 to file a quarterly monthly report and pay any severance
 22 tax, a letter setting forth the amount of tax, penalty, and
 23 interest due, and the letter shall further contain a
 24 statement that if payment is not made, a warrant for
 25 distraint may be filed. The penalty amount may be waived by

1 the department if reasonable cause for the failure or
 2 neglect to file the quarterly monthly statement is provided
 3 to the department."

4 Section 7. Section 15-35-108, MCA, is amended to read:

5 "15-35-108. Disposal of severance taxes. Severance
 6 Except as provided in [section 1], severance taxes collected
 7 under the provisions of this chapter are allocated as
 8 follows:

9 (1) To the trust fund created by Article IX, section
 10 5, of the Montana constitution, 25% of total collections a
 11 year. After December 31, 1979, 50% of coal severance tax
 12 collections are allocated to this trust fund. The trust fund
 13 moneys shall be deposited in the fund established under
 14 17-6-203(5) and invested by the board of investments as
 15 provided by law.

16 (2) Starting July 1, 1986, and ending June 30, 1987,
 17 6% of coal severance tax collections are allocated to the
 18 highway reconstruction trust fund account in the state
 19 special revenue fund. Starting July 1, 1987, and ending June
 20 30, 1993, 12% of coal severance tax collections are
 21 allocated to the highway reconstruction trust fund account
 22 in the state special revenue fund.

23 (3) Coal severance tax collections remaining after the
 24 allocations provided by subsections (1) and (2) are
 25 allocated in the following percentages of the remaining

1 balance:

2 (a) to the county in which coal is mined, 2% of the
3 severance tax paid on the coal mined in that county until
4 January 1, 1980, for such purposes as the governing body of
5 the county may determine;

6 (b) 2 1/2% until December 31, 1979, and thereafter
7 4 1/2% to the state special revenue fund to the credit of
8 the alternative energy research development and
9 demonstration account;

10 (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%
11 to the state special revenue fund to the credit of the local
12 impact and education trust fund account;

13 (d) for each of the 2 fiscal years following June 30,
14 1977, 13% to the state special revenue fund to the credit of
15 the coal area highway improvement account;

16 (e) 10% to the state special revenue fund for state
17 equalization aid to public schools of the state;

18 (f) 1% to the state special revenue fund to the credit
19 of the county land planning account;

20 (g) 1 1/4% to the credit of the renewable resource
21 development bond fund;

22 (h) 5% to a nonexpendable trust fund for the purpose
23 of parks acquisition or management, protection of works of
24 art in the state capitol, and other cultural and aesthetic
25 projects. Income from this trust fund shall be appropriated

1 as follows:

2 (i) 1/3 for protection of works of art in the state
3 capitol and other cultural and aesthetic projects; and
4 (ii) 2/3 for the acquisition of sites and areas
5 described in 23-1-102 and the operation and maintenance of
6 sites so acquired;

7 (i) 1% to the state special revenue fund to the credit
8 of the state library commission for the purposes of
9 providing basic library services for the residents of all
10 counties through library federations and for payment of the
11 costs of participating in regional and national networking;

12 (j) 1/2 of 1% to the state special revenue fund for
13 conservation districts;

14 (k) 1 1/4% to the debt service fund type to the credit
15 of the water development debt service fund;

16 (l) all other revenues from severance taxes collected
17 under the provisions of this chapter to the credit of the
18 general fund of the state."

19 Section 8. Section 15-36-102, MCA, is amended to read:
20 "15-36-102. ~~Quarterly~~ Monthly payment of tax. Such
21 severance tax shall be paid in ~~quarterly~~ monthly
22 ~~installments for the quarterly periods ending, respectively,~~
23 ~~March--31,--June--30,--September--30,--and--December--31--of--each~~
24 ~~year,~~ and the amount of the tax for each quarterly monthly
25 period shall be paid to the department of revenue within 60

1 30 days after the end of each ~~quarterly-period~~ month."

2 Section 9. Section 15-36-105, MCA, is amended to read:

3 "15-36-105. Statement to accompany payment -- records
4 -- collection of tax -- refunds. (1) Each and every person
5 must, within ~~60~~ 30 days after the end of each ~~following~~
6 ~~quarter month~~, make out on forms prescribed by the
7 department of revenue a statement showing the total number
8 of barrels of merchantable or marketable petroleum and other
9 mineral or crude oil or cubic feet of natural gas produced
10 or extracted by such person in the state during ~~each the~~
11 ~~month of such quarter and during the whole quarter, and~~ the
12 average value thereof during ~~each the~~ month, ~~and the total~~
13 ~~value thereof for the whole quarter,~~ together with the total
14 amount due to the state as severance taxes for such ~~quarter~~
15 ~~month~~, and must within such ~~60~~ 30 days deliver such
16 statement and, except as provided in 15-36-121, pay to the
17 department the amount of the taxes shown by such statement
18 to be due to the state for the ~~quarter month~~ for which such
19 statement is made. Such statement must be signed by the
20 individual or the president, vice-president, treasurer,
21 assistant treasurer, or managing agent in this state of the
22 association, corporation, joint-stock company, or syndicate
23 making the statement. Any such person engaged in carrying on
24 such business at more than one place in this state or
25 owning, leasing, controlling, or operating more than one oil

1 or gas well in this state may include all thereof in one
2 statement. The department shall receive and file all such
3 statements and collect and receive from such person making
4 and filing a statement the amount of tax payable by such
5 person, if any, as the same shall appear from the face of
6 the statement.

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

20 Section 10. Section 15-36-107, MCA, is amended to
21 read:

22 "15-36-107. Procedure to compute tax in absence of
23 statement -- penalty and interest. If any such person shall
24 fail, neglect, or refuse to file any statement required by
25 15-36-105 within the time therein required, the department

1 of revenue shall, immediately after such time has expired,
 2 proceed to inform itself as best it may regarding the number
 3 of barrels of petroleum and other mineral or crude oil or
 4 cubic feet of gas extracted and produced by such person in
 5 this state during--such-quarter-and during each applicable
 6 month thereof and the average value thereof during each such
 7 month and shall determine and fix the amount of the
 8 severance taxes due to the state from such person for such
 9 quarter month and shall add to the amount of such severance
 10 taxes a penalty of 25% thereof plus interest at the rate of
 11 1% per month or fraction thereof computed on the total
 12 amount of severance taxes and penalty. Interest shall be
 13 computed from the date the severance taxes were due to the
 14 date of payment. The department shall mail to the person
 15 required to file a quarterly monthly statement and pay any
 16 severance tax, a letter setting forth the amount of
 17 severance tax, penalty, and interest due, and the letter
 18 shall further contain a statement that if payment is not
 19 made, a warrant for distraint may be filed. The 25% penalty
 20 herein provided may be waived by the department if
 21 reasonable cause for the failure and neglect to file the
 22 statement required by 15-36-105 is provided to the
 23 department."

24 Section 11. Section 15-36-112, MCA, is amended to
 25 read:

1 "15-36-112. Disposition of oil and gas severance
 2 taxes. (1) Each year the department of revenue shall
 3 determine the amount of tax collected under this chapter
 4 from within each county.

5 (2) ~~The~~ Except as provided in [section 1], the
 6 severance taxes collected under this chapter are allocated
 7 as follows:

8 (a) 33 1/3% of the oil severance tax, not to exceed
 9 \$42 million for the biennium ending June 30, 1985, is
 10 deposited in the local government block grant account within
 11 the state special revenue fund;

12 (b) the amount, if any, by which the tax collected
 13 from within a county for any fiscal year exceeds the total
 14 amount collected from within that county for the previous
 15 fiscal year, by reason of increased production and not
 16 because of increase in or elimination of federal price
 17 ceilings on oil and gas, is allocated to the general fund of
 18 the county for distribution as provided in subsection (3);

19 (c) any amount not allocated to the local government
 20 block grant account or the county under subsection (2)(a) or
 21 (2)(b) is allocated to the state general fund.

22 (3) (a) The county treasurer shall distribute the
 23 money received under subsection (2)(b) of this section to
 24 the county and to all the incorporated cities and towns
 25 within the county in the following manner. The county

1 receives the available money multiplied by the ratio of the
2 rural population to the county population. Each incorporated
3 municipality receives the available money multiplied by the
4 ratio of the population of the incorporated municipality to
5 the county population. The rural population is that
6 population of the county living outside the boundaries of an
7 incorporated municipality. Population shall be based on the
8 most recent figures as determined by the department of
9 commerce.

10 (b) The money distributed under this subsection may be
11 used for any purpose as determined by the governing body of
12 the county, city, or town."

13 NEW SECTION. Section 12. Extension of authority. Any
14 existing authority of the department of revenue to make
15 rules on the subject of the provisions of this act is
16 extended to the provisions of this act.

17 NEW SECTION. Section 13. Effective dates. (1)
18 Sections 1 through 11 are effective July 1, 1985.

19 (2) Section 12 and this section are effective on
20 passage and approval, but no rules adopted under section 12
21 may be made effective before July 1, 1985.

-End-