

SENATE BILL NO. 67

INTRODUCED BY GAGE, BOYLAN, H. HAMMOND, CONOVER, SEVERSON,
HIRSCH, AKLESTAD, B. WILLIAMS, IVERSON, BENGTON, THAYER,
FARRELL, GALT, KEATING, E. SMITH, HAGER, KOLSTAD,
LANE, GOODOVER, MCCALLUM

IN THE SENATE

January 7, 1985	Introduced and referred to Committee on Taxation.
January 8, 1985	Fiscal Note requested.
January 10, 1985	On motion by Chief Sponsor, Senators Boylan, H. Hammond, Conover, Severson, Hirsch, Aklestad, B. Williams, Bengtson, Thayer, Farrell, Galt, Keating, E. Smith, Hager, Kolstad, Lane, Goodover, and McCallum and Representative Iverson added as sponsors.
January 14, 1985	Fiscal Note returned.
January 16, 1985	New Fiscal Note requested. New Fiscal Note returned.
March 6, 1985	Committee recommend bill do pass as amended. Report adopted.
March 7, 1985	Bill printed and placed on members' desks.
March 8, 1985	Second reading, do pass as amended. Segregated from Committee of the Whole report.
March 11, 1985	Motion pass consideration until the 54th Legislative Day.

March 13, 1985 Second reading, do pass as amended.

March 14, 1985 Correctly engrossed.

March 15, 1985 Third reading, passed.
Ayes, 44; Noes, 5.
Transmitted to House.

IN THE HOUSE

March 18, 1985 Introduced and referred to Committee on Taxation.

March 29, 1985 Committee recommend bill be concurred in as amended. Report adopted.

April 1, 1985 Second reading, concurred in.
Third reading, concurred in.
Returned to Senate with amendments.

IN THE SENATE

April 1, 1985 Received from House.

April 4, 1985 Second reading, amendments concurred in.

April 8, 1985 Third reading, amendments concurred in.
Ayes, 49; Noes, 0.
Sent to enrolling.
Reported correctly enrolled.

1 SENATE BILL NO. 67
 2 INTRODUCED BY GAGE

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING ALL SEWAGE
 5 DISPOSAL SYSTEMS AND DOMESTIC WATER SUPPLY SYSTEMS OF ALL
 6 DWELLINGS ON AGRICULTURAL LAND AND ALL DOWN-HOLE EQUIPMENT
 7 ON OIL AND GAS WELLS FROM PROPERTY SUBJECT TO TAXATION;
 8 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY
 9 DATE."
 10

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

12 Section 1. Sewage disposal and water supply systems on
 13 agricultural land exempt. All sewage disposal systems and
 14 domestic use water supply systems of all dwellings and any
 15 related improvements on agricultural land are exempt from
 16 taxation.

17 Section 2. Down-hole equipment on oil and gas wells
 18 exempt. All down-hole equipment on oil and gas wells is
 19 exempt from taxation.

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

24 Section 4. Codification instruction. Sections 1 and 2
 25 are intended to be codified as an integral part of Title 15,

1 chapter 6, and the provisions of Title 15 apply to sections
 2 1 and 2.

3 Section 5. Effective date -- applicability. This act
 4 is effective on passage and approval and is applicable to
 5 taxable years beginning after December 31, 1984.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN031-85

Form **BD-15**

In compliance with a written request received January 8, 19 85, there is hereby submitted a Fiscal Note for S.B. 67 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 exempting all sewage disposal systems and domestic water supply systems of all dwellings on agricultural land and all down-hole equipment on oil and gas wells from property subject to taxation; providing an immediate effective date and an applicability date.

ASSUMPTIONS

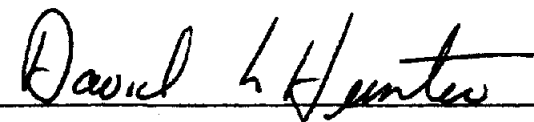
1. The taxable value of the state is \$2,408,903,000 and \$2,495,795,000 in FY86 and FY87, respectively.
2. University levy = 6 mills.
3. School Foundation program = 45 mills.
4. All school funding = 60% of total mill levy.

Sewage disposal systems & domestic water supply systems

1. FY86 - Number 6,300, Taxable value = \$1,346,625; FY87 - Number 49,440, (43,100 not previously on tax rolls). Taxable value = \$10,567,800
2. Average rural levy = 200 mills (County purposes = 149 mills)

Down-Hole Equipment

1. 1972 Market values - Average down-hole casing = \$2.83/ft.; taxed at 8.55% of market value.
2. Sucker rods, pumps, and tubing = \$25,330 per well; taxed at 11% of market value.
3. Number of producing wells = 4,798
4. Average depth of wells = 4,746 ft.
5. Average mill levy for oil and gas equipment = 125 mills (County purposes = 74 mills)



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Jan 14, 1985

Request No. FNNO31-85

Form BD-15

Page 2

S.B. 67

At present the value of the sewage disposal systems and domestic water supply systems of 43,100 (out of 49,440) farmsteads is not on the tax rolls. The effect on revenue presented here assumes that the value of these farmsteads will be added to the tax rolls for FY 1987.

EFFECT OF REVENUE

Revenue Lost

Sewerage and water systems: (Taxable value \$1,346,625 for 6,300 parcels currently on the tax rolls)

	<u>FY86</u>			<u>FY87</u>		
	<u>Under</u>	<u>Under</u>	<u>Estimated</u>	<u>Under</u>	<u>Under</u>	<u>Estimated</u>
	<u>Current Law</u>	<u>Proposed Law</u>	<u>(Decrease)</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>(Decrease)</u>
University Mill Levy	\$ 14,453,418	\$ 14,445,338	(\$ 8,080)	\$ 14,974,770	\$ 14,966,690	(\$ 8,080)
School Foundation						
Program Levy	\$108,400,635	\$108,340,037	(\$ 60,598)	\$112,310,775	\$112,250,177	(\$ 60,598)
TOTAL	\$122,854,053	\$122,785,375	(\$ 68,678)	\$127,285,545	\$127,216,867	(\$ 68,678)

Down-hole Equipment: (Taxable value - \$18,878,527)

University Mill Levy	\$ 14,453,418	\$ 14,340,147	(\$113,271)	\$ 14,974,770	\$ 14,861,499	(\$113,271)
School Foundation						
Program Levy	\$108,400,635	\$107,551,101	(\$849,534)	\$112,310,775	\$111,461,241	(\$849,534)
TOTAL	\$122,854,053	\$121,891,248	(\$962,805)	\$127,285,545	\$126,322,740	(\$962,805)

Additional Revenue Foregone in FY87:

Sewerage and water system: (Taxable value \$10,567,800 for 43,100 parcels not currently on the tax rolls)

University Mill Levy				\$ 14,974,770	\$ 14,911,363	(\$ 63,407)
School Foundation						
Program Levy		(NO EFFECT)		\$112,310,775	\$111,835,224	(\$475,551)
TOTAL				\$127,285,545	\$126,746,587	(\$ 538,958)

<u>Summary of Total Effect On Revenue:</u>	<u>FY86</u>			<u>FY87</u>		
	<u>Under Current Law</u>	<u>Under Proposed Law</u>	<u>Estimated (Decrease)</u>	<u>Under Current Law</u>	<u>Under Proposed Law</u>	<u>Estimated (Decrease)</u>
University Levy	\$ 14,453,418	\$ 14,332,067	(\$ 121,351)	\$ 14,974,770	\$ 14,790,012	(\$ 184,758)
School Foundation Program Levy	\$108,400,635	\$107,490,503	(\$ 910,132)	\$112,310,775	\$110,925,092	(\$1,385,683)
TOTAL	\$122,854,053	\$121,822,570	(\$1,031,483)	\$127,285,545	\$125,715,104	(\$1,570,441)

EFFECT ON COUNTY/LOCAL REVENUE

Revenue Lost

Sewerage and water systems:

The total impact of the proposed legislation on local revenue is \$200,647 (.149 x \$1,346,625) annually. On the average, 60% of the total property taxes levied are for schools. Thus, 60% of the total loss or about \$161,595 annually (.60 x (\$68,678 + \$200,647)) would be the loss in school funding.

Down-hole Equipment:

The total impact of the proposed legislation on local revenue is \$1,397,011 (.074 x \$18,878,527) annually. On the average, 60% of the total property taxes levied are for schools. Thus, 60% of the total loss or about \$1,415,890 (.60 x (\$962,805 + \$1,397,011)) would be the loss in school funding.

Additional Revenue Foregone in FY87

The foregone local revenue would be \$1,574,602 (.149 x \$10,567,800). School funding would forego about \$1,268,136 (.60 x (\$538,958 + \$1,574,602)).

Summary Of Effect On County/Local Revenue

The total impact of the proposal on local revenue is \$1,597,658 and \$3,172,260 in FY86 and FY87, respectively. Approximately \$1,577,485 in FY86 and \$2,845,621 in FY87 would be the associated loss in school funding.

STATE OF MONTANA
FISCAL NOTE

(Amended)
REQUEST NO. FNN031-85

Form BD-15

In compliance with a written request received January 16 19 85, there is hereby submitted a Fiscal Note for S.B. 67 (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 exempting all sewage disposal systems and domestic water supply systems of all dwellings on agricultural land and all down-hole equipment on oil and gas wells from property subject to taxation; providing an immediate effective date and an applicability date.

ASSUMPTIONS:

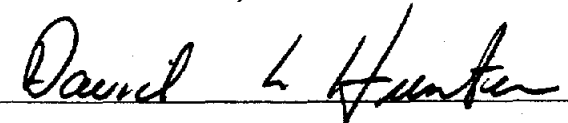
1. The taxable value of the state is \$2,408,903,000 and \$2,495,795,000 in FY86 and FY87, respectively.
2. University levy = 6 mills.
3. School Foundation program = 45 mills.
4. All school funding = 60% of total mill levy.

SEWAGE DISPOSAL SYSTEMS & DOMESTIC WATER SUPPLY SYSTEMS:

1. FY86 - Number 6,300, Taxable value = \$1,346,625; FY87 - Number 49,400. (43,100 not previously on tax rolls)
Taxable value = \$10,567,800.
2. Average rural levy = 200 mills. (County purposes = 149 mills)

DOWN-HOLE EQUIPMENT:

1. 1972 Market values - Average down-hole casing = \$2.83/ft.; taxed at 8.55% of market value.
(Taxable value - \$4,453,397)
2. Sucker rods, pumps, and tubing = \$25,330 per well; taxed at 11% of market value. (Taxable value - \$13,368,667)
3. Number of producing wells in 1984 = 4,798.
4. Average depth of wells = 3,836 ft. (Oil & Gas Commission Reports - Average depth of all wells drilled from 1970 - 1983)
5. Average mill levy for oil and gas equipment = 125 mills. (County purposes = 74 mills)



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: JAN 25, 1985
SB67
Amended

6. Based on audits of several counties the Department of Revenue estimates that for 1984 only 20% of down-hole equipment was on the tax rolls. For 1985 the Department anticipates 70% of down-hole equipment to be on the tax rolls due to audit efforts and increased assessor compliance with the law.

At present the value of the sewage disposal systems and domestic water supply systems of 43,100 (out of 49,400) farmsteads is not on the tax rolls. The effect on revenue presented here assumes that the value of these farmsteads will be added to the tax rolls for FY 1987. Likewise, at present only 20% of down-hole equipment is on the tax rolls. The Department anticipates 70% of this equipment to be on the tax rolls for 1985 due to increased compliance with the law.

EFFECT OF REVENUE:

SEWERAGE AND WATER SYSTEMS:

Revenue Lost: (Taxable value \$1,346,625 for 6,300 parcels currently on the tax rolls)

	Under Current Law	FY86 Under Proposed Law	Estimated (Decrease)	Under Current Law	FY87 Under Proposed Law	Estimated (Decrease)
University Mill Levy	\$ 14,453,418	\$ 14,445,338	(\$ 8,080)	\$ 14,974,770	\$ 14,966,690	(\$ 8,080)
School Foundation						
Program Levy	\$108,400,635	\$108,340,037	(\$ 60,598)	\$112,310,775	\$112,250,177	(\$ 60,598)
TOTAL	\$122,854,053	\$122,785,375	(\$ 68,678)	\$127,285,545	\$127,216,867	(\$ 68,678)

Revenue Foregone: (Taxable value \$10,567,800 for 43,100 parcels not currently on the tax rolls)

University Mill Levy				\$ 14,974,770	\$ 14,911,363	(\$ 63,407)
School Foundation						
Program Levy		(NO EFFECT)		\$112,310,775	\$111,835,224	(\$475,551)
TOTAL				\$127,285,545	\$126,746,587	(\$538,958)

Total (Sewerage and Water Systems):

University Mill Levy	\$ 14,453,418	\$ 14,445,338	(\$ 8,080)	\$ 14,974,770	\$ 14,903,283	(\$ 71,487)
School Foundation						
Program Levy	\$108,400,635	\$108,340,037	(\$ 60,598)	\$112,310,775	\$111,774,626	(\$536,149)
TOTAL	\$122,854,053	\$122,785,375	(\$ 68,678)	\$127,285,545	\$126,677,909	(\$607,636)

DOWN-HOLE EQUIPMENT: (Taxable Value - \$17,822,064 @ 70% \$12,475,445)

Revenue Lost:

Casing: (70% on tax roll - Taxable value - \$3,117,378)

	Under Current Law	FY 86 Under Proposed Law	Estimated (Decrease)	Under Current Law	FY 87 Under Proposed Law	Estimated (Decrease)
University Mill Levy School Foundation	\$ 14,453,418	\$ 14,434,714	(\$ 18,704)	\$14,974,770	\$ 14,956,066	(\$ 18,704)
Program Levy	\$108,400,635	\$108,260,353	(\$140,282)	\$112,310,775	\$112,170,493	(\$140,282)
TOTAL	\$122,854,053	\$122,695,067	(\$158,986)	\$127,285,545	\$127,126,559	(\$158,986)
<u>Rods, Pumps, Tubing:</u> (70% on tax roll - Taxable value - \$9,358,067)						
University Mill Levy School Foundation	\$ 14,453,418	\$ 14,397,270	(\$ 56,148)	\$ 14,974,770	\$ 14,918,622	(\$ 56,148)
Program Levy	\$108,400,635	\$107,979,522	(\$421,113)	\$112,310,775	\$111,889,662	(\$421,113)
TOTAL	\$122,854,053	\$122,376,792	(\$477,261)	\$127,285,545	\$126,808,284	(\$477,261)
<u>Total Revenue Lost:</u>						
University Mill Levy School Foundation	\$ 14,453,418	\$ 14,378,566	(\$ 74,852)	\$ 14,974,770	\$ 14,899,918	(\$ 74,852)
Program Levy	\$108,400,635	\$107,839,240	(\$561,395)	\$112,310,775	\$111,749,380	(\$561,395)
TOTAL	\$122,854,053	\$122,217,806	(\$636,247)	\$127,285,545	\$126,649,298	(\$636,247)
<u>Revenue Foregone:</u>						
<u>Casing:</u> (30% not on tax roll - Taxable value - \$1,336,019)						
University Mill Levy School Foundation	\$ 14,453,418	\$ 14,445,402	(\$ 8,016)	\$ 14,974,770	\$ 14,966,754	(\$ 8,016)
Program Levy	\$108,400,635	\$108,340,514	(\$ 60,121)	\$112,310,775	\$112,250,654	(\$ 60,121)
TOTAL	\$122,854,053	\$122,785,916	(\$ 68,137)	\$127,285,545	\$127,217,408	(\$ 68,137)
<u>Rods, Pumps, Tubing:</u> (30% not on tax roll - Taxable value - \$4,010,600)						
University Mill Levy School Foundation	\$ 14,453,418	\$ 14,429,354	(\$ 24,064)	\$ 14,974,770	\$ 14,950,706	(\$ 24,064)
Program Levy	\$108,400,635	\$108,220,158	(\$180,477)	\$112,310,775	\$112,130,298	(\$180,477)
TOTAL	\$122,854,053	\$122,649,512	(\$204,541)	\$127,285,545	\$127,081,004	(\$204,541)

Total Revenue Foregone:

	Under Current Law	FY 86 Under Proposed Law	Estimated (Decrease)	Under Current Law	FY 87 Under Proposed Law	Estimated (Decrease)
University Mill Levy	\$ 14,453,418	\$ 14,421,338	(\$ 32,080)	\$ 14,974,770	\$ 14,942,690	(\$ 32,080)
School Foundation						
Program Levy	\$108,400,635	\$108,160,037	(\$240,598)	\$112,310,775	\$112,070,177	(\$240,598)
TOTAL	\$122,854,053	\$122,581,375	(\$272,678)	\$127,285,545	\$127,012,867	(\$272,678)
<u>Total (Down-hole Equipment):</u>						
University Mill Levy	\$ 14,453,418	\$ 14,346,486	(\$106,932)	\$ 14,974,770	\$ 14,867,838	(\$106,932)
School Foundation						
Program Levy	\$108,400,635	\$107,598,642	(\$801,993)	\$112,310,775	\$111,508,782	(\$801,993)
TOTAL	\$122,854,053	\$121,945,128	(\$908,925)	\$127,285,545	\$126,376,620	(\$908,925)
<u>TOTAL EFFECT (SEWERAGE + DOWN-HOLE EQUIPMENT):</u>						
University Mill Levy	\$ 14,453,418	\$ 14,338,406	(\$115,012)	\$ 14,974,770	\$ 14,796,351	(\$ 178,419)
School Foundation						
Program Levy	\$108,400,635	\$107,538,044	(\$862,591)	\$112,310,775	\$110,972,633	(\$1,338,142)
TOTAL	\$122,854,053	\$121,876,450	(\$977,603)	\$127,285,545	\$125,768,984	(\$1,516,561)

EFFECT ON COUNTY/LOCAL REVENUE:

SEWERAGE AND WATER SYSTEMS:

Revenue Lost:

The impact on local revenue is \$200,647 (.149 x \$1,346,625) annually. On the average, 60% of the total property taxes levied are for schools. Thus, 60% of the total loss or about \$161,595 annually (.60 x (\$68,678 + \$200,647)) would be the loss in school funding.

Revenue Foregone:

The foregone local revenue would be \$1,574,602 (.149 x \$10,567,800) in FY 87. School funding would forego about \$1,268,136 (.60 x (\$538,958 + \$1,574,602)) in FY 87.

Total (Sewerage and Water Systems):

The total impact on local revenue would be \$200,647 in FY 86 and \$1,775,249 in FY 87. Approximately \$161,595 in FY 86 and \$1,429,731 in FY 87 would be the associated loss in school funding.

DOWN-HOLE EQUIPMENT (ANNUALLY):

Revenue Lost:

Casing -

Impact on local revenue - \$230,686 (.074 x \$3,117,378)
Impact on school funding - \$233,803 (.60 x (\$158,986 + \$230,686))

Rods, Pumps, Tubing -

Impact on local revenue - \$692,497 (.074 x \$9,358,067)
Impact on school funding - \$701,855 (.60 x (\$477,261 + \$692,497))

Total Revenue Lost -

Local Revenue - \$923,183
School Funding - \$935,658

Revenue Foregone:

Casing -

Impact on local revenue - \$ 98,865 (.074 x \$1,336,019)
Impact on school funding - \$100,201 (.60 x (68,137 + 98,865))

Rods, Pumps, Tubing -

Impact on local revenue - \$296,784 (.074 x \$4,010,600)
Impact on school funding - \$300,795 (.60 x (\$204,541 + \$296,784))

Total Revenue Foregone -

Local Revenue - \$395,649
School Funding - \$400,996

TOTAL EFFECT (DOWN-HOLE EQUIPMENT):

Local Revenue - \$1,318,832
School Funding - \$1,336,654

TOTAL EFFECT (SEWERAGE AND WATER SYSTEMS AND DOWN-HOLE EQUIPMENT):

Local Revenue - FY 86 - \$1,519,479 FY 87 - \$3,094,081
School Funding - FY 86 - \$1,498,249 FY 87 - \$2,766,385

APPROVED BY COMMITTEE
ON TAXATION

1 SENATE BILL NO. 67
2 INTRODUCED BY GAGE, BOYLAN, H. HAMMOND, CONOVER, SEVERSON,
3 HIRSCH, AKLESTAD, B. WILLIAMS, IVERSON, BENGTSON, THAYER,
4 FARRELL, GALT, KEATING, E. SMITH, HAGER, KOLSTAD,
5 LANE, GOODOVER, MCCALLUM
6

7 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING---~~AGRICULTURAL~~
8 CLARIFYING THE TAXATION OF SEWAGE DISPOSAL SYSTEMS AND
9 DOMESTIC WATER SUPPLY SYSTEMS OF ALL DWELLINGS ON
10 AGRICULTURAL--LAND--AND--~~AGRICULTURAL~~; EXEMPTING CERTAIN DOWN-HOLE
11 EQUIPMENT ON OIL AND GAS WELLS FROM PROPERTY SUBJECT TO
12 TAXATION; AMENDING SECTION 15-23-611, MCA; PROVIDING AN
13 IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."
14

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
16 NEW SECTION. Section 1. Sewage disposal and water
17 supply systems on--~~agricultural--land--~~exempt. All sewage
18 disposal systems and domestic use water supply systems of
19 all dwellings ~~and any related improvements on agricultural~~
20 ~~land--are--exempt--from--taxation~~ MAY NOT BE APPRAISED,
21 ASSESSED, AND TAXED SEPARATELY FROM THE LAND IN WHICH THEY
22 ARE LOCATED.

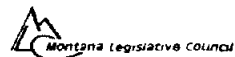
23 NEW SECTION. Section 2. Down-hole equipment on oil
24 and gas wells exempt. ~~All-down-hole~~ DOWN-HOLE equipment on
25 oil and gas wells is exempt from taxation AS PROVIDED IN

1 15-23-611.
2 SECTION 3. SECTION 15-23-611, MCA, IS AMENDED TO READ:
3 "15-23-611. Surface ground and improvements not exempt
4 ~~-- down-hole equipment exempt.~~ (i) Nothing in this part must
5 be construed so as to exempt from taxation the surface
6 ground, improvements, buildings, erections, structures, or
7 machinery placed upon any mine oil or gas well or supplies
8 used in connection therewith.

9 (2) Down-hole equipment in oil or gas wells
10 constituting casing installed in the ground and machinery
11 installed below ground in the casing of a producing oil or
12 gas well, except that machinery which has a salvage value
13 upon extraction from the casing, is not considered to have a
14 value separate and independent of the well and is exempt."

15 NEW SECTION. Section 4. Extension of authority. Any
16 existing authority of the department of revenue to make
17 rules on the subject of the provisions of this act is
18 extended to the provisions of this act.

19 NEW SECTION. Section 5. Codification instruction.
20 Sections 1 and 2 are SECTION 1 IS intended to be codified as
21 an integral part of Title 15, chapter 6 7, and the
22 provisions of Title 15 apply to sections SECTION 1 and--2.
23 SECTION 2 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
24 TITLE 15, CHAPTER 6, AND THE PROVISIONS OF TITLE 15 APPLY TO
25 SECTION 2.



SB 0067/02

1 NEW SECTION. Section 6. Effective date --
2 applicability. This act is effective on passage and approval
3 and is applicable to taxable years beginning after December
4 31, ~~1984~~ 1985.

-End-

SENATE BILL NO. 67

INTRODUCED BY GAGE, BOYLAN, H. HAMMOND, CONOVER, SEVERSON,
HIRSCH, AKLESTAD, B. WILLIAMS, IVERSON, BENGTSON, THAYER,
FARRELL, GALT, KEATING, E. SMITH, HAGER, KOLSTAD,
LANE, GOODOVER, MCCALLUM

A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING---ALL
CLARIFYING THE TAXATION OF SEWAGE DISPOSAL SYSTEMS AND
DOMESTIC WATER SUPPLY SYSTEMS OF ALL DWELLINGS ON
AGRICULTURAL---LAND---AND---ALL; EXEMPTING CERTAIN DOWN-HOLE
EQUIPMENT ON IN OIL AND GAS WELLS FROM PROPERTY SUBJECT TO
TAXATION; AMENDING---SECTION---15-23-611;---MCA; PROVIDING AN
IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW-SECTION: Section 1. Sewage disposal and water
supply systems on---agricultural---land---exempt. All sewage
disposal systems and domestic use water supply systems of
all dwellings and---any-related-improvements-on-agricultural
land---are---exempt---from---taxation MAY NOT BE APPRAISED,
ASSESSED, AND TAXED SEPARATELY FROM THE LAND, HOUSE, OR
OTHER IMPROVEMENTS IN WHICH THEY ARE LOCATED. IN NO EVENT
MAY THE SEWAGE DISPOSAL OR DOMESTIC WATER SUPPLY SYSTEMS BE
INCLUDED TWICE BY INCLUDING THEM IN THE VALUATION AND
ASSESSING THEM SEPARATELY.

NEW-SECTION: Section 2. Down-hole equipment on IN oil
and gas wells exempt. All-down-hole DOWN-HOLE ALL DOWN-HOLE
equipment on IN oil and gas wells is exempt from taxation AS
PROVIDED-IN-15-23-611.

SECTION-3;---SECTION-15-23-611;---MCA; IS AMENDED TO READ:
15-23-611;---Surface-ground-and-improvements-not-exempt
---down-hole-equipment-exempt; (1) Nothing-in-this-part-must
be-constructed-so-as-to-exempt-from-taxation-the-surface
ground;---improvements;---buildings;---erections;---structures;---or
machinery-placed-upon-any-mine oil-or-gas-well or---supplies
used-in-connection-therewith;

(2)---Down-hole---equipment---in---oil---or---gas---wells
constituting-casing-installed-in-the-ground---and---machinery
installed---below---ground-in-the-casing-of-a-producing-oil-or
gas-well;---except---that---machinery---which---has---a---salvage---value
upon-extraction-from-the-casing;---is---not---considered---to---have---a
value---separate---and---independent---of---the---well---and---is---exempt;"

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. Codification instruction.
Sections-1-and-2-are SECTION-1;---IS SECTIONS 1 AND 2 ARE
intended to be codified as an integral part of Title 15,
chapter 6 7 6, and the provisions of Title 15 apply to

SB 0067/03

1 sections SECTION SECTIONS 1 and--2 AND 2. SECTION-2-IS
2 INTENDED TO BE CODIFIED AS AN INTEGRAL--PART--OF--TITLE--15,
3 CHAPTER--6,--AND THE PROVISIONS OF TITLE 15 APPLY TO SECTION
4 2r
5 NEW-SECTION: Section 5. Effective date --
6 applicability. This act is effective on passage and
7 approval, and SECTION 1 is applicable to taxable years
8 beginning after December 31, 1984 1985. SECTION 2 IS
9 APPLICABLE TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31,
10 1984.

-End-

STANDING COMMITTEE REPORT

HOUSE

..... March 29, 19 85.....

MR. SPEAKER:

We, your committee on TAXATION.....

having had under consideration SENATE..... Bill No. 67.....

third reading copy (blue)
color

AN ACT EXEMPTING ALL SEWAGE DISPOSAL SYSTEMS AND DOMESTIC WATER
SUPPLY SYSTEMS OF ALL DWELLINGS ON AGRICULTURAL LAND AND ALL
DOWN-HOLE EQUIPMENT ON OIL AND GAS WELLS FROM PROPERTY SUBJECT
TO TAXATION;

Respectfully report as follows: That SENATE..... Bill No. 67.....

be amended as follows:

1. Page 3.

Following: line 10

Insert: "Section 6. Coordination instruction. If House
Bill No. 693, including the section of that bill amending
15-6-207, is passed and approved, section 1 of this act, to
be codified in Title 15, chapter 6, part 2, is void."

AND AS AMENDED
BE CONCURRED IN

28

DIXON

2/29

GERRY DEVLIN,

Chairman.

1 SENATE BILL NO. 67

2 INTRODUCED BY GAGE, BOYLAN, H. HAMMOND, CONOVER, SEVERSON,
3 HIRSCH, AKLESTAD, B. WILLIAMS, IVERSON, BENGTSON, THAYER,
4 FARRELL, GALT, KEATING, E. SMITH, HAGER, KOLSTAD,
5 LANE, GOODOVER, MCCALLUM

6
7 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING---ALL
8 CLARIFYING THE TAXATION OF SEWAGE DISPOSAL SYSTEMS AND
9 DOMESTIC WATER SUPPLY SYSTEMS OF ALL DWELLINGS ON
10 AGRICULTURAL--LAND--AND--ALL; EXEMPTING CERTAIN DOWN-HOLE
11 EQUIPMENT ON IN OIL AND GAS WELLS FROM PROPERTY SUBJECT TO
12 TAXATION; AMENDING--SECTION--15-23-611--MCA; PROVIDING AN
13 IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

14
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 NEW-SECTION: Section 1. Sewage disposal and water
17 supply systems on--agricultural--land--exempt. All sewage
18 disposal systems and domestic use water supply systems of
19 all dwellings and--any-related-improvements-on-agricultural
20 land--are--exempt--from--taxation MAY NOT BE APPRAISED,
21 ASSESSED, AND TAXED SEPARATELY FROM THE LAND, HOUSE, OR
22 OTHER IMPROVEMENTS IN WHICH THEY ARE LOCATED. IN NO EVENT
23 MAY THE SEWAGE DISPOSAL OR DOMESTIC WATER SUPPLY SYSTEMS BE
24 INCLUDED TWICE BY INCLUDING THEM IN THE VALUATION AND
25 ASSESSING THEM SEPARATELY.

1 NEW-SECTION: Section 2. Down-hole equipment on IN oil
2 and gas wells exempt. ~~All-down-hole DOWN-HOLE ALL DOWN-HOLE~~
3 equipment on IN oil and gas wells is exempt from taxation AS
4 PROVIDED-IN-15-23-611.

5 ~~SECTION-3---SECTION-15-23-611--MCA--IS-AMENDED-TO-READ:~~
6 ~~"15-23-611--Surface-ground-and-improvements-not-exempt~~
7 ~~---down-hole-equipment-exempt; (1) Nothing-in-this-part-must~~
8 ~~be-constructed-so-as--to--exempt--from--taxation--the--surface~~
9 ~~ground;--improvements;--buildings;--erections;--structures;--or~~
10 ~~machinery-placed-upon-any-mine oil-or-gas-well or--supplies~~
11 ~~used-in-connection-therewith.~~

12 ~~(2) Down-hole---equipment---in---oil---or---gas---wells~~
13 ~~constituting-casing-installed-in-the--ground--and--machinery~~
14 ~~installed--below--ground-in-the-casing-of-a-producing-oil-or~~
15 ~~gas-well;--except-that-machinery-which-has--a--salvage--value~~
16 ~~upon-extraction-from-the-casing;--is-not-considered-to-have-a~~
17 ~~value--separate--and-independent-of-the-well-and-is-exempt."~~

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

22 NEW-SECTION: Section 4. Codification instruction.
23 Sections-1-and-2-are SECTION-1--IS SECTIONS 1 AND 2 ARE
24 intended to be codified as an integral part of Title 15,
25 chapter 6 7 6, and the provisions of Title 15 apply to

1 ~~sections SECTION SECTIONS 1 and--2 AND 2. SECTION-2-IS~~
2 ~~INTENDED-TO-BE-CODIFIED-AS-AN-INTEGRAL--PART--OF--TITLE--15,~~
3 ~~CHAPTER--67--AND-THE-PROVISIONS-OF-TITLE-15-APPLY-TO-SECTION~~
4 ~~2.~~

5 NEW-SECTION: Section 5. Effective date --
6 applicability. This act is effective on passage and
7 approval, and SECTION 1 is applicable to taxable years
8 beginning after December 31, 1984 1985. SECTION 2 IS
9 APPLICABLE TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31,
10 1984.

11 SECTION 6. COORDINATION INSTRUCTION. IF HOUSE BILL NO.
12 693, INCLUDING THE SECTION OF THAT BILL AMENDING 15-6-207,
13 IS PASSED AND APPROVED, SECTION 1 OF THIS ACT, TO BE
14 CODIFIED IN TITLE 15, CHAPTER 6, PART 2, IS VOID.

-End-