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.

Senate BILL NO. 390 Moore

INTRODUCED BY Stephens, Hager, Fuller, Keating, Ream, E. Smith

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

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 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:

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

(2) the description and location of the well;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

tank or pipeline."

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

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

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

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

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

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

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

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

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

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

proceeds of royalty interests."

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

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

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

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

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

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

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

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

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

LC 1465/01

of such bonds.

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

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

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

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

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

(b) enter into such agreement;

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

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

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

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

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

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

and county taxes previous to the incurring of such indebtedness.

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

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

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

-End-

STATE OF MONTANA

REQUEST NO. FNN 415-85

FISCAL NOTE

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.

David L Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 19, 1985

SB 390

FN9:H/1

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.

Attachment S.B. 390, Fiscal Note 415-85
Page 1

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	19531865	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	133863	92336	-41527
CHOUTEAU	GAS	2649070	343471	243714	-99757
	OIL	0	0	0	0
CUSTER	GAS	132708	22093	12209	-9884
	OIL	0	0	0	0
DANIELS	GAS	0	0	0	0
	OIL	468451	39072	29512	-9560
DAWSON	GAS	1152	0	106	106
	OIL	15946427	860534	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	95502	12713	8786	-3927
	OIL	0	0	0	0
HILL	GAS	13888352	2884982	1277728	-1607254
	OIL	72757	0	4584	4584
LIBERTY	GAS	4478563	459125	412028	-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

FISCAL NOTE

Amended
REQUEST NO. FNN 415-85

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.

David L Hunter
BUDGET DIRECTOR
Office of Budget and Program Planning

Date: March 26, 1985

FN11:N/3

SB 390 Amended

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
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	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

GLACIER	GAS	5883178	815402	647150	-168252
	OIL	43843818	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	723962	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

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

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

(2) the description and location of the well;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property therein subject to taxation, plus 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%, as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 11.25% but will not exceed 37% of the total of the taxable value of such property, plus 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%, when necessary to do so, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

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

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

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

in 7-7-2203 and 7-7-2204, no county shall issue bonds which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%. The taxable property and the amount of new production taxes levied shall be ascertained by the last assessment for state and county taxes prior to the issuance of such bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of such property, plus 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 MULTIPLED BY 60%, when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other outstanding indebtedness of the county, except county high school bonds, shall not exceed 22.5% of the total of the taxable value of the property within the county, plus 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 MULTIPLED BY 60%, as ascertained by the last preceding general assessment."

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

"7-14-2525. Refunding agreements and refunding bonds authorized. (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus 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%, and the board determines that the county is unable to pay such indebtedness in full, the board may:

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

(b) enter into such agreement;

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

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

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

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

read:

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

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed 13% of the total of the taxable value of the taxable property in the county, plus 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%, ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

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

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

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

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

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other 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;

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

~~(vii)~~(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

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

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

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

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

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

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

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

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

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

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

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

referred to in this section; ~~and~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:</u>

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

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

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

accordance with the financial administration provisions of this title.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

following basis:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NEW SECTION. Section 19. Extension of authority. Any

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

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

SECOND READING
SECOND PRINTING

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

(2) the description and location of the well;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property therein subject to taxation, plus 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%, as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 11.25% but will not exceed 37% of the total of the taxable value of such property, plus 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%, when necessary to do so, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

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

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

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

in 7-7-2203 and 7-7-2204, no county shall issue bonds which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%. The taxable property and the amount of new production taxes levied shall be ascertained by the last assessment for state and county taxes prior to the issuance of such bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of such property, plus 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 MULTIPLED BY 60%, when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other outstanding indebtedness of the county, except county high school bonds, shall not exceed 22.5% of the total of the taxable value of the property within the county, plus 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 MULTIPLED BY 60%, as ascertained by the last preceding general assessment."

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

"7-14-2525. Refunding agreements and refunding bonds authorized. (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus 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%, and the board determines that the county is unable to pay such indebtedness in full, the board may:

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

(b) enter into such agreement;

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

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

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

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

read:

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

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed 13% of the total of the taxable value of the taxable property in the county, plus 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%, ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

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

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

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

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

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other 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;

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

~~(vii)~~(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

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

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

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

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

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

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

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

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

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

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

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

referred to in this section; **and**

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

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

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

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

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

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

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

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

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

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

<u>(c) net proceeds for new production, as defined in 15-23-601.</u>"

<u>SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:</u>

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

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

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

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

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

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

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

<u>SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:</u>

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

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

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

accordance with the financial administration provisions of this title.

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

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

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

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

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

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

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

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

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

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

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

<u>SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO READ:</u>

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

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

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

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

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

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

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

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

following basis:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NEW SECTION. Section 19. Extension of authority. Any

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

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

-End-

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

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

(2) the description and location of the well;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property therein subject to taxation, plus 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%, as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 11.25% but will not exceed 37% of the total of the taxable value of such property, plus 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%, when necessary to do so, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

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

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

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

in 7-7-2203 and 7-7-2204, no county shall issue bonds which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%. The taxable property and the amount of new production taxes levied shall be ascertained by the last assessment for state and county taxes prior to the issuance of such bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of such property, plus 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 MULTIPLED BY 60%, when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other outstanding indebtedness of the county, except county high school bonds, shall not exceed 22.5% of the total of the taxable value of the property within the county, plus 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 MULTIPLED BY 60%, as ascertained by the last preceding general assessment."

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

"7-14-2525. Refunding agreements and refunding bonds authorized. (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus 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%, and the board determines that the county is unable to pay such indebtedness in full, the board may:

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

(b) enter into such agreement;

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

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

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

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

read:

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

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed 13% of the total of the taxable value of the taxable property in the county, plus 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%, ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

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

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

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

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

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other 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;

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

~~(vii)~~(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

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

<u>SECTION 13. SECTION 20-9-331, MCA, IS AMENDED TO READ:</u>

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

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

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

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

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

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

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

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

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

referred to in this section; ~~and~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:</u>

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

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

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

accordance with the financial administration provisions of this title.

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

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

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

<u>(ii) net proceeds for new production, as defined in 15-23-601; and</u>

~~(ii)~~<u>(iii)</u> any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the retirement fund cash reserve for the ensuing school fiscal year by the trustees from the end-of-the-year cash balance in the retirement fund. The retirement fund cash reserve shall not be more than 35% of the final retirement fund budget for the ensuing school fiscal year and shall be used for the purpose of paying retirement fund warrants issued by the district under the final retirement fund budget.

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

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

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

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

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

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

<u>SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO READ:</u>

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

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

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

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

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

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

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

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

following basis:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NEW SECTION. Section 19. Extension of authority. Any

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

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

-End-

STANDING COMMITTEE REPORT

March 29, 19 85

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: "1"
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,"

DO PASS

(continued)

Chairman.

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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:

(continued)

Chairman.

March29, 19 85

(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.

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(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

KMC
Jv 3/30

Gerry Devlin
GERRY DEVLIN, 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 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) the name and address of the operator, together with a list in duplicate of the names and addresses of any and all persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

(2) the description and location of the well;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property therein subject to taxation, plus 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%, as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

"7-7-2203. Limitation on amount of bonded indebtedness. (1) Except as provided in subsections (2) and (3), no county may issue general obligation bonds for any purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 11.25% but will not exceed 37% of the total of the taxable value of such property, plus 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%, when necessary to do so, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

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

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

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

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

(2) A county may issue bonds which, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of such property, plus 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 MULTIPLED BY 60%, when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other outstanding indebtedness of the county, except county high school bonds, shall not exceed 22.5% of the total of the taxable value of the property within the county, plus 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 MULTIPLED BY 60%, as ascertained by the last preceding general assessment."

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

"7-14-2525. Refunding agreements and refunding bonds authorized. (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus 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%, and the board determines that the county is unable to pay such indebtedness in full, the board may:

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

(b) enter into such agreement;

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

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

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

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

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

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed 13% of the total of the taxable value of the taxable property in the county, plus 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%, ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

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

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

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

general fund by totaling:

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other 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;

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

~~(vii)~~(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 superintendent as the general fund levy requirement for the district, and a levy shall be made by the county commissioners in accordance with 20-9-142."

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

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

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

foundation programs of all elementary districts of the county.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) For each high school district, the county commissioners shall annually set a levy not exceeding 4 mills on all taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive levy to the maximum permissive amount by 4 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, and plus net proceeds for new production, as defined in 15-23-601, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section. The superintendent of public instruction shall, if the appropriation by the legislature for the permissive account [program] for the biennium is insufficient, request the budget director to submit a request for a supplemental appropriation in the second year of the biennium.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO READ:</u>

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

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

following amounts:

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

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

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

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

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

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

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

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

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

special education pupils;

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

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

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

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

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

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

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

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

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

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

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

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

transportation fund shall be computed by:

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

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

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

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

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:

(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.

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

NEW SECTION. SECTION 21. CODIFICATION INSTRUCTION.

SECTION 11 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 23, PART 6, AND THE PROVISIONS OF TITLE 15, CHAPTER 23, PART 6, APPLY TO SECTION 11. 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.

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

NEW SECTION. Section 23. Effective date. Sections 1 through ~~10~~ ~~18~~ 21 of this act are effective July 1, 1985. ~~Section-11-and-this-section~~ SECTIONS ~~19~~ 22 AND ~~20~~ 23 are effective on passage and approval, except that rules adopted under section ~~11~~ ~~19~~ 22 may not be made effective prior to July 1, 1985.

-End-

CONFERENCE COMMITTEE REPORT

Report No. 1

APR 23, 19 85

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 calender 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.

FOR THE SENATE

MAZUREK, CHM

LYBECK

GAGE

ADOPT REJECT

FOR THE HOUSE

Bob Gilbert

GILBERT

Dennis G. Nathe

NATHE

POFF

SCHYE

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

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~~ DATES."

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~~ (1) EXCEPT AS PROVIDED IN SUBSECTION (2), 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

REFERENCE BILL: Includes Free Conference Committee Report Dated 4-23-85 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)~~(A) the name and address of the operator, together with a list in duplicate of the names and addresses of any and all persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

~~(2)~~(B) the description and location of the well;

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

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

~~(5)~~(E) except for new production as defined in

15-23-601:

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

~~(6)~~~~(b)~~(II) cost of construction, repairs, and betterments;

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

~~(8)~~~~(d)~~(IV) the amount paid or withheld in satisfaction of liability for excise taxes imposed by the U.S. government on the production, sale, or removal of the natural gas, petroleum, or other crude or mineral oil reported pursuant to subsection ~~(3)~~ (1)(C), including a separate statement of the amount of such taxes paid or withheld from each royalty owner.

(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)."

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

"15-23-603. Net proceeds -- how computed. (1) ~~The~~

Except as provided in subsection (3), the department of revenue shall calculate and compute from the returns the gross sales proceeds of the product yielded from such well for the year covered by the statement and shall calculate the net proceeds of the well yielded to the producer, which net proceeds shall be determined by subtracting from the gross sales proceeds thereof the following:

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

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

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

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

(e) 70% of the amount paid or withheld in satisfaction of liability for excise taxes imposed by the U.S. government

on the production, sale, or removal of the natural gas, petroleum, or other crude or mineral oil yielded from such well, other than the amount of such taxes paid by or withheld from each royalty owner.

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

(3) For new production, net proceeds are the equivalent of the gross sales proceeds, WITHOUT DEDUCTION FOR EXCISE TAXES, of the product yielded from such well for the year covered by the statement, except that in computing the total number of barrels of petroleum and other mineral or crude oil or cubic feet of natural gas produced, there shall be deducted therefrom so much thereof as is used in the operation of the well from which the petroleum or other mineral or crude oil or natural gas is produced for pumping the petroleum or other mineral or crude oil or natural gas from the well to a tank or pipeline."

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

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

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

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

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

(2) For new production, as defined in 15-23-601, the county assessor may not levy or assess any mills against the

value of such new production, but shall instead levy a tax as follows:

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

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

(3) The amount of tax levied in subsections (2)(a) and (2)(b), DIVIDED BY THE APPROPRIATE TAX RATE AND MULTIPLIED BY 60%, shall be treated as taxable value for county bonding purposes.

~~(2)~~(4) The operator or producer shall be liable for the payment of said taxes and same shall, EXCEPT AS PROVIDED IN [SECTION 20], be payable by and shall be collected from such operators in the same manner and under the same penalties as provided for the collection of taxes upon net proceeds of mines; provided, however, that the operator may at his option withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount of the tax to be paid by him upon such royalty or royalty interest. After such withholding any deviation between the estimated tax and the actual tax may be accounted for by adjusting subsequent withholdings from the proceeds of royalty interests."

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

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property therein subject to taxation, plus 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%, as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

"7-7-2203. Limitation on amount of bonded indebtedness. (1) Except as provided in subsections (2) and (3), no county may issue general obligation bonds for any purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus 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%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 11.25% but will not exceed 37% of the total of the taxable value of such property, plus 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%, when necessary to do so, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

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

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

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

(2) A county may issue bonds which, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of such property, plus 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 MULTIPLED BY 60%, when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other outstanding indebtedness of the county, except county high school bonds, shall not exceed 22.5% of the total of the taxable value of the property within the county, plus 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 MULTIPLED BY 60%, as ascertained by the last preceding general assessment."

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

"7-14-2525. Refunding agreements and refunding bonds

authorized. (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus 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%, and the board determines that the county is unable to pay such indebtedness in full, the board may:

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

(b) enter into such agreement;

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

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

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

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

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

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed 13% of the total of the taxable value of the taxable property in the county, plus 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%, ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

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

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

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

"20-9-141. Computation of general fund net levy

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requirement by county superintendent. (1) The county superintendent shall compute the levy requirement for each district's general fund on the basis of the following procedure:

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

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

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other 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 TAXES for new production, as defined in 15-23-601;

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

~~(vii)~~(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 superintendent as the general fund levy requirement for the district, and a levy shall be made by the county commissioners in accordance with 20-9-142."

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

"20-9-331. Basic county tax and other revenues for county equalization of the elementary district foundation

program. (1) It shall be the duty of the county commissioners of each county to levy an annual basic tax of 28 mills on the dollars of the taxable value of all taxable property within the county for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of the elementary school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

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

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

(2) The proceeds realized from the county's portion of

the levy prescribed by this section and the revenues from the following sources shall be used for the equalization of the elementary district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of such proceeds and revenues by the county treasurer in accordance with 20-9-212(1):

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

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

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

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

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

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

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

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

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

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

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

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

(b) any federal or state moneys, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, distributed to the county as a payment in lieu of the property taxation established by the county levy required by this section~~.~~<u>; and</u>

<u>(c) net proceeds</u> TAXES <u>for new production, as defined in 15-23-601.</u>"

<u>SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:</u>

"20-9-352. Permissive amount and permissive levy. (1) Whenever the trustees of any district shall deem it necessary to adopt a general fund budget in excess of the

foundation program amount but not in excess of the maximum general fund budget amount for such district as established by the schedules in 20-9-316 through 20-9-321, the trustees shall adopt a resolution stating the reasons and purposes for exceeding the foundation program amount. Such excess above the foundation program amount shall be known as the "permissive amount", and it shall be financed by a levy on the taxable value of all taxable property within the district as prescribed in 20-9-141, supplemented with any biennial appropriation by the legislature for this purpose.

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

(a) For each elementary school district, the county commissioners shall annually set a levy not exceeding 6 mills on all the taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive amount to the maximum permissive amount by 6 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section.

(b) For each high school district, the county commissioners shall annually set a levy not exceeding 4 mills on all taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive levy to the maximum permissive amount by 4 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, and plus net proceeds TAXES for new production, as defined in 15-23-601, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section. The superintendent of public instruction shall, if the appropriation by the legislature for the permissive account [program] for the biennium is insufficient, request the budget director to submit a request for a supplemental appropriation in the second year of the biennium.

(3) Such distribution shall be made in two payments. The first payment shall be made at the same time as the

first distribution of state equalization aid is made after January 1 of the fiscal year. The second payment shall be made at the same time as the last payment of state equalization aid is made for the fiscal year. If the appropriation is not sufficient to finance the deficiencies of the districts as determined according to subsection (2), each district will receive the same percentage of its deficiency. Surplus revenue in the second year of the biennium may be used to reduce the appropriation required for the next succeeding biennium or may be transferred to the state equalization aid state special revenue fund if revenues in that fund are insufficient to meet foundation program requirements."

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

"20-9-501. Retirement fund. (1) The trustees of any district employing personnel who are members of the teachers' retirement system or the public employees' retirement system or who are covered by unemployment insurance or who are covered by any federal social security system requiring employer contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's contributions to such systems. The district's contribution for each employee who is a member of the teachers' retirement system shall be calculated in accordance with Title 19, chapter 4, part 6. The district's contribution for each employee who is a member of the public employees' retirement system shall be calculated in accordance with 19-3-801. The district may levy a special tax to pay its contribution to the public employees' retirement system under the conditions prescribed in 19-3-204. The district's contributions for each employee covered by any federal social security system shall be paid in accordance with federal law and regulation. The district's contribution for each employee who is covered by unemployment insurance shall be paid in accordance with Title 39, chapter 51, part 11.

(2) The trustees of any district required to make a contribution to any such system shall include in the retirement fund of the preliminary budget the estimated amount of the employer's contribution and such additional moneys, within legal limitations, as they may wish to provide for the retirement fund cash reserve. After the final retirement fund budget has been adopted, the trustees shall pay the employer contributions to such systems in accordance with the financial administration provisions of this title.

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

(a) determining the sum of the moneys available to

reduce the retirement fund levy requirement by adding:

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

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

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

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

(4) The county superintendent shall total the net retirement fund levy requirements separately for all elementary school districts, all high school districts, and all community college districts of the county, including any

prorated joint district or special educational cooperative agreement levy requirements, and shall report each such levy requirement to the county commissioners on the second Monday of August as the respective county levy requirements for elementary district, high school district, and community college district retirement funds. The county commissioners shall fix and set such county levy in accordance with 20-9-142.

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

(6) The net retirement fund levy requirement for districts that are members of special educational cooperative agreements shall be prorated to each county in which such district is located in the same proportion as the budget for the special education cooperative agreement of the district bears to the total budget of the cooperative. The county superintendents of the counties affected shall jointly determine the net retirement fund levy requirement

for each county in the same manner as provided in 20-9-151 and fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152."

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

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

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

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

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

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

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

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

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

transportation of special education pupils;

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

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

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

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

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

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

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

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

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

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

(f) net proceeds TAXES for new production, as defined

in 15-23-601; plus

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

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

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

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

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

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

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

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:

(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~~ 15-23-115.

(4) THERE MUST ALSO BE ADDED TO THE DELINQUENT TAXES A PENALTY AT THE SAME RATE AS PROVIDED FOR DELINQUENCIES UNDER ~~15-16-102~~ 15-23-104.

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

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

NEW SECTION. Section 23. Effective ~~date~~ DATES. Sections 1 through ~~10~~ ~~18~~ 21 of this act are effective July 1, 1985. ~~Section-11-and-this-section~~ SECTIONS ~~19~~ 22 AND ~~20~~ 23 are effective on passage and approval, except that rules adopted under section ~~11~~ ~~19~~ 22 may not be made effective prior to July 1, 1985.

-End-