

SENATE BILL NO. 390

INTRODUCED BY MAZUREK, STEPHENS, THAYER, REHBERG,
E. SMITH, DANIELS, HAGER, FULLER, BOYLAN, KEATING,
RAMIREZ, JACK MOORE

IN THE SENATE

February 12, 1985	Introduced and referred to Committee on Taxation. Fiscal Note requested.
February 19, 1985	Fiscal Note returned.
March 12, 1985	Committee recommend bill do pass as amended. Report adopted.
March 13, 1985	Bill printed and placed on members' desks.
March 14, 1985	Second reading, pass consideration. On motion taken from second reading and rereferred to Committee on Taxation.
March 15, 1985	Committee recommend bill do pass as amended. Report adopted.
March 16, 1985	Bill printed and placed on members' desks.
March 19, 1985	Second reading, do pass.
March 20, 1985	Considered correctly engrossed. Third reading, passed. Ayes, 49; Noes, 1. Transmitted to House.

IN THE HOUSE

March 21, 1985	Introduced and referred to Committee on Taxation.
March 25, 1985	New Fiscal Note requested.
March 26, 1985	New Fiscal Note returned.
March 30, 1985	Committee recommend bill be concurred in as amended. Report adopted.
April 3, 1985	Second reading, concurred in.
April 5, 1985	Third reading, concurred in. On motion, previous action reconsidered.
April 8, 1985	Third reading, concurred in. Returned to Senate with amendments.

IN THE SENATE

April 13, 1985	On motion, rules suspended to accept. Motion adopted.
April 15, 1985	Received from House.
April 17, 1985	Second reading, amendments not concurred in. On motion, Free Conference Committee requested.
April 19, 1985	Free Conference Committee appointed.
April 23, 1985	Free Conference Committee reported. Free Conference Committee report adopted by House.

April 24, 1985

Second reading, Free
Conference Committee report
adopted.

Third reading, Free Conference
Committee report adopted.

Sent to enrolling.

Reported correctly enrolled.

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Senate BILL NO. *390*
Marquell Stearns
E. Smith *David Hoyer* *Fuller* *Conroy* *Keating* *Ram*

INTRODUCED BY
A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "NEW PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; PROVIDING FOR A UNIFORM RATE OF TAXATION ON NEW PRODUCTION; ALLOWING CERTAIN DEDUCTIONS IN DETERMINING THE NET PROCEEDS OF NEW PRODUCTION; PROVIDING FOR CONSIDERATION OF NEW PRODUCTION TAXES IN COUNTY BONDING LIMITATIONS; AMENDING SECTIONS 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-23-601 THROUGH 15-23-603, 15-23-605, AND 15-23-607, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-23-601, MCA, is amended to read:
"15-23-601. Definitions. As used in this part, the

following definitions apply:

(1) "Excise tax" means the windfall profit tax on domestic crude oil imposed by Title I of the federal Crude Oil Windfall Profit Tax Act of 1980, as enacted or as amended.

(2) The term "new production" means the production of natural gas, petroleum, or other crude or mineral oil from any lease that has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately

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preceding the first month of qualified new production.
(3) The terms "operator" and "producer" mean any person who engages in the business of drilling for, extracting, or producing any natural gas, petroleum, or other crude or mineral oil.
(4) The term "well" includes each single well or group of wells, including dry wells, in one field or production unit and under the control of one operator or producer."
Section 2. Section 15-23-602, MCA, is amended to read:
"15-23-602. Statement of sales proceeds. Each operator or producer of natural gas, petroleum, or other crude or mineral oil must on or before April 15 in each year make out and deliver to the department of revenue a statement of the gross sales proceeds of such natural gas, petroleum, or other crude or mineral oil from each well owned or worked by such person during the next preceding calendar year. The gross sales proceeds shall be determined by multiplying the units of production sold from the well times the royalty unit value of that production at the well. Such statement shall be in the form prescribed by the department and must be verified by the oath of the operator or producer or the manager, superintendent, agent, president, or vice-president of such corporation, association, or partnership. Such statement shall show the following:



1 (1) the name and address of the operator, together
 2 with a list in duplicate of the names and addresses of any
 3 and all persons owning or claiming any royalty interest in
 4 the production from the well or the proceeds derived from
 5 the sale thereof, and the amount or amounts paid or yielded
 6 as royalty to each of such persons during the period covered
 7 by the statement;

8 (2) the description and location of the well;

9 (3) the number of cubic feet of natural gas, barrels
 10 of petroleum or other crude or mineral oil sold from the
 11 well during the period covered by the statement;

12 (4) the gross sales proceeds in dollars and cents or,
 13 in the case of sales between parties not acting at arm's
 14 length, the greater of the gross sales proceeds from or the
 15 fair market value of the products sold;

16 (5) except for new production as defined in 15-23-601:

17 ~~(5)~~(a) actual cost of extracting product from well;

18 ~~(5)~~(b) cost of construction, repairs, and betterments;

19 ~~(7)~~(c) actual cost of fire insurance and workers'
 20 compensation insurance;

21 ~~(8)~~(d) the amount paid or withheld in satisfaction of
 22 liability for excise taxes imposed by the U.S. government on
 23 the production, sale, or removal of the natural gas,
 24 petroleum, or other crude or mineral oil reported pursuant
 25 to subsection (3), including a separate statement of the

1 amount of such taxes paid or withheld from each royalty
 2 owner."

3 Section 3. Section 15-23-603, MCA, is amended to read:

4 "15-23-603. Net proceeds -- how computed. (1) The
 5 Except as provided in subsection (3), the department of
 6 revenue shall calculate and compute from the returns the
 7 gross sales proceeds of the product yielded from such well
 8 for the year covered by the statement and shall calculate
 9 the net proceeds of the well yielded to the producer, which
 10 net proceeds shall be determined by subtracting from the
 11 gross sales proceeds thereof the following:

12 (a) all royalty paid in cash by the operator or
 13 producer and the gross value of all royalty apportioned in
 14 kind by the operator or producer that shall be determined by
 15 using as the value of a barrel of oil or a cubic foot of gas
 16 the average selling price for the calendar year of a barrel
 17 of oil or a cubic foot of gas from the well out of which the
 18 royalty was paid;

19 (b) all moneys expended for necessary labor,
 20 machinery, and supplies needed and used in the operation and
 21 development;

22 (c) all moneys expended for improvements, repairs, and
 23 betterments necessary in and about the working of the well;

24 (d) all moneys expended for fire insurance and
 25 workers' compensation insurance and for payments by

1 operators to welfare and retirement funds when provided for
2 in wage contracts between operators and employees;

3 (e) 70% of the amount paid or withheld in satisfaction
4 of liability for excise taxes imposed by the U.S. government
5 on the production, sale, or removal of the natural gas,
6 petroleum, or other crude or mineral oil yielded from such
7 well, other than the amount of such taxes paid by or
8 withheld from each royalty owner.

9 (2) No moneys invested in the well and improvements
10 during any year except the year for which such statement is
11 made may be included in such expenditures, except as
12 provided in 15-23-604, and such expenditures may not include
13 the salaries or any portion thereof of any person or officer
14 not actually engaged in the working of the well or
15 superintending the management thereof.

16 (3) For new production, net proceeds are the
17 equivalent of the gross sales proceeds of the product
18 yielded from such well for the year covered by the
19 statement, except that in computing the total number of
20 barrels of petroleum and other mineral or crude oil or cubic
21 feet of natural gas produced, there shall be deducted
22 therefrom so much thereof as is used in the operation of the
23 well from which the petroleum or other mineral or crude oil
24 or natural gas is produced for pumping the petroleum or
25 other mineral or crude oil or natural gas from the well to a

1 tank or pipeline."

2 Section 4. Section 15-23-605, MCA, is amended to read:

3 "15-23-605. Assessment of royalties. (1) The amount of
4 royalty received, valued as provided in 15-23-603(1)(a),
5 less 70% of the amount of excise taxes paid by or withheld
6 from the royalty owner as reported pursuant to 15-23-602(8),
7 shall be considered net proceeds to the recipient and shall
8 be assessed as follows: upon receipt of the lists or
9 schedules setting forth the names and addresses of any and
10 all persons owning or claiming royalty and the amount paid
11 or yielded as royalty to such royalty owners or claimants
12 during the year for which such return is made, the
13 department of revenue shall proceed to assess and tax the
14 same as net proceeds of mines.

15 (2) Net proceeds for new production, as defined in
16 15-23-601, includes royalties received without deduction for
17 excise taxes."

18 Section 5. Section 15-23-607, MCA, is amended to read:

19 "15-23-607. County assessors to compute taxes. (1)
20 Immediately after the board of county commissioners has
21 fixed tax levies on the second Monday in August, the county
22 assessor shall compute the taxes on such net proceeds,
23 except as provided in 15-36-121 and in subsection (2), and
24 royalty assessments and shall deliver the book to the county
25 treasurer on or before September 15. The county treasurer

1 shall proceed to give full notice thereof to such operator
2 and to collect the same in manner provided by law.

3 (2) For new production, as defined in 15-23-601, the
4 county assessor may not levy or assess any mills against the
5 value of such new production, but shall instead levy a tax
6 as follows:

7 (a) for new production of petroleum or other mineral
8 or crude oil, 6.3% of net proceeds, as described in
9 15-23-603(3); or

10 (b) for new production of natural gas, 9.2% of net
11 proceeds, as described in 15-23-603(3).

12 (3) The amount of tax levied in subsections (2)(a) and
13 (2)(b) shall be treated as taxable value for county bonding
14 purposes.

15 ~~(2)~~(4) The operator or producer shall be liable for
16 the payment of said taxes and same shall be payable by and
17 shall be collected from such operators in the same manner
18 and under the same penalties as provided for the collection
19 of taxes upon net proceeds of mines; provided, however, that
20 the operator may at his option withhold from the proceeds of
21 royalty interest, either in kind or in money, an estimated
22 amount of the tax to be paid by him upon such royalty or
23 royalty interest. After such withholding any deviation
24 between the estimated tax and the actual tax may be
25 accounted for by adjusting subsequent withholdings from the

1 proceeds of royalty interests."

2 Section 6. Section 7-7-2101, MCA, is amended to read:

3 "7-7-2101. Limitation on amount of county
4 indebtedness. (1) No county may become indebted in any
5 manner or for any purpose to an amount, including existing
6 indebtedness, in the aggregate exceeding 23% of the total of
7 the taxable value of the property therein subject to
8 taxation, plus the amount of new production taxes levied as
9 provided in 15-23-607, as ascertained by the last assessment
10 for state and county taxes previous to the incurring of such
11 indebtedness.

12 (2) No county may incur indebtedness or liability for
13 any single purpose to an amount exceeding \$150,000 without
14 the approval of a majority of the electors thereof voting at
15 an election to be provided by law, except as provided in
16 7-21-3413 and 7-21-3414."

17 Section 7. Section 7-7-2203, MCA, is amended to read:

18 "7-7-2203. Limitation on amount of bonded
19 indebtedness. (1) Except as provided in subsections (2) and
20 (3), no county may issue general obligation bonds for any
21 purpose which, with all outstanding bonds and warrants
22 except county high school bonds and emergency bonds, will
23 exceed 11.25% of the total of the taxable value of the
24 property therein, plus the amount of new production taxes
25 levied as provided in 15-23-607, to be ascertained by the

1 last assessment for state and county taxes prior to the
2 proposed issuance of bonds.

3 (2) A county may issue bonds which, with all
4 outstanding bonds and warrants, will exceed 11.25% but will
5 not exceed 37% of the total of the taxable value of such
6 property, plus the amount of new production taxes levied as
7 provided in 15-23-607, when necessary to do so, for the
8 purpose of acquiring land for a site for county high school
9 buildings and for erecting or acquiring buildings thereon
10 and furnishing and equipping the same for county high school
11 purposes.

12 (3) The foregoing limitation shall not apply to
13 refunding bonds issued for the purpose of paying or retiring
14 county bonds lawfully issued prior to January 1, 1932."

15 Section 8. Section 7-14-2524, MCA, is amended to read:

16 "7-14-2524. Limitation on amount of bonds issued --
17 excess void. (1) Except as otherwise provided hereafter and
18 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
19 with all outstanding bonds and warrants except county high
20 school bonds and emergency bonds, will exceed 11.25% of the
21 total of the taxable value of the property therein, plus the
22 amount of new production taxes levied as provided in
23 15-23-607. The taxable property and the amount of new
24 production taxes levied shall be ascertained by the last
25 assessment for state and county taxes prior to the issuance

1 of such bonds.

2 (2) A county may issue bonds which, with all
3 outstanding bonds and warrants except county high school
4 bonds, will exceed 11.25% but will not exceed 22.5% of the
5 total of the taxable value of such property, plus the amount
6 of new production taxes levied as provided in 15-23-607,
7 when necessary for the purpose of replacing, rebuilding, or
8 repairing county buildings, bridges, or highways which have
9 been destroyed or damaged by an act of God, disaster,
10 catastrophe, or accident.

11 (3) The value of the bonds issued and all other
12 outstanding indebtedness of the county, except county high
13 school bonds, shall not exceed 22.5% of the total of the
14 taxable value of the property within the county, plus the
15 amount of new production taxes levied as provided in
16 15-23-607, as ascertained by the last preceding general
17 assessment."

18 Section 9. Section 7-14-2525, MCA, is amended to read:

19 "7-14-2525. Refunding agreements and refunding bonds
20 authorized. (1) Whenever the total indebtedness of a county
21 exceeds 22.5% of the total of the taxable value of the
22 property therein, plus the amount of new production taxes
23 levied as provided in 15-23-607, and the board determines
24 that the county is unable to pay such indebtedness in full,
25 the board may:

1 (a) negotiate with the bondholders for an agreement
2 whereby the bondholders agree to accept less than the full
3 amount of the bonds and the accrued unpaid interest thereon
4 in satisfaction thereof;

5 (b) enter into such agreement;

6 (c) issue refunding bonds for the amount agreed upon.

7 (2) These bonds may be issued in more than one series,
8 and each series may be either amortization or serial bonds.

9 (3) The plan agreed upon between the board and the
10 bondholders shall be embodied in full in the resolution
11 providing for the issue of the bonds."

12 Section 10. Section 7-16-2327, MCA, is amended to
13 read:

14 "7-16-2327. Indebtedness for park purposes. (1)
15 Subject to the provisions of subsection (2), a county park
16 board, in addition to powers and duties now given under law,
17 shall have the power and duty to contract an indebtedness in
18 behalf of a county, upon the credit thereof, for the
19 purposes of 7-16-2321(1) and (2).

20 (2) (a) The total amount of indebtedness authorized to
21 be contracted in any form, including the then-existing
22 indebtedness, must not at any time exceed 13% of the total
23 of the taxable value of the taxable property in the county,
24 plus the amount of new production taxes levied as provided
25 in 15-23-607, ascertained by the last assessment for state

1 and county taxes previous to the incurring of such
2 indebtedness.

3 (b) No money may be borrowed on bonds issued for the
4 purchase of lands and improving same for any such purpose
5 until the proposition has been submitted to the vote of
6 those qualified under the provisions of the state
7 constitution to vote at such election in the county affected
8 thereby and a majority vote is cast in favor thereof."

9 NEW SECTION. Section 11. Extension of authority. Any
10 existing authority of the department of revenue to make
11 rules on the subject of the provisions of this act is
12 extended to the provisions of this act.

13 NEW SECTION. Section 12. Effective date. Sections 1
14 through 10 of this act are effective July 1, 1985. Section
15 11 and this section are effective on passage and approval,
16 except that rules adopted under section 11 may not be made
17 effective prior to July 1, 1985.

-End-

STATE OF MONTANA

REQUEST NO. FNN 415-85

F I S C A L N O T E

Form BD-15

In compliance with a written request received February 12, 19 85 , there is hereby submitted a Fiscal Note for S.B. 390 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 defining "New Production" of petroleum, oil, and natural gas; providing for a uniform rate of taxation of new production; allowing certain deductions in determining the net proceeds of new production; providing for consideration of new production taxes in county bonding limitations; and providing an effective date.

EFFECT ON COUNTY/LOCAL REVENUE:

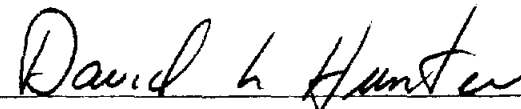
The rates of tax on net proceeds presented in the proposed legislation were calculated to be revenue-neutral rates. That is, on a statewide basis these rates should produce no appreciable change in estimated net proceeds revenues to local governments. However, the actual effect that the proposed legislation will have on a particular county will vary greatly depending upon (1) the ratio of net to gross proceeds in the county, and (2) the county's mill levy.

LONG-RANGE EFFECTS:

If approximately 5 percent of the state's annual production of oil and gas is derived from "new production", the proposed legislation will be in full effect 20 years from the effective date of the bill. The attached sheets provide a county-by-county breakdown of the long-range effects of the bill using actual production for tax year 1983.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Current county mill levies include 51 mills for state purposes - 6 mills for the universities and 45 mills for the School Foundation Program. The proposed legislation prohibits counties from levying mills against the value of new production by replacing the mill levy with a fixed percentage of net proceeds. The proposal does not provide for the distribution of the resulting tax revenue between state and local governments. Assuming that the average mill levy for oil and gas equals 125 mills (74 mills for county purposes) the state would lose approximately 41% of the revenue that it would otherwise receive if the proposed legislation does not provide a distribution mechanism.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 19, 1985

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION: (Continued)

Section 5 of the proposed bill requires that "the amount of tax levied ...shall be treated as taxable value for county bonding purposes." Sections 6 through 10 implement this provision. This will result in a substantial reduction in the taxable value against which bonds are levied on oil property. Using a percentage of gross proceeds to establish bonding limits may be more reflective of current practices.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION
 ASSUMING ALL OIL AND GAS ACTUALLY
 PRODUCED IN MONTANA IN TAX YEAR 1983
 WOULD BE TAXED UNDER THE NEW SYSTEM

		VALUE	CURRENT	PROPOSED	DIFFERENCE
BIG HORN	GAS	9992	397	919	522
	OIL	2189307	121324	137926	16602
BLAINE	GAS	19531065	2787174	1796932	-990242
	OIL	2811898	324143	240150	-83993
CARBON	GAS	2966282	263741	272898	9157
	OIL	19568470	1636175	1232814	-403361
CARTER	GAS	290559	25857	26731	874
	OIL	1465650	137863	92336	-41527
CHOUTEAU	GAS	2649070	343471	243714	-99757
	OIL	0	0	0	0
CUSTER	GAS	132708	22093	17209	-9884
	OIL	0	0	0	0
DANIELS	GAS	0	0	0	0
	OIL	468451	37072	29512	-9560
DAWSON	GAS	1152	0	106	106
	OIL	15946427	260534	1004625	144091
FALLON	GAS	3745790	22556	344613	322057
	OIL	192029196	9351929	12097839	2745910

GARFIELD	GAS	0	0	0	0
	OIL	456270	39829	28745	-11084
GLACIER	GAS	5883178	815402	541252	-274150
	OIL	43843818	4674931	2762161	-1912770
GOLDEN VALLEY	GAS	95503	12713	8786	-3927
	OIL	0	0	0	0
HILL	GAS	13888352	2884982	1277728	-1607254
	OIL	72757	0	4584	4584
LIBERTY	GAS	4478563	459125	413028	-47097
	OIL	10593404	865420	667384	-195036
MCCONE	GAS	0	0	0	0
	OIL	3744334	289873	235893	-53980
MUSSELSHELL	GAS	0	0	0	0
	OIL	31863016	2144766	2007370	-137396
PETROLEUM	GAS	0	0	0	0
	OIL	2011428	161457	126720	-34737
PHILLIPS	GAS	19433033	1810078	1787839	-22239
	OIL	0	0	0	0
PONDERA	GAS	2553870	313490	234956	-78534
	OIL	13502605	1303855	850664	-453191
POWDER RIVER	GAS	74879	3759	6889	3130
	OIL	96236462	5842074	6062897	220823
PRAIRIE	GAS	1697	0	156	156
	OIL	2929575	195354	184563	-10791
RICHLAND	GAS	6436105	0	592122	592122
	OIL	194609399	12681404	12260392	-421012

ROOSEVELT	GAS	1365572	0	125633	125633
	OIL	80507445	5995581	5071969	-923612
ROSEBUD	GAS	0	0	0	0
	OIL	43608028	2297626	2747306	449680
SHERIDAN	GAS	1309246	0	120451	120451
	OIL	114894109	8682685	7238329	-1444356
STILLWATER	GAS	1861144	242485	171225	-71260
	OIL	553548	86112	34874	-51238
TETON	GAS	723962	93046	66605	-26441
	OIL	4174810	318598	263013	-55585
TOOLE	GAS	13247849	1577610	1218802	-358808
	OIL	31880465	2215391	2008469	-206922
VALLEY	GAS	572001	52310	52624	314
	OIL	3524065	338178	222016	-116162
WIBAUX	GAS	378805	0	34850	34850
	OIL	48193874	2628521	3036214	407693
YELLOWSTONE	GAS	0	0	0	0
	OIL	749990	78539	47249	-31290

STATE OF MONTANA

Amended
REQUEST NO. FNN 415-85

FISCAL NOTE

Form BD-15

In compliance with a written request received March 25, 19 85, there is hereby submitted a Fiscal Note for S.B. 390 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 OF PROPOSED LEGISLATION:

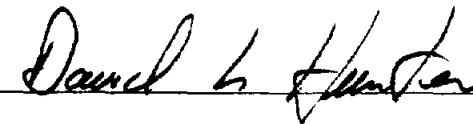
An act defining "New Production" of petroleum, oil, and natural gas; providing for a uniform rate of taxation of new production; allowing certain deductions in determining the net proceeds of new production; providing for consideration of new production taxes in county bonding limitations; providing for disposition of taxes in lieu of net proceeds taxes; and providing an effective date.

EFFECT ON COUNTY/LOCAL REVENUE

The attached table illustrates the impacts across counties that would have occurred had the proposed rates (oil at 7% - natural gas at 11%) been in full effect for all production in the 1983 tax year. The short-term effect that the proposed legislation will have on a particular county will vary greatly depending on (1) the ratio of net to gross proceeds in the county, and (2) the county's mill levy.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

If approximately 5 percent of the state's annual production of oil and gas is derived from "new production", the proposed legislation will be in full effect 20 years from the effective date of the bill.

BUDGET DIRECTOR
Office of Budget and Program PlanningDate: April 26, 1985

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION
 ASSUMING ALL OIL AND GAS ACTUALLY
 PRODUCED IN MONTANA IN TAX YEAR 1983
 WOULD BE TAXED UNDER THE NEW SYSTEM

		VALUE	CURRENT	PROPOSED	DIFFERENCE
BIG HORN	GAS	9992	397	1099	702
	OIL	2189907	121324	153251	31927
BLAINE	GAS	19531865	2787174	2148505	-638669
	OIL	2811898	324143	196833	-127310
CARBON	GAS	2966282	263741	326291	62550
	OIL	19568470	1636175	1369793	-266382
CARTER	GAS	290559	25857	31961	6104
	OIL	1465650	133863	102596	-31267
CHOUTEAU	GAS	2649070	343471	291398	-52073
	OIL	0	0	0	0
CUSTER	GAS	132708	22093	14598	-7495
	OIL	0	0	0	0
DANIELS	GAS	0	0	0	0
	OIL	468451	39072	32792	-6280
DAWSON	GAS	1152	0	127	127
	OIL	15946427	860534	1116250	255716
FALLON	GAS	3745790	22556	412037	389481
	OIL	192029196	9351929	13442044	4090115
GARFIELD	GAS	0	0	0	0
	OIL	456270	39829	31939	-7890

Attachment S.B. 390, Fiscal Note 415-85 (Amended)

Page 2

GLACIER	GAS	5883178	815402	647150	-168252
	OIL	49849818	4674931	3069067	-1605864
GOLDEN VALLEY	GAS	95502	12713	10505	-2208
	OIL	0	0	0	0
HILL	GAS	13888352	2884982	1527719	-1357263
	OIL	72757	0	5093	5093
LIBERTY	GAS	4478563	459125	492642	33517
	OIL	10593404	865420	741538	-123882
MCCONE	GAS	0	0	0	0
	OIL	3744334	289873	262103	-27770
MUSSELSHELL	GAS	0	0	0	0
	OIL	31863016	2144766	2230411	85645
PETROLEUM	GAS	0	0	0	0
	OIL	2011428	161457	140800	-20657
PHILLIPS	GAS	19433033	1810078	2137634	327556
	OIL	0	0	0	0
PONDERA	GAS	2553870	313490	280926	-32564
	OIL	13502605	1303855	945182	-358673
POWDER RIVER	GAS	74879	3759	8237	4478
	OIL	96236462	5842074	6736552	894478
PRAIRIE	GAS	1697	0	187	187
	OIL	2929575	195354	205070	9716
RICHLAND	GAS	6436105	0	707972	707972
	OIL	194609399	12681404	13622658	941254
ROOSEVELT	GAS	1365572	0	150213	150213
	OIL	80507445	5995581	5635521	-360060

ROSEBUD	GAS	0	0	0	0
	OIL	43608028	2297626	3052562	754936
SHERIDAN	GAS	1309246	0	144017	144017
	OIL	114894109	8682685	8042588	-640097
STILLWATER	GAS	1861144	242485	204726	-37759
	OIL	553548	86112	38748	-47364
TETON	GAS	729962	93046	79636	-13410
	OIL	4174810	318598	292237	-26361
TOOLE	GAS	13247849	1577610	1457263	-120347
	OIL	31880465	2215391	2231633	16242
VALLEY	GAS	572001	52310	62920	10610
	OIL	3524065	338178	246685	-91493
WIBAUX	GAS	378805	0	41669	41669
	OIL	48193874	2628521	3373571	745050
YELLOWSTONE	GAS	0	0	0	0
	OIL	749990	78539	52499	-26040

APPROVED BY COMMITTEE
ON TAXATION

1 SENATE BILL NO. 390
2 INTRODUCED BY MAZUREK, STEPHENS, THAYER, REHBERG,
3 E. SMITH, DANIELS, HAGER, FULLER, BOYLAN, KEATING,
4 RAMIREZ, JACK MOORE
5

6 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "NEW
7 PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; PROVIDING
8 FOR A UNIFORM RATE OF TAXATION ON NEW PRODUCTION; ALLOWING
9 CERTAIN DEDUCTIONS IN DETERMINING THE NET PROCEEDS OF NEW
10 PRODUCTION; PROVIDING FOR CONSIDERATION OF NEW PRODUCTION
11 TAXES IN COUNTY BONDING LIMITATIONS; PROVIDING FOR
12 DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES; AMENDING
13 SECTIONS 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525,
14 7-16-2327, 15-23-601 THROUGH 15-23-603, 15-23-605, AND
15 15-23-607, 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501,
16 AND 20-10-144, MCA; AND PROVIDING AN EFFECTIVE DATE."
17

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

19 Section 1. Section 15-23-601, MCA, is amended to read:

20 "15-23-601. Definitions. As used in this part, the
21 following definitions apply:

22 (1) "Excise tax" means the windfall profit tax on
23 domestic crude oil imposed by Title I of the federal Crude
24 Oil Windfall Profit Tax Act of 1980, as enacted or as
25 amended.

1 (2) The term "new production" means the production of
2 natural gas, petroleum, or other crude or mineral oil from
3 any lease that has not produced natural gas, petroleum, or
4 other crude or mineral oil during the 5 years immediately
5 preceding the first month of qualified new production.

6 ~~(2)~~(3) The terms "operator" and "producer" mean any
7 person who engages in the business of drilling for,
8 extracting, or producing any natural gas, petroleum, or
9 other crude or mineral oil.

10 ~~(3)~~(4) The term "well" includes each single well or
11 group of wells, including dry wells, in one field or
12 production unit and under the control of one operator or
13 producer."

14 Section 2. Section 15-23-602, MCA, is amended to read:

15 "15-23-602. Statement of sales proceeds. Each operator
16 or producer of natural gas, petroleum, or other crude or
17 mineral oil must on or before April 15 in each year make out
18 and deliver to the department of revenue a statement of the
19 gross sales proceeds of such natural gas, petroleum, or
20 other crude or mineral oil from each well owned or worked by
21 such person during the next preceding calendar year. The
22 gross sales proceeds shall be determined by multiplying the
23 units of production sold from the well times the royalty
24 unit value of that production at the well. Such statement
25 shall be in the form prescribed by the department and must



1 be verified by the oath of the operator or producer or the
2 manager, superintendent, agent, president, or vice-president
3 of such corporation, association, or partnership. Such
4 statement shall show the following:

5 (1) the name and address of the operator, together
6 with a list in duplicate of the names and addresses of any
7 and all persons owning or claiming any royalty interest in
8 the production from the well or the proceeds derived from
9 the sale thereof, and the amount or amounts paid or yielded
10 as royalty to each of such persons during the period covered
11 by the statement;

12 (2) the description and location of the well;

13 (3) the number of cubic feet of natural gas, barrels
14 of petroleum or other crude or mineral oil sold from the
15 well during the period covered by the statement;

16 (4) the gross sales proceeds in dollars and cents or,
17 in the case of sales between parties not acting at arm's
18 length, the greater of the gross sales proceeds from or the
19 fair market value of the products sold;

20 (5) except for new production as defined in 15-23-601:

21 †5) (a) actual cost of extracting product from well;

22 †6) (b) cost of construction, repairs, and betterments;

23 †7) (c) actual cost of fire insurance and workers'
24 compensation insurance;

25 †8) (d) the amount paid or withheld in satisfaction of

1 liability for excise taxes imposed by the U.S. government on
2 the production, sale, or removal of the natural gas,
3 petroleum, or other crude or mineral oil reported pursuant
4 to subsection (3), including a separate statement of the
5 amount of such taxes paid or withheld from each royalty
6 owner."

7 Section 3. Section 15-23-603, MCA, is amended to read:

8 "15-23-603. Net proceeds -- how computed. (1) The
9 Except as provided in subsection (3), the department of
10 revenue shall calculate and compute from the returns the
11 gross sales proceeds of the product yielded from such well
12 for the year covered by the statement and shall calculate
13 the net proceeds of the well yielded to the producer, which
14 net proceeds shall be determined by subtracting from the
15 gross sales proceeds thereof the following:

16 (a) all royalty paid in cash by the operator or
17 producer and the gross value of all royalty apportioned in
18 kind by the operator or producer that shall be determined by
19 using as the value of a barrel of oil or a cubic foot of gas
20 the average selling price for the calendar year of a barrel
21 of oil or a cubic foot of gas from the well out of which the
22 royalty was paid;

23 (b) all moneys expended for necessary labor,
24 machinery, and supplies needed and used in the operation and
25 development;

1 (c) all moneys expended for improvements, repairs, and
2 betterments necessary in and about the working of the well;

3 (d) all moneys expended for fire insurance and
4 workers' compensation insurance and for payments by
5 operators to welfare and retirement funds when provided for
6 in wage contracts between operators and employees;

7 (e) 70% of the amount paid or withheld in satisfaction
8 of liability for excise taxes imposed by the U.S. government
9 on the production, sale, or removal of the natural gas,
10 petroleum, or other crude or mineral oil yielded from such
11 well, other than the amount of such taxes paid by or
12 withheld from each royalty owner.

13 (2) No moneys invested in the well and improvements
14 during any year except the year for which such statement is
15 made may be included in such expenditures, except as
16 provided in 15-23-604, and such expenditures may not include
17 the salaries or any portion thereof of any person or officer
18 not actually engaged in the working of the well or
19 superintending the management thereof.

20 (3) For new production, net proceeds are the
21 equivalent of the gross sales proceeds of the product
22 yielded from such well for the year covered by the
23 statement, except that in computing the total number of
24 barrels of petroleum and other mineral or crude oil or cubic
25 feet of natural gas produced, there shall be deducted

1 therefrom so much thereof as is used in the operation of the
2 well from which the petroleum or other mineral or crude oil
3 or natural gas is produced for pumping the petroleum or
4 other mineral or crude oil or natural gas from the well to a
5 tank or pipeline."

6 Section 4. Section 15-23-605, MCA, is amended to read:

7 "15-23-605. Assessment of royalties. (1) The amount of
8 royalty received, valued as provided in 15-23-603(1)(a),
9 less 70% of the amount of excise taxes paid by or withheld
10 from the royalty owner as reported pursuant to 15-23-602(8),
11 shall be considered net proceeds to the recipient and shall
12 be assessed as follows: upon receipt of the lists or
13 schedules setting forth the names and addresses of any and
14 all persons owning or claiming royalty and the amount paid
15 or yielded as royalty to such royalty owners or claimants
16 during the year for which such return is made, the
17 department of revenue shall proceed to assess and tax the
18 same as net proceeds of mines.

19 (2) Net proceeds for new production, as defined in
20 15-23-601, includes royalties received without deduction for
21 excise taxes."

22 Section 5. Section 15-23-607, MCA, is amended to read:

23 "15-23-607. County assessors to compute taxes. (1)
24 Immediately after the board of county commissioners has
25 fixed tax levies on the second Monday in August, the county

1 assessor shall compute the taxes on such net proceeds,
 2 except as provided in 15-36-121 and in subsection (2), and
 3 royalty assessments and shall deliver the book to the county
 4 treasurer on or before September 15. The county treasurer
 5 shall proceed to give full notice thereof to such operator
 6 and to collect the same in manner provided by law.

7 (2) For new production, as defined in 15-23-601, the
 8 county assessor may not levy or assess any mills against the
 9 value of such new production, but shall instead levy a tax
 10 as follows:

11 (a) for new production of petroleum or other mineral
 12 or crude oil, ~~6-3%~~ 6.5% of net proceeds, as described in
 13 15-23-603(3); or

14 (b) for new production of natural gas, ~~9-2%~~ 10% of net
 15 proceeds, as described in 15-23-603(3).

16 (3) The amount of tax levied in subsections (2)(a) and
 17 (2)(b) shall be treated as taxable value for county bonding
 18 purposes.

19 ~~†2†~~(4) The operator or producer shall be liable for
 20 the payment of said taxes and same shall be payable by and
 21 shall be collected from such operators in the same manner
 22 and under the same penalties as provided for the collection
 23 of taxes upon net proceeds of mines; provided, however, that
 24 the operator may at his option withhold from the proceeds of
 25 royalty interest, either in kind or in money, an estimated

1 amount of the tax to be paid by him upon such royalty or
 2 royalty interest. After such withholding any deviation
 3 between the estimated tax and the actual tax may be
 4 accounted for by adjusting subsequent withholdings from the
 5 proceeds of royalty interests."

6 Section 6. Section 7-7-2101, MCA, is amended to read:
 7 "7-7-2101. Limitation on amount of county
 8 indebtedness. (1) No county may become indebted in any
 9 manner or for any purpose to an amount, including existing
 10 indebtedness, in the aggregate exceeding 23% of the total of
 11 the taxable value of the property therein subject to
 12 taxation, plus the amount of new production taxes levied ~~as~~
 13 ~~provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES
 14 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 15 60%, as ascertained by the last assessment for state and
 16 county taxes previous to the incurring of such indebtedness.

17 (2) No county may incur indebtedness or liability for
 18 any single purpose to an amount exceeding \$150,000 without
 19 the approval of a majority of the electors thereof voting at
 20 an election to be provided by law, except as provided in
 21 7-21-3413 and 7-21-3414."

22 Section 7. Section 7-7-2203, MCA, is amended to read:
 23 "7-7-2203. Limitation on amount of bonded
 24 indebtedness. (1) Except as provided in subsections (2) and
 25 (3), no county may issue general obligation bonds for any

1 purpose which, with all outstanding bonds and warrants
 2 except county high school bonds and emergency bonds, will
 3 exceed 11.25% of the total of the taxable value of the
 4 property therein, plus the amount of new production taxes
 5 levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE
 6 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
 7 MULTIPLIED BY 60%, to be ascertained by the last assessment
 8 for state and county taxes prior to the proposed issuance of
 9 bonds.

10 (2) A county may issue bonds which, with all
 11 outstanding bonds and warrants, will exceed 11.25% but will
 12 not exceed 37% of the total of the taxable value of such
 13 property, plus the amount of new production taxes levied ~~as~~
 14 ~~provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES
 15 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 16 60%, when necessary to do so, for the purpose of acquiring
 17 land for a site for county high school buildings and for
 18 erecting or acquiring buildings thereon and furnishing and
 19 equipping the same for county high school purposes.

20 (3) The foregoing limitation shall not apply to
 21 refunding bonds issued for the purpose of paying or retiring
 22 county bonds lawfully issued prior to January 1, 1932."

23 Section 8. Section 7-14-2524, MCA, is amended to read:

24 "7-14-2524. Limitation on amount of bonds issued --
 25 excess void. (1) Except as otherwise provided hereafter and

1 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
 2 with all outstanding bonds and warrants except county high
 3 school bonds and emergency bonds, will exceed 11.25% of the
 4 total of the taxable value of the property therein, plus the
 5 amount of new production taxes levied ~~as provided in~~
 6 ~~15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 7 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%. The taxable
 8 property and the amount of new production taxes levied shall
 9 be ascertained by the last assessment for state and county
 10 taxes prior to the issuance of such bonds.

11 (2) A county may issue bonds which, with all
 12 outstanding bonds and warrants except county high school
 13 bonds, will exceed 11.25% but will not exceed 22.5% of the
 14 total of the taxable value of such property, plus the amount
 15 of new production taxes levied ~~as provided in 15-23-607~~
 16 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 17 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, when
 18 necessary for the purpose of replacing, rebuilding, or
 19 repairing county buildings, bridges, or highways which have
 20 been destroyed or damaged by an act of God, disaster,
 21 catastrophe, or accident.

22 (3) The value of the bonds issued and all other
 23 outstanding indebtedness of the county, except county high
 24 school bonds, shall not exceed 22.5% of the total of the
 25 taxable value of the property within the county, plus the

1 amount of new production taxes levied ~~as--provided--in~~
 2 ~~15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 3 ~~15-23-607(2)(A) OR (2)(B)~~ AND MULTIPLIED BY 60%, as
 4 ascertained by the last preceding general assessment."

5 Section 9. Section 7-14-2525, MCA, is amended to read:

6 "7-14-2525. Refunding agreements and refunding bonds
 7 authorized. (1) Whenever the total indebtedness of a county
 8 exceeds 22.5% of the total of the taxable value of the
 9 property therein, plus the amount of new production taxes
 10 levied ~~as--provided-in-15-23-607~~ DIVIDED BY THE APPROPRIATE
 11 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
 12 MULTIPLIED BY 60%, and the board determines that the county
 13 is unable to pay such indebtedness in full, the board may:

14 (a) negotiate with the bondholders for an agreement
 15 whereby the bondholders agree to accept less than the full
 16 amount of the bonds and the accrued unpaid interest thereon
 17 in satisfaction thereof;

18 (b) enter into such agreement;

19 (c) issue refunding bonds for the amount agreed upon.

20 (2) These bonds may be issued in more than one series,
 21 and each series may be either amortization or serial bonds.

22 (3) The plan agreed upon between the board and the
 23 bondholders shall be embodied in full in the resolution
 24 providing for the issue of the bonds."

25 Section 10. Section 7-16-2327, MCA, is amended to

1 read:

2 "7-16-2327. Indebtedness for park purposes. (1)
 3 Subject to the provisions of subsection (2), a county park
 4 board, in addition to powers and duties now given under law,
 5 shall have the power and duty to contract an indebtedness in
 6 behalf of a county, upon the credit thereof, for the
 7 purposes of 7-16-2321(1) and (2).

8 (2) (a) The total amount of indebtedness authorized to
 9 be contracted in any form, including the then-existing
 10 indebtedness, must not at any time exceed 13% of the total
 11 of the taxable value of the taxable property in the county,
 12 plus the amount of new production taxes levied ~~as--provided~~
 13 ~~in--15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED
 14 IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%,
 15 ascertained by the last assessment for state and county
 16 taxes previous to the incurring of such indebtedness.

17 (b) No money may be borrowed on bonds issued for the
 18 purchase of lands and improving same for any such purpose
 19 until the proposition has been submitted to the vote of
 20 those qualified under the provisions of the state
 21 constitution to vote at such election in the county affected
 22 thereby and a majority vote is cast in favor thereof."

23 NEW SECTION. SECTION 11. DISPOSITION OF TAXES IN LIEU
 24 OF NET PROCEEDS TAXES. THE COUNTY TREASURER SHALL CREDIT
 25 ALL TAXES ON NEW OIL OR GAS PRODUCTION, AS PROVIDED FOR IN

1 15-23-607, IN THE RELATIVE PROPORTIONS REQUIRED BY THE
 2 LEVIES FOR STATE, COUNTY, SCHOOL DISTRICT, AND MUNICIPAL
 3 PURPOSES IN THE SAME MANNER AS PROPERTY TAXES WERE
 4 DISTRIBUTED IN THE YEAR PRECEDING THE BUDGET YEAR.

5 SECTION 12. SECTION 20-9-141, MCA, IS AMENDED TO READ:

6 "20-9-141. Computation of general fund net levy
 7 requirement by county superintendent. (1) The county
 8 superintendent shall compute the levy requirement for each
 9 district's general fund on the basis of the following
 10 procedure:

11 (a) Determine the total of the district's nonisolated
 12 school foundation program requirement to be met by a
 13 district levy as provided in 20-9-303, the district's
 14 permissive levy amount as provided in 20-9-352, and any
 15 additional levies authorized by the electors of the district
 16 under the provisions of 20-9-353, except that the total of
 17 the permissive and additional levies shall not exceed the
 18 total amount of the final general fund budget less the
 19 foundation program.

20 (b) Determine the total of the moneys available for
 21 the reduction of the property tax on the district for the
 22 general fund by totaling:

23 (i) anticipated federal moneys received under the
 24 provisions of Title I of Public Law 81-874 or other
 25 anticipated federal moneys received in lieu of such federal

1 act;

2 (ii) anticipated tuition payments for out-of-district
 3 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,
 4 and 20-5-313;

5 (iii) general fund cash reappropriated, as established
 6 under the provisions of 20-9-104;

7 (iv) anticipated state impact aid received under the
 8 provisions of 20-9-304;

9 (v) anticipated motor vehicle fees and reimbursement
 10 under the provisions of 61-3-532 and 61-3-536;

11 (vi) anticipated net proceeds for new production, as
 12 defined in 15-23-601;

13 ~~(vi)~~(vii) anticipated interest to be earned by the
 14 investment of general fund cash in accordance with the
 15 provisions of 20-9-213(4); and

16 ~~(vi)~~(viii) any other revenue anticipated by the
 17 trustees to be received during the ensuing school fiscal
 18 year which may be used to finance the general fund.

19 (c) Subtract the total of the moneys available to
 20 reduce the property tax required to finance the general fund
 21 that has been determined in subsection (1)(b) from the total
 22 levy requirement determined in subsection (1)(a).

23 (2) The net general fund levy requirement determined
 24 in subsection (1)(c) shall be reported to the county
 25 commissioners on the second Monday of August by the county

1 superintendent as the general fund levy requirement for the
2 district, and a levy shall be made by the county
3 commissioners in accordance with 20-9-142."

4 SECTION 13. SECTION 20-9-331, MCA, IS AMENDED TO READ:

5 "20-9-331. Basic county tax and other revenues for
6 county equalization of the elementary district foundation
7 program. (1) It shall be the duty of the county
8 commissioners of each county to levy an annual basic tax of
9 28 mills on the dollars of the taxable value of all taxable
10 property within the county for the purposes of local and
11 state foundation program support. The revenue to be
12 collected from this levy shall be apportioned to the support
13 of the foundation programs of the elementary school
14 districts in the county and to the state special revenue
15 fund, state equalization aid account, in the following
16 manner:

17 (a) In order to determine the amount of revenue raised
18 by this levy which is retained by the county, the sum of the
19 estimated revenues identified in subsections (2)(a) through
20 (2)(f) below shall be subtracted from the sum of the county
21 elementary transportation obligation and the total of the
22 foundation programs of all elementary districts of the
23 county.

24 (b) If the basic levy prescribed by this section
25 produces more revenue than is required to finance the

1 difference determined above, the county commissioners shall
2 order the county treasurer to remit the surplus funds to the
3 state treasurer for deposit to the state special revenue
4 fund, state equalization aid account, not later than June 1
5 of the fiscal year for which the levy has been set.

6 (2) The proceeds realized from the county's portion of
7 the levy prescribed by this section and the revenues from
8 the following sources shall be used for the equalization of
9 the elementary district foundation programs of the county as
10 prescribed in 20-9-334, and a separate accounting shall be
11 kept of such proceeds and revenues by the county treasurer
12 in accordance with 20-9-212(1):

13 (a) the portion of the federal Taylor Grazing Act
14 funds distributed to a county and designated for the common
15 school fund under the provisions of 17-3-222;

16 (b) the portion of the federal flood control act funds
17 distributed to a county and designated for expenditure for
18 the benefit of the county common schools under the
19 provisions of 17-3-232;

20 (c) all money paid into the county treasury as a
21 result of fines for violations of law and the use of which
22 is not otherwise specified by law;

23 (d) any money remaining at the end of the immediately
24 preceding school fiscal year in the county treasurer's
25 account for the various sources of revenue established or

1 referred to in this section; and

2 (e) any federal or state money, including anticipated
3 motor vehicle fees and reimbursement under the provisions of
4 61-3-532 and 61-3-536, distributed to the county as payment
5 in lieu of the property taxation established by the county
6 levy required by this section; and

7 (f) net proceeds for new production, as defined in
8 15-23-601."

9 SECTION 14. SECTION 20-9-333, MCA, IS AMENDED TO READ:

10 "20-9-333. Basic special levy and other revenues for
11 county equalization of high school district foundation
12 program. (1) It shall be the duty of the county
13 commissioners of each county to levy an annual basic special
14 tax for high schools of 17 mills on the dollar of the
15 taxable value of all taxable property within the county for
16 the purposes of local and state foundation program support.
17 The revenue to be collected from this levy shall be
18 apportioned to the support of the foundation programs of
19 high school districts in the county and to the state special
20 revenue fund, state equalization aid account, in the
21 following manner:

22 (a) In order to determine the amount of revenue raised
23 by this levy which is retained by the county, the estimated
24 revenues identified in subsections (2)(a) and (2)(b) below
25 shall be subtracted from the sum of the county's high school

1 tuition obligation and the total of the foundation programs
2 of all high school districts of the county.

3 (b) If the basic levy prescribed by this section
4 produces more revenue than is required to finance the
5 difference determined above, the county commissioners shall
6 order the county treasurer to remit the surplus to the state
7 treasurer for deposit to the state special revenue fund,
8 state equalization aid account, not later than June 1 of the
9 fiscal year for which the levy has been set.

10 (2) The proceeds realized from the county's portion of
11 the levy prescribed in this section and the revenues from
12 the following sources shall be used for the equalization of
13 the high school district foundation programs of the county
14 as prescribed in 20-9-334, and a separate accounting shall
15 be kept of these proceeds by the county treasurer in
16 accordance with 20-9-212(1):

17 (a) any money remaining at the end of the immediately
18 preceding school fiscal year in the county treasurer's
19 account for deposit of the proceeds from the levy
20 established in this section; and

21 (b) any federal or state moneys, including anticipated
22 motor vehicle fees and reimbursement under the provisions of
23 61-3-532 and 61-3-536, distributed to the county as a
24 payment in lieu of the property taxation established by the
25 county levy required by this section; and

3.

1 (c) net proceeds for new production, as defined in
2 15-23-601."

3 SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:

4 "20-9-352. Permissive amount and permissive levy. (1)
5 Whenever the trustees of any district shall deem it
6 necessary to adopt a general fund budget in excess of the
7 foundation program amount but not in excess of the maximum
8 general fund budget amount for such district as established
9 by the schedules in 20-9-316 through 20-9-321, the trustees
10 shall adopt a resolution stating the reasons and purposes
11 for exceeding the foundation program amount. Such excess
12 above the foundation program amount shall be known as the
13 "permissive amount", and it shall be financed by a levy on
14 the taxable value of all taxable property within the
15 district as prescribed in 20-9-141, supplemented with any
16 biennial appropriation by the legislature for this purpose.

17 (2) The district levies to be set for the purpose of
18 funding the permissive amount are determined as follows:

19 (a) For each elementary school district, the county
20 commissioners shall annually set a levy not exceeding 6
21 mills on all the taxable property in the district for the
22 purpose of funding the permissive amount of the district.
23 The permissive levy in mills shall be obtained by
24 multiplying the ratio of the permissive amount to the
25 maximum permissive amount by 6 or by using the number of

1 mills which would fund the permissive amount, whichever is
2 less. If the amount of revenue raised by this levy, plus
3 anticipated motor vehicle fees and reimbursement under the
4 provisions of 61-3-532 and 61-3-536, is not sufficient to
5 fund the permissive amount in full, the amount of the
6 deficiency shall be paid to the district from the state
7 special revenue fund according to the provisions of 20-9-351
8 and subsection (3) of this section.

9 (b) For each high school district, the county
10 commissioners shall annually set a levy not exceeding 4
11 mills on all taxable property in the district for the
12 purpose of funding the permissive amount of the district.
13 The permissive levy in mills shall be obtained by
14 multiplying the ratio of the permissive levy to the maximum
15 permissive amount by 4 or by using the number of mills which
16 would fund the permissive amount, whichever is less. If the
17 amount of revenue raised by this levy, plus anticipated
18 motor vehicle fees and reimbursement under the provisions of
19 61-3-532 and 61-3-536, and plus net proceeds for new
20 production, as defined in 15-23-601, is not sufficient to
21 fund the permissive amount in full, the amount of the
22 deficiency shall be paid to the district from the state
23 special revenue fund according to the provisions of 20-9-351
24 and subsection (3) of this section. The superintendent of
25 public instruction shall, if the appropriation by the

1 legislature for the permissive account [program] for the
 2 biennium is insufficient, request the budget director to
 3 submit a request for a supplemental appropriation in the
 4 second year of the biennium.

5 (3) Such distribution shall be made in two payments.
 6 The first payment shall be made at the same time as the
 7 first distribution of state equalization aid is made after
 8 January 1 of the fiscal year. The second payment shall be
 9 made at the same time as the last payment of state
 10 equalization aid is made for the fiscal year. If the
 11 appropriation is not sufficient to finance the deficiencies
 12 of the districts as determined according to subsection (2),
 13 each district will receive the same percentage of its
 14 deficiency. Surplus revenue in the second year of the
 15 biennium may be used to reduce the appropriation required
 16 for the next succeeding biennium or may be transferred to
 17 the state equalization aid state special revenue fund if
 18 revenues in that fund are insufficient to meet foundation
 19 program requirements."

20 SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:

21 "20-9-501. Retirement fund. (1) The trustees of any
 22 district employing personnel who are members of the
 23 teachers' retirement system or the public employees'
 24 retirement system or who are covered by unemployment
 25 insurance or who are covered by any federal social security

1 system requiring employer contributions shall establish a
 2 retirement fund for the purposes of budgeting and paying the
 3 employer's contributions to such systems. The district's
 4 contribution for each employee who is a member of the
 5 teachers' retirement system shall be calculated in
 6 accordance with Title 19, chapter 4, part 6. The district's
 7 contribution for each employee who is a member of the public
 8 employees' retirement system shall be calculated in
 9 accordance with 19-3-801. The district may levy a special
 10 tax to pay its contribution to the public employees'
 11 retirement system under the conditions prescribed in
 12 19-3-204. The district's contributions for each employee
 13 covered by any federal social security system shall be paid
 14 in accordance with federal law and regulation. The
 15 district's contribution for each employee who is covered by
 16 unemployment insurance shall be paid in accordance with
 17 Title 39, chapter 51, part 11.

18 (2) The trustees of any district required to make a
 19 contribution to any such system shall include in the
 20 retirement fund of the preliminary budget the estimated
 21 amount of the employer's contribution and such additional
 22 moneys, within legal limitations, as they may wish to
 23 provide for the retirement fund cash reserve. After the
 24 final retirement fund budget has been adopted, the trustees
 25 shall pay the employer contributions to such systems in

1 accordance with the financial administration provisions of
2 this title.

3 (3) When the final retirement fund budget has been
4 adopted, the county superintendent shall establish the levy
5 requirement by:

6 (a) determining the sum of the moneys available to
7 reduce the retirement fund levy requirement by adding:

8 (i) any anticipated moneys that may be realized in the
9 retirement fund during the ensuing school fiscal year,
10 including anticipated motor vehicle fees and reimbursement
11 under the provisions of 61-3-532 and 61-3-536; and

12 (ii) net proceeds for new production, as defined in
13 15-23-601; and

14 ~~(iii)~~(iii) any cash available for reappropriation as
15 determined by subtracting the amount of the end-of-the-year
16 cash balance earmarked as the retirement fund cash reserve
17 for the ensuing school fiscal year by the trustees from the
18 end-of-the-year cash balance in the retirement fund. The
19 retirement fund cash reserve shall not be more than 35% of
20 the final retirement fund budget for the ensuing school
21 fiscal year and shall be used for the purpose of paying
22 retirement fund warrants issued by the district under the
23 final retirement fund budget.

24 (b) subtracting the total of the moneys available for
25 reduction of the levy requirement as determined in

1 subsection (3)(a) from the budgeted amount for expenditures
2 in the final retirement fund budget.

3 (4) The county superintendent shall total the net
4 retirement fund levy requirements separately for all
5 elementary school districts, all high school districts, and
6 all community college districts of the county, including any
7 prorated joint district or special educational cooperative
8 agreement levy requirements, and shall report each such levy
9 requirement to the county commissioners on the second Monday
10 of August as the respective county levy requirements for
11 elementary district, high school district, and community
12 college district retirement funds. The county commissioners
13 shall fix and set such county levy in accordance with
14 20-9-142.

15 (5) The net retirement fund levy requirement for a
16 joint elementary district or a joint high school district
17 shall be prorated to each county in which a part of such
18 district is located in the same proportion as the district
19 ANB of the joint district is distributed by pupil residence
20 in each such county. The county superintendents of the
21 counties affected shall jointly determine the net retirement
22 fund levy requirement for each county as provided in
23 20-9-151.

24 (6) The net retirement fund levy requirement for
25 districts that are members of special educational

1 cooperative agreements shall be prorated to each county in
 2 which such district is located in the same proportion as the
 3 budget for the special education cooperative agreement of
 4 the district bears to the total budget of the cooperative.
 5 The county superintendents of the counties affected shall
 6 jointly determine the net retirement fund levy requirement
 7 for each county in the same manner as provided in 20-9-151
 8 and fix and levy the net retirement fund levy for each
 9 county in the same manner as provided in 20-9-152."

10 SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO

11 READ:

12 "20-10-144. Computation of revenues and net tax levy
 13 requirements for the transportation fund budget. Before the
 14 fourth Monday of July and in accordance with 20-9-123, the
 15 county superintendent shall compute the revenue available to
 16 finance the transportation fund budget of each district. The
 17 county superintendent shall compute the revenue for each
 18 district on the following basis:

19 (1) The "schedule amount" of the preliminary budget
 20 expenditures that is derived from the rate schedules in
 21 20-10-141 and 20-10-142 shall be determined by adding the
 22 following amounts:

23 (a) the sum of the maximum reimbursable expenditures
 24 for all approved school bus routes maintained by the
 25 district (to determine the maximum reimbursable expenditure,

1 multiply the applicable rate per bus mile by the total
 2 number of miles to be traveled during the ensuing school
 3 fiscal year on each bus route approved by the county
 4 transportation committee and maintained by such district);
 5 plus

6 (b) the total of all individual transportation per
 7 diem reimbursement rates for such district as determined
 8 from the contracts submitted by the district multiplied by
 9 the number of pupil-instruction days scheduled for the
 10 ensuing school attendance year; plus

11 (c) any estimated costs for supervised home study or
 12 supervised correspondence study for the ensuing school
 13 fiscal year; plus

14 (d) the amount budgeted on the preliminary budget for
 15 the contingency amount permitted in 20-10-143, except if
 16 such amount exceeds 10% of the total of subsections (1)(a),
 17 (1)(b), and (1)(c) or \$100, whichever is larger, the
 18 contingency amount on the preliminary budget shall be
 19 reduced to such limitation amount and used in this
 20 determination of the schedule amount.

21 (2) The schedule amount determined in subsection (1)
 22 or the total preliminary transportation fund budget,
 23 whichever is smaller, shall be divided by 3 and the
 24 resulting one-third amount shall be used to determine the
 25 available state and county revenue to be budgeted on the

1 following basis:

2 (a) the resulting one-third amount shall be the
3 budgeted state transportation reimbursement, except that the
4 state transportation reimbursement for the transportation of
5 special education pupils under the provisions of 20-7-442
6 shall be two-thirds of the schedule amount attributed to the
7 transportation of special education pupils;

8 (b) the resulting one-third amount, except as provided
9 for joint elementary districts in subsection (2)(e), shall
10 be the budgeted county transportation reimbursement for
11 elementary districts and shall be financed by the basic
12 county tax under the provisions of 20-9-334;

13 (c) the resulting one-third amount multiplied by 2
14 shall be the budgeted county transportation reimbursement
15 amount for high school districts financed under the
16 provisions of subsection (5) of this section, except as
17 provided for joint high school districts in subsection
18 (2)(e), and except that the county transportation
19 reimbursement for the transportation of special education
20 pupils under the provisions of 20-7-442 shall be one-third
21 of the schedule amount attributed to the transportation of
22 special education pupils;

23 (d) when the district has a sufficient amount of cash
24 for reappropriation and other sources of district revenue,
25 as determined in subsection (3), to reduce the total

1 district obligation for financing to zero, any remaining
2 amount of such district revenue and cash reappropriated
3 shall be used to reduce the county financing obligation in
4 subsections (2)(b) or (2)(c) and, if such county financing
5 obligations are reduced to zero, to reduce the state
6 financial obligation in subsection (2)(a); and

7 (e) the county revenue requirement for a joint
8 district, after the application of any district moneys under
9 subsection (2)(d) above, shall be prorated to each county
10 incorporated by the joint district in the same proportion as
11 the ANB of the joint district is distributed by pupil
12 residence in each such county.

13 (3) The total of the moneys available for the
14 reduction of property tax on the district for the
15 transportation fund shall be determined by totaling:

16 (a) anticipated federal moneys received under the
17 provisions of Title I of Public Law 81-874 or other
18 anticipated federal moneys received in lieu of such federal
19 act; plus

20 (b) anticipated payments from other districts for
21 providing school bus transportation services for such
22 district; plus

23 (c) anticipated payments from a parent or guardian for
24 providing school bus transportation services for his child;
25 plus

1 (d) anticipated interest to be earned by the
2 investment of transportation fund cash in accordance with
3 the provisions of 20-9-213(4); plus

4 (e) anticipated motor vehicle fees and reimbursement
5 under the provisions of 61-3-532 and 61-3-536; plus

6 (f) net proceeds for new production, as defined in
7 15-23-601; plus

8 ~~(f)~~(g) any other revenue anticipated by the trustees
9 to be earned during the ensuing school fiscal year which may
10 be used to finance the transportation fund; plus

11 ~~(g)~~(h) any cash available for reappropriation as
12 determined by subtracting the amount of the end-of-the-year
13 cash balance earmarked as the transportation fund cash
14 reserve for the ensuing school fiscal year by the trustees
15 from the end-of-the-year cash balance in the transportation
16 fund. Such cash reserve shall not be more than 20% of the
17 final transportation fund budget for the ensuing school
18 fiscal year and shall be for the purpose of paying
19 transportation fund warrants issued by the district under
20 the final transportation fund budget.

21 (4) The district levy requirement for each district's
22 transportation fund shall be computed by:

23 (a) subtracting the schedule amount calculated in
24 subsection (1) from the total preliminary transportation
25 budget amount and, for an elementary district, adding such

1 difference to the district obligation to finance one-third
2 of the schedule amount as determined in subsection (2); and

3 (b) subtracting the amount of moneys available to
4 reduce the property tax on the district, as determined in
5 subsection (3), from the amount determined in subsection
6 (4)(a) above.

7 (5) The county levy requirement for the financing of
8 the county transportation reimbursement to high school
9 districts shall be computed by adding all such requirements
10 for all the high school districts of the county, including
11 the county's obligation for reimbursements in joint high
12 school districts.

13 (6) The transportation fund levy requirements
14 determined in subsection (4) for each district and in
15 subsection (5) for the county shall be reported to the
16 county commissioners on the second Monday of August by the
17 county superintendent as the transportation fund levy
18 requirements for the district and for the county, and such
19 levies shall be made by the county commissioners in
20 accordance with 20-9-142."

21 NEW SECTION. SECTION 18. CODIFICATION INSTRUCTION.
22 SECTION 11 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
23 TITLE 15, CHAPTER 23, PART 6, AND THE PROVISIONS OF TITLE
24 15, CHAPTER 23, PART 6, APPLY TO SECTION 11.

25 NEW SECTION. Section 19. Extension of authority. Any

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

4 NEW SECTION. Section 20. Effective date. Sections 1
5 through ~~10~~ 18 of this act are effective July 1, 1985.
6 ~~Section 11 and this section~~ SECTIONS 19 AND 20 are effective
7 on passage and approval, except that rules adopted under
8 section ~~11~~ 19 may not be made effective prior to July 1,
9 1985.

-End-

RE-REFERRED AND
APPROVED BY COMMITTEE
ON TAXATION

AS AMENDED

SENATE BILL NO. 390

INTRODUCED BY MAZUREK, STEPHENS, THAYER, REHBERG,
E. SMITH, DANIELS, HAGER, FULLER, BOYLAN, KEATING,
RAMIREZ, JACK MOORE

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "NEW PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; PROVIDING FOR A UNIFORM RATE OF TAXATION ON NEW PRODUCTION; ALLOWING CERTAIN DEDUCTIONS IN DETERMINING THE NET PROCEEDS OF NEW PRODUCTION; PROVIDING FOR CONSIDERATION OF NEW PRODUCTION TAXES IN COUNTY BONDING LIMITATIONS; PROVIDING FOR DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES; AMENDING SECTIONS 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-23-601 THROUGH 15-23-603, 15-23-605, AND 15-23-607, 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-23-601, MCA, is amended to read:

"15-23-601. Definitions. As used in this part, the following definitions apply:

(1) "Excise tax" means the windfall profit tax on domestic crude oil imposed by Title I of the federal Crude Oil Windfall Profit Tax Act of 1980, as enacted or as amended.

(2) The term "new production" means the production of natural gas, petroleum, or other crude or mineral oil from any lease that has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately preceding the first month of qualified new production.

~~(2)~~(3) The terms "operator" and "producer" mean any person who engages in the business of drilling for, extracting, or producing any natural gas, petroleum, or other crude or mineral oil.

~~(3)~~(4) The term "well" includes each single well or group of wells, including dry wells, in one field or production unit and under the control of one operator or producer."

Section 2. Section 15-23-602, MCA, is amended to read:

"15-23-602. Statement of sales proceeds. Each operator or producer of natural gas, petroleum, or other crude or mineral oil must on or before April 15 in each year make out and deliver to the department of revenue a statement of the gross sales proceeds of such natural gas, petroleum, or other crude or mineral oil from each well owned or worked by such person during the next preceding calendar year. The gross sales proceeds shall be determined by multiplying the units of production sold from the well times the royalty unit value of that production at the well. Such statement shall be in the form prescribed by the department and must

1 be verified by the oath of the operator or producer or the
2 manager, superintendent, agent, president, or vice-president
3 of such corporation, association, or partnership. Such
4 statement shall show the following:

5 (1) the name and address of the operator, together
6 with a list in duplicate of the names and addresses of any
7 and all persons owning or claiming any royalty interest in
8 the production from the well or the proceeds derived from
9 the sale thereof, and the amount or amounts paid or yielded
10 as royalty to each of such persons during the period covered
11 by the statement;

12 (2) the description and location of the well;

13 (3) the number of cubic feet of natural gas, barrels
14 of petroleum or other crude or mineral oil sold from the
15 well during the period covered by the statement;

16 (4) the gross sales proceeds in dollars and cents or,
17 in the case of sales between parties not acting at arm's
18 length, the greater of the gross sales proceeds from or the
19 fair market value of the products sold;

20 (5) except for new production as defined in 15-23-601:

21 {5}(a) actual cost of extracting product from well;

22 {6}(b) cost of construction, repairs, and betterments;

23 {7}(c) actual cost of fire insurance and workers'
24 compensation insurance;

25 {8}(d) the amount paid or withheld in satisfaction of

1 liability for excise taxes imposed by the U.S. government on
2 the production, sale, or removal of the natural gas,
3 petroleum, or other crude or mineral oil reported pursuant
4 to subsection (3), including a separate statement of the
5 amount of such taxes paid or withheld from each royalty
6 owner."

7 Section 3. Section 15-23-603, MCA, is amended to read:

8 "15-23-603. Net proceeds -- how computed. (1) ~~The~~
9 Except as provided in subsection (3), the department of
10 revenue shall calculate and compute from the returns the
11 gross sales proceeds of the product yielded from such well
12 for the year covered by the statement and shall calculate
13 the net proceeds of the well yielded to the producer, which
14 net proceeds shall be determined by subtracting from the
15 gross sales proceeds thereof the following:

16 (a) all royalty paid in cash by the operator or
17 producer and the gross value of all royalty apportioned in
18 kind by the operator or producer that shall be determined by
19 using as the value of a barrel of oil or a cubic foot of gas
20 the average selling price for the calendar year of a barrel
21 of oil or a cubic foot of gas from the well out of which the
22 royalty was paid;

23 (b) all moneys expended for necessary labor,
24 machinery, and supplies needed and used in the operation and
25 development;

1 (c) all moneys expended for improvements, repairs, and
2 betterments necessary in and about the working of the well;

3 (d) all moneys expended for fire insurance and
4 workers' compensation insurance and for payments by
5 operators to welfare and retirement funds when provided for
6 in wage contracts between operators and employees;

7 (e) 70% of the amount paid or withheld in satisfaction
8 of liability for excise taxes imposed by the U.S. government
9 on the production, sale, or removal of the natural gas,
10 petroleum, or other crude or mineral oil yielded from such
11 well, other than the amount of such taxes paid by or
12 withheld from each royalty owner.

13 (2) No moneys invested in the well and improvements
14 during any year except the year for which such statement is
15 made may be included in such expenditures, except as
16 provided in 15-23-604, and such expenditures may not include
17 the salaries or any portion thereof of any person or officer
18 not actually engaged in the working of the well or
19 superintending the management thereof.

20 (3) For new production, net proceeds are the
21 equivalent of the gross sales proceeds of the product
22 yielded from such well for the year covered by the
23 statement, except that in computing the total number of
24 barrels of petroleum and other mineral or crude oil or cubic
25 feet of natural gas produced, there shall be deducted

1 therefrom so much thereof as is used in the operation of the
2 well from which the petroleum or other mineral or crude oil
3 or natural gas is produced for pumping the petroleum or
4 other mineral or crude oil or natural gas from the well to a
5 tank or pipeline."

6 Section 4. Section 15-23-605, MCA, is amended to read:

7 "15-23-605. Assessment of royalties. (1) The amount of
8 royalty received, valued as provided in 15-23-603(1)(a),
9 less 70% of the amount of excise taxes paid by or withheld
10 from the royalty owner as reported pursuant to 15-23-602(8),
11 shall be considered net proceeds to the recipient and shall
12 be assessed as follows: upon receipt of the lists or
13 schedules setting forth the names and addresses of any and
14 all persons owning or claiming royalty and the amount paid
15 or yielded as royalty to such royalty owners or claimants
16 during the year for which such return is made, the
17 department of revenue shall proceed to assess and tax the
18 same as net proceeds of mines.

19 (2) Net proceeds for new production, as defined in
20 15-23-601, includes royalties received without deduction for
21 excise taxes."

22 Section 5. Section 15-23-607, MCA, is amended to read:

23 "15-23-607. County assessors to compute taxes. (1)
24 Immediately after the board of county commissioners has
25 fixed tax levies on the second Monday in August, the county

1 assessor shall compute the taxes on such net proceeds,
 2 except as provided in 15-36-121 and in subsection (2), and
 3 royalty assessments and shall deliver the book to the county
 4 treasurer on or before September 15. The county treasurer
 5 shall proceed to give full notice thereof to such operator
 6 and to collect the same in manner provided by law.

7 (2) For new production, as defined in 15-23-601, the
 8 county assessor may not levy or assess any mills against the
 9 value of such new production, but shall instead levy a tax
 10 as follows:

11 (a) for new production of petroleum or other mineral
 12 or crude oil, ~~6.3%~~ 6.5% 7% of net proceeds, as described in
 13 15-23-603(3); or

14 (b) for new production of natural gas, ~~9.2%~~ 10% 11% of
 15 net proceeds, as described in 15-23-603(3).

16 (3) The amount of tax levied in subsections (2)(a) and
 17 (2)(b) shall be treated as taxable value for county bonding
 18 purposes.

19 (2)(4) The operator or producer shall be liable for
 20 the payment of said taxes and same shall be payable by and
 21 shall be collected from such operators in the same manner
 22 and under the same penalties as provided for the collection
 23 of taxes upon net proceeds of mines; provided, however, that
 24 the operator may at his option withhold from the proceeds of
 25 royalty interest, either in kind or in money, an estimated

1 amount of the tax to be paid by him upon such royalty or
 2 royalty interest. After such withholding any deviation
 3 between the estimated tax and the actual tax may be
 4 accounted for by adjusting subsequent withholdings from the
 5 proceeds of royalty interests."

6 Section 6. Section 7-7-2101, MCA, is amended to read:

7 "7-7-2101. Limitation on amount of county
 8 indebtedness. (1) No county may become indebted in any
 9 manner or for any purpose to an amount, including existing
 10 indebtedness, in the aggregate exceeding 23% of the total of
 11 the taxable value of the property therein subject to
 12 taxation, plus the amount of new production taxes levied ~~as~~
 13 ~~provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES
 14 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 15 60%, as ascertained by the last assessment for state and
 16 county taxes previous to the incurring of such indebtedness.

17 (2) No county may incur indebtedness or liability for
 18 any single purpose to an amount exceeding \$150,000 without
 19 the approval of a majority of the electors thereof voting at
 20 an election to be provided by law, except as provided in
 21 7-21-3413 and 7-21-3414."

22 Section 7. Section 7-7-2203, MCA, is amended to read:

23 "7-7-2203. Limitation on amount of bonded
 24 indebtedness. (1) Except as provided in subsections (2) and
 25 (3), no county may issue general obligation bonds for any

1 purpose which, with all outstanding bonds and warrants
 2 except county high school bonds and emergency bonds, will
 3 exceed 11.25% of the total of the taxable value of the
 4 property therein, plus the amount of new production taxes
 5 levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE
 6 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
 7 MULTIPLIED BY 60%, to be ascertained by the last assessment
 8 for state and county taxes prior to the proposed issuance of
 9 bonds.

10 (2) A county may issue bonds which, with all
 11 outstanding bonds and warrants, will exceed 11.25% but will
 12 not exceed 37% of the total of the taxable value of such
 13 property, plus the amount of new production taxes levied ~~as~~
 14 ~~provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES
 15 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 16 60%, when necessary to do so, for the purpose of acquiring
 17 land for a site for county high school buildings and for
 18 erecting or acquiring buildings thereon and furnishing and
 19 equipping the same for county high school purposes.

20 (3) The foregoing limitation shall not apply to
 21 refunding bonds issued for the purpose of paying or retiring
 22 county bonds lawfully issued prior to January 1, 1932."

23 Section 8. Section 7-14-2524, MCA, is amended to read:

24 "7-14-2524. Limitation on amount of bonds issued --
 25 excess void. (1) Except as otherwise provided hereafter and

1 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
 2 with all outstanding bonds and warrants except county high
 3 school bonds and emergency bonds, will exceed 11.25% of the
 4 total of the taxable value of the property therein, plus the
 5 amount of new production taxes levied ~~as provided in~~
 6 ~~15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 7 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%. The taxable
 8 property and the amount of new production taxes levied shall
 9 be ascertained by the last assessment for state and county
 10 taxes prior to the issuance of such bonds.

11 (2) A county may issue bonds which, with all
 12 outstanding bonds and warrants except county high school
 13 bonds, will exceed 11.25% but will not exceed 22.5% of the
 14 total of the taxable value of such property, plus the amount
 15 of new production taxes levied ~~as provided in 15-23-607~~
 16 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 17 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, when
 18 necessary for the purpose of replacing, rebuilding, or
 19 repairing county buildings, bridges, or highways which have
 20 been destroyed or damaged by an act of God, disaster,
 21 catastrophe, or accident.

22 (3) The value of the bonds issued and all other
 23 outstanding indebtedness of the county, except county high
 24 school bonds, shall not exceed 22.5% of the total of the
 25 taxable value of the property within the county, plus the

1 amount of new production taxes levied ~~as--provided--in~~
 2 ~~15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 3 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, as
 4 ascertained by the last preceding general assessment."

5 Section 9. Section 7-14-2525, MCA, is amended to read:

6 "7-14-2525. Refunding agreements and refunding bonds
 7 authorized. (1) Whenever the total indebtedness of a county
 8 exceeds 22.5% of the total of the taxable value of the
 9 property therein, plus the amount of new production taxes
 10 levied ~~as--provided--in--15-23-607~~ DIVIDED BY THE APPROPRIATE
 11 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
 12 MULTIPLIED BY 60%, and the board determines that the county
 13 is unable to pay such indebtedness in full, the board may:

14 (a) negotiate with the bondholders for an agreement
 15 whereby the bondholders agree to accept less than the full
 16 amount of the bonds and the accrued unpaid interest thereon
 17 in satisfaction thereof;

18 (b) enter into such agreement;

19 (c) issue refunding bonds for the amount agreed upon.

20 (2) These bonds may be issued in more than one series,
 21 and each series may be either amortization or serial bonds.

22 (3) The plan agreed upon between the board and the
 23 bondholders shall be embodied in full in the resolution
 24 providing for the issue of the bonds."

25 Section 10. Section 7-16-2327, MCA, is amended to

1 read:

2 "7-16-2327. Indebtedness for park purposes. (1)
 3 Subject to the provisions of subsection (2), a county park
 4 board, in addition to powers and duties now given under law,
 5 shall have the power and duty to contract an indebtedness in
 6 behalf of a county, upon the credit thereof, for the
 7 purposes of 7-16-2321(1) and (2).

8 (2) (a) The total amount of indebtedness authorized to
 9 be contracted in any form, including the then-existing
 10 indebtedness, must not at any time exceed 13% of the total
 11 of the taxable value of the taxable property in the county,
 12 plus the amount of new production taxes levied ~~as--provided~~
 13 ~~in--15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED
 14 IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%,
 15 ascertained by the last assessment for state and county
 16 taxes previous to the incurring of such indebtedness.

17 (b) No money may be borrowed on bonds issued for the
 18 purchase of lands and improving same for any such purpose
 19 until the proposition has been submitted to the vote of
 20 those qualified under the provisions of the state
 21 constitution to vote at such election in the county affected
 22 thereby and a majority vote is cast in favor thereof."

23 NEW SECTION. SECTION 11. DISPOSITION OF TAXES IN LIEU
 24 OF NET PROCEEDS TAXES. THE COUNTY TREASURER SHALL CREDIT
 25 ALL TAXES ON NEW OIL OR GAS PRODUCTION, AS PROVIDED FOR IN

1 15-23-607, IN THE RELATIVE PROPORTIONS REQUIRED BY THE
 2 LEVIES FOR STATE, COUNTY, SCHOOL DISTRICT, AND MUNICIPAL
 3 PURPOSES IN THE SAME MANNER AS PROPERTY TAXES WERE
 4 DISTRIBUTED IN THE YEAR PRECEDING THE BUDGET YEAR.

5 SECTION 12. SECTION 20-9-141, MCA, IS AMENDED TO READ:

6 "20-9-141. Computation of general fund net levy
 7 requirement by county superintendent. (1) The county
 8 superintendent shall compute the levy requirement for each
 9 district's general fund on the basis of the following
 10 procedure:

11 (a) Determine the total of the district's nonisolated
 12 school foundation program requirement to be met by a
 13 district levy as provided in 20-9-303, the district's
 14 permissive levy amount as provided in 20-9-352, and any
 15 additional levies authorized by the electors of the district
 16 under the provisions of 20-9-353, except that the total of
 17 the permissive and additional levies shall not exceed the
 18 total amount of the final general fund budget less the
 19 foundation program.

20 (b) Determine the total of the moneys available for
 21 the reduction of the property tax on the district for the
 22 general fund by totaling:

23 (i) anticipated federal moneys received under the
 24 provisions of Title I of Public Law 81-874 or other
 25 anticipated federal moneys received in lieu of such federal

1 act;

2 (ii) anticipated tuition payments for out-of-district
 3 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,
 4 and 20-5-313;

5 (iii) general fund cash reappropriated, as established
 6 under the provisions of 20-9-104;

7 (iv) anticipated state impact aid received under the
 8 provisions of 20-9-304;

9 (v) anticipated motor vehicle fees and reimbursement
 10 under the provisions of 61-3-532 and 61-3-536;

11 (vi) anticipated net proceeds for new production, as
 12 defined in 15-23-601;

13 ~~(vi)~~(vii) anticipated interest to be earned by the
 14 investment of general fund cash in accordance with the
 15 provisions of 20-9-213(4); and

16 ~~(vii)~~(viii) any other revenue anticipated by the
 17 trustees to be received during the ensuing school fiscal
 18 year which may be used to finance the general fund.

19 (c) Subtract the total of the moneys available to
 20 reduce the property tax required to finance the general fund
 21 that has been determined in subsection (1)(b) from the total
 22 levy requirement determined in subsection (1)(a).

23 (2) The net general fund levy requirement determined
 24 in subsection (1)(c) shall be reported to the county
 25 commissioners on the second Monday of August by the county

1 superintendent as the general fund levy requirement for the
2 district, and a levy shall be made by the county
3 commissioners in accordance with 20-9-142."

4 SECTION 13. SECTION 20-9-331, MCA, IS AMENDED TO READ:

5 "20-9-331. Basic county tax and other revenues for
6 county equalization of the elementary district foundation
7 program. (1) It shall be the duty of the county
8 commissioners of each county to levy an annual basic tax of
9 28 mills on the dollars of the taxable value of all taxable
10 property within the county for the purposes of local and
11 state foundation program support. The revenue to be
12 collected from this levy shall be apportioned to the support
13 of the foundation programs of the elementary school
14 districts in the county and to the state special revenue
15 fund, state equalization aid account, in the following
16 manner:

17 (a) In order to determine the amount of revenue raised
18 by this levy which is retained by the county, the sum of the
19 estimated revenues identified in subsections (2)(a) through
20 (2)(f) below shall be subtracted from the sum of the county
21 elementary transportation obligation and the total of the
22 foundation programs of all elementary districts of the
23 county.

24 (b) If the basic levy prescribed by this section
25 produces more revenue than is required to finance the

1 difference determined above, the county commissioners shall
2 order the county treasurer to remit the surplus funds to the
3 state treasurer for deposit to the state special revenue
4 fund, state equalization aid account, not later than June 1
5 of the fiscal year for which the levy has been set.

6 (2) The proceeds realized from the county's portion of
7 the levy prescribed by this section and the revenues from
8 the following sources shall be used for the equalization of
9 the elementary district foundation programs of the county as
10 prescribed in 20-9-334, and a separate accounting shall be
11 kept of such proceeds and revenues by the county treasurer
12 in accordance with 20-9-212(1):

13 (a) the portion of the federal Taylor Grazing Act
14 funds distributed to a county and designated for the common
15 school fund under the provisions of 17-3-222;

16 (b) the portion of the federal flood control act funds
17 distributed to a county and designated for expenditure for
18 the benefit of the county common schools under the
19 provisions of 17-3-232;

20 (c) all money paid into the county treasury as a
21 result of fines for violations of law and the use of which
22 is not otherwise specified by law;

23 (d) any money remaining at the end of the immediately
24 preceding school fiscal year in the county treasurer's
25 account for the various sources of revenue established or

1 referred to in this section; and

2 (e) any federal or state money, including anticipated
3 motor vehicle fees and reimbursement under the provisions of
4 61-3-532 and 61-3-536, distributed to the county as payment
5 in lieu of the property taxation established by the county
6 levy required by this section; and

7 (f) net proceeds for new production, as defined in
8 15-23-601."

9 SECTION 14. SECTION 20-9-333, MCA, IS AMENDED TO READ:

10 "20-9-333. Basic special levy and other revenues for
11 county equalization of high school district foundation
12 program. (1) It shall be the duty of the county
13 commissioners of each county to levy an annual basic special
14 tax for high schools of 17 mills on the dollar of the
15 taxable value of all taxable property within the county for
16 the purposes of local and state foundation program support.
17 The revenue to be collected from this levy shall be
18 apportioned to the support of the foundation programs of
19 high school districts in the county and to the state special
20 revenue fund, state equalization aid account, in the
21 following manner:

22 (a) In order to determine the amount of revenue raised
23 by this levy which is retained by the county, the estimated
24 revenues identified in subsections (2)(a) and (2)(b) below
25 shall be subtracted from the sum of the county's high school

1 tuition obligation and the total of the foundation programs
2 of all high school districts of the county.

3 (b) If the basic levy prescribed by this section
4 produces more revenue than is required to finance the
5 difference determined above, the county commissioners shall
6 order the county treasurer to remit the surplus to the state
7 treasurer for deposit to the state special revenue fund,
8 state equalization aid account, not later than June 1 of the
9 fiscal year for which the levy has been set.

10 (2) The proceeds realized from the county's portion of
11 the levy prescribed in this section and the revenues from
12 the following sources shall be used for the equalization of
13 the high school district foundation programs of the county
14 as prescribed in 20-9-334, and a separate accounting shall
15 be kept of these proceeds by the county treasurer in
16 accordance with 20-9-212(1):

17 (a) any money remaining at the end of the immediately
18 preceding school fiscal year in the county treasurer's
19 account for deposit of the proceeds from the levy
20 established in this section; and

21 (b) any federal or state moneys, including anticipated
22 motor vehicle fees and reimbursement under the provisions of
23 61-3-532 and 61-3-536, distributed to the county as a
24 payment in lieu of the property taxation established by the
25 county levy required by this section; and

1 (c) net proceeds for new production, as defined in
 2 15-23-601."

3 SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:

4 "20-9-352. Permissive amount and permissive levy. (1)
 5 Whenever the trustees of any district shall deem it
 6 necessary to adopt a general fund budget in excess of the
 7 foundation program amount but not in excess of the maximum
 8 general fund budget amount for such district as established
 9 by the schedules in 20-9-316 through 20-9-321, the trustees
 10 shall adopt a resolution stating the reasons and purposes
 11 for exceeding the foundation program amount. Such excess
 12 above the foundation program amount shall be known as the
 13 "permissive amount", and it shall be financed by a levy on
 14 the taxable value of all taxable property within the
 15 district as prescribed in 20-9-141, supplemented with any
 16 biennial appropriation by the legislature for this purpose.

17 (2) The district levies to be set for the purpose of
 18 funding the permissive amount are determined as follows:

19 (a) For each elementary school district, the county
 20 commissioners shall annually set a levy not exceeding 6
 21 mills on all the taxable property in the district for the
 22 purpose of funding the permissive amount of the district.
 23 The permissive levy in mills shall be obtained by
 24 multiplying the ratio of the permissive amount to the
 25 maximum permissive amount by 6 or by using the number of

1 mills which would fund the permissive amount, whichever is
 2 less. If the amount of revenue raised by this levy, plus
 3 anticipated motor vehicle fees and reimbursement under the
 4 provisions of 61-3-532 and 61-3-536, is not sufficient to
 5 fund the permissive amount in full, the amount of the
 6 deficiency shall be paid to the district from the state
 7 special revenue fund according to the provisions of 20-9-351
 8 and subsection (3) of this section.

9 (b) For each high school district, the county
 10 commissioners shall annually set a levy not exceeding 4
 11 mills on all taxable property in the district for the
 12 purpose of funding the permissive amount of the district.
 13 The permissive levy in mills shall be obtained by
 14 multiplying the ratio of the permissive levy to the maximum
 15 permissive amount by 4 or by using the number of mills which
 16 would fund the permissive amount, whichever is less. If the
 17 amount of revenue raised by this levy, plus anticipated
 18 motor vehicle fees and reimbursement under the provisions of
 19 61-3-532 and 61-3-536, and plus net proceeds for new
 20 production, as defined in 15-23-601, is not sufficient to
 21 fund the permissive amount in full, the amount of the
 22 deficiency shall be paid to the district from the state
 23 special revenue fund according to the provisions of 20-9-351
 24 and subsection (3) of this section. The superintendent of
 25 public instruction shall, if the appropriation by the

1 legislature for the permissive account [program] for the
 2 biennium is insufficient, request the budget director to
 3 submit a request for a supplemental appropriation in the
 4 second year of the biennium.

5 (3) Such distribution shall be made in two payments.
 6 The first payment shall be made at the same time as the
 7 first distribution of state equalization aid is made after
 8 January 1 of the fiscal year. The second payment shall be
 9 made at the same time as the last payment of state
 10 equalization aid is made for the fiscal year. If the
 11 appropriation is not sufficient to finance the deficiencies
 12 of the districts as determined according to subsection (2),
 13 each district will receive the same percentage of its
 14 deficiency. Surplus revenue in the second year of the
 15 biennium may be used to reduce the appropriation required
 16 for the next succeeding biennium or may be transferred to
 17 the state equalization aid state special revenue fund if
 18 revenues in that fund are insufficient to meet foundation
 19 program requirements."

20 SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:

21 "20-9-501. Retirement fund. (1) The trustees of any
 22 district employing personnel who are members of the
 23 teachers' retirement system or the public employees'
 24 retirement system or who are covered by unemployment
 25 insurance or who are covered by any federal social security

1 system requiring employer contributions shall establish a
 2 retirement fund for the purposes of budgeting and paying the
 3 employer's contributions to such systems. The district's
 4 contribution for each employee who is a member of the
 5 teachers' retirement system shall be calculated in
 6 accordance with Title 19, chapter 4, part 6. The district's
 7 contribution for each employee who is a member of the public
 8 employees' retirement system shall be calculated in
 9 accordance with 19-3-801. The district may levy a special
 10 tax to pay its contribution to the public employees'
 11 retirement system under the conditions prescribed in
 12 19-3-204. The district's contributions for each employee
 13 covered by any federal social security system shall be paid
 14 in accordance with federal law and regulation. The
 15 district's contribution for each employee who is covered by
 16 unemployment insurance shall be paid in accordance with
 17 Title 39, chapter 51, part 11.

18 (2) The trustees of any district required to make a
 19 contribution to any such system shall include in the
 20 retirement fund of the preliminary budget the estimated
 21 amount of the employer's contribution and such additional
 22 moneys, within legal limitations, as they may wish to
 23 provide for the retirement fund cash reserve. After the
 24 final retirement fund budget has been adopted, the trustees
 25 shall pay the employer contributions to such systems in

1 accordance with the financial administration provisions of
2 this title.

3 (3) When the final retirement fund budget has been
4 adopted, the county superintendent shall establish the levy
5 requirement by:

6 (a) determining the sum of the moneys available to
7 reduce the retirement fund levy requirement by adding:

8 (i) any anticipated moneys that may be realized in the
9 retirement fund during the ensuing school fiscal year,
10 including anticipated motor vehicle fees and reimbursement
11 under the provisions of 61-3-532 and 61-3-536; and

12 (ii) net proceeds for new production, as defined in
13 15-23-601; and

14 ~~(iii)~~(iii) any cash available for reappropriation as
15 determined by subtracting the amount of the end-of-the-year
16 cash balance earmarked as the retirement fund cash reserve
17 for the ensuing school fiscal year by the trustees from the
18 end-of-the-year cash balance in the retirement fund. The
19 retirement fund cash reserve shall not be more than 35% of
20 the final retirement fund budget for the ensuing school
21 fiscal year and shall be used for the purpose of paying
22 retirement fund warrants issued by the district under the
23 final retirement fund budget.

24 (b) subtracting the total of the moneys available for
25 reduction of the levy requirement as determined in

1 subsection (3)(a) from the budgeted amount for expenditures
2 in the final retirement fund budget.

3 (4) The county superintendent shall total the net
4 retirement fund levy requirements separately for all
5 elementary school districts, all high school districts, and
6 all community college districts of the county, including any
7 prorated joint district or special educational cooperative
8 agreement levy requirements, and shall report each such levy
9 requirement to the county commissioners on the second Monday
10 of August as the respective county levy requirements for
11 elementary district, high school district, and community
12 college district retirement funds. The county commissioners
13 shall fix and set such county levy in accordance with
14 20-9-142.

15 (5) The net retirement fund levy requirement for a
16 joint elementary district or a joint high school district
17 shall be prorated to each county in which a part of such
18 district is located in the same proportion as the district
19 ANB of the joint district is distributed by pupil residence
20 in each such county. The county superintendents of the
21 counties affected shall jointly determine the net retirement
22 fund levy requirement for each county as provided in
23 20-9-151.

24 (6) The net retirement fund levy requirement for
25 districts that are members of special educational

1 cooperative agreements shall be prorated to each county in
 2 which such district is located in the same proportion as the
 3 budget for the special education cooperative agreement of
 4 the district bears to the total budget of the cooperative.
 5 The county superintendents of the counties affected shall
 6 jointly determine the net retirement fund levy requirement
 7 for each county in the same manner as provided in 20-9-151
 8 and fix and levy the net retirement fund levy for each
 9 county in the same manner as provided in 20-9-152."

10 SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO

11 READ:

12 "20-10-144. Computation of revenues and net tax levy
 13 requirements for the transportation fund budget. Before the
 14 fourth Monday of July and in accordance with 20-9-123, the
 15 county superintendent shall compute the revenue available to
 16 finance the transportation fund budget of each district. The
 17 county superintendent shall compute the revenue for each
 18 district on the following basis:

19 (1) The "schedule amount" of the preliminary budget
 20 expenditures that is derived from the rate schedules in
 21 20-10-141 and 20-10-142 shall be determined by adding the
 22 following amounts:

23 (a) the sum of the maximum reimbursable expenditures
 24 for all approved school bus routes maintained by the
 25 district (to determine the maximum reimbursable expenditure,

1 multiply the applicable rate per bus mile by the total
 2 number of miles to be traveled during the ensuing school
 3 fiscal year on each bus route approved by the county
 4 transportation committee and maintained by such district);
 5 plus

6 (b) the total of all individual transportation per
 7 diem reimbursement rates for such district as determined
 8 from the contracts submitted by the district multiplied by
 9 the number of pupil-instruction days scheduled for the
 10 ensuing school attendance year; plus

11 (c) any estimated costs for supervised home study or
 12 supervised correspondence study for the ensuing school
 13 fiscal year; plus

14 (d) the amount budgeted on the preliminary budget for
 15 the contingency amount permitted in 20-10-143, except if
 16 such amount exceeds 10% of the total of subsections (1)(a),
 17 (1)(b), and (1)(c) or \$100, whichever is larger, the
 18 contingency amount on the preliminary budget shall be
 19 reduced to such limitation amount and used in this
 20 determination of the schedule amount.

21 (2) The schedule amount determined in subsection (1)
 22 or the total preliminary transportation fund budget,
 23 whichever is smaller, shall be divided by 3 and the
 24 resulting one-third amount shall be used to determine the
 25 available state and county revenue to be budgeted on the

1 following basis:

2 (a) the resulting one-third amount shall be the
3 budgeted state transportation reimbursement, except that the
4 state transportation reimbursement for the transportation of
5 special education pupils under the provisions of 20-7-442
6 shall be two-thirds of the schedule amount attributed to the
7 transportation of special education pupils;

8 (b) the resulting one-third amount, except as provided
9 for joint elementary districts in subsection (2)(e), shall
10 be the budgeted county transportation reimbursement for
11 elementary districts and shall be financed by the basic
12 county tax under the provisions of 20-9-334;

13 (c) the resulting one-third amount multiplied by 2
14 shall be the budgeted county transportation reimbursement
15 amount for high school districts financed under the
16 provisions of subsection (5) of this section, except as
17 provided for joint high school districts in subsection
18 (2)(e), and except that the county transportation
19 reimbursement for the transportation of special education
20 pupils under the provisions of 20-7-442 shall be one-third
21 of the schedule amount attributed to the transportation of
22 special education pupils;

23 (d) when the district has a sufficient amount of cash
24 for reappropriation and other sources of district revenue,
25 as determined in subsection (3), to reduce the total

1 district obligation for financing to zero, any remaining
2 amount of such district revenue and cash reappropriated
3 shall be used to reduce the county financing obligation in
4 subsections (2)(b) or (2)(c) and, if such county financing
5 obligations are reduced to zero, to reduce the state
6 financial obligation in subsection (2)(a); and

7 (e) the county revenue requirement for a joint
8 district, after the application of any district moneys under
9 subsection (2)(d) above, shall be prorated to each county
10 incorporated by the joint district in the same proportion as
11 the ANB of the joint district is distributed by pupil
12 residence in each such county.

13 (3) The total of the moneys available for the
14 reduction of property tax on the district for the
15 transportation fund shall be determined by totaling:

16 (a) anticipated federal moneys received under the
17 provisions of Title I of Public Law 81-874 or other
18 anticipated federal moneys received in lieu of such federal
19 act; plus

20 (b) anticipated payments from other districts for
21 providing school bus transportation services for such
22 district; plus

23 (c) anticipated payments from a parent or guardian for
24 providing school bus transportation services for his child;
25 plus

1 (d) anticipated interest to be earned by the
2 investment of transportation fund cash in accordance with
3 the provisions of 20-9-213(4); plus

4 (e) anticipated motor vehicle fees and reimbursement
5 under the provisions of 61-3-532 and 61-3-536; plus

6 (f) net proceeds for new production, as defined in
7 15-23-601; plus

8 ~~(f)~~(g) any other revenue anticipated by the trustees
9 to be earned during the ensuing school fiscal year which may
10 be used to finance the transportation fund; plus

11 ~~(g)~~(h) any cash available for reappropriation as
12 determined by subtracting the amount of the end-of-the-year
13 cash balance earmarked as the transportation fund cash
14 reserve for the ensuing school fiscal year by the trustees
15 from the end-of-the-year cash balance in the transportation
16 fund. Such cash reserve shall not be more than 20% of the
17 final transportation fund budget for the ensuing school
18 fiscal year and shall be for the purpose of paying
19 transportation fund warrants issued by the district under
20 the final transportation fund budget.

21 (4) The district levy requirement for each district's
22 transportation fund shall be computed by:

23 (a) subtracting the schedule amount calculated in
24 subsection (1) from the total preliminary transportation
25 budget amount and, for an elementary district, adding such

1 difference to the district obligation to finance one-third
2 of the schedule amount as determined in subsection (2); and

3 (b) subtracting the amount of moneys available to
4 reduce the property tax on the district, as determined in
5 subsection (3), from the amount determined in subsection
6 (4)(a) above.

7 (5) The county levy requirement for the financing of
8 the county transportation reimbursement to high school
9 districts shall be computed by adding all such requirements
10 for all the high school districts of the county, including
11 the county's obligation for reimbursements in joint high
12 school districts.

13 (6) The transportation fund levy requirements
14 determined in subsection (4) for each district and in
15 subsection (5) for the county shall be reported to the
16 county commissioners on the second Monday of August by the
17 county superintendent as the transportation fund levy
18 requirements for the district and for the county, and such
19 levies shall be made by the county commissioners in
20 accordance with 20-9-142."

21 NEW SECTION. SECTION 18. CODIFICATION INSTRUCTION.
22 SECTION 11 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
23 TITLE 15, CHAPTER 23, PART 6, AND THE PROVISIONS OF TITLE
24 15, CHAPTER 23, PART 6, APPLY TO SECTION 11.

25 NEW SECTION. Section 19. Extension of authority. Any

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

4 NEW SECTION. Section 20. Effective date. Sections 1
5 through ~~18~~ 18 of this act are effective July 1, 1985.
6 ~~Section 11 and this section~~ SECTIONS 19 AND 20 are effective
7 on passage and approval, except that rules adopted under
8 section ~~11~~ 19 may not be made effective prior to July 1,
9 1985.

-End-

1 SENATE BILL NO. 390

2 INTRODUCED BY MAZUREK, STEPHENS, THAYER, REHBERG,
 3 E. SMITH, DANIELS, HAGER, FULLER, BOYLAN, KEATING,
 4 RAMIREZ, JACK MOORE

5
 6 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "NEW
 7 PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; PROVIDING
 8 FOR A UNIFORM RATE OF TAXATION ON NEW PRODUCTION; ALLOWING
 9 CERTAIN DEDUCTIONS IN DETERMINING THE NET PROCEEDS OF NEW
 10 PRODUCTION; PROVIDING FOR CONSIDERATION OF NEW PRODUCTION
 11 TAXES IN COUNTY BONDING LIMITATIONS; PROVIDING FOR
 12 DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES; AMENDING
 13 SECTIONS 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525,
 14 7-16-2327, 15-23-601 THROUGH 15-23-603, 15-23-605, AND
 15 15-23-607, 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501,
 16 AND 20-10-144, MCA; AND PROVIDING AN EFFECTIVE DATE."

17
 18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

19 Section 1. Section 15-23-601, MCA, is amended to read:

20 "15-23-601. Definitions. As used in this part, the
 21 following definitions apply:

22 (1) "Excise tax" means the windfall profit tax on
 23 domestic crude oil imposed by Title I of the Federal Crude
 24 Oil Windfall Profit Tax Act of 1980, as enacted or as
 25 amended.

1 (2) The term "new production" means the production of
 2 natural gas, petroleum, or other crude or mineral oil from
 3 any lease that has not produced natural gas, petroleum, or
 4 other crude or mineral oil during the 5 years immediately
 5 preceding the first month of qualified new production.

6 ~~(2)~~(3) The terms "operator" and "producer" mean any
 7 person who engages in the business of drilling for,
 8 extracting, or producing any natural gas, petroleum, or
 9 other crude or mineral oil.

10 ~~(3)~~(4) The term "well" includes each single well or
 11 group of wells, including dry wells, in one field or
 12 production unit and under the control of one operator or
 13 producer."

14 Section 2. Section 15-23-602, MCA, is amended to read:

15 "15-23-602. Statement of sales proceeds. Each operator
 16 or producer of natural gas, petroleum, or other crude or
 17 mineral oil must on or before April 15 in each year make out
 18 and deliver to the department of revenue a statement of the
 19 gross sales proceeds of such natural gas, petroleum, or
 20 other crude or mineral oil from each well owned or worked by
 21 such person during the next preceding calendar year. The
 22 gross sales proceeds shall be determined by multiplying the
 23 units of production sold from the well times the royalty
 24 unit value of that production at the well. Such statement
 25 shall be in the form prescribed by the department and must

1 be verified by the oath of the operator or producer or the
 2 manager, superintendent, agent, president, or vice-president
 3 of such corporation, association, or partnership. Such
 4 statement shall show the following:

5 (1) the name and address of the operator, together
 6 with a list in duplicate of the names and addresses of any
 7 and all persons owning or claiming any royalty interest in
 8 the production from the well or the proceeds derived from
 9 the sale thereof, and the amount or amounts paid or yielded
 10 as royalty to each of such persons during the period covered
 11 by the statement;

12 (2) the description and location of the well;

13 (3) the number of cubic feet of natural gas, barrels
 14 of petroleum or other crude or mineral oil sold from the
 15 well during the period covered by the statement;

16 (4) the gross sales proceeds in dollars and cents or,
 17 in the case of sales between parties not acting at arm's
 18 length, the greater of the gross sales proceeds from or the
 19 fair market value of the products sold;

20 (5) except for new production as defined in 15-23-601:

21 {5}(a) actual cost of extracting product from well;

22 {6}(b) cost of construction, repairs, and betterments;

23 {7}(c) actual cost of fire insurance and workers'
 24 compensation insurance;

25 {8}(d) the amount paid or withheld in satisfaction of

1 liability for excise taxes imposed by the U.S. government on
 2 the production, sale, or removal of the natural gas,
 3 petroleum, or other crude or mineral oil reported pursuant
 4 to subsection (3), including a separate statement of the
 5 amount of such taxes paid or withheld from each royalty
 6 owner."

7 Section 3. Section 15-23-603, MCA, is amended to read:

8 "15-23-603. Net proceeds -- how computed. (1) The
 9 Except as provided in subsection (3), the department of
 10 revenue shall calculate and compute from the returns the
 11 gross sales proceeds of the product yielded from such well
 12 for the year covered by the statement and shall calculate
 13 the net proceeds of the well yielded to the producer, which
 14 net proceeds shall be determined by subtracting from the
 15 gross sales proceeds thereof the following:

16 (a) all royalty paid in cash by the operator or
 17 producer and the gross value of all royalty apportioned in
 18 kind by the operator or producer that shall be determined by
 19 using as the value of a barrel of oil or a cubic foot of gas
 20 the average selling price for the calendar year of a barrel
 21 of oil or a cubic foot of gas from the well out of which the
 22 royalty was paid;

23 (b) all moneys expended for necessary labor,
 24 machinery, and supplies needed and used in the operation and
 25 development;

1 (c) all moneys expended for improvements, repairs, and
2 betterments necessary in and about the working of the well;

3 (d) all moneys expended for fire insurance and
4 workers' compensation insurance and for payments by
5 operators to welfare and retirement funds when provided for
6 in wage contracts between operators and employees;

7 (e) 70% of the amount paid or withheld in satisfaction
8 of liability for excise taxes imposed by the U.S. government
9 on the production, sale, or removal of the natural gas,
10 petroleum, or other crude or mineral oil yielded from such
11 well, other than the amount of such taxes paid by or
12 withheld from each royalty owner.

13 (2) No moneys invested in the well and improvements
14 during any year except the year for which such statement is
15 made may be included in such expenditures, except as
16 provided in 15-23-604, and such expenditures may not include
17 the salaries or any portion thereof of any person or officer
18 not actually engaged in the working of the well or
19 superintending the management thereof.

20 (3) For new production, net proceeds are the
21 equivalent of the gross sales proceeds of the product
22 yielded from such well for the year covered by the
23 statement, except that in computing the total number of
24 barrels of petroleum and other mineral or crude oil or cubic
25 feet of natural gas produced, there shall be deducted

1 therefrom so much thereof as is used in the operation of the
2 well from which the petroleum or other mineral or crude oil
3 or natural gas is produced for pumping the petroleum or
4 other mineral or crude oil or natural gas from the well to a
5 tank or pipeline."

6 Section 4. Section 15-23-605, MCA, is amended to read:

7 "15-23-605. Assessment of royalties. (1) The amount of
8 royalty received, valued as provided in 15-23-603(1)(a),
9 less 70% of the amount of excise taxes paid by or withheld
10 from the royalty owner as reported pursuant to 15-23-602(8),
11 shall be considered net proceeds to the recipient and shall
12 be assessed as follows: upon receipt of the lists or
13 schedules setting forth the names and addresses of any and
14 all persons owning or claiming royalty and the amount paid
15 or yielded as royalty to such royalty owners or claimants
16 during the year for which such return is made, the
17 department of revenue shall proceed to assess and tax the
18 same as net proceeds of mines.

19 (2) Net proceeds for new production, as defined in
20 15-23-601, includes royalties received without deduction for
21 excise taxes."

22 Section 5. Section 15-23-607, MCA, is amended to read:

23 "15-23-607. County assessors to compute taxes. (1)
24 Immediately after the board of county commissioners has
25 fixed tax levies on the second Monday in August, the county

1 assessor shall compute the taxes on such net proceeds,
 2 except as provided in 15-36-121 and in subsection (2), and
 3 royalty assessments and shall deliver the book to the county
 4 treasurer on or before September 15. The county treasurer
 5 shall proceed to give full notice thereof to such operator
 6 and to collect the same in manner provided by law.

7 (2) For new production, as defined in 15-23-601, the
 8 county assessor may not levy or assess any mills against the
 9 value of such new production, but shall instead levy a tax
 10 as follows:

11 (a) for new production of petroleum or other mineral
 12 or crude oil, ~~6.3%~~ ~~6.5%~~ 7% of net proceeds, as described in
 13 15-23-603(3); or

14 (b) for new production of natural gas, ~~9.2%~~ ~~10%~~ 11% of
 15 net proceeds, as described in 15-23-603(3).

16 (3) The amount of tax levied in subsections (2)(a) and
 17 (2)(b) shall be treated as taxable value for county bonding
 18 purposes.

19 ~~(2)~~(4) The operator or producer shall be liable for
 20 the payment of said taxes and same shall be payable by and
 21 shall be collected from such operators in the same manner
 22 and under the same penalties as provided for the collection
 23 of taxes upon net proceeds of mines; provided, however, that
 24 the operator may at his option withhold from the proceeds of
 25 royalty interest, either in kind or in money, an estimated

1 amount of the tax to be paid by him upon such royalty or
 2 royalty interest. After such withholding any deviation
 3 between the estimated tax and the actual tax may be
 4 accounted for by adjusting subsequent withholdings from the
 5 proceeds of royalty interests."

6 Section 6. Section 7-7-2101, MCA, is amended to read:
 7 "7-7-2101. Limitation on amount of county
 8 indebtedness. (1) No county may become indebted in any
 9 manner or for any purpose to an amount, including existing
 10 indebtedness, in the aggregate exceeding 23% of the total of
 11 the taxable value of the property therein subject to
 12 taxation, plus the amount of new production taxes levied as
 13 provided in 15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES
 14 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 15 60%, as ascertained by the last assessment for state and
 16 county taxes previous to the incurring of such indebtedness.

17 (2) No county may incur indebtedness or liability for
 18 any single purpose to an amount exceeding \$150,000 without
 19 the approval of a majority of the electors thereof voting at
 20 an election to be provided by law, except as provided in
 21 7-21-3413 and 7-21-3414."

22 Section 7. Section 7-7-2203, MCA, is amended to read:
 23 "7-7-2203. Limitation on amount of bonded
 24 indebtedness. (1) Except as provided in subsections (2) and
 25 (3), no county may issue general obligation bonds for any

1 purpose which, with all outstanding bonds and warrants
 2 except county high school bonds and emergency bonds, will
 3 exceed 11.25% of the total of the taxable value of the
 4 property therein, plus the amount of new production taxes
 5 levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE
 6 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
 7 MULTIPLIED BY 60%, to be ascertained by the last assessment
 8 for state and county taxes prior to the proposed issuance of
 9 bonds.

10 (2) A county may issue bonds which, with all
 11 outstanding bonds and warrants, will exceed 11.25% but will
 12 not exceed 37% of the total of the taxable value of such
 13 property, plus the amount of new production taxes levied as
 14 ~~provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES
 15 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 16 60%, when necessary to do so, for the purpose of acquiring
 17 land for a site for county high school buildings and for
 18 erecting or acquiring buildings thereon and furnishing and
 19 equipping the same for county high school purposes.

20 (3) The foregoing limitation shall not apply to
 21 refunding bonds issued for the purpose of paying or retiring
 22 county bonds lawfully issued prior to January 1, 1932."

23 Section 8. Section 7-14-2524, MCA, is amended to read:

24 "7-14-2524. Limitation on amount of bonds issued --
 25 excess void. (1) Except as otherwise provided hereafter and

1 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
 2 with all outstanding bonds and warrants except county high
 3 school bonds and emergency bonds, will exceed 11.25% of the
 4 total of the taxable value of the property therein, plus the
 5 amount of new production taxes levied ~~as provided in~~
 6 ~~15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 7 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%. The taxable
 8 property and the amount of new production taxes levied shall
 9 be ascertained by the last assessment for state and county
 10 taxes prior to the issuance of such bonds.

11 (2) A county may issue bonds which, with all
 12 outstanding bonds and warrants except county high school
 13 bonds, will exceed 11.25% but will not exceed 22.5% of the
 14 total of the taxable value of such property, plus the amount
 15 of new production taxes levied ~~as provided in 15-23-607~~
 16 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 17 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, when
 18 necessary for the purpose of replacing, rebuilding, or
 19 repairing county buildings, bridges, or highways which have
 20 been destroyed or damaged by an act of God, disaster,
 21 catastrophe, or accident.

22 (3) The value of the bonds issued and all other
 23 outstanding indebtedness of the county, except county high
 24 school bonds, shall not exceed 22.5% of the total of the
 25 taxable value of the property within the county, plus the

1 amount of new production taxes levied ~~as--provided--in~~
 2 ~~15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 3 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, as
 4 ascertained by the last preceding general assessment."

5 Section 9. Section 7-14-2525, MCA, is amended to read:

6 "7-14-2525. Refunding agreements and refunding bonds
 7 authorized. (1) Whenever the total indebtedness of a county
 8 exceeds 22.5% of the total of the taxable value of the
 9 property therein, plus the amount of new production taxes
 10 levied ~~as--provided-in-15-23-607~~ DIVIDED BY THE APPROPRIATE
 11 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
 12 MULTIPLIED BY 60%, and the board determines that the county
 13 is unable to pay such indebtedness in full, the board may:

14 (a) negotiate with the bondholders for an agreement
 15 whereby the bondholders agree to accept less than the full
 16 amount of the bonds and the accrued unpaid interest thereon
 17 in satisfaction thereof;

18 (b) enter into such agreement;

19 (c) issue refunding bonds for the amount agreed upon.

20 (2) These bonds may be issued in more than one series,
 21 and each series may be either amortization or serial bonds.

22 (3) The plan agreed upon between the board and the
 23 bondholders shall be embodied in full in the resolution
 24 providing for the issue of the bonds."

25 Section 10. Section 7-16-2327, MCA, is amended to

1 read:

2 "7-16-2327. Indebtedness for park purposes. (1)
 3 Subject to the provisions of subsection (2), a county park
 4 board, in addition to powers and duties now given under law,
 5 shall have the power and duty to contract an indebtedness in
 6 behalf of a county, upon the credit thereof, for the
 7 purposes of 7-16-2321(1) and (2).

8 (2) (a) The total amount of indebtedness authorized to
 9 be contracted in any form, including the then-existing
 10 indebtedness, must not at any time exceed 13% of the total
 11 of the taxable value of the taxable property in the county,
 12 plus the amount of new production taxes levied ~~as--provided~~
 13 ~~in--15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED
 14 IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%,
 15 ascertained by the last assessment for state and county
 16 taxes previous to the incurring of such indebtedness.

17 (b) No money may be borrowed on bonds issued for the
 18 purchase of lands and improving same for any such purpose
 19 until the proposition has been submitted to the vote of
 20 those qualified under the provisions of the state
 21 constitution to vote at such election in the county affected
 22 thereby and a majority vote is cast in favor thereof."

23 NEW SECTION. SECTION 11. DISPOSITION OF TAXES IN LIEU
 24 OF NET PROCEEDS TAXES. THE COUNTY TREASURER SHALL CREDIT
 25 ALL TAXES ON NEW OIL OR GAS PRODUCTION, AS PROVIDED FOR IN

1 15-23-607, IN THE RELATIVE PROPORTIONS REQUIRED BY THE
 2 LEVIES FOR STATE, COUNTY, SCHOOL DISTRICT, AND MUNICIPAL
 3 PURPOSES IN THE SAME MANNER AS PROPERTY TAXES WERE
 4 DISTRIBUTED IN THE YEAR PRECEDING THE BUDGET YEAR.

5 SECTION 12. SECTION 20-9-141, MCA, IS AMENDED TO READ:

6 "20-9-141. Computation of general fund net levy
 7 requirement by county superintendent. (1) The county
 8 superintendent shall compute the levy requirement for each
 9 district's general fund on the basis of the following
 10 procedure:

11 (a) Determine the total of the district's nonisolated
 12 school foundation program requirement to be met by a
 13 district levy as provided in 20-9-303, the district's
 14 permissive levy amount as provided in 20-9-352, and any
 15 additional levies authorized by the electors of the district
 16 under the provisions of 20-9-353, except that the total of
 17 the permissive and additional levies shall not exceed the
 18 total amount of the final general fund budget less the
 19 foundation program.

20 (b) Determine the total of the moneys available for
 21 the reduction of the property tax on the district for the
 22 general fund by totaling:

23 (i) anticipated federal moneys received under the
 24 provisions of Title I of Public Law 81-874 or other
 25 anticipated federal moneys received in lieu of such federal

act;

(ii) anticipated tuition payments for out-of-district
 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,
 and 20-5-313;

(iii) general fund cash reappropriated, as established
 under the provisions of 20-9-104;

(iv) anticipated state impact aid received under the
 provisions of 20-9-304;

(v) anticipated motor vehicle fees and reimbursement
 under the provisions of 61-3-532 and 61-3-536;

(vi) anticipated net proceeds for new production, as
defined in 15-23-601;

~~(vii)~~(vii) anticipated interest to be earned by the
 investment of general fund cash in accordance with the
 provisions of 20-9-213(4); and

~~(viii)~~(viii) any other revenue anticipated by the
 trustees to be received during the ensuing school fiscal
 year which may be used to finance the general fund.

(c) Subtract the total of the moneys available to
 reduce the property tax required to finance the general fund
 that has been determined in subsection (1)(b) from the total
 levy requirement determined in subsection (1)(a).

(2) The net general fund levy requirement determined
 in subsection (1)(c) shall be reported to the county
 commissioners on the second Monday of August by the county

1 superintendent as the general fund levy requirement for the
2 district, and a levy shall be made by the county
3 commissioners in accordance with 20-9-142."

4 SECTION 13. SECTION 20-9-331, MCA, IS AMENDED TO READ:

5 "20-9-331. Basic county tax and other revenues for
6 county equalization of the elementary district foundation
7 program. (1) It shall be the duty of the county
8 commissioners of each county to levy an annual basic tax of
9 28 mills on the dollars of the taxable value of all taxable
10 property within the county for the purposes of local and
11 state foundation program support. The revenue to be
12 collected from this levy shall be apportioned to the support
13 of the foundation programs of the elementary school
14 districts in the county and to the state special revenue
15 fund, state equalization aid account, in the following
16 manner:

17 (a) In order to determine the amount of revenue raised
18 by this levy which is retained by the county, the sum of the
19 estimated revenues identified in subsections (2)(a) through
20 (2)(f) below shall be subtracted from the sum of the county
21 elementary transportation obligation and the total of the
22 foundation programs of all elementary districts of the
23 county.

24 (b) If the basic levy prescribed by this section
25 produces more revenue than is required to finance the

1 difference determined above, the county commissioners shall
2 order the county treasurer to remit the surplus funds to the
3 state treasurer for deposit to the state special revenue
4 fund, state equalization aid account, not later than June 1
5 of the fiscal year for which the levy has been set.

6 (2) The proceeds realized from the county's portion of
7 the levy prescribed by this section and the revenues from
8 the following sources shall be used for the equalization of
9 the elementary district foundation programs of the county as
10 prescribed in 20-9-334, and a separate accounting shall be
11 kept of such proceeds and revenues by the county treasurer
12 in accordance with 20-9-212(1):

13 (a) the portion of the federal Taylor Grazing Act
14 funds distributed to a county and designated for the common
15 school fund under the provisions of 17-3-222;

16 (b) the portion of the federal flood control act funds
17 distributed to a county and designated for expenditure for
18 the benefit of the county common schools under the
19 provisions of 17-3-232;

20 (c) all money paid into the county treasury as a
21 result of fines for violations of law and the use of which
22 is not otherwise specified by law;

23 (d) any money remaining at the end of the immediately
24 preceding school fiscal year in the county treasurer's
25 account for the various sources of revenue established or

1 referred to in this section; and

2 (e) any federal or state money, including anticipated
3 motor vehicle fees and reimbursement under the provisions of
4 61-3-532 and 61-3-536, distributed to the county as payment
5 in lieu of the property taxation established by the county
6 levy required by this section; and

7 (f) net proceeds for new production, as defined in
8 15-23-601."

9 SECTION 14. SECTION 20-9-333, MCA, IS AMENDED TO READ:

10 "20-9-333. Basic special levy and other revenues for
11 county equalization of high school district foundation
12 program. (1) It shall be the duty of the county
13 commissioners of each county to levy an annual basic special
14 tax for high schools of 17 mills on the dollar of the
15 taxable value of all taxable property within the county for
16 the purposes of local and state foundation program support.
17 The revenue to be collected from this levy shall be
18 apportioned to the support of the foundation programs of
19 high school districts in the county and to the state special
20 revenue fund, state equalization aid account, in the
21 following manner:

22 (a) In order to determine the amount of revenue raised
23 by this levy which is retained by the county, the estimated
24 revenues identified in subsections (2)(a) and (2)(b) below
25 shall be subtracted from the sum of the county's high school

1 tuition obligation and the total of the foundation programs
2 of all high school districts of the county.

3 (b) If the basic levy prescribed by this section
4 produces more revenue than is required to finance the
5 difference determined above, the county commissioners shall
6 order the county treasurer to remit the surplus to the state
7 treasurer for deposit to the state special revenue fund,
8 state equalization aid account, not later than June 1 of the
9 fiscal year for which the levy has been set.

10 (2) The proceeds realized from the county's portion of
11 the levy prescribed in this section and the revenues from
12 the following sources shall be used for the equalization of
13 the high school district foundation programs of the county
14 as prescribed in 20-9-334, and a separate accounting shall
15 be kept of these proceeds by the county treasurer in
16 accordance with 20-9-212(1):

17 (a) any money remaining at the end of the immediately
18 preceding school fiscal year in the county treasurer's
19 account for deposit of the proceeds from the levy
20 established in this section; and

21 (b) any federal or state moneys, including anticipated
22 motor vehicle fees and reimbursement under the provisions of
23 61-3-532 and 61-3-536, distributed to the county as a
24 payment in lieu of the property taxation established by the
25 county levy required by this section; and

1 (c) net proceeds for new production, as defined in
2 15-23-601."

3 SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:

4 "20-9-352. Permissive amount and permissive levy. (1)
5 Whenever the trustees of any district shall deem it
6 necessary to adopt a general fund budget in excess of the
7 foundation program amount but not in excess of the maximum
8 general fund budget amount for such district as established
9 by the schedules in 20-9-316 through 20-9-321, the trustees
10 shall adopt a resolution stating the reasons and purposes
11 for exceeding the foundation program amount. Such excess
12 above the foundation program amount shall be known as the
13 "permissive amount", and it shall be financed by a levy on
14 the taxable value of all taxable property within the
15 district as prescribed in 20-9-141, supplemented with any
16 biennial appropriation by the legislature for this purpose.

17 (2) The district levies to be set for the purpose of
18 funding the permissive amount are determined as follows:

19 (a) For each elementary school district, the county
20 commissioners shall annually set a levy not exceeding 6
21 mills on all the taxable property in the district for the
22 purpose of funding the permissive amount of the district.
23 The permissive levy in mills shall be obtained by
24 multiplying the ratio of the permissive amount to the
25 maximum permissive amount by 6 or by using the number of

1 mills which would fund the permissive amount, whichever is
2 less. If the amount of revenue raised by this levy, plus
3 anticipated motor vehicle fees and reimbursement under the
4 provisions of 61-3-532 and 61-3-536, is not sufficient to
5 fund the permissive amount in full, the amount of the
6 deficiency shall be paid to the district from the state
7 special revenue fund according to the provisions of 20-9-351
8 and subsection (3) of this section.

9 (b) For each high school district, the county
10 commissioners shall annually set a levy not exceeding 4
11 mills on all taxable property in the district for the
12 purpose of funding the permissive amount of the district.
13 The permissive levy in mills shall be obtained by
14 multiplying the ratio of the permissive levy to the maximum
15 permissive amount by 4 or by using the number of mills which
16 would fund the permissive amount, whichever is less. If the
17 amount of revenue raised by this levy, plus anticipated
18 motor vehicle fees and reimbursement under the provisions of
19 61-3-532 and 61-3-536, and plus net proceeds for new
20 production, as defined in 15-23-601, is not sufficient to
21 fund the permissive amount in full, the amount of the
22 deficiency shall be paid to the district from the state
23 special revenue fund according to the provisions of 20-9-351
24 and subsection (3) of this section. The superintendent of
25 public instruction shall, if the appropriation by the

1 legislature for the permissive account [program] for the
 2 biennium is insufficient, request the budget director to
 3 submit a request for a supplemental appropriation in the
 4 second year of the biennium.

5 (3) Such distribution shall be made in two payments.
 6 The first payment shall be made at the same time as the
 7 first distribution of state equalization aid is made after
 8 January 1 of the fiscal year. The second payment shall be
 9 made at the same time as the last payment of state
 10 equalization aid is made for the fiscal year. If the
 11 appropriation is not sufficient to finance the deficiencies
 12 of the districts as determined according to subsection (2),
 13 each district will receive the same percentage of its
 14 deficiency. Surplus revenue in the second year of the
 15 biennium may be used to reduce the appropriation required
 16 for the next succeeding biennium or may be transferred to
 17 the state equalization aid state special revenue fund if
 18 revenues in that fund are insufficient to meet foundation
 19 program requirements."

20 SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:

21 "20-9-501. Retirement fund. (1) The trustees of any
 22 district employing personnel who are members of the
 23 teachers' retirement system or the public employees'
 24 retirement system or who are covered by unemployment
 25 insurance or who are covered by any federal social security

1 system requiring employer contributions shall establish a
 2 retirement fund for the purposes of budgeting and paying the
 3 employer's contributions to such systems. The district's
 4 contribution for each employee who is a member of the
 5 teachers' retirement system shall be calculated in
 6 accordance with Title 19, chapter 4, part 6. The district's
 7 contribution for each employee who is a member of the public
 8 employees' retirement system shall be calculated in
 9 accordance with 19-3-801. The district may levy a special
 10 tax to pay its contribution to the public employees'
 11 retirement system under the conditions prescribed in
 12 19-3-204. The district's contributions for each employee
 13 covered by any federal social security system shall be paid
 14 in accordance with federal law and regulation. The
 15 district's contribution for each employee who is covered by
 16 unemployment insurance shall be paid in accordance with
 17 Title 39, chapter 51, part 11.

18 (2) The trustees of any district required to make a
 19 contribution to any such system shall include in the
 20 retirement fund of the preliminary budget the estimated
 21 amount of the employer's contribution and such additional
 22 moneys, within legal limitations, as they may wish to
 23 provide for the retirement fund cash reserve. After the
 24 final retirement fund budget has been adopted, the trustees
 25 shall pay the employer contributions to such systems in

1 accordance with the financial administration provisions of
2 this title.

3 (3) When the final retirement fund budget has been
4 adopted, the county superintendent shall establish the levy
5 requirement by:

6 (a) determining the sum of the moneys available to
7 reduce the retirement fund levy requirement by adding:

8 (i) any anticipated moneys that may be realized in the
9 retirement fund during the ensuing school fiscal year,
10 including anticipated motor vehicle fees and reimbursement
11 under the provisions of 61-3-532 and 61-3-536; and

12 (ii) net proceeds for new production, as defined in
13 15-23-601; and

14 ~~†††(iii)~~ any cash available for reappropriation as
15 determined by subtracting the amount of the end-of-the-year
16 cash balance earmarked as the retirement fund cash reserve
17 for the ensuing school fiscal year by the trustees from the
18 end-of-the-year cash balance in the retirement fund. The
19 retirement fund cash reserve shall not be more than 35% of
20 the final retirement fund budget for the ensuing school
21 fiscal year and shall be used for the purpose of paying
22 retirement fund warrants issued by the district under the
23 final retirement fund budget.

24 (b) subtracting the total of the moneys available for
25 reduction of the levy requirement as determined in

1 subsection (3)(a) from the budgeted amount for expenditures
2 in the final retirement fund budget.

3 (4) The county superintendent shall total the net
4 retirement fund levy requirements separately for all
5 elementary school districts, all high school districts, and
6 all community college districts of the county, including any
7 prorated joint district or special educational cooperative
8 agreement levy requirements, and shall report each such levy
9 requirement to the county commissioners on the second Monday
10 of August as the respective county levy requirements for
11 elementary district, high school district, and community
12 college district retirement funds. The county commissioners
13 shall fix and set such county levy in accordance with
14 20-9-142.

15 (5) The net retirement fund levy requirement for a
16 joint elementary district or a joint high school district
17 shall be prorated to each county in which a part of such
18 district is located in the same proportion as the district
19 ANB of the joint district is distributed by pupil residence
20 in each such county. The county superintendents of the
21 counties affected shall jointly determine the net retirement
22 fund levy requirement for each county as provided in
23 20-9-151.

24 (6) The net retirement fund levy requirement for
25 districts that are members of special educational

1 cooperative agreements shall be prorated to each county in
 2 which such district is located in the same proportion as the
 3 budget for the special education cooperative agreement of
 4 the district bears to the total budget of the cooperative.
 5 The county superintendents of the counties affected shall
 6 jointly determine the net retirement fund levy requirement
 7 for each county in the same manner as provided in 20-9-151
 8 and fix and levy the net retirement fund levy for each
 9 county in the same manner as provided in 20-9-152."

10 SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO

11 READ:

12 "20-10-144. Computation of revenues and net tax levy
 13 requirements for the transportation fund budget. Before the
 14 fourth Monday of July and in accordance with 20-9-123, the
 15 county superintendent shall compute the revenue available to
 16 finance the transportation fund budget of each district. The
 17 county superintendent shall compute the revenue for each
 18 district on the following basis:

19 (1) The "schedule amount" of the preliminary budget
 20 expenditures that is derived from the rate schedules in
 21 20-10-141 and 20-10-142 shall be determined by adding the
 22 following amounts:

23 (a) the sum of the maximum reimbursable expenditures
 24 for all approved school bus routes maintained by the
 25 district (to determine the maximum reimbursable expenditure,

1 multiply the applicable rate per bus mile by the total
 2 number of miles to be traveled during the ensuing school
 3 fiscal year on each bus route approved by the county
 4 transportation committee and maintained by such district);
 5 plus

6 (b) the total of all individual transportation per
 7 diem reimbursement rates for such district as determined
 8 from the contracts submitted by the district multiplied by
 9 the number of pupil-instruction days scheduled for the
 10 ensuing school attendance year; plus

11 (c) any estimated costs for supervised home study or
 12 supervised correspondence study for the ensuing school
 13 fiscal year; plus

14 (d) the amount budgeted on the preliminary budget for
 15 the contingency amount permitted in 20-10-143, except if
 16 such amount exceeds 10% of the total of subsections (1)(a),
 17 (1)(b), and (1)(c) or \$100, whichever is larger, the
 18 contingency amount on the preliminary budget shall be
 19 reduced to such limitation amount and used in this
 20 determination of the schedule amount.

21 (2) The schedule amount determined in subsection (1)
 22 or the total preliminary transportation fund budget,
 23 whichever is smaller, shall be divided by 3 and the
 24 resulting one-third amount shall be used to determine the
 25 available state and county revenue to be budgeted on the

1 following basis:

2 (a) the resulting one-third amount shall be the
3 budgeted state transportation reimbursement, except that the
4 state transportation reimbursement for the transportation of
5 special education pupils under the provisions of 20-7-442
6 shall be two-thirds of the schedule amount attributed to the
7 transportation of special education pupils;

8 (b) the resulting one-third amount, except as provided
9 for joint elementary districts in subsection (2)(e), shall
10 be the budgeted county transportation reimbursement for
11 elementary districts and shall be financed by the basic
12 county tax under the provisions of 20-9-334;

13 (c) the resulting one-third amount multiplied by 2
14 shall be the budgeted county transportation reimbursement
15 amount for high school districts financed under the
16 provisions of subsection (5) of this section, except as
17 provided for joint high school districts in subsection
18 (2)(e), and except that the county transportation
19 reimbursement for the transportation of special education
20 pupils under the provisions of 20-7-442 shall be one-third
21 of the schedule amount attributed to the transportation of
22 special education pupils;

23 (d) when the district has a sufficient amount of cash
24 for reappropriation and other sources of district revenue,
25 as determined in subsection (3), to reduce the total

1 district obligation for financing to zero, any remaining
2 amount of such district revenue and cash reappropriated
3 shall be used to reduce the county financing obligation in
4 subsections (2)(b) or (2)(c) and, if such county financing
5 obligations are reduced to zero, to reduce the state
6 financial obligation in subsection (2)(a); and

7 (e) the county revenue requirement for a joint
8 district, after the application of any district moneys under
9 subsection (2)(d) above, shall be prorated to each county
10 incorporated by the joint district in the same proportion as
11 the ANB of the joint district is distributed by pupil
12 residence in each such county.

13 (3) The total of the moneys available for the
14 reduction of property tax on the district for the
15 transportation fund shall be determined by totaling:

16 (a) anticipated federal moneys received under the
17 provisions of Title I of Public Law 81-874 or other
18 anticipated federal moneys received in lieu of such federal
19 act; plus

20 (b) anticipated payments from other districts for
21 providing school bus transportation services for such
22 district; plus

23 (c) anticipated payments from a parent or guardian for
24 providing school bus transportation services for his child;
25 plus

1 (d) anticipated interest to be earned by the
 2 investment of transportation fund cash in accordance with
 3 the provisions of 20-9-213(4); plus

4 (e) anticipated motor vehicle fees and reimbursement
 5 under the provisions of 61-3-532 and 61-3-536; plus

6 (f) net proceeds for new production, as defined in
 7 15-23-601; plus

8 ~~(f)~~(g) any other revenue anticipated by the trustees
 9 to be earned during the ensuing school fiscal year which may
 10 be used to finance the transportation fund; plus

11 ~~(g)~~(h) any cash available for reappropriation as
 12 determined by subtracting the amount of the end-of-the-year
 13 cash balance earmarked as the transportation fund cash
 14 reserve for the ensuing school fiscal year by the trustees
 15 from the end-of-the-year cash balance in the transportation
 16 fund. Such cash reserve shall not be more than 20% of the
 17 final transportation fund budget for the ensuing school
 18 fiscal year and shall be for the purpose of paying
 19 transportation fund warrants issued by the district under
 20 the final transportation fund budget.

21 (4) The district levy requirement for each district's
 22 transportation fund shall be computed by:

23 (a) subtracting the schedule amount calculated in
 24 subsection (1) from the total preliminary transportation
 25 budget amount and, for an elementary district, adding such

1 difference to the district obligation to finance one-third
 2 of the schedule amount as determined in subsection (2); and

3 (b) subtracting the amount of moneys available to
 4 reduce the property tax on the district, as determined in
 5 subsection (3), from the amount determined in subsection
 6 (4)(a) above.

7 (5) The county levy requirement for the financing of
 8 the county transportation reimbursement to high school
 9 districts shall be computed by adding all such requirements
 10 for all the high school districts of the county, including
 11 the county's obligation for reimbursements in joint high
 12 school districts.

13 (6) The transportation fund levy requirements
 14 determined in subsection (4) for each district and in
 15 subsection (5) for the county shall be reported to the
 16 county commissioners on the second Monday of August by the
 17 county superintendent as the transportation fund levy
 18 requirements for the district and for the county, and such
 19 levies shall be made by the county commissioners in
 20 accordance with 20-9-142."

21 NEW SECTION. SECTION 18. CODIFICATION INSTRUCTION.
 22 SECTION 11 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
 23 TITLE 15, CHAPTER 23, PART 6, AND THE PROVISIONS OF TITLE
 24 15, CHAPTER 23, PART 6, APPLY TO SECTION 11.

25 NEW SECTION. Section 19. Extension of authority. Any

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

4 NEW SECTION. Section 20. Effective date. Sections 1
5 through ~~18~~ 18 of this act are effective July 1, 1985.
6 ~~Section 11 and this section~~ SECTIONS 19 AND 20 are effective
7 on passage and approval, except that rules adopted under
8 section ~~11~~ 19 may not be made effective prior to July 1,
9 1985.

-End-

STANDING COMMITTEE REPORT

Page 1 of 4.

March 29, 1985

HOUSE

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 390

third reading copy (blue color)

ESTABLISH A UNIFORM RATE OF TAX FOR "NEW PRODUCTION" OF OIL AND NATURAL GAS;

Respectfully report as follows: That SENATE Bill No. 390

be amended as follows:

1. Title, line 12.
Following: ", "
Insert: "PROVIDING FOR QUARTERLY PAYMENT OF NEW PRODUCTION TAXES; REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES TO THE CLASSIFICATION OF COUNTIES;"

2. Title, line 13.
Following: "SECTIONS"
Insert: "7-1-2111,"

3. Title, line 14.
Following: "7-16-2327,"
Insert: "15-16-102,"

Page 2 of 4.
SB 390

March 29, 1985

4. Page 5, line 21.
Following: "proceeds"
Insert: ", without deduction for excise taxes,"

5. Page 7, line 14.
Following: "10%"
Strike: "11%"
Insert: "12%"

6. Page 30.
Following: line 20
Insert: "Section 18. Section 7-1-2111, MCA, is amended to read:

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds, the several counties of this state shall be classified according to that percentage of the true and full valuation of the property therein upon which the tax levy is made, as follows:

(a) first class - all counties having such a taxable valuation of \$50 million or over;

(b) second class - all counties having such a taxable valuation of more than \$30 million and less than \$50 million;

(c) third class - all counties having such a taxable valuation of more than \$20 million and less than \$30 million;

(d) fourth class - all counties having such a taxable valuation of more than \$15 million and less than \$20 million;

(e) fifth class - all counties having such a taxable valuation of more than \$10 million and less than \$15 million;

(f) sixth class - all counties having such a taxable valuation of more than \$5 million and less than \$10 million;

(g) seventh class - all counties having such a taxable valuation of less than \$5 million.

(2) As used in this section, taxable valuation means the taxable value of taxable property in the county as of the time of determination plus;

RR-PAGS

(continued)

Chairman.

(continued)

Chairman.

(a) that portion of the taxable value of the county on December 31, 1981, attributable to automobiles and trucks having a rated capacity of three-quarters of a ton or less; and

(b) the amount of new production taxes levied, as provided in 15-23-607, divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%."

Section 19. Section 15-16-102, MCA, is amended to read:

"15-16-102. Time for payment -- penalty for delinquency. All taxes levied and assessed in the state of Montana, except assessments made for special improvements in cities and towns payable under 15-16-103 and assessments made on new production as provided in Title 15, chapter 23, part 6, and payable under [section 20], shall be payable as follows:

(1) One-half of the amount of such taxes shall be payable on or before 5 p.m. on November 30 of each year and one-half on or before 5 p.m. on May 31 of each year.

(2) Unless one-half of such taxes are paid on or before 5 p.m. on November 30 of each year, then such amount so payable shall become delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty.

(3) All taxes due and not paid on or before 5 p.m. on May 31 of each year shall be delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty."

NEW SECTION. Section 20. Payment of new production taxes.

(1) Taxes levied and assessed on new production under the provisions of Title 15, chapter 23, part 6, must be paid to the county treasurer in quarterly installments. The payments must be made on or before 5 p.m. on the last day of the months of November, February, May, and August.

(2) Unless one-quarter of such taxes are paid on or before 5 p.m. on the last day of the months of November, February, May, and August of each year, any amount so payable is delinquent.

(3) All such delinquent taxes must draw interest at the rate payable on delinquencies under 15-16-102.

(continued)

Chairman.

(4) There must also be added to the delinquent taxes a penalty at the same rate as provided for delinquencies under 15-16-102."
Renumber: subsequent sections

7. Page 30, line 24.
Following: "SECTION 11."
Insert: "Section 20 is intended to be codified as an integral part of Title 15, chapter 16, part 1, and the provisions of Title 15, chapter 16, part 1, apply to section 20."

8. Page 31, line 5.
Following: "10"
Strike: "18"
Insert: "21"

9. Page 31, line 6.
Following: "SECTIONS"
Strike: "19"
Insert: "22"
Following: "AND"
Strike: "20"
Insert: "23"

10. Page 31, line 8.
Following: "11"
Strike: "19"
Insert: "22"

AND AS AMENDED
BE CONCURRED IN

KMK
2/27/30

Gerry Devlin
GERRY DEVLIN, Chairman.

Chairman.

SENATE BILL NO. 390

INTRODUCED BY MAZUREK, STEPHENS, THAYER, REHBERG,
E. SMITH, DANIELS, HAGER, FULLER, BOYLAN, KEATING,
RAMIREZ, JACK MOORE

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "NEW PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; PROVIDING FOR A UNIFORM RATE OF TAXATION ON NEW PRODUCTION; ALLOWING CERTAIN DEDUCTIONS IN DETERMINING THE NET PROCEEDS OF NEW PRODUCTION; PROVIDING FOR CONSIDERATION OF NEW PRODUCTION TAXES IN COUNTY BONDING LIMITATIONS; PROVIDING FOR DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES; PROVIDING FOR QUARTERLY PAYMENT OF NEW PRODUCTION TAXES; REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES TO THE CLASSIFICATION OF COUNTIES; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-16-102, 15-23-601 THROUGH 15-23-603, 15-23-605; AND 15-23-607, 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-23-601, MCA, is amended to read:

"15-23-601. Definitions. As used in this part, the following definitions apply:

(1) "Excise tax" means the windfall profit tax on domestic crude oil imposed by Title I of the federal Crude Oil Windfall Profit Tax Act of 1980, as enacted or as amended.

(2) The term "new production" means the production of natural gas, petroleum, or other crude or mineral oil from any lease that has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately preceding the first month of qualified new production.

~~(2)~~(3) The terms "operator" and "producer" mean any person who engages in the business of drilling for, extracting, or producing any natural gas, petroleum, or other crude or mineral oil.

~~(3)~~(4) The term "well" includes each single well or group of wells, including dry wells, in one field or production unit and under the control of one operator or producer."

Section 2. Section 15-23-602, MCA, is amended to read:

"15-23-602. Statement of sales proceeds. Each operator or producer of natural gas, petroleum, or other crude or mineral oil must on or before April 15 in each year make out and deliver to the department of revenue a statement of the gross sales proceeds of such natural gas, petroleum, or other crude or mineral oil from each well owned or worked by such person during the next preceding calendar year. The

1 gross sales proceeds shall be determined by multiplying the
 2 units of production sold from the well times the royalty
 3 unit value of that production at the well. Such statement
 4 shall be in the form prescribed by the department and must
 5 be verified by the oath of the operator or producer or the
 6 manager, superintendent, agent, president, or vice-president
 7 of such corporation, association, or partnership. Such
 8 statement shall show the following:

9 (1) the name and address of the operator, together
 10 with a list in duplicate of the names and addresses of any
 11 and all persons owning or claiming any royalty interest in
 12 the production from the well or the proceeds derived from
 13 the sale thereof, and the amount or amounts paid or yielded
 14 as royalty to each of such persons during the period covered
 15 by the statement;

16 (2) the description and location of the well;

17 (3) the number of cubic feet of natural gas, barrels
 18 of petroleum or other crude or mineral oil sold from the
 19 well during the period covered by the statement;

20 (4) the gross sales proceeds in dollars and cents or,
 21 in the case of sales between parties not acting at arm's
 22 length, the greater of the gross sales proceeds from or the
 23 fair market value of the products sold;

24 (5) except for new production as defined in 15-23-601:

25 {5}(a) actual cost of extracting product from well;

1 {6}(b) cost of construction, repairs, and betterments;
 2 {7}(c) actual cost of fire insurance and workers'
 3 compensation insurance;

4 {8}(d) the amount paid or withheld in satisfaction of
 5 liability for excise taxes imposed by the U.S. government on
 6 the production, sale, or removal of the natural gas,
 7 petroleum, or other crude or mineral oil reported pursuant
 8 to subsection (3), including a separate statement of the
 9 amount of such taxes paid or withheld from each royalty
 10 owner."

11 Section 3. Section 15-23-603, MCA, is amended to read:

12 "15-23-603. Net proceeds -- how computed. (1) The
 13 Except as provided in subsection (3), the department of
 14 revenue shall calculate and compute from the returns the
 15 gross sales proceeds of the product yielded from such well
 16 for the year covered by the statement and shall calculate
 17 the net proceeds of the well yielded to the producer, which
 18 net proceeds shall be determined by subtracting from the
 19 gross sales proceeds thereof the following:

20 (a) all royalty paid in cash by the operator or
 21 producer and the gross value of all royalty apportioned in
 22 kind by the operator or producer that shall be determined by
 23 using as the value of a barrel of oil or a cubic foot of gas
 24 the average selling price for the calendar year of a barrel
 25 of oil or a cubic foot of gas from the well out of which the

1 royalty was paid;

2 (b) all moneys expended for necessary labor,
3 machinery, and supplies needed and used in the operation and
4 development;

5 (c) all moneys expended for improvements, repairs, and
6 betterments necessary in and about the working of the well;

7 (d) all moneys expended for fire insurance and
8 workers' compensation insurance and for payments by
9 operators to welfare and retirement funds when provided for
10 in wage contracts between operators and employees;

11 (e) 70% of the amount paid or withheld in satisfaction
12 of liability for excise taxes imposed by the U.S. government
13 on the production, sale, or removal of the natural gas,
14 petroleum, or other crude or mineral oil yielded from such
15 well, other than the amount of such taxes paid by or
16 withheld from each royalty owner.

17 (2) No moneys invested in the well and improvements
18 during any year except the year for which such statement is
19 made may be included in such expenditures, except as
20 provided in 15-23-604, and such expenditures may not include
21 the salaries or any portion thereof of any person or officer
22 not actually engaged in the working of the well or
23 superintending the management thereof.

24 (3) For new production, net proceeds are the
25 equivalent of the gross sales proceeds, WITHOUT DEDUCTION

1 FOR EXCISE TAXES, of the product yielded from such well for
2 the year covered by the statement, except that in computing
3 the total number of barrels of petroleum and other mineral
4 or crude oil or cubic feet of natural gas produced, there
5 shall be deducted therefrom so much thereof as is used in
6 the operation of the well from which the petroleum or other
7 mineral or crude oil or natural gas is produced for pumping
8 the petroleum or other mineral or crude oil or natural gas
9 from the well to a tank or pipeline."

10 Section 4. Section 15-23-605, MCA, is amended to read:

11 "15-23-605. Assessment of royalties. (1) The amount of
12 royalty received, valued as provided in 15-23-603(1)(a),
13 less 70% of the amount of excise taxes paid by or withheld
14 from the royalty owner as reported pursuant to 15-23-602(8),
15 shall be considered net proceeds to the recipient and shall
16 be assessed as follows: upon receipt of the lists or
17 schedules setting forth the names and addresses of any and
18 all persons owning or claiming royalty and the amount paid
19 or yielded as royalty to such royalty owners or claimants
20 during the year for which such return is made, the
21 department of revenue shall proceed to assess and tax the
22 same as net proceeds of mines.

23 (2) Net proceeds for new production, as defined in
24 15-23-601, includes royalties received without deduction for
25 excise taxes."

1 Section 5. Section 15-23-607, MCA, is amended to read:

2 "15-23-607. County assessors to compute taxes. (1)
3 Immediately after the board of county commissioners has
4 fixed tax levies on the second Monday in August, the county
5 assessor shall compute the taxes on such net proceeds,
6 except as provided in 15-36-121 and in subsection (2), and
7 royalty assessments and shall deliver the book to the county
8 treasurer on or before September 15. The county treasurer
9 shall proceed to give full notice thereof to such operator
10 and to collect the same in manner provided by law.

11 (2) For new production, as defined in 15-23-601, the
12 county assessor may not levy or assess any mills against the
13 value of such new production, but shall instead levy a tax
14 as follows:

15 (a) for new production of petroleum or other mineral
16 or crude oil, ~~6.3%~~ ~~6.5%~~ 7% of net proceeds, as described in
17 15-23-603(3); or

18 (b) for new production of natural gas, ~~9.2%~~ ~~10%~~ ~~11%~~
19 12% of net proceeds, as described in 15-23-603(3).

20 (3) The amount of tax levied in subsections (2)(a) and
21 (2)(b) shall be treated as taxable value for county bonding
22 purposes.

23 ~~(2)(4)~~ The operator or producer shall be liable for
24 the payment of said taxes and same shall be payable by and
25 shall be collected from such operators in the same manner

1 and under the same penalties as provided for the collection
2 of taxes upon net proceeds of mines; provided, however, that
3 the operator may at his option withhold from the proceeds of
4 royalty interest, either in kind or in money, an estimated
5 amount of the tax to be paid by him upon such royalty or
6 royalty interest. After such withholding any deviation
7 between the estimated tax and the actual tax may be
8 accounted for by adjusting subsequent withholdings from the
9 proceeds of royalty interests."

10 Section 6. Section 7-7-2101, MCA, is amended to read:

11 "7-7-2101. Limitation on amount of county
12 indebtedness. (1) No county may become indebted in any
13 manner or for any purpose to an amount, including existing
14 indebtedness, in the aggregate exceeding 23% of the total of
15 the taxable value of the property therein subject to
16 taxation, plus the amount of new production taxes levied as
17 provided--in--15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES
18 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
19 60%, as ascertained by the last assessment for state and
20 county taxes previous to the incurring of such indebtedness.

21 (2) No county may incur indebtedness or liability for
22 any single purpose to an amount exceeding \$150,000 without
23 the approval of a majority of the electors thereof voting at
24 an election to be provided by law, except as provided in
25 7-21-3413 and 7-21-3414."

1 Section 7. Section 7-7-2203, MCA, is amended to read:

2 "7-7-2203. Limitation on amount of bonded
3 indebtedness. (1) Except as provided in subsections (2) and
4 (3), no county may issue general obligation bonds for any
5 purpose which, with all outstanding bonds and warrants
6 except county high school bonds and emergency bonds, will
7 exceed 11.25% of the total of the taxable value of the
8 property therein, plus the amount of new production taxes
9 levied ~~as--provided-in-15-23-607~~ DIVIDED BY THE APPROPRIATE
10 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
11 MULTIPLIED BY 60%, to be ascertained by the last assessment
12 for state and county taxes prior to the proposed issuance of
13 bonds.

14 (2) A county may issue bonds which, with all
15 outstanding bonds and warrants, will exceed 11.25% but will
16 not exceed 37% of the total of the taxable value of such
17 property, plus the amount of new production taxes levied ~~as~~
18 ~~provided-in-15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES
19 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
20 60%, when necessary to do so, for the purpose of acquiring
21 land for a site for county high school buildings and for
22 erecting or acquiring buildings thereon and furnishing and
23 equipping the same for county high school purposes.

24 (3) The foregoing limitation shall not apply to
25 refunding bonds issued for the purpose of paying or retiring

1 county bonds lawfully issued prior to January 1, 1932."

2 Section 8. Section 7-14-2524, MCA, is amended to read:

3 "7-14-2524. Limitation on amount of bonds issued --
4 excess void. (1) Except as otherwise provided hereafter and
5 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
6 with all outstanding bonds and warrants except county high
7 school bonds and emergency bonds, will exceed 11.25% of the
8 total of the taxable value of the property therein, plus the
9 amount of new production taxes levied ~~as--provided--in~~
10 ~~15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
11 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%. The taxable
12 property and the amount of new production taxes levied shall
13 be ascertained by the last assessment for state and county
14 taxes prior to the issuance of such bonds.

15 (2) A county may issue bonds which, with all
16 outstanding bonds and warrants except county high school
17 bonds, will exceed 11.25% but will not exceed 22.5% of the
18 total of the taxable value of such property, plus the amount
19 of new production taxes levied ~~as--provided--in--15-23-607~~
20 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
21 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, when
22 necessary for the purpose of replacing, rebuilding, or
23 repairing county buildings, bridges, or highways which have
24 been destroyed or damaged by an act of God, disaster,
25 catastrophe, or accident.

1 (3) The value of the bonds issued and all other
 2 outstanding indebtedness of the county, except county high
 3 school bonds, shall not exceed 22.5% of the total of the
 4 taxable value of the property within the county, plus the
 5 amount of new production taxes levied as--provided--in
 6 15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
 7 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, as
 8 ascertained by the last preceding general assessment."

9 Section 9. Section 7-14-2525, MCA, is amended to read:

10 "7-14-2525. Refunding agreements and refunding bonds
 11 authorized. (1) Whenever the total indebtedness of a county
 12 exceeds 22.5% of the total of the taxable value of the
 13 property therein, plus the amount of new production taxes
 14 levied as--provided-in-15-23-607 DIVIDED BY THE APPROPRIATE
 15 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
 16 MULTIPLIED BY 60%, and the board determines that the county
 17 is unable to pay such indebtedness in full, the board may:

18 (a) negotiate with the bondholders for an agreement
 19 whereby the bondholders agree to accept less than the full
 20 amount of the bonds and the accrued unpaid interest thereon
 21 in satisfaction thereof;

22 (b) enter into such agreement;

23 (c) issue refunding bonds for the amount agreed upon.

24 (2) These bonds may be issued in more than one series,
 25 and each series may be either amortization or serial bonds.

1 (3) The plan agreed upon between the board and the
 2 bondholders shall be embodied in full in the resolution
 3 providing for the issue of the bonds."

4 Section 10. Section 7-16-2327, MCA, is amended to
 5 read:

6 "7-16-2327. Indebtedness for park purposes. (1)
 7 Subject to the provisions of subsection (2), a county park
 8 board, in addition to powers and duties now given under law,
 9 shall have the power and duty to contract an indebtedness in
 10 behalf of a county, upon the credit thereof, for the
 11 purposes of 7-16-2321(1) and (2).

12 (2) (a) The total amount of indebtedness authorized to
 13 be contracted in any form, including the then-existing
 14 indebtedness, must not at any time exceed 13% of the total
 15 of the taxable value of the taxable property in the county,
 16 plus the amount of new production taxes levied as-provided
 17 in-15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED
 18 IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%,
 19 ascertained by the last assessment for state and county
 20 taxes previous to the incurring of such indebtedness.

21 (b) No money may be borrowed on bonds issued for the
 22 purchase of lands and improving same for any such purpose
 23 until the proposition has been submitted to the vote of
 24 those qualified under the provisions of the state
 25 constitution to vote at such election in the county affected

1 thereby and a majority vote is cast in favor thereof."

2 NEW SECTION. SECTION 11. DISPOSITION OF TAXES IN LIEU
 3 OF NET PROCEEDS TAXES. THE COUNTY TREASURER SHALL CREDIT
 4 ALL TAXES ON NEW OIL OR GAS PRODUCTION, AS PROVIDED FOR IN
 5 15-23-607, IN THE RELATIVE PROPORTIONS REQUIRED BY THE
 6 LEVIES FOR STATE, COUNTY, SCHOOL DISTRICT, AND MUNICIPAL
 7 PURPOSES IN THE SAME MANNER AS PROPERTY TAXES WERE
 8 DISTRIBUTED IN THE YEAR PRECEDING THE BUDGET YEAR.

9 SECTION 12. SECTION 20-9-141, MCA, IS AMENDED TO READ:

10 "20-9-141. Computation of general fund net levy
 11 requirement by county superintendent. (1) The county
 12 superintendent shall compute the levy requirement for each
 13 district's general fund on the basis of the following
 14 procedure:

15 (a) Determine the total of the district's nonisolated
 16 school foundation program requirement to be met by a
 17 district levy as provided in 20-9-303, the district's
 18 permissive levy amount as provided in 20-9-352, and any
 19 additional levies authorized by the electors of the district
 20 under the provisions of 20-9-353, except that the total of
 21 the permissive and additional levies shall not exceed the
 22 total amount of the final general fund budget less the
 23 foundation program.

24 (b) Determine the total of the moneys available for
 25 the reduction of the property tax on the district for the

1 general fund by totaling:

2 (i) anticipated federal moneys received under the
 3 provisions of Title I of Public Law 81-874 or other
 4 anticipated federal moneys received in lieu of such federal
 5 act;

6 (ii) anticipated tuition payments for out-of-district
 7 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,
 8 and 20-5-313;

9 (iii) general fund cash reappropriated, as established
 10 under the provisions of 20-9-104;

11 (iv) anticipated state impact aid received under the
 12 provisions of 20-9-304;

13 (v) anticipated motor vehicle fees and reimbursement
 14 under the provisions of 61-3-532 and 61-3-536;

15 (vi) anticipated net proceeds for new production, as
 16 defined in 15-23-601;

17 ~~(vii)~~(vii) anticipated interest to be earned by the
 18 investment of general fund cash in accordance with the
 19 provisions of 20-9-213(4); and

20 ~~(viii)~~(viii) any other revenue anticipated by the
 21 trustees to be received during the ensuing school fiscal
 22 year which may be used to finance the general fund.

23 (c) Subtract the total of the moneys available to
 24 reduce the property tax required to finance the general fund
 25 that has been determined in subsection (1)(b) from the total

1 levy requirement determined in subsection (1)(a).

2 (2) The net general fund levy requirement determined
3 in subsection (1)(c) shall be reported to the county
4 commissioners on the second Monday of August by the county
5 superintendent as the general fund levy requirement for the
6 district, and a levy shall be made by the county
7 commissioners in accordance with 20-9-142."

8 SECTION 13. SECTION 20-9-331, MCA, IS AMENDED TO READ:

9 "20-9-331. Basic county tax and other revenues for
10 county equalization of the elementary district foundation
11 program. (1) It shall be the duty of the county
12 commissioners of each county to levy an annual basic tax of
13 28 mills on the dollars of the taxable value of all taxable
14 property within the county for the purposes of local and
15 state foundation program support. The revenue to be
16 collected from this levy shall be apportioned to the support
17 of the foundation programs of the elementary school
18 districts in the county and to the state special revenue
19 fund, state equalization aid account, in the following
20 manner:

21 (a) In order to determine the amount of revenue raised
22 by this levy which is retained by the county, the sum of the
23 estimated revenues identified in subsections (2)(a) through
24 (2)(f) below shall be subtracted from the sum of the county
25 elementary transportation obligation and the total of the

1 foundation programs of all elementary districts of the
2 county.

3 (b) If the basic levy prescribed by this section
4 produces more revenue than is required to finance the
5 difference determined above, the county commissioners shall
6 order the county treasurer to remit the surplus funds to the
7 state treasurer for deposit to the state special revenue
8 fund, state equalization aid account, not later than June 1
9 of the fiscal year for which the levy has been set.

10 (2) The proceeds realized from the county's portion of
11 the levy prescribed by this section and the revenues from
12 the following sources shall be used for the equalization of
13 the elementary district foundation programs of the county as
14 prescribed in 20-9-334, and a separate accounting shall be
15 kept of such proceeds and revenues by the county treasurer
16 in accordance with 20-9-212(1):

17 (a) the portion of the federal Taylor Grazing Act
18 funds distributed to a county and designated for the common
19 school fund under the provisions of 17-3-222;

20 (b) the portion of the federal flood control act funds
21 distributed to a county and designated for expenditure for
22 the benefit of the county common schools under the
23 provisions of 17-3-232;

24 (c) all money paid into the county treasury as a
25 result of fines for violations of law and the use of which

1 is not otherwise specified by law;

2 (d) any money remaining at the end of the immediately
3 preceding school fiscal year in the county treasurer's
4 account for the various sources of revenue established or
5 referred to in this section; and

6 (e) any federal or state money, including anticipated
7 motor vehicle fees and reimbursement under the provisions of
8 61-3-532 and 61-3-536, distributed to the county as payment
9 in lieu of the property taxation established by the county
10 levy required by this section; and

11 (f) net proceeds for new production, as defined in
12 15-23-601."

13 SECTION 14. SECTION 20-9-333, MCA, IS AMENDED TO READ:

14 "20-9-333. Basic special levy and other revenues for
15 county equalization of high school district foundation
16 program. (1) It shall be the duty of the county
17 commissioners of each county to levy an annual basic special
18 tax for high schools of 17 mills on the dollar of the
19 taxable value of all taxable property within the county for
20 the purposes of local and state foundation program support.
21 The revenue to be collected from this levy shall be
22 apportioned to the support of the foundation programs of
23 high school districts in the county and to the state special
24 revenue fund, state equalization aid account, in the
25 following manner:

1 (a) In order to determine the amount of revenue raised
2 by this levy which is retained by the county, the estimated
3 revenues identified in subsections (2)(a) and (2)(b) below
4 shall be subtracted from the sum of the county's high school
5 tuition obligation and the total of the foundation programs
6 of all high school districts of the county.

7 (b) If the basic levy prescribed by this section
8 produces more revenue than is required to finance the
9 difference determined above, the county commissioners shall
10 order the county treasurer to remit the surplus to the state
11 treasurer for deposit to the state special revenue fund,
12 state equalization aid account, not later than June 1 of the
13 fiscal year for which the levy has been set.

14 (2) The proceeds realized from the county's portion of
15 the levy prescribed in this section and the revenues from
16 the following sources shall be used for the equalization of
17 the high school district foundation programs of the county
18 as prescribed in 20-9-334, and a separate accounting shall
19 be kept of these proceeds by the county treasurer in
20 accordance with 20-9-212(1):

21 (a) any money remaining at the end of the immediately
22 preceding school fiscal year in the county treasurer's
23 account for deposit of the proceeds from the levy
24 established in this section; and

25 (b) any federal or state moneys, including anticipated

1 motor vehicle fees and reimbursement under the provisions of
 2 61-3-532 and 61-3-536, distributed to the county as a
 3 payment in lieu of the property taxation established by the
 4 county levy required by this section; and

5 (c) net proceeds for new production, as defined in
 6 15-23-601."

7 SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:

8 "20-9-352. Permissive amount and permissive levy. (1)
 9 Whenever the trustees of any district shall deem it
 10 necessary to adopt a general fund budget in excess of the
 11 foundation program amount but not in excess of the maximum
 12 general fund budget amount for such district as established
 13 by the schedules in 20-9-316 through 20-9-321, the trustees
 14 shall adopt a resolution stating the reasons and purposes
 15 for exceeding the foundation program amount. Such excess
 16 above the foundation program amount shall be known as the
 17 "permissive amount", and it shall be financed by a levy on
 18 the taxable value of all taxable property within the
 19 district as prescribed in 20-9-141, supplemented with any
 20 biennial appropriation by the legislature for this purpose.

21 (2) The district levies to be set for the purpose of
 22 funding the permissive amount are determined as follows:

23 (a) For each elementary school district, the county
 24 commissioners shall annually set a levy not exceeding 6
 25 mills on all the taxable property in the district for the

1 purpose of funding the permissive amount of the district.
 2 The permissive levy in mills shall be obtained by
 3 multiplying the ratio of the permissive amount to the
 4 maximum permissive amount by 6 or by using the number of
 5 mills which would fund the permissive amount, whichever is
 6 less. If the amount of revenue raised by this levy, plus
 7 anticipated motor vehicle fees and reimbursement under the
 8 provisions of 61-3-532 and 61-3-536, is not sufficient to
 9 fund the permissive amount in full, the amount of the
 10 deficiency shall be paid to the district from the state
 11 special revenue fund according to the provisions of 20-9-351
 12 and subsection (3) of this section.

13 (b) For each high school district, the county
 14 commissioners shall annually set a levy not exceeding 4
 15 mills on all taxable property in the district for the
 16 purpose of funding the permissive amount of the district.
 17 The permissive levy in mills shall be obtained by
 18 multiplying the ratio of the permissive levy to the maximum
 19 permissive amount by 4 or by using the number of mills which
 20 would fund the permissive amount, whichever is less. If the
 21 amount of revenue raised by this levy, plus anticipated
 22 motor vehicle fees and reimbursement under the provisions of
 23 61-3-532 and 61-3-536, and plus net proceeds for new
 24 production, as defined in 15-23-601, is not sufficient to
 25 fund the permissive amount in full, the amount of the

1 deficiency shall be paid to the district from the state
 2 special revenue fund according to the provisions of 20-9-351
 3 and subsection (3) of this section. The superintendent of
 4 public instruction shall, if the appropriation by the
 5 legislature for the permissive account [program] for the
 6 biennium is insufficient, request the budget director to
 7 submit a request for a supplemental appropriation in the
 8 second year of the biennium.

9 (3) Such distribution shall be made in two payments.
 10 The first payment shall be made at the same time as the
 11 first distribution of state equalization aid is made after
 12 January 1 of the fiscal year. The second payment shall be
 13 made at the same time as the last payment of state
 14 equalization aid is made for the fiscal year. If the
 15 appropriation is not sufficient to finance the deficiencies
 16 of the districts as determined according to subsection (2),
 17 each district will receive the same percentage of its
 18 deficiency. Surplus revenue in the second year of the
 19 biennium may be used to reduce the appropriation required
 20 for the next succeeding biennium or may be transferred to
 21 the state equalization aid state special revenue fund if
 22 revenues in that fund are insufficient to meet foundation
 23 program requirements."

24 SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:

25 "20-9-501. Retirement fund. (1) The trustees of any

1 district employing personnel who are members of the
 2 teachers' retirement system or the public employees'
 3 retirement system or who are covered by unemployment
 4 insurance or who are covered by any federal social security
 5 system requiring employer contributions shall establish a
 6 retirement fund for the purposes of budgeting and paying the
 7 employer's contributions to such systems. The district's
 8 contribution for each employee who is a member of the
 9 teachers' retirement system shall be calculated in
 10 accordance with Title 19, chapter 4, part 6. The district's
 11 contribution for each employee who is a member of the public
 12 employees' retirement system shall be calculated in
 13 accordance with 19-3-801. The district may levy a special
 14 tax to pay its contribution to the public employees'
 15 retirement system under the conditions prescribed in
 16 19-3-204. The district's contributions for each employee
 17 covered by any federal social security system shall be paid
 18 in accordance with federal law and regulation. The
 19 district's contribution for each employee who is covered by
 20 unemployment insurance shall be paid in accordance with
 21 Title 39, chapter 51, part 11.

22 (2) The trustees of any district required to make a
 23 contribution to any such system shall include in the
 24 retirement fund of the preliminary budget the estimated
 25 amount of the employer's contribution and such additional

1 moneys, within legal limitations, as they may wish to
 2 provide for the retirement fund cash reserve. After the
 3 final retirement fund budget has been adopted, the trustees
 4 shall pay the employer contributions to such systems in
 5 accordance with the financial administration provisions of
 6 this title.

7 (3) When the final retirement fund budget has been
 8 adopted, the county superintendent shall establish the levy
 9 requirement by:

10 (a) determining the sum of the moneys available to
 11 reduce the retirement fund levy requirement by adding:

12 (i) any anticipated moneys that may be realized in the
 13 retirement fund during the ensuing school fiscal year,
 14 including anticipated motor vehicle fees and reimbursement
 15 under the provisions of 61-3-532 and 61-3-536; and

16 (ii) net proceeds for new production, as defined in
 17 15-23-601; and

18 ~~(ii)~~(iii) any cash available for reappropriation as
 19 determined by subtracting the amount of the end-of-the-year
 20 cash balance earmarked as the retirement fund cash reserve
 21 for the ensuing school fiscal year by the trustees from the
 22 end-of-the-year cash balance in the retirement fund. The
 23 retirement fund cash reserve shall not be more than 35% of
 24 the final retirement fund budget for the ensuing school
 25 fiscal year and shall be used for the purpose of paying

1 retirement fund warrants issued by the district under the
 2 final retirement fund budget.

3 (b) subtracting the total of the moneys available for
 4 reduction of the levy requirement as determined in
 5 subsection (3)(a) from the budgeted amount for expenditures
 6 in the final retirement fund budget.

7 (4) The county superintendent shall total the net
 8 retirement fund levy requirements separately for all
 9 elementary school districts, all high school districts, and
 10 all community college districts of the county, including any
 11 prorated joint district or special educational cooperative
 12 agreement levy requirements, and shall report each such levy
 13 requirement to the county commissioners on the second Monday
 14 of August as the respective county levy requirements for
 15 elementary district, high school district, and community
 16 college district retirement funds. The county commissioners
 17 shall fix and set such county levy in accordance with
 18 20-9-142.

19 (5) The net retirement fund levy requirement for a
 20 joint elementary district or a joint high school district
 21 shall be prorated to each county in which a part of such
 22 district is located in the same proportion as the district
 23 ANB of the joint district is distributed by pupil residence
 24 in each such county. The county superintendents of the
 25 counties affected shall jointly determine the net retirement

1 fund levy requirement for each county as provided in
2 20-9-151.

3 (6) The net retirement fund levy requirement for
4 districts that are members of special educational
5 cooperative agreements shall be prorated to each county in
6 which such district is located in the same proportion as the
7 budget for the special education cooperative agreement of
8 the district bears to the total budget of the cooperative.
9 The county superintendents of the counties affected shall
10 jointly determine the net retirement fund levy requirement
11 for each county in the same manner as provided in 20-9-151
12 and fix and levy the net retirement fund levy for each
13 county in the same manner as provided in 20-9-152."

14 SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO
15 READ:

16 "20-10-144. Computation of revenues and net tax levy
17 requirements for the transportation fund budget. Before the
18 fourth Monday of July and in accordance with 20-9-123, the
19 county superintendent shall compute the revenue available to
20 finance the transportation fund budget of each district. The
21 county superintendent shall compute the revenue for each
22 district on the following basis:

23 (1) The "schedule amount" of the preliminary budget
24 expenditures that is derived from the rate schedules in
25 20-10-141 and 20-10-142 shall be determined by adding the

1 following amounts:

2 (a) the sum of the maximum reimbursable expenditures
3 for all approved school bus routes maintained by the
4 district (to determine the maximum reimbursable expenditure,
5 multiply the applicable rate per bus mile by the total
6 number of miles to be traveled during the ensuing school
7 fiscal year on each bus route approved by the county
8 transportation committee and maintained by such district);
9 plus

10 (b) the total of all individual transportation per
11 diem reimbursement rates for such district as determined
12 from the contracts submitted by the district multiplied by
13 the number of pupil-instruction days scheduled for the
14 ensuing school attendance year; plus

15 (c) any estimated costs for supervised home study or
16 supervised correspondence study for the ensuing school
17 fiscal year; plus

18 (d) the amount budgeted on the preliminary budget for
19 the contingency amount permitted in 20-10-143, except if
20 such amount exceeds 10% of the total of subsections (1)(a),
21 (1)(b), and (1)(c) or \$100, whichever is larger, the
22 contingency amount on the preliminary budget shall be
23 reduced to such limitation amount and used in this
24 determination of the schedule amount.

25 (2) The schedule amount determined in subsection (1)

1 or the total preliminary transportation fund budget,
 2 whichever is smaller, shall be divided by 3 and the
 3 resulting one-third amount shall be used to determine the
 4 available state and county revenue to be budgeted on the
 5 following basis:

6 (a) the resulting one-third amount shall be the
 7 budgeted state transportation reimbursement, except that the
 8 state transportation reimbursement for the transportation of
 9 special education pupils under the provisions of 20-7-442
 10 shall be two-thirds of the schedule amount attributed to the
 11 transportation of special education pupils;

12 (b) the resulting one-third amount, except as provided
 13 for joint elementary districts in subsection (2)(e), shall
 14 be the budgeted county transportation reimbursement for
 15 elementary districts and shall be financed by the basic
 16 county tax under the provisions of 20-9-334;

17 (c) the resulting one-third amount multiplied by 2
 18 shall be the budgeted county transportation reimbursement
 19 amount for high school districts financed under the
 20 provisions of subsection (5) of this section, except as
 21 provided for joint high school districts in subsection
 22 (2)(e), and except that the county transportation
 23 reimbursement for the transportation of special education
 24 pupils under the provisions of 20-7-442 shall be one-third
 25 of the schedule amount attributed to the transportation of

1 special education pupils;

2 (d) when the district has a sufficient amount of cash
 3 for reappropriation and other sources of district revenue,
 4 as determined in subsection (3), to reduce the total
 5 district obligation for financing to zero, any remaining
 6 amount of such district revenue and cash reappropriated
 7 shall be used to reduce the county financing obligation in
 8 subsections (2)(b) or (2)(c) and, if such county financing
 9 obligations are reduced to zero, to reduce the state
 10 financial obligation in subsection (2)(a); and

11 (e) the county revenue requirement for a joint
 12 district, after the application of any district moneys under
 13 subsection (2)(d) above, shall be prorated to each county
 14 incorporated by the joint district in the same proportion as
 15 the ANB of the joint district is distributed by pupil
 16 residence in each such county.

17 (3) The total of the moneys available for the
 18 reduction of property tax on the district for the
 19 transportation fund shall be determined by totaling:

20 (a) anticipated federal moneys received under the
 21 provisions of Title I of Public Law 81-874 or other
 22 anticipated federal moneys received in lieu of such federal
 23 act; plus

24 (b) anticipated payments from other districts for
 25 providing school bus transportation services for such

1 district; plus

2 (c) anticipated payments from a parent or guardian for
3 providing school bus transportation services for his child;
4 plus

5 (d) anticipated interest to be earned by the
6 investment of transportation fund cash in accordance with
7 the provisions of 20-9-213(4); plus

8 (e) anticipated motor vehicle fees and reimbursement
9 under the provisions of 61-3-532 and 61-3-536; plus

10 (f) net proceeds for new production, as defined in
11 15-23-601; plus

12 (f)(g) any other revenue anticipated by the trustees
13 to be earned during the ensuing school fiscal year which may
14 be used to finance the transportation fund; plus

15 (g)(h) any cash available for reappropriation as
16 determined by subtracting the amount of the end-of-the-year
17 cash balance earmarked as the transportation fund cash
18 reserve for the ensuing school fiscal year by the trustees
19 from the end-of-the-year cash balance in the transportation
20 fund. Such cash reserve shall not be more than 20% of the
21 final transportation fund budget for the ensuing school
22 fiscal year and shall be for the purpose of paying
23 transportation fund warrants issued by the district under
24 the final transportation fund budget.

25 (4) The district levy requirement for each district's

1 transportation fund shall be computed by:

2 (a) subtracting the schedule amount calculated in
3 subsection (1) from the total preliminary transportation
4 budget amount and, for an elementary district, adding such
5 difference to the district obligation to finance one-third
6 of the schedule amount as determined in subsection (2); and

7 (b) subtracting the amount of moneys available to
8 reduce the property tax on the district, as determined in
9 subsection (3), from the amount determined in subsection
10 (4)(a) above.

11 (5) The county levy requirement for the financing of
12 the county transportation reimbursement to high school
13 districts shall be computed by adding all such requirements
14 for all the high school districts of the county, including
15 the county's obligation for reimbursements in joint high
16 school districts.

17 (6) The transportation fund levy requirements
18 determined in subsection (4) for each district and in
19 subsection (5) for the county shall be reported to the
20 county commissioners on the second Monday of August by the
21 county superintendent as the transportation fund levy
22 requirements for the district and for the county, and such
23 levies shall be made by the county commissioners in
24 accordance with 20-9-142."

25 SECTION 18. SECTION 7-1-2111, MCA, IS AMENDED TO READ:

1 "7-1-2111. Classification of counties. (1) For the
 2 purpose of regulating the compensation and salaries of all
 3 county officers, not otherwise provided for, and for fixing
 4 the penalties of officers' bonds, the several counties of
 5 this state shall be classified according to that percentage
 6 of the true and full valuation of the property therein upon
 7 which the tax levy is made, as follows:

8 (a) first class--all counties having such a taxable
 9 valuation of \$50 million or over;

10 (b) second class--all counties having such a taxable
 11 valuation of more than \$30 million and less than \$50
 12 million;

13 (c) third class--all counties having such a taxable
 14 valuation of more than \$20 million and less than \$30
 15 million;

16 (d) fourth class--all counties having such a taxable
 17 valuation of more than \$15 million and less than \$20
 18 million;

19 (e) fifth class--all counties having such a taxable
 20 valuation of more than \$10 million and less than \$15
 21 million;

22 (f) sixth class--all counties having such a taxable
 23 valuation of more than \$5 million and less than \$10 million;

24 (g) seventh class--all counties having such a taxable
 25 valuation of less than \$5 million.

1 (2) As used in this section, taxable valuation means
 2 the taxable value of taxable property in the county as of
 3 the time of determination plus:

4 (a) that portion of the taxable value of the county on
 5 December 31, 1981, attributable to automobiles and trucks
 6 having a rated capacity of three-quarters of a ton or less;
 7 and

8 (b) the amount of new production taxes levied, as
 9 provided in 15-23-607, divided by the appropriate tax rates
 10 described in 15-23-607(2)(a) or (2)(b) and multiplied by
 11 60%."

12 SECTION 19. SECTION 15-16-102, MCA, IS AMENDED TO
 13 READ:

14 "15-16-102. Time for payment -- penalty for
 15 delinquency. All taxes levied and assessed in the state of
 16 Montana, except assessments made for special improvements in
 17 cities and towns payable under 15-16-103 and assessments
 18 made on new production as provided in Title 15, chapter 23,
 19 part 6, and payable under [section 20], shall be payable as
 20 follows:

21 (1) One-half of the amount of such taxes shall be
 22 payable on or before 5 p.m. on November 30 of each year and
 23 one-half on or before 5 p.m. on May 31 of each year.

24 (2) Unless one-half of such taxes are paid on or
 25 before 5 p.m. on November 30 of each year, then such amount

1 so payable shall become delinquent and shall draw interest
 2 at the rate of 5/6 of 1% per month from and after such
 3 delinquency until paid and 2% shall be added to the
 4 delinquent taxes as a penalty.

5 (3) All taxes due and not paid on or before 5 p.m. on
 6 May 31 of each year shall be delinquent and shall draw
 7 interest at the rate of 5/6 of 1% per month from and after
 8 such delinquency until paid and 2% shall be added to the
 9 delinquent taxes as a penalty."

10 NEW SECTION. SECTION 20. PAYMENT OF NEW PRODUCTION
 11 TAXES. (1) TAXES LEVIED AND ASSESSED ON NEW PRODUCTION UNDER
 12 THE PROVISIONS OF TITLE 15, CHAPTER 23, PART 6, MUST BE PAID
 13 TO THE COUNTY TREASURER IN QUARTERLY INSTALLMENTS. THE
 14 PAYMENTS MUST BE MADE ON OR BEFORE 5 P.M. ON THE LAST DAY OF
 15 THE MONTHS OF NOVEMBER, FEBRUARY, MAY, AND AUGUST.

16 (2) UNLESS ONE-QUARTER OF SUCH TAXES ARE PAID ON OR
 17 BEFORE 5 P.M. ON THE LAST DAY OF THE MONTHS OF NOVEMBER,
 18 FEBRUARY, MAY, AND AUGUST OF EACH YEAR, ANY AMOUNT SO
 19 PAYABLE IS DELINQUENT.

20 (3) ALL SUCH DELINQUENT TAXES MUST DRAW INTEREST AT
 21 THE RATE PAYABLE ON DELINQUENCIES UNDER 15-16-102.

22 (4) THERE MUST ALSO BE ADDED TO THE DELINQUENT TAXES A
 23 PENALTY AT THE SAME RATE AS PROVIDED FOR DELINQUENCIES UNDER
 24 15-16-102.

25 NEW SECTION. SECTION 21. CODIFICATION INSTRUCTION.

1 SECTION 11 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
 2 TITLE 15, CHAPTER 23, PART 6, AND THE PROVISIONS OF TITLE
 3 15, CHAPTER 23, PART 6, APPLY TO SECTION 11. SECTION 20 IS
 4 INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15,
 5 CHAPTER 16, PART 1, AND THE PROVISIONS OF TITLE 15, CHAPTER
 6 16, PART 1, APPLY TO SECTION 20.

7 NEW SECTION. Section 22. Extension of authority. Any
 8 existing authority of the department of revenue to make
 9 rules on the subject of the provisions of this act is
 10 extended to the provisions of this act.

11 NEW SECTION. Section 23. Effective date. Sections 1
 12 through ~~18~~ 21 of this act are effective July 1, 1985.
 13 ~~Section 11 and this section~~ SECTIONS 19 22 AND 20 23 are
 14 effective on passage and approval, except that rules adopted
 15 under section ~~11~~ 19 22 may not be made effective prior to
 16 July 1, 1985.

-End-

CONFERENCE COMMITTEE REPORT

Report No. 1

APR 23, 1985

MR. SPEAKER

We, your FREE Conference Committee on

SENATE BILL NO. 390, reference copy,

met and considered SENATE BILL NO. 390 in its entirety, on APR 23.

We recommend as follows:

1. Page 2, line 19.
 Following: "proceeds."
 Strike: "Each"
 Insert: "(1) Except as provided in subsection (2), each"
 Renumber: subsequent subsections

2. Page 4, line 8.
 Following: "subsection"
 Strike: "(3)"
 Insert: "(1) (c)"

3. Page 4.
 Following: line 10
 Insert: "(2) Each operator having new production as defined in 15-23-601 shall, on or before the last day of the months of October, January, April, and July, make out and deliver to the department of revenue a statement of the gross sales proceeds of such new production from each well owned or worked by such person during the preceding calendar quarter. The statement must be in the form prescribed by the department and verified as provided in subsection (1). The statement shall show the information required in subsections (1) (a) through (1) (d)."

And that this Conference Committee report be adopted.

Page 1 of 2 (CONTINUED)

FOR THE SENATE

Mazurek
MAZUREK, CHM

Lybeck
LYBECK

Gage
GAGE

ADOPT REJECT

FOR THE HOUSE

Bob Gilbert
GILBERT

Dennis A. Nathe
NATHE

Poff
POFF

Schye
SCHYE

FCCSB 390
Page 2 of 2

4. Page 7, line 21.
Following: "(2) (b)"
Insert: ", divided by the appropriate tax rate and multiplied by 60%,"

5. Page 7, line 24.
Following: "shall"
Insert: ", except as provided in [section 20],"

6. Page 33, line 21.
Following: "UNDER"
Strike: "15-16-102"
Insert: "15-23-115"

7. Page 33, line 24.
Strike: "15-16-102"
Insert: "15-23-104"

8. In each of the following locations:
Page 14, line 15
Page 17, line 11
Page 19, line 5
Page 20, line 23
Page 23, line 16
Page 29, line 10
Following: "proceeds"
Insert: "taxes"

FCCSB390



1 SENATE BILL NO. 390

2 INTRODUCED BY MAZUREK, STEPHENS, THAYER, REHBERG,
3 E. SMITH, DANIELS, HAGER, FULLER, BOYLAN, KEATING,
4 RAMIREZ, JACK MOORE

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "NEW
7 PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; PROVIDING
8 FOR A UNIFORM RATE OF TAXATION ON NEW PRODUCTION; ALLOWING
9 CERTAIN DEDUCTIONS IN DETERMINING THE NET PROCEEDS OF NEW
10 PRODUCTION; PROVIDING FOR CONSIDERATION OF NEW PRODUCTION
11 TAXES IN COUNTY BONDING LIMITATIONS; PROVIDING FOR
12 DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES;
13 PROVIDING FOR QUARTERLY PAYMENT OF NEW PRODUCTION TAXES;
14 REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES
15 TO THE CLASSIFICATION OF COUNTIES; AMENDING SECTIONS
16 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525,
17 7-16-2327, 15-16-102, 15-23-601 THROUGH 15-23-603,
18 15-23-605, AND 15-23-607, 20-9-141, 20-9-331, 20-9-333,
19 20-9-352, 20-9-501, AND 20-10-144, MCA; AND PROVIDING AN
20 EFFECTIVE DATE DATES."

21
22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

23 Section 1. Section 15-23-601, MCA, is amended to read:

24 "15-23-601. Definitions. As used in this part, the
25 following definitions apply:

1 (1) "Excise tax" means the windfall profit tax on
2 domestic crude oil imposed by Title I of the federal Crude
3 Oil Windfall Profit Tax Act of 1980, as enacted or as
4 amended.

5 (2) The term "new production" means the production of
6 natural gas, petroleum, or other crude or mineral oil from
7 any lease that has not produced natural gas, petroleum, or
8 other crude or mineral oil during the 5 years immediately
9 preceding the first month of qualified new production.

10 ~~(2)~~(3) The terms "operator" and "producer" mean any
11 person who engages in the business of drilling for,
12 extracting, or producing any natural gas, petroleum, or
13 other crude or mineral oil.

14 ~~(3)~~(4) The term "well" includes each single well or
15 group of wells, including dry wells, in one field or
16 production unit and under the control of one operator or
17 producer."

18 Section 2. Section 15-23-602, MCA, is amended to read:

19 "15-23-602. Statement of sales proceeds. Each (1)
20 EXCEPT AS PROVIDED IN SUBSECTION (2), EACH operator or
21 producer of natural gas, petroleum, or other crude or
22 mineral oil must on or before April 15 in each year make out
23 and deliver to the department of revenue a statement of the
24 gross sales proceeds of such natural gas, petroleum, or
25 other crude or mineral oil from each well owned or worked by

1 such person during the next preceding calendar year. The
 2 gross sales proceeds shall be determined by multiplying the
 3 units of production sold from the well times the royalty
 4 unit value of that production at the well. Such statement
 5 shall be in the form prescribed by the department and must
 6 be verified by the oath of the operator or producer or the
 7 manager, superintendent, agent, president, or vice-president
 8 of such corporation, association, or partnership. Such
 9 statement shall show the following:

10 (1)(A) the name and address of the operator, together
 11 with a list in duplicate of the names and addresses of any
 12 and all persons owning or claiming any royalty interest in
 13 the production from the well or the proceeds derived from
 14 the sale thereof, and the amount or amounts paid or yielded
 15 as royalty to each of such persons during the period covered
 16 by the statement;

17 (2)(B) the description and location of the well;

18 (3)(C) the number of cubic feet of natural gas,
 19 barrels of petroleum or other crude or mineral oil sold from
 20 the well during the period covered by the statement;

21 (4)(D) the gross sales proceeds in dollars and cents
 22 or, in the case of sales between parties not acting at arm's
 23 length, the greater of the gross sales proceeds from or the
 24 fair market value of the products sold;

25 (5)(E) except for new production as defined in

1 15-23-601:

2 (5)(a)(I) actual cost of extracting product from well;
 3 (6)(b)(II) cost of construction, repairs, and
 4 betterments;

5 (7)(c)(III) actual cost of fire insurance and workers'
 6 compensation insurance;

7 (8)(d)(IV) the amount paid or withheld in satisfaction
 8 of liability for excise taxes imposed by the U.S. government
 9 on the production, sale, or removal of the natural gas,
 10 petroleum, or other crude or mineral oil reported pursuant
 11 to subsection (3)(1)(C), including a separate statement of
 12 the amount of such taxes paid or withheld from each royalty
 13 owner.

14 (2) EACH OPERATOR HAVING NEW PRODUCTION AS DEFINED IN
 15 15-23-601 SHALL, ON OR BEFORE THE LAST DAY OF THE MONTHS OF
 16 OCTOBER, JANUARY, APRIL, AND JULY, MAKE OUT AND DELIVER TO
 17 THE DEPARTMENT OF REVENUE A STATEMENT OF THE GROSS SALES
 18 PROCEEDS OF SUCH NEW PRODUCTION FROM EACH WELL OWNED OR
 19 WORKED BY SUCH PERSON DURING THE PRECEDING CALENDAR QUARTER.
 20 THE STATEMENT MUST BE IN THE FORM PRESCRIBED BY THE
 21 DEPARTMENT AND VERIFIED AS PROVIDED IN SUBSECTION (1). THE
 22 STATEMENT SHALL SHOW THE INFORMATION REQUIRED IN SUBSECTIONS
 23 (1)(A) THROUGH (1)(D)."

24 Section 3. Section 15-23-603, MCA, is amended to read:
 25 "15-23-603. Net proceeds -- how computed. (1) The

1 Except as provided in subsection (3), the department of
 2 revenue shall calculate and compute from the returns the
 3 gross sales proceeds of the product yielded from such well
 4 for the year covered by the statement and shall calculate
 5 the net proceeds of the well yielded to the producer, which
 6 net proceeds shall be determined by subtracting from the
 7 gross sales proceeds thereof the following:

8 (a) all royalty paid in cash by the operator or
 9 producer and the gross value of all royalty apportioned in
 10 kind by the operator or producer that shall be determined by
 11 using as the value of a barrel of oil or a cubic foot of gas
 12 the average selling price for the calendar year of a barrel
 13 of oil or a cubic foot of gas from the well out of which the
 14 royalty was paid;

15 (b) all moneys expended for necessary labor,
 16 machinery, and supplies needed and used in the operation and
 17 development;

18 (c) all moneys expended for improvements, repairs, and
 19 betterments necessary in and about the working of the well;

20 (d) all moneys expended for fire insurance and
 21 workers' compensation insurance and for payments by
 22 operators to welfare and retirement funds when provided for
 23 in wage contracts between operators and employees;

24 (e) 70% of the amount paid or withheld in satisfaction
 25 of liability for excise taxes imposed by the U.S. government

1 on the production, sale, or removal of the natural gas,
 2 petroleum, or other crude or mineral oil yielded from such
 3 well, other than the amount of such taxes paid by or
 4 withheld from each royalty owner.

5 (2) No moneys invested in the well and improvements
 6 during any year except the year for which such statement is
 7 made may be included in such expenditures, except as
 8 provided in 15-23-604, and such expenditures may not include
 9 the salaries or any portion thereof of any person or officer
 10 not actually engaged in the working of the well or
 11 superintending the management thereof.

12 (3) For new production, net proceeds are the
 13 equivalent of the gross sales proceeds, WITHOUT DEDUCTION
 14 FOR EXCISE TAXES, of the product yielded from such well for
 15 the year covered by the statement, except that in computing
 16 the total number of barrels of petroleum and other mineral
 17 or crude oil or cubic feet of natural gas produced, there
 18 shall be deducted therefrom so much thereof as is used in
 19 the operation of the well from which the petroleum or other
 20 mineral or crude oil or natural gas is produced for pumping
 21 the petroleum or other mineral or crude oil or natural gas
 22 from the well to a tank or pipeline."

23 Section 4. Section 15-23-605, MCA, is amended to read:
 24 "15-23-605. Assessment of royalties. (1) The amount of
 25 royalty received, valued as provided in 15-23-603(1)(a),

1 less 70% of the amount of excise taxes paid by or withheld
 2 from the royalty owner as reported pursuant to 15-23-602(8),
 3 shall be considered net proceeds to the recipient and shall
 4 be assessed as follows: upon receipt of the lists or
 5 schedules setting forth the names and addresses of any and
 6 all persons owning or claiming royalty and the amount paid
 7 or yielded as royalty to such royalty owners or claimants
 8 during the year for which such return is made, the
 9 department of revenue shall proceed to assess and tax the
 10 same as net proceeds of mines.

11 (2) Net proceeds for new production, as defined in
 12 15-23-601, includes royalties received without deduction for
 13 excise taxes."

14 Section 5. Section 15-23-607, MCA, is amended to read:

15 "15-23-607. County assessors to compute taxes. (1)
 16 Immediately after the board of county commissioners has
 17 fixed tax levies on the second Monday in August, the county
 18 assessor shall compute the taxes on such net proceeds,
 19 except as provided in 15-36-121 and in subsection (2), and
 20 royalty assessments and shall deliver the book to the county
 21 treasurer on or before September 15. The county treasurer
 22 shall proceed to give full notice thereof to such operator
 23 and to collect the same in manner provided by law.

24 (2) For new production, as defined in 15-23-601, the
 25 county assessor may not levy or assess any mills against the

1 value of such new production, but shall instead levy a tax
 2 as follows:

3 (a) for new production of petroleum or other mineral
 4 or crude oil, ~~6-3%~~ ~~6+5%~~ 7% of net proceeds, as described in
 5 15-23-603(3); or

6 (b) for new production of natural gas, ~~9-2%~~ ~~10%~~ ~~11%~~
 7 12% of net proceeds, as described in 15-23-603(3).

8 (3) The amount of tax levied in subsections (2)(a) and
 9 (2)(b), DIVIDED BY THE APPROPRIATE TAX RATE AND MULTIPLIED
 10 BY 60%, shall be treated as taxable value for county bonding
 11 purposes.

12 ~~(2)(4)~~ (4) The operator or producer shall be liable for
 13 the payment of said taxes and same shall, EXCEPT AS PROVIDED
 14 IN [SECTION 20], be payable by and shall be collected from
 15 such operators in the same manner and under the same
 16 penalties as provided for the collection of taxes upon net
 17 proceeds of mines; provided, however, that the operator may
 18 at his option withhold from the proceeds of royalty
 19 interest, either in kind or in money, an estimated amount of
 20 the tax to be paid by him upon such royalty or royalty
 21 interest. After such withholding any deviation between the
 22 estimated tax and the actual tax may be accounted for by
 23 adjusting subsequent withholdings from the proceeds of
 24 royalty interests."

25 Section 6. Section 7-7-2101, MCA, is amended to read:

1 "7-7-2101. Limitation on amount of county
 2 indebtedness. (1) No county may become indebted in any
 3 manner or for any purpose to an amount, including existing
 4 indebtedness, in the aggregate exceeding 23% of the total of
 5 the taxable value of the property therein subject to
 6 taxation, plus the amount of new production taxes levied as
 7 provided--in--15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES
 8 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 9 60%, as ascertained by the last assessment for state and
 10 county taxes previous to the incurring of such indebtedness.

11 (2) No county may incur indebtedness or liability for
 12 any single purpose to an amount exceeding \$150,000 without
 13 the approval of a majority of the electors thereof voting at
 14 an election to be provided by law, except as provided in
 15 7-21-3413 and 7-21-3414."

16 Section 7. Section 7-7-2203, MCA, is amended to read:

17 "7-7-2203. Limitation on amount of bonded
 18 indebtedness. (1) Except as provided in subsections (2) and
 19 (3), no county may issue general obligation bonds for any
 20 purpose which, with all outstanding bonds and warrants
 21 except county high school bonds and emergency bonds, will
 22 exceed 11.25% of the total of the taxable value of the
 23 property therein, plus the amount of new production taxes
 24 levied as--provided-in-15-23-607 DIVIDED BY THE APPROPRIATE
 25 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND

1 MULTIPLIED BY 60%, to be ascertained by the last assessment
 2 for state and county taxes prior to the proposed issuance of
 3 bonds.

4 (2) A county may issue bonds which, with all
 5 outstanding bonds and warrants, will exceed 11.25% but will
 6 not exceed 37% of the total of the taxable value of such
 7 property, plus the amount of new production taxes levied as
 8 provided-in-15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES
 9 DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY
 10 60%, when necessary to do so, for the purpose of acquiring

11 land for a site for county high school buildings and for
 12 erecting or acquiring buildings thereon and furnishing and
 13 equipping the same for county high school purposes.

14 (3) The foregoing limitation shall not apply to
 15 refunding bonds issued for the purpose of paying or retiring
 16 county bonds lawfully issued prior to January 1, 1932."

17 Section 8. Section 7-14-2524, MCA, is amended to read:

18 "7-14-2524. Limitation on amount of bonds issued --
 19 excess void. (1) Except as otherwise provided hereafter and
 20 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
 21 with all outstanding bonds and warrants except county high
 22 school bonds and emergency bonds, will exceed 11.25% of the
 23 total of the taxable value of the property therein, plus the
 24 amount of new production taxes levied as--provided--in
 25 15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN

1 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%. The taxable
2 property and the amount of new production taxes levied shall
3 be ascertained by the last assessment for state and county
4 taxes prior to the issuance of such bonds.

5 (2) A county may issue bonds which, with all
6 outstanding bonds and warrants except county high school
7 bonds, will exceed 11.25% but will not exceed 22.5% of the
8 total of the taxable value of such property, plus the amount
9 of new production taxes levied ~~as--provided--in--15-23-607~~
10 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
11 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, when
12 necessary for the purpose of replacing, rebuilding, or
13 repairing county buildings, bridges, or highways which have
14 been destroyed or damaged by an act of God, disaster,
15 catastrophe, or accident.

16 (3) The value of the bonds issued and all other
17 outstanding indebtedness of the county, except county high
18 school bonds, shall not exceed 22.5% of the total of the
19 taxable value of the property within the county, plus the
20 amount of new production taxes levied ~~as--provided--in~~
21 15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN
22 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, as
23 ascertained by the last preceding general assessment."

24 Section 9. Section 7-14-2525, MCA, is amended to read:

25 "7-14-2525. Refunding agreements and refunding bonds

1 authorized. (1) Whenever the total indebtedness of a county
2 exceeds 22.5% of the total of the taxable value of the
3 property therein, plus the amount of new production taxes
4 levied ~~as--provided-in-15-23-607~~ DIVIDED BY THE APPROPRIATE
5 TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND
6 MULTIPLIED BY 60%, and the board determines that the county
7 is unable to pay such indebtedness in full, the board may:

8 (a) negotiate with the bondholders for an agreement
9 whereby the bondholders agree to accept less than the full
10 amount of the bonds and the accrued unpaid interest thereon
11 in satisfaction thereof;

12 (b) enter into such agreement;

13 (c) issue refunding bonds for the amount agreed upon.

14 (2) These bonds may be issued in more than one series,
15 and each series may be either amortization or serial bonds.

16 (3) The plan agreed upon between the board and the
17 bondholders shall be embodied in full in the resolution
18 providing for the issue of the bonds."

19 Section 10. Section 7-16-2327, MCA, is amended to
20 read:

21 "7-16-2327. Indebtedness for park purposes. (1)
22 Subject to the provisions of subsection (2), a county park
23 board, in addition to powers and duties now given under law,
24 shall have the power and duty to contract an indebtedness in
25 behalf of a county, upon the credit thereof, for the

1 purposes of 7-16-2321(1) and (2).

2 (2) (a) The total amount of indebtedness authorized to
3 be contracted in any form, including the then-existing
4 indebtedness, must not at any time exceed 13% of the total
5 of the taxable value of the taxable property in the county,
6 plus the amount of new production taxes levied as provided
7 in 15-23-607 DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED
8 IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%,
9 ascertained by the last assessment for state and county
10 taxes previous to the incurring of such indebtedness.

11 (b) No money may be borrowed on bonds issued for the
12 purchase of lands and improving same for any such purpose
13 until the proposition has been submitted to the vote of
14 those qualified under the provisions of the state
15 constitution to vote at such election in the county affected
16 thereby and a majority vote is cast in favor thereof."

17 NEW SECTION. SECTION 11. DISPOSITION OF TAXES IN LIEU
18 OF NET PROCEEDS TAXES. THE COUNTY TREASURER SHALL CREDIT
19 ALL TAXES ON NEW OIL OR GAS PRODUCTION, AS PROVIDED FOR IN
20 15-23-607, IN THE RELATIVE PROPORTIONS REQUIRED BY THE
21 LEVIES FOR STATE, COUNTY, SCHOOL DISTRICT, AND MUNICIPAL
22 PURPOSES IN THE SAME MANNER AS PROPERTY TAXES WERE
23 DISTRIBUTED IN THE YEAR PRECEDING THE BUDGET YEAR.

24 SECTION 12. SECTION 20-9-141, MCA, IS AMENDED TO READ:
25 "20-9-141. Computation of general fund net levy

1 requirement by county superintendent. (1) The county
2 superintendent shall compute the levy requirement for each
3 district's general fund on the basis of the following
4 procedure:

5 (a) Determine the total of the district's nonisolated
6 school foundation program requirement to be met by a
7 district levy as provided in 20-9-303, the district's
8 permissive levy amount as provided in 20-9-352, and any
9 additional levies authorized by the electors of the district
10 under the provisions of 20-9-353, except that the total of
11 the permissive and additional levies shall not exceed the
12 total amount of the final general fund budget less the
13 foundation program.

14 (b) Determine the total of the moneys available for
15 the reduction of the property tax on the district for the
16 general fund by totaling:

17 (i) anticipated federal moneys received under the
18 provisions of Title I of Public Law 81-874 or other
19 anticipated federal moneys received in lieu of such federal
20 act;

21 (ii) anticipated tuition payments for out-of-district
22 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,
23 and 20-5-313;

24 (iii) general fund cash reappropriated, as established
25 under the provisions of 20-9-104;

1 (iv) anticipated state impact aid received under the
2 provisions of 20-9-304;

3 (v) anticipated motor vehicle fees and reimbursement
4 under the provisions of 61-3-532 and 61-3-536;

5 (vi) anticipated net proceeds TAXES for new production,
6 as defined in 15-23-601;

7 ~~(vii)~~(vii) anticipated interest to be earned by the
8 investment of general fund cash in accordance with the
9 provisions of 20-9-213(4); and

10 ~~(viii)~~(viii) any other revenue anticipated by the
11 trustees to be received during the ensuing school fiscal
12 year which may be used to finance the general fund.

13 (c) Subtract the total of the moneys available to
14 reduce the property tax required to finance the general fund
15 that has been determined in subsection (1)(b) from the total
16 levy requirement determined in subsection (1)(a).

17 (2) The net general fund levy requirement determined
18 in subsection (1)(c) shall be reported to the county
19 commissioners on the second Monday of August by the county
20 superintendent as the general fund levy requirement for the
21 district, and a levy shall be made by the county
22 commissioners in accordance with 20-9-142."

23 SECTION 13. SECTION 20-9-331, MCA, IS AMENDED TO READ:

24 "20-9-331. Basic county tax and other revenues for
25 county equalization of the elementary district foundation

1 program. (1) It shall be the duty of the county
2 commissioners of each county to levy an annual basic tax of
3 28 mills on the dollars of the taxable value of all taxable
4 property within the county for the purposes of local and
5 state foundation program support. The revenue to be
6 collected from this levy shall be apportioned to the support
7 of the foundation programs of the elementary school
8 districts in the county and to the state special revenue
9 fund, state equalization aid account, in the following
10 manner:

11 (a) In order to determine the amount of revenue raised
12 by this levy which is retained by the county, the sum of the
13 estimated revenues identified in subsections (2)(a) through
14 (2)(f) below shall be subtracted from the sum of the county
15 elementary transportation obligation and the total of the
16 foundation programs of all elementary districts of the
17 county.

18 (b) If the basic levy prescribed by this section
19 produces more revenue than is required to finance the
20 difference determined above, the county commissioners shall
21 order the county treasurer to remit the surplus funds to the
22 state treasurer for deposit to the state special revenue
23 fund, state equalization aid account, not later than June 1
24 of the fiscal year for which the levy has been set.

25 (2) The proceeds realized from the county's portion of

1 the levy prescribed by this section and the revenues from
 2 the following sources shall be used for the equalization of
 3 the elementary district foundation programs of the county as
 4 prescribed in 20-9-334, and a separate accounting shall be
 5 kept of such proceeds and revenues by the county treasurer
 6 in accordance with 20-9-212(1):

7 (a) the portion of the federal Taylor Grazing Act
 8 funds distributed to a county and designated for the common
 9 school fund under the provisions of 17-3-222;

10 (b) the portion of the federal flood control act funds
 11 distributed to a county and designated for expenditure for
 12 the benefit of the county common schools under the
 13 provisions of 17-3-232;

14 (c) all money paid into the county treasury as a
 15 result of fines for violations of law and the use of which
 16 is not otherwise specified by law;

17 (d) any money remaining at the end of the immediately
 18 preceding school fiscal year in the county treasurer's
 19 account for the various sources of revenue established or
 20 referred to in this section; and

21 (e) any federal or state money, including anticipated
 22 motor vehicle fees and reimbursement under the provisions of
 23 61-3-532 and 61-3-536, distributed to the county as payment
 24 in lieu of the property taxation established by the county
 25 levy required by this section; and

1 (f) net proceeds TAXES for new production, as defined
 2 in 15-23-601."

3 SECTION 14. SECTION 20-9-333, MCA, IS AMENDED TO READ:

4 "20-9-333. Basic special levy and other revenues for
 5 county equalization of high school district foundation
 6 program. (1) It shall be the duty of the county
 7 commissioners of each county to levy an annual basic special
 8 tax for high schools of 17 mills on the dollar of the
 9 taxable value of all taxable property within the county for
 10 the purposes of local and state foundation program support.
 11 The revenue to be collected from this levy shall be
 12 apportioned to the support of the foundation programs of
 13 high school districts in the county and to the state special
 14 revenue fund, state equalization aid account, in the
 15 following manner:

16 (a) In order to determine the amount of revenue raised
 17 by this levy which is retained by the county, the estimated
 18 revenues identified in subsections (2)(a) and (2)(b) below
 19 shall be subtracted from the sum of the county's high school
 20 tuition obligation and the total of the foundation programs
 21 of all high school districts of the county.

22 (b) If the basic levy prescribed by this section
 23 produces more revenue than is required to finance the
 24 difference determined above, the county commissioners shall
 25 order the county treasurer to remit the surplus to the state

1 treasurer for deposit to the state special revenue fund,
2 state equalization aid account, not later than June 1 of the
3 fiscal year for which the levy has been set.

4 (2) The proceeds realized from the county's portion of
5 the levy prescribed in this section and the revenues from
6 the following sources shall be used for the equalization of
7 the high school district foundation programs of the county
8 as prescribed in 20-9-334, and a separate accounting shall
9 be kept of these proceeds by the county treasurer in
10 accordance with 20-9-212(1):

11 (a) any money remaining at the end of the immediately
12 preceding school fiscal year in the county treasurer's
13 account for deposit of the proceeds from the levy
14 established in this section; and

15 (b) any federal or state moneys, including anticipated
16 motor vehicle fees and reimbursement under the provisions of
17 61-3-532 and 61-3-536, distributed to the county as a
18 payment in lieu of the property taxation established by the
19 county levy required by this section; and

20 (c) net proceeds TAXES for new production, as defined
21 in 15-23-601."

22 SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:

23 "20-9-352. Permissive amount and permissive levy. (1)
24 Whenever the trustees of any district shall deem it
25 necessary to adopt a general fund budget in excess of the

1 foundation program amount but not in excess of the maximum
2 general fund budget amount for such district as established
3 by the schedules in 20-9-316 through 20-9-321, the trustees
4 shall adopt a resolution stating the reasons and purposes
5 for exceeding the foundation program amount. Such excess
6 above the foundation program amount shall be known as the
7 "permissive amount", and it shall be financed by a levy on
8 the taxable value of all taxable property within the
9 district as prescribed in 20-9-141, supplemented with any
10 biennial appropriation by the legislature for this purpose.

11 (2) The district levies to be set for the purpose of
12 funding the permissive amount are determined as follows:

13 (a) For each elementary school district, the county
14 commissioners shall annually set a levy not exceeding 6
15 mills on all the taxable property in the district for the
16 purpose of funding the permissive amount of the district.
17 The permissive levy in mills shall be obtained by
18 multiplying the ratio of the permissive amount to the
19 maximum permissive amount by 6 or by using the number of
20 mills which would fund the permissive amount, whichever is
21 less. If the amount of revenue raised by this levy, plus
22 anticipated motor vehicle fees and reimbursement under the
23 provisions of 61-3-532 and 61-3-536, is not sufficient to
24 fund the permissive amount in full, the amount of the
25 deficiency shall be paid to the district from the state

1 special revenue fund according to the provisions of 20-9-351
2 and subsection (3) of this section.

3 (b) For each high school district, the county
4 commissioners shall annually set a levy not exceeding 4
5 mills on all taxable property in the district for the
6 purpose of funding the permissive amount of the district.
7 The permissive levy in mills shall be obtained by
8 multiplying the ratio of the permissive levy to the maximum
9 permissive amount by 4 or by using the number of mills which
10 would fund the permissive amount, whichever is less. If the
11 amount of revenue raised by this levy, plus anticipated
12 motor vehicle fees and reimbursement under the provisions of
13 61-3-532 and 61-3-536, and plus net proceeds TAXES for new
14 production, as defined in 15-23-601, is not sufficient to
15 fund the permissive amount in full, the amount of the
16 deficiency shall be paid to the district from the state
17 special revenue fund according to the provisions of 20-9-351
18 and subsection (3) of this section. The superintendent of
19 public instruction shall, if the appropriation by the
20 legislature for the permissive account [program] for the
21 biennium is insufficient, request the budget director to
22 submit a request for a supplemental appropriation in the
23 second year of the biennium.

24 (3) Such distribution shall be made in two payments.
25 The first payment shall be made at the same time as the

1 first distribution of state equalization aid is made after
2 January 1 of the fiscal year. The second payment shall be
3 made at the same time as the last payment of state
4 equalization aid is made for the fiscal year. If the
5 appropriation is not sufficient to finance the deficiencies
6 of the districts as determined according to subsection (2),
7 each district will receive the same percentage of its
8 deficiency. Surplus revenue in the second year of the
9 biennium may be used to reduce the appropriation required
10 for the next succeeding biennium or may be transferred to
11 the state equalization aid state special revenue fund if
12 revenues in that fund are insufficient to meet foundation
13 program requirements."

14 SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:

15 "20-9-501. Retirement fund. (1) The trustees of any
16 district employing personnel who are members of the
17 teachers' retirement system or the public employees'
18 retirement system or who are covered by unemployment
19 insurance or who are covered by any federal social security
20 system requiring employer contributions shall establish a
21 retirement fund for the purposes of budgeting and paying the
22 employer's contributions to such systems. The district's
23 contribution for each employee who is a member of the
24 teachers' retirement system shall be calculated in
25 accordance with Title 19, chapter 4, part 6. The district's

1 contribution for each employee who is a member of the public
 2 employees' retirement system shall be calculated in
 3 accordance with 19-3-801. The district may levy a special
 4 tax to pay its contribution to the public employees'
 5 retirement system under the conditions prescribed in
 6 19-3-204. The district's contributions for each employee
 7 covered by any federal social security system shall be paid
 8 in accordance with federal law and regulation. The
 9 district's contribution for each employee who is covered by
 10 unemployment insurance shall be paid in accordance with
 11 Title 39, chapter 51, part 11.

12 (2) The trustees of any district required to make a
 13 contribution to any such system shall include in the
 14 retirement fund of the preliminary budget the estimated
 15 amount of the employer's contribution and such additional
 16 moneys, within legal limitations, as they may wish to
 17 provide for the retirement fund cash reserve. After the
 18 final retirement fund budget has been adopted, the trustees
 19 shall pay the employer contributions to such systems in
 20 accordance with the financial administration provisions of
 21 this title.

22 (3) When the final retirement fund budget has been
 23 adopted, the county superintendent shall establish the levy
 24 requirement by:

25 (a) determining the sum of the moneys available to

1 reduce the retirement fund levy requirement by adding:

2 (i) any anticipated moneys that may be realized in the
 3 retirement fund during the ensuing school fiscal year,
 4 including anticipated motor vehicle fees and reimbursement
 5 under the provisions of 61-3-532 and 61-3-536; and

6 (ii) net proceeds TAXES for new production, as defined
 7 in 15-23-601; and

8 ~~(iii)~~ (iii) any cash available for reappropriation as
 9 determined by subtracting the amount of the end-of-the-year
 10 cash balance earmarked as the retirement fund cash reserve
 11 for the ensuing school fiscal year by the trustees from the
 12 end-of-the-year cash balance in the retirement fund. The
 13 retirement fund cash reserve shall not be more than 35% of
 14 the final retirement fund budget for the ensuing school
 15 fiscal year and shall be used for the purpose of paying
 16 retirement fund warrants issued by the district under the
 17 final retirement fund budget.

18 (b) subtracting the total of the moneys available for
 19 reduction of the levy requirement as determined in
 20 subsection (3)(a) from the budgeted amount for expenditures
 21 in the final retirement fund budget.

22 (4) The county superintendent shall total the net
 23 retirement fund levy requirements separately for all
 24 elementary school districts, all high school districts, and
 25 all community college districts of the county, including any

1 prorated joint district or special educational cooperative
 2 agreement levy requirements, and shall report each such levy
 3 requirement to the county commissioners on the second Monday
 4 of August as the respective county levy requirements for
 5 elementary district, high school district, and community
 6 college district retirement funds. The county commissioners
 7 shall fix and set such county levy in accordance with
 8 20-9-142.

9 (5) The net retirement fund levy requirement for a
 10 joint elementary district or a joint high school district
 11 shall be prorated to each county in which a part of such
 12 district is located in the same proportion as the district
 13 ANB of the joint district is distributed by pupil residence
 14 in each such county. The county superintendents of the
 15 counties affected shall jointly determine the net retirement
 16 fund levy requirement for each county as provided in
 17 20-9-151.

18 (6) The net retirement fund levy requirement for
 19 districts that are members of special educational
 20 cooperative agreements shall be prorated to each county in
 21 which such district is located in the same proportion as the
 22 budget for the special education cooperative agreement of
 23 the district bears to the total budget of the cooperative.
 24 The county superintendents of the counties affected shall
 25 jointly determine the net retirement fund levy requirement

1 for each county in the same manner as provided in 20-9-151
 2 and fix and levy the net retirement fund levy for each
 3 county in the same manner as provided in 20-9-152."

4 SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO
 5 READ:

6 "20-10-144. Computation of revenues and net tax levy
 7 requirements for the transportation fund budget. Before the
 8 fourth Monday of July and in accordance with 20-9-123, the
 9 county superintendent shall compute the revenue available to
 10 finance the transportation fund budget of each district. The
 11 county superintendent shall compute the revenue for each
 12 district on the following basis:

13 (1) The "schedule amount" of the preliminary budget
 14 expenditures that is derived from the rate schedules in
 15 20-10-141 and 20-10-142 shall be determined by adding the
 16 following amounts:

17 (a) the sum of the maximum reimbursable expenditures
 18 for all approved school bus routes maintained by the
 19 district (to determine the maximum reimbursable expenditure,
 20 multiply the applicable rate per bus mile by the total
 21 number of miles to be traveled during the ensuing school
 22 fiscal year on each bus route approved by the county
 23 transportation committee and maintained by such district);
 24 plus

25 (b) the total of all individual transportation per

1 diem reimbursement rates for such district as determined
 2 from the contracts submitted by the district multiplied by
 3 the number of pupil-instruction days scheduled for the
 4 ensuing school attendance year; plus

5 (c) any estimated costs for supervised home study or
 6 supervised correspondence study for the ensuing school
 7 fiscal year; plus

8 (d) the amount budgeted on the preliminary budget for
 9 the contingency amount permitted in 20-10-143, except if
 10 such amount exceeds 10% of the total of subsections (1)(a),
 11 (1)(b), and (1)(c) or \$100, whichever is larger, the
 12 contingency amount on the preliminary budget shall be
 13 reduced to such limitation amount and used in this
 14 determination of the schedule amount.

15 (2) The schedule amount determined in subsection (1)
 16 or the total preliminary transportation fund budget,
 17 whichever is smaller, shall be divided by 3 and the
 18 resulting one-third amount shall be used to determine the
 19 available state and county revenue to be budgeted on the
 20 following basis:

21 (a) the resulting one-third amount shall be the
 22 budgeted state transportation reimbursement, except that the
 23 state transportation reimbursement for the transportation of
 24 special education pupils under the provisions of 20-7-442
 25 shall be two-thirds of the schedule amount attributed to the

1 transportation of special education pupils;

2 (b) the resulting one-third amount, except as provided
 3 for joint elementary districts in subsection (2)(e), shall
 4 be the budgeted county transportation reimbursement for
 5 elementary districts and shall be financed by the basic
 6 county tax under the provisions of 20-9-334;

7 (c) the resulting one-third amount multiplied by 2
 8 shall be the budgeted county transportation reimbursement
 9 amount for high school districts financed under the
 10 provisions of subsection (5) of this section, except as
 11 provided for joint high school districts in subsection
 12 (2)(e), and except that the county transportation
 13 reimbursement for the transportation of special education
 14 pupils under the provisions of 20-7-442 shall be one-third
 15 of the schedule amount attributed to the transportation of
 16 special education pupils;

17 (d) when the district has a sufficient amount of cash
 18 for reappropriation and other sources of district revenue,
 19 as determined in subsection (3), to reduce the total
 20 district obligation for financing to zero, any remaining
 21 amount of such district revenue and cash reappropriated
 22 shall be used to reduce the county financing obligation in
 23 subsections (2)(b) or (2)(c) and, if such county financing
 24 obligations are reduced to zero, to reduce the state
 25 financial obligation in subsection (2)(a); and

1 (e) the county revenue requirement for a joint
 2 district, after the application of any district moneys under
 3 subsection (2)(d) above, shall be prorated to each county
 4 incorporated by the joint district in the same proportion as
 5 the ANB of the joint district is distributed by pupil
 6 residence in each such county.

7 (3) The total of the moneys available for the
 8 reduction of property tax on the district for the
 9 transportation fund shall be determined by totaling:

10 (a) anticipated federal moneys received under the
 11 provisions of Title I of Public Law 81-874 or other
 12 anticipated federal moneys received in lieu of such federal
 13 act; plus

14 (b) anticipated payments from other districts for
 15 providing school bus transportation services for such
 16 district; plus

17 (c) anticipated payments from a parent or guardian for
 18 providing school bus transportation services for his child;
 19 plus

20 (d) anticipated interest to be earned by the
 21 investment of transportation fund cash in accordance with
 22 the provisions of 20-9-213(4); plus

23 (e) anticipated motor vehicle fees and reimbursement
 24 under the provisions of 61-3-532 and 61-3-536; plus

25 (f) net proceeds TAXES for new production, as defined

1 in 15-23-601; plus
 2 ~~(f)~~(g) any other revenue anticipated by the trustees
 3 to be earned during the ensuing school fiscal year which may
 4 be used to finance the transportation fund; plus

5 ~~(g)~~(h) any cash available for reappropriation as
 6 determined by subtracting the amount of the end-of-the-year
 7 cash balance earmarked as the transportation fund cash
 8 reserve for the ensuing school fiscal year by the trustees
 9 from the end-of-the-year cash balance in the transportation
 10 fund. Such cash reserve shall not be more than 20% of the
 11 final transportation fund budget for the ensuing school
 12 fiscal year and shall be for the purpose of paying
 13 transportation fund warrants issued by the district under
 14 the final transportation fund budget.

15 (4) The district levy requirement for each district's
 16 transportation fund shall be computed by:

17 (a) subtracting the schedule amount calculated in
 18 subsection (1) from the total preliminary transportation
 19 budget amount and, for an elementary district, adding such
 20 difference to the district obligation to finance one-third
 21 of the schedule amount as determined in subsection (2); and

22 (b) subtracting the amount of moneys available to
 23 reduce the property tax on the district, as determined in
 24 subsection (3), from the amount determined in subsection
 25 (4)(a) above.

1 (5) The county levy requirement for the financing of
 2 the county transportation reimbursement to high school
 3 districts shall be computed by adding all such requirements
 4 for all the high school districts of the county, including
 5 the county's obligation for reimbursements in joint high
 6 school districts.

7 (6) The transportation fund levy requirements
 8 determined in subsection (4) for each district and in
 9 subsection (5) for the county shall be reported to the
 10 county commissioners on the second Monday of August by the
 11 county superintendent as the transportation fund levy
 12 requirements for the district and for the county, and such
 13 levies shall be made by the county commissioners in
 14 accordance with 20-9-142."

15 SECTION 18. SECTION 7-1-2111, MCA, IS AMENDED TO READ:

16 "7-1-2111. Classification of counties. (1) For the
 17 purpose of regulating the compensation and salaries of all
 18 county officers, not otherwise provided for, and for fixing
 19 the penalties of officers' bonds, the several counties of
 20 this state shall be classified according to that percentage
 21 of the true and full valuation of the property therein upon
 22 which the tax levy is made, as follows:

23 (a) first class--all counties having such a taxable
 24 valuation of \$50 million or over;

25 (b) second class--all counties having such a taxable

1 valuation of more than \$30 million and less than \$50
 2 million;

3 (c) third class--all counties having such a taxable
 4 valuation of more than \$20 million and less than \$30
 5 million;

6 (d) fourth class--all counties having such a taxable
 7 valuation of more than \$15 million and less than \$20
 8 million;

9 (e) fifth class--all counties having such a taxable
 10 valuation of more than \$10 million and less than \$15
 11 million;

12 (f) sixth class--all counties having such a taxable
 13 valuation of more than \$5 million and less than \$10 million;

14 (g) seventh class--all counties having such a taxable
 15 valuation of less than \$5 million.

16 (2) As used in this section, taxable valuation means
 17 the taxable value of taxable property in the county as of
 18 the time of determination plus:

19 (a) that portion of the taxable value of the county on
 20 December 31, 1981, attributable to automobiles and trucks
 21 having a rated capacity of three-quarters of a ton or less;
 22 and

23 (b) the amount of new production taxes levied, as
 24 provided in 15-23-607, divided by the appropriate tax rates
 25 described in 15-23-607(2)(a) or (2)(b) and multiplied by

1 60%."

2 SECTION 19. SECTION 15-16-102, MCA, IS AMENDED TO
3 READ:

4 "15-16-102. Time for payment -- penalty for
5 delinquency. All taxes levied and assessed in the state of
6 Montana, except assessments made for special improvements in
7 cities and towns payable under 15-16-103 and assessments
8 made on new production as provided in Title 15, chapter 23,
9 part 6, and payable under [section 20], shall be payable as
10 follows:

11 (1) One-half of the amount of such taxes shall be
12 payable on or before 5 p.m. on November 30 of each year and
13 one-half on or before 5 p.m. on May 31 of each year.

14 (2) Unless one-half of such taxes are paid on or
15 before 5 p.m. on November 30 of each year, then such amount
16 so payable shall become delinquent and shall draw interest
17 at the rate of 5/6 of 1% per month from and after such
18 delinquency until paid and 2% shall be added to the
19 delinquent taxes as a penalty.

20 (3) All taxes due and not paid on or before 5 p.m. on
21 May 31 of each year shall be delinquent and shall draw
22 interest at the rate of 5/6 of 1% per month from and after
23 such delinquency until paid and 2% shall be added to the
24 delinquent taxes as a penalty."

25 NEW SECTION. SECTION 20. PAYMENT OF NEW PRODUCTION

1 TAXES. (1) TAXES LEVIED AND ASSESSED ON NEW PRODUCTION UNDER
2 THE PROVISIONS OF TITLE 15, CHAPTER 23, PART 6, MUST BE PAID
3 TO THE COUNTY TREASURER IN QUARTERLY INSTALLMENTS. THE
4 PAYMENTS MUST BE MADE ON OR BEFORE 5 P.M. ON THE LAST DAY OF
5 THE MONTHS OF NOVEMBER, FEBRUARY, MAY, AND AUGUST.

6 (2) UNLESS ONE-QUARTER OF SUCH TAXES ARE PAID ON OR
7 BEFORE 5 P.M. ON THE LAST DAY OF THE MONTHS OF NOVEMBER,
8 FEBRUARY, MAY, AND AUGUST OF EACH YEAR, ANY AMOUNT SO
9 PAYABLE IS DELINQUENT.

10 (3) ALL SUCH DELINQUENT TAXES MUST DRAW INTEREST AT
11 THE RATE PAYABLE ON DELINQUENCIES UNDER ~~15-16-102~~ 15-23-115.

12 (4) THERE MUST ALSO BE ADDED TO THE DELINQUENT TAXES A
13 PENALTY AT THE SAME RATE AS PROVIDED FOR DELINQUENCIES UNDER
14 ~~15-16-102~~ 15-23-104.

15 NEW SECTION. SECTION 21. CODIFICATION INSTRUCTION.
16 SECTION 11 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
17 TITLE 15, CHAPTER 23, PART 6, AND THE PROVISIONS OF TITLE
18 15, CHAPTER 23, PART 6, APPLY TO SECTION 11. SECTION 20 IS
19 INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15,
20 CHAPTER 16, PART 1, AND THE PROVISIONS OF TITLE 15, CHAPTER
21 16, PART 1, APPLY TO SECTION 20.

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

1 NEW SECTION. Section 23. Effective date DATES.
2 Sections 1 through ~~10~~ 18 21 of this act are effective July
3 1, 1985. ~~Section-11-and-this-section~~ SECTIONS 19 22 AND 20
4 23 are effective on passage and approval, except that rules
5 adopted under section ~~11~~ 19 22 may not be made effective
6 prior to July 1, 1985.

-End-