

1 *Senate* BILL NO. *66*
2 INTRODUCED BY *Dupe* *Feating*
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REDEFINING "NEW
5 PRODUCTION" OF NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR
6 MINERAL OIL FOR PURPOSES OF DETERMINING THE NET PROCEEDS TAX
7 ON SUCH PRODUCTION; AMENDING SECTION 15-23-601, MCA; AND
8 PROVIDING EFFECTIVE DATES."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 15-23-601, MCA, is amended to read:
12 "15-23-601. Definitions. As used in this part, the
13 following definitions apply:

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

18 (2) The term "new production" means the production
19 from any lease of natural gas, petroleum, or other crude or
20 mineral oil ~~from any lease that has not produced natural~~
21 ~~gas, petroleum, or other crude or mineral oil during the 5~~
22 ~~years immediately preceding the first month of qualified new~~
23 production in excess of the quantity produced during the
24 year that ended December 31, 1986.

25 (3) The terms "operator" and "producer" mean any

1 person who engages in the business of drilling for,
2 extracting, or producing any natural gas, petroleum, or
3 other crude or mineral oil.

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

7 NEW SECTION. Section 2. Extension of authority. Any
8 existing authority of the department of revenue to make
9 rules on the subject of the provisions of this act is
10 extended to the provisions of this act.

11 NEW SECTION. Section 3. Effective dates. (1) Section
12 1 is effective July 1, 1987.

13 (2) Section 2 and this section are effective on
14 passage and approval, except that rules adopted under
15 section 2 may not be made effective prior to July 1, 1987.

-End-



-2- INTRODUCED BILL
SB 66

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB066, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act redefining "new production" of natural gas, petroleum, or other crude or mineral oil for purposes of determining the net proceeds tax on such production; amending section 15-23-601, MCA; and providing for effective dates.

ASSUMPTIONS:

1. Approximately 1,700,000 barrels of oil and 1,500,000 MCF of gas would qualify as new production under the proposal (review of Oil and Gas Commission data for the third quarter of 1986 and 1985).
2. Revenue Estimating Advisory Council net proceeds assumptions are used.
3. Oil prices for net proceeds will be \$13.73 in FY88 and \$14.12 in FY89. Gas prices for net proceeds will be \$1.97 in FY88 and FY89 (REAC).
4. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
5. Mill levies are assumed constant at 6 mills for the university levy, 45 mills for the foundation program and local levies average 89 mills for oil counties and 125 mills for gas producing counties.

FISCAL IMPACT:

	FY88			FY89		
	Current	Proposed	Difference	Current	Proposed	Difference
	Law	Law		Law	Law	
University Levy	\$ 11,983,158	\$ 11,985,092	\$ 1,934	\$ 12,147,966	\$ 12,149,638	\$ 1,672
School Equalization	89,873,685	89,888,188	14,503	91,109,745	91,122,286	12,541
TOTAL	\$101,856,843	\$101,873,280	\$ 16,437	\$103,257,711	\$103,271,924	\$ 14,213

(Although the total statewide impact of the proposal will decrease revenues, the revenue for the university levy and school equalization levy will increase because these levies are a large percentage of the total mill levy in some of the large production counties.)

EFFECT ON LOCAL REVENUE:

The actual effect that the proposed legislation will have on a particular county will vary depending upon the county's mill levy. Statewide the proposal would reduce local government revenue by \$148,372 in FY88 and \$156,904 in FY89.

David L. Hunter DATE *1/14/87*
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

DATE *1/24/87*
 DELWYN GAGE, PRIMARY SPONSOR

Fiscal Note for SB066, as introduced.

Fiscal Note Request, SB066, as introduced.

Form BD-15

Page 2

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

With CY1986 as the base year in defining "new production", all production in the state will eventually shift to "new production" as new wells replace old production.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Problems in calculating net proceeds may arise with wells that produce both "new" and old oil or gas. The bill does not address allocation of expenses in determining net proceeds.

Some production that currently is considered "new production" may not qualify under the new definition and may become taxable under the net proceeds tax. The bill does not grandfather existing new production.

SB 66

APPROVED BY COMMITTEE
ON TAXATION

1 SENATE BILL NO. 66
 2 INTRODUCED BY GAGE, KEATING
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REDEFINING "NEW
 5 PRODUCTION" OF NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR
 6 MINERAL OIL FOR PURPOSES OF DETERMINING THE NET PROCEEDS TAX
 7 ON SUCH PRODUCTION; AMENDING SECTION 15-23-601, MCA; AND
 8 PROVIDING A RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE
 9 EFFECTIVE DATES DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 15-23-601, MCA, is amended to read:
 13 "15-23-601. Definitions. As used in this part, the
 14 following definitions apply:

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

19 (2) The term "new production" means the production
 20 ~~from any lease~~ of natural gas, petroleum, or other crude or
 21 ~~mineral oil from any lease that has not produced natural~~
 22 ~~gas, petroleum, or other crude or mineral oil during the 5~~
 23 ~~years immediately preceding the first month of qualified new~~
 24 ~~production in excess of the quantity produced during the~~
 25 ~~year that ended December 31, 1986~~ FROM ANY WELL THAT HAS NOT

1 PRODUCED NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR MINERAL
 2 OIL DURING THE 5 YEARS IMMEDIATELY PRECEDING THE FIRST MONTH
 3 OF QUALIFIED NEW PRODUCTION.

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

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

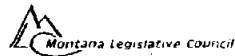
11 NEW SECTION. Section 2. Extension of authority. Any
 12 existing authority of the department of revenue to make
 13 rules on the subject of the provisions of this act is
 14 extended to the provisions of this act.

15 ~~NEW SECTION--Section 3--Effective dates--(1)--Section~~
 16 ~~1-is-effective-July-17-1987-~~

17 ~~(2)--Section--2--and--this--section--are--effective--on~~
 18 ~~passage--and--approval--except--that--rules--adopted--under~~
 19 ~~section--2--may--not--be--made--effective--prior--to--July--17--1987-~~

20 NEW SECTION. SECTION 3. APPLICABILITY -- EFFECTIVE
 21 DATE. THIS ACT IS EFFECTIVE ON PASSAGE AND APPROVAL AND
 22 APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO
 23 PRODUCTION OF NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR
 24 MINERAL OIL FROM ANY WELL AFTER DECEMBER 31, 1986.

-End-



1 SENATE BILL NO. 66
 2 INTRODUCED BY GAGE, KEATING
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REDEFINING "NEW
 5 PRODUCTION" OF NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR
 6 MINERAL OIL FOR PURPOSES OF DETERMINING THE NET PROCEEDS TAX
 7 ON SUCH PRODUCTION; AMENDING SECTION 15-23-601, MCA; AND
 8 PROVIDING A RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE
 9 EFFECTIVE DATES DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 15-23-601, MCA, is amended to read:
 13 "15-23-601. Definitions. As used in this part, the
 14 following definitions apply:
 15 (1) "Excise tax" means the windfall profit tax on
 16 domestic crude oil imposed by Title I of the federal Crude
 17 Oil Windfall Profit Tax Act of 1980, as enacted or as
 18 amended.
 19 (2) The term "new production" means the production
 20 from--any-lease of natural gas, petroleum, or other crude
 21 mineral oil from--any-lease-that--has--not--produced--natural
 22 gas--petroleum--or--other--crude--or--mineral--oil--during--the--5
 23 years--immediately--preceding--the--first--month--of--qualified--new
 24 production in-excess-of-the-quantity--produced--during--the
 25 year--that--ended--December--31--1986 FROM ANY WELL THAT HAS NOT

1 PRODUCED NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR MINERAL
 2 OIL DURING THE 5 YEARS IMMEDIATELY PRECEDING THE FIRST MONTH
 3 OF QUALIFIED NEW PRODUCTION.
 4 (3) The terms "operator" and "producer" mean any
 5 person who engages in the business of drilling for,
 6 extracting, or producing any natural gas, petroleum, or
 7 other crude or mineral oil.
 8 (4) The term "well" includes each single well or group
 9 of wells, including dry wells, in one field or production
 10 unit and under the control of one operator or producer."
 11 NEW SECTION. Section 2. Extension of authority. Any
 12 existing authority of the department of revenue to make
 13 rules on the subject of the provisions of this act is
 14 extended to the provisions of this act.
 15 ~~NEW SECTION. Section 3. Effective dates. (1) Section~~
 16 ~~1 is effective July 17, 1987.~~
 17 ~~(2) Section 2 and this section are effective on~~
 18 ~~passage and approval, except that rules adopted under~~
 19 ~~section 2 may not be made effective prior to July 17, 1987.~~
 20 NEW SECTION. SECTION 3. APPLICABILITY -- EFFECTIVE
 21 DATE. THIS ACT IS EFFECTIVE ON PASSAGE AND APPROVAL AND
 22 APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO
 23 PRODUCTION OF NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR
 24 MINERAL OIL FROM ANY WELL AFTER DECEMBER 31, 1986.

-End-



SENATE BILL NO. 66

INTRODUCED BY GAGE, KEATING

A BILL FOR AN ACT ENTITLED: "AN ACT REDEFINING "NEW PRODUCTION" OF NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR MINERAL OIL FOR PURPOSES OF DETERMINING THE NET PROCEEDS TAX ON SUCH PRODUCTION; AMENDING SECTION 15-23-601, MCA; AND PROVIDING A RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATES 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 ~~from any lease~~ 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 in excess of the quantity produced during the year that ended December 31, 1986~~ FROM ANY WELL 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.

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

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

NEW SECTION. Section 2. 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 3. Effective dates. (1) Section 1 is effective July 1, 1987.~~

~~(2) Section 2 and this section are effective on passage and approval, except that rules adopted under section 2 may not be made effective prior to July 1, 1987.~~

NEW SECTION. SECTION 3. APPLICABILITY -- EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON PASSAGE AND APPROVAL AND APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO PRODUCTION OF NATURAL GAS, PETROLEUM, OR OTHER CRUDE OR MINERAL OIL FROM ANY WELL AFTER DECEMBER 31, 1986.

-End-

-2-

SB 66

REFERENCE BILL

