

SENATE BILL NO. 443

2/16 Introduced  
2/18 Referred to Taxation  
2/18 Fiscal Note Requested  
2/22 Fiscal Note Received  
3/16 Hearing  
3/18 Tabled in Committee

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*Senate* BILL NO. 443  
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INTRODUCED BY \_\_\_\_\_  
A BILL FOR AN ACT ENTITLED: "AN ACT TO DELAY UNTIL APRIL 1, 1987, THE REDUCTION FROM 6 PERCENT TO 5 PERCENT IN THE OIL AND GAS SEVERANCE TAX RATE; AMENDING SECTION 15-36-101, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

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

(a) 5% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from

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each lease or unit on or after April 1, 1981, and on or before March 31, 1983; 6% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit on or after April 1, 1983, and on or before ~~March 31, 1985~~ April 1, 1987; and 5% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit thereafter; but in determining the amount of such tax there shall be excluded from consideration all petroleum or other crude or mineral oil produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such petroleum or crude or mineral oil;

(b) 2.65% of the total gross value of natural gas produced from each lease or unit; but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas or petroleum or crude or mineral oil; and there shall also be excluded from consideration all gas recycled or reinjected into the ground.

(2) Nothing in this part may be construed as requiring laborers or employees hired or employed by any person to drill any oil well or to work in or about any oil well or



1 prospect or explore for or do any work for the purpose of  
 2 developing any petroleum or other mineral or crude oil to  
 3 pay such severance tax, nor may any work done or the  
 4 drilling of any well or wells for the purpose of prospecting  
 5 or exploring for petroleum or other mineral or crude oils or  
 6 for the purpose of developing same be considered to be the  
 7 engaging in or carrying on of any such business. If, in the  
 8 doing of any such work, in the drilling of any oil well, or  
 9 in such prospecting, exploring, or development work, any  
 10 merchantable or marketable petroleum or other mineral or  
 11 crude oil in excess of the quantity required by such person  
 12 for carrying on such operation is produced sufficient in  
 13 quantity to justify the marketing of the same, such work,  
 14 drilling, prospecting, exploring, or development work is  
 15 considered to be the engaging in and carrying on of such  
 16 business within this state within the meaning of this  
 17 section.

18 (3) Every person required to pay such tax hereunder  
 19 shall pay the same in full for his own account and for the  
 20 account of each of the other owner or owners of the gross  
 21 proceeds in value or in kind of all the marketable petroleum  
 22 or other mineral or crude oil or natural gas extracted and  
 23 produced, including owner or owners of working interest,  
 24 royalty interest, overriding royalty interest, carried  
 25 working interest, net proceeds interest, production

1 payments, and all other interest or interests owned or  
 2 carved out of the total gross proceeds in value or in kind  
 3 of such extracted marketable petroleum or other mineral or  
 4 crude oil or natural gas, except that any of the aforesaid  
 5 interests that are owned by the federal, state, county, or  
 6 municipal governments shall be exempt from taxation under  
 7 this chapter. Unless otherwise provided in a contract or  
 8 lease, the pro rata share of any royalty owner or owners  
 9 will be deducted from any settlements under said lease or  
 10 leases or division of proceeds orders or other contracts."  
 11 NEW SECTION. Section 2. Effective date. This act is  
 12 effective on passage and approval.

-End-

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNN 471-85

Form BD-15

In compliance with a written request received February 19, 19 85, there is hereby submitted a Fiscal Note for S.B. 443 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 to delay until April 1, 1987, the reduction from 6 percent to 5 percent in the oil and gas severance tax rate.

ASSUMPTIONS:

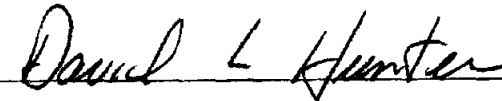
- Under current law oil severance tax is estimated to be \$36,981,000 in FY 1986 and \$34,911,000 in FY 1987.

FISCAL IMPACT:

	<u>FY 1986</u>			<u>FY 1987</u>		
	<u>Current Law</u>	<u>Under Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Under Proposed Law</u>	<u>Difference</u>
Oil Severance Tax	\$ 36,981,000	\$ 44,377,200	\$ 7,396,200	\$ 34,911,000	\$ 41,893,000	\$ 6,982,200
TOTAL REVENUE	36,981,000	44,377,200	7,396,200	34,911,000	41,893,200	6,982,200
Fund Information						
General Fund	24,654,000	29,584,800	4,930,800	23,274,000	27,928,800	4,654,800
Earmarked Special Revenue Fund	12,327,000	14,792,400	2,465,400	11,637,000	13,964,400	2,327,400

TECHNICAL NOTE:

The title of the bill should be corrected as follows: line 6, strike AND GAS.  
The current tax rate on natural gas is 2.65 percent.



BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Feb 22, 1985  
SB 443