

SB 56 INTRODUCED BY KEATING
REVISE COAL TAX BASED ON COAL TYPE AND PRODUCTION
METHOD -- REPEAL "WINDOW"

1/06 INTRODUCED
1/06 FISCAL NOTE REQUESTED
1/06 REFERRED TO TAXATION
1/12 FISCAL NOTE RECEIVED
 NOT SIGNED BY SPONSOR
1/13 SPONSOR FISCAL NOTE REQUESTED
 DIED IN COMMITTEE

1 SENATE BILL NO. 56
2 INTRODUCED BY KEATING

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE COAL
5 SEVERANCE TAX RATE BASED ON THE TYPE OF COAL AND METHOD OF
6 PRODUCTION; REPEALING THE NEW COAL PRODUCTION INCENTIVE TAX
7 CREDIT; AMENDING SECTIONS 15-35-102 AND 15-35-103, MCA;
8 REPEALING SECTIONS 15-35-201 THROUGH 15-35-205, MCA; AND
9 PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
12 Section 1. Section 15-35-102, MCA, is amended to read:

13 "15-35-102. Definitions. As used in this chapter, the
14 following definitions apply:

15 (1) "Agreement" means a signed contract that is valid
16 under Montana law between a coal mine operator and a
17 purchaser or broker for the sale of coal that is produced in
18 Montana.

19 (2) "Base consumption level" for a purchaser means the
20 greater of:

21 (a) the arithmetic average volume of coal purchased
22 during calendar years 1983 and 1984 from all Montana coal
23 mine operators; or

24 (b) 90% of the maximum tonnage provided for in any
25 agreement executed prior to January 17, 1985, for which the

1 highest-scheduled-minimum-quantity-of-coal-stipulated-by-the
2 terms-of-the-agreement-as-they-existed-on-January-17-1985,
3 has-not-been-purchased-at-any-time-during-the-term-of-the
4 agreement, plus the arithmetic average volume of coal
5 purchased during calendar years 1983 and 1984 from all
6 Montana coal mine operators under all other agreements.

7 (3) "Base production level" for a coal mine operator
8 means the arithmetic average volume of coal produced in
9 Montana and sold to a purchaser in calendar years 1983 and
10 1984.

11 (4) "Broker" means any person who resells Montana
12 coal.

13 (5)(1) "Contract sales price" means either the price
14 of coal extracted and prepared for shipment f.o.b. mine,
15 excluding that amount charged by the seller to pay taxes
16 paid on production, or a price imputed by the department
17 under 15-35-107. Contract sales price includes all royalties
18 paid on production, no matter how such royalties are
19 calculated. However, with respect to royalties paid to the
20 government of the United States, the state of Montana, or a
21 federally recognized Indian tribe, the contract sales price
22 includes only:

23 (a) for quarterly periods ending on and after
24 September 30, 1984, 15 cents per ton plus 75% of the
25 difference between 15 cents per ton and the amount of such



1 federal, state, and tribal government royalties actually
2 paid;

3 (b) for quarterly periods ending on and after
4 September 30, 1985, 15 cents per ton plus 50% of the
5 difference between 15 cents per ton and the amount of such
6 federal, state, and tribal government royalties actually
7 paid;

8 (c) for quarterly periods ending on and after
9 September 30, 1986, 15 cents per ton plus 25% of the
10 difference between 15 cents per ton and the amount of such
11 federal, state, and tribal government royalties actually
12 paid; and

13 (d) for quarterly periods ending on and after
14 September 30, 1987, 15 cents per ton.

15 ~~{6}~~(2) "Department" means the department of revenue.

16 ~~{7}~~(3) "Energy conversion process" includes any
17 process by which coal in the solid state is transformed into
18 slurry, gas, electric energy, or any other form of energy.

19 ~~{8}~~--"Incremental production" means--that--quantity--of
20 coal--produced--annually--by--a--coal--mine--operator--and--sold--to--a
21 qualified--purchaser--that--exceeds--the--base--production--level
22 of--the--coal--mine--operator--for--that--purchaser;--but--only--to
23 the--extent--the--quantity--of--coal--exceeds--that--purchaser's
24 base--consumption--level--from--all--Montana--producers.

25 ~~{9}~~(4) "Produced" means severed from the earth.

1 ~~{10}~~--"Purchaser" means--a--person--who--purchases--or
2 contracts--to--purchase--Montana--coal--directly--from--a--coal--mine
3 operator--or--indirectly--from--a--broker--and--who--utilizes--that
4 coal--in--any--industrial,--commercial,--or--energy--conversion
5 process. A coal broker or any other third party intermediary
6 is not a purchaser under the provisions of this chapter.

7 ~~{11}~~--"Qualified purchaser" means--a--purchaser--whose
8 purchases--of--Montana--coal--in--any--given--year--exceed--his--base
9 consumption--level. A purchaser of Montana coal who enters
10 into a coal agreement with another purchaser or a broker
11 that causes a reduction in the base consumption level of a
12 purchaser is not a qualified purchaser.

13 ~~{12}~~(5) "Strip mining" or "surface mining" is defined
14 in 82-4-203.

15 ~~{13}~~(6) "Taxes paid on production" includes any tax
16 paid to the federal, state, or local governments upon the
17 quantity of coal produced as a function of either the volume
18 or the value of production and does not include any tax upon
19 the value of mining equipment, machinery, or buildings and
20 lands, any tax upon a person's net income derived in whole
21 or in part from the sale of coal, or any license fee.

22 ~~{14}~~(7) "Ton" means 2,000 pounds.

23 ~~{15}~~(8) "Underground mining" means a coal mining
24 method utilizing shafts and tunnels and as further defined
25 in 82-4-203."

1 Section 2. Section 15-35-103, MCA, is amended to read:
 2 "15-35-103. Severance tax -- rates imposed --
 3 exemptions. (1) Except as provided in subsection (3), a
 4 severance tax is imposed on each ton of coal produced in the
 5 state in accordance with the following schedule:

6 Heating quality	Surface	Underground
7 (Btu-per-pound	Mining	Mining
8 of coal):		
9 Under-7,000	12-cents-or	5-cents-or
10	20%-of-value	3%-of-value
11 7,000-8,000	22-cents-or	8-cents-or
12	30%-of-value	4%-of-value
13 8,000-9,000	34-cents-or	10-cents-or
14	30%-of-value	4%-of-value
15 Over-9,000	40-cents-or	12-cents-or
16	30%-of-value	4%-of-value

17 "Value" means the contract sales price, as follows:

18 (a) coal produced by strip mining or surface mining is
 19 taxed at 20% of value for subbituminous coal and at 15% of
 20 value for lignite coal;

21 (b) coal produced by underground mining is taxed at 4%
 22 of value.

23 (2) ~~The formula which yields the greater amount of tax~~
 24 ~~in a particular case shall be used at each point on this~~
 25 ~~schedule~~ "Value" means the contract sales price.

1 (3) A person is not liable for any severance tax upon
 2 50,000 tons of the coal he produces in a calendar year,
 3 except that if he produces more than 50,000 tons of coal in
 4 a calendar year, he will be liable for severance tax upon
 5 all coal produced in excess of the first 20,000 tons.

6 ~~(4) A new coal production incentive tax credit may be~~
 7 ~~claimed on certain coal as provided in 15-35-202.~~

8 NEW SECTION. Section 3. Repealer. Sections 15-35-201
 9 through 15-35-205, MCA, are repealed.

10 NEW SECTION. Section 4. Extension of authority. Any
 11 existing authority of the department of revenue to make
 12 rules on the subject of the provisions of this act is
 13 extended to the provisions of this act.

14 NEW SECTION. Section 5. Effective date --
 15 applicability. This act is effective July 1, 1987, and
 16 applies to coal produced after June 30, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB056, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the coal severance tax rate based on the type of coal and method of production; repealing the new coal production incentive tax credit, and providing for an effective date and an applicability date.

ASSUMPTIONS:

1. The Revenue Estimating Advisory Council's coal severance tax estimates provide the basis of comparison.
2. Coal severance tax collections under current law will be \$78,663,000 in FY1988, and \$81,856,000 in FY1989.
3. The proposal will have no effect on the amount of coal produced in the coming biennium.
4. Coal tax credits earned in the first half of CY1987 will be returned in four equal quarterly payments in CY1988.

FISCAL IMPACT:Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Coal Severance Tax	\$ 78,663,000	\$ 59,837,000	(\$18,826,000)	\$ 81,856,000	\$ 55,338,000	(\$26,518,000)

Fund Information:

FUND	FY88			FY89		
	Revenue Under Current Law	Revenue Under Proposed Law	Difference	Revenue Under Current Law	Revenue Under Proposed Law	Difference
Coal Tax Trust Fund	\$ 39,331,500	\$ 29,918,500	(\$ 9,413,000)	\$ 40,928,000	\$ 27,669,000	(\$13,259,000)
Alternative Energy	1,345,137	1,023,213	(321,925)	1,339,738	946,280	(453,458)
Local Impact	5,231,090	3,979,161	(1,251,929)	5,443,424	3,679,977	(1,763,447)
Education Trust	5,978,388	4,547,612	(1,430,776)	6,221,056	4,205,688	(2,015,368)
School Equalization	2,989,194	2,273,806	(715,388)	3,110,528	2,102,844	(1,007,684)
County Land Planning	298,919	227,381	(71,539)	311,053	210,284	(100,768)
Renewable Resource	377,582	287,218	(90,365)	392,909	265,622	(127,286)
Parks Acquis. and Maint.	0	0	0	0	0	0
State Library Commission	298,919	227,381	(71,539)	311,053	210,284	(100,768)
State General Fund	12,845,668	9,771,382	(3,074,286)	13,367,085	9,036,695	(4,330,389)
Water Development	377,582	287,218	(90,365)	392,909	265,622	(127,286)
Conservation Districts	149,460	113,690	(35,769)	155,526	105,142	(50,384)
Highway Fund	9,439,560	7,180,440	(2,259,120)	9,822,720	6,640,560	(3,182,160)
TOTAL	\$ 78,663,000	\$ 59,837,000	(\$18,826,000)	\$ 81,856,000	\$ 55,338,000	(\$26,518,000)

David L. Hunter DATE 1/12/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

DATE _____
 THOMAS F. KEATING, PRIMARY SPONSOR

Fiscal Note for SB056, as introduced.

Fiscal Note Request, SB056, as introduced.

Form BD-15

Page 2

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

N/A

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

N/A

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

N/A