

IN THE SENATE

APRIL 15, 1987

RECEIVED FROM HOUSE.

SECOND READING, AMENDMENTS
CONCURRED IN.

ON MOTION, RULES SUSPENDED TO PLACE
BILL ON THIRD READING THIS DAY.

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

APRIL 17, 1987

ENROLLING REPORT.

SIGNED BY PRESIDENT.

IN THE HOUSE

APRIL 20, 1987

SIGNED BY SPEAKER.

IN THE SENATE

APRIL 20, 1987

DELIVERED TO GOVERNOR.

APRIL 22, 1987

RETURNED FROM GOVERNOR WITH
RECOMMENDED AMENDMENTS.

IN THE HOUSE

APRIL 22, 1987

SECOND READING, GOVERNOR'S RECOM-
MENDED AMENDMENTS CONCURRED IN.

THIRD READING, GOVERNOR'S RECOM-
MENDED AMENDMENTS CONCURRED IN.

IN THE SENATE

APRIL 23, 1987

ON MOTION, GOVERNOR'S RECOM-
MENDED AMENDMENTS PLACED ON
SECOND READING THIS DAY.

SECOND READING, GOVERNOR'S RECOM-
MENDED AMENDMENTS CONCURRED IN.

APRIL 23, 1987

THIRD READING, GOVERNOR'S RECOM-
MENDED AMENDMENTS CONCURRED IN.

SENT TO ENROLLING.

1 *Amended* BILL NO. *383*
 2 INTRODUCED BY *Sen. Robert McCallum*
 3 *Sen. Dacomette* *Sen. Juana Gilbert* *Sen. Kinosh*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "INTERIM
 5 PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; REVISING THE
 6 DEFINITION OF "NEW PRODUCTION" OF PETROLEUM, OIL, AND
 7 NATURAL GAS; EXTENDING THE UNIFORM RATE OF NET PROCEEDS
 8 TAXATION TO INTERIM PRODUCTION AND REDEFINED NEW PRODUCTION;
 9 PROVIDING FOR THE EXEMPTION FROM NET PROCEEDS TAXES FOR 24
 10 MONTHS FOR NEW PRODUCTION FROM NATURAL GAS, PETROLEUM, AND
 11 OIL WELLS; PROVIDING FOR PRORATING OF DEDUCTIONS TO
 12 DETERMINE NET PROCEEDS; PROVIDING FOR QUARTERLY PAYMENT OF
 13 INTERIM PRODUCTION AND NEW PRODUCTION NET PROCEEDS TAXES;
 14 REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES
 15 TO COUNTY CLASSIFICATION; AMENDING SECTIONS 7-1-2111,
 16 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327,
 17 15-6-208, 15-16-102, 15-16-121, 15-23-601 THROUGH 15-23-605,
 18 15-23-607, 15-23-612, 15-23-613, 20-9-141, 20-9-331,
 19 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA; AND
 20 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 21 APPLICABILITY DATE."
 22
 23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 24 Section 1. Section 7-1-2111, MCA, is amended to read:
 25 "7-1-2111. Classification of counties. (1) For the

1 purpose of regulating the compensation and salaries of all
 2 county officers, not otherwise provided for, and for fixing
 3 the penalties of officers' bonds, the several counties of
 4 this state shall be classified according to that percentage
 5 of the true and full valuation of the property therein upon
 6 which the tax levy is made, as follows:
 7 (a) first class--all counties having such a taxable
 8 valuation of \$50 million or over;
 9 (b) second class--all counties having such a taxable
 10 valuation of more than \$30 million and less than \$50
 11 million;
 12 (c) third class--all counties having such a taxable
 13 valuation of more than \$20 million and less than \$30
 14 million;
 15 (d) fourth class--all counties having such a taxable
 16 valuation of more than \$15 million and less than \$20
 17 million;
 18 (e) fifth class--all counties having such a taxable
 19 valuation of more than \$10 million and less than \$15
 20 million;
 21 (f) sixth class--all counties having such a taxable
 22 valuation of more than \$5 million and less than \$10 million;
 23 (g) seventh class--all counties having such a taxable
 24 valuation of less than \$5 million.
 25 (2) As used in this section, taxable valuation means



1 the taxable value of taxable property in the county as of
2 the time of determination plus:

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

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

11 (c) the amount of value represented by new production
12 exempted from tax as provided in 15-23-612."

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

14 "7-7-2101. Limitation on amount of county
15 indebtedness. (1) No county may become indebted in any
16 manner or for any purpose to an amount, including existing
17 indebtedness, in the aggregate exceeding 23% of the total of
18 the taxable value of the property therein subject to
19 taxation, plus the amount of interim production and new
20 production taxes levied divided by the appropriate tax rates
21 described in 15-23-607(2)(a) or (2)(b) and multiplied by
22 60%, plus the amount of value represented by new production
23 exempted from tax as provided in 15-23-612, as ascertained
24 by the last assessment for state and county taxes previous
25 to the incurring of such indebtedness.

1 (2) No county may incur indebtedness or liability for
2 any single purpose to an amount exceeding \$500,000 without
3 the approval of a majority of the electors thereof voting at
4 an election to be provided by law, except as provided in
5 7-21-3413 and 7-21-3414.

6 (3) Nothing in this section shall apply to the
7 acquisition of conservation easements as set forth in Title
8 76, chapter 6."

9 Section 3. Section 7-7-2203, MCA, is amended to read:

10 "7-7-2203. Limitation on amount of bonded
11 indebtedness. (1) Except as provided in subsections (2)
12 through (4), no county may issue general obligation bonds
13 for any purpose which, with all outstanding bonds and
14 warrants except county high school bonds and emergency
15 bonds, will exceed 11.25% of the total of the taxable value
16 of the property therein, plus the amount of interim
17 production and new production taxes levied divided by the
18 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)
19 and multiplied by 60%, plus the amount of value represented
20 by new production exempted from tax as provided in
21 15-23-612, to be ascertained by the last assessment for
22 state and county taxes prior to the proposed issuance of
23 bonds.

24 (2) In addition to the bonds allowed by subsection
25 (1), a county may issue bonds which, with all outstanding

1 bonds and warrants, will not exceed 27.75% of the total of
 2 the taxable value of the property in the county subject to
 3 taxation, plus the amount of interim production and new
 4 production taxes levied divided by the appropriate tax rates
 5 described in 15-23-607(2)(a) or (2)(b) and multiplied by
 6 60%, plus the amount of value represented by new production
 7 exempted from tax as provided in 15-23-612, when necessary
 8 to do so, for the purpose of acquiring land for a site for
 9 county high school buildings and for erecting or acquiring
 10 buildings thereon and furnishing and equipping the same for
 11 county high school purposes.

12 (3) In addition to the bonds allowed by subsections
 13 (1) and (2), a county may issue bonds for the construction
 14 or improvement of a jail which will not exceed 12.5% of the
 15 taxable value of the property in the county subject to
 16 taxation.

17 (4) The limitation in subsection (1) shall not apply
 18 to refunding bonds issued for the purpose of paying or
 19 retiring county bonds lawfully issued prior to January 1,
 20 1932."

21 Section 4. Section 7-14-2524, MCA, is amended to read:

22 "7-14-2524. Limitation on amount of bonds issued --
 23 excess void. (1) Except as otherwise provided hereafter and
 24 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
 25 with all outstanding bonds and warrants except county high

1 school bonds and emergency bonds, will exceed 11.25% of the
 2 total of the taxable value of the property therein, plus the
 3 amount of interim production and new production taxes levied
 4 divided by the appropriate tax rates described in
 5 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 6 amount of value represented by new production exempted from
 7 tax as provided in 15-23-612. The taxable property and the
 8 amount of interim production and new production taxes levied
 9 shall be ascertained by the last assessment for state and
 10 county taxes prior to the issuance of such bonds.

11 (2) A county may issue bonds which, with all
 12 outstanding bonds and warrants except county high school
 13 bonds, will exceed 11.25% but will not exceed 22.5% of the
 14 total of the taxable value of such property, plus the amount
 15 of interim production and new production taxes levied
 16 divided by the appropriate tax rates described in
 17 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 18 amount of value represented by new production exempted from
 19 tax as provided in 15-23-612, when necessary for the purpose
 20 of replacing, rebuilding, or repairing county buildings,
 21 bridges, or highways which have been destroyed or damaged by
 22 an act of God, disaster, catastrophe, or accident.

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

1 taxable value of the property within the county, plus the
 2 amount of interim production and new production taxes levied
 3 divided by the appropriate tax rates described in
 4 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 5 amount of value represented by new production exempted from
 6 tax as provided in 15-23-612, as ascertained by the last
 7 preceding general assessment."

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

9 "7-14-2525. Refunding agreements and refunding bonds
 10 authorized. (1) Whenever the total indebtedness of a county
 11 exceeds 22.5% of the total of the taxable value of the
 12 property therein, plus the amount of interim production and
 13 new production taxes levied divided by the appropriate tax
 14 rates described in 15-23-607(2)(a) or (2)(b) and multiplied
 15 by 60%, plus the amount of value represented by new
 16 production exempted from tax as provided in 15-23-612, and
 17 the board determines that the county is unable to pay such
 18 indebtedness in full, the board may:

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

23 (b) enter into such agreement;

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

25 (2) These bonds may be issued in more than one series,

1 and each series may be either amortization or serial bonds.
 2 (3) The plan agreed upon between the board and the
 3 bondholders shall be embodied in full in the resolution
 4 providing for the issue of the bonds."

5 Section 6. Section 7-16-2327, MCA, is amended to read:

6 "7-16-2327. Indebtedness for park purposes. (1)
 7 Subject to the provisions of subsection (2), a county park
 8 board, in addition to powers and duties now given under law,
 9 shall have the power and duty to contract an indebtedness in
 10 behalf of a county, upon the credit thereof, for the
 11 purposes of 7-16-321(1) and (2).

12 (2) (a) The total amount of indebtedness authorized to
 13 be contracted in any form, including the then-existing
 14 indebtedness, must not at any time exceed 13% of the total
 15 of the taxable value of the taxable property in the county,
 16 plus the amount of interim production and new production
 17 taxes levied divided by the appropriate tax rates described
 18 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 19 amount of value represented by new production exempted from
 20 tax as provided in 15-23-612, ascertained by the last
 21 assessment for state and county taxes previous to the
 22 incurring of such indebtedness.

23 (b) No money may be borrowed on bonds issued for the
 24 purchase of lands and improving same for any such purpose
 25 until the proposition has been submitted to the vote of

1 those qualified under the provisions of the state
2 constitution to vote at such election in the county affected
3 thereby and a majority vote is cast in favor thereof."

4 Section 7. Section 15-6-208, MCA, is amended to read:

5 "15-6-208. Mineral exemptions. (1) One-half of the
6 contract sales price of coal sold by a coal producer who
7 extracts less than 50,000 tons of coal in a calendar year is
8 exempt from taxation.

9 (2) Metal mines producing less than 20,000 tons of ore
10 in a taxable year shall be exempt from property taxation on
11 one-half of the merchantable value.

12 (3) New production, as defined in 15-23-601, is exempt
13 from taxation for the first 24 months of production as
14 provided in 15-23-612."

15 Section 8. Section 15-16-102, MCA, is amended to read:

16 "15-16-102. Time for payment -- penalty for
17 delinquency. All taxes levied and assessed in the state of
18 Montana, except assessments made for special improvements in
19 cities and towns payable under 15-16-103 and assessments
20 made on interim production and new production as provided in
21 Title 15, chapter 23, part 6, and payable under 15-16-121,
22 shall be payable as follows:

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

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

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

12 Section 9. Section 15-16-121, MCA, is amended to read:

13 "15-16-121. Payment of interim production and new
14 production taxes. (1) Taxes levied and assessed on interim
15 production or new production under the provisions of Title
16 15, chapter 23, part 6, must be paid to the county treasurer
17 in quarterly installments. The payments must be made on or
18 before 5 p.m. on the last day of the months of November,
19 February, May, and August.

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

24 (3) All such delinquent taxes must draw interest at
25 the rate payable on delinquencies under 15-23-115.

1 (4) There must also be added to the delinquent taxes a
2 penalty at the same rate as provided for delinquencies under
3 15-23-104."

4 Section 10. Section 15-23-601, MCA, is amended to
5 read:

6 "15-23-601. Definitions. As used in this part, the
7 following definitions apply:

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

12 (2) (a) "Interim production" means the production of
13 natural gas, petroleum, or other crude or mineral oil from
14 any well that:

15 (i) had not produced natural gas, petroleum, or other
16 crude or mineral oil during the 5 years immediately
17 preceding the first month of interim production; and

18 (ii) began interim production after June 30, 1985, and
19 before January 1, 1987.

20 (b) Interim production, when used in connection with a
21 pooled or unitized area, is treated as follows:

22 (i) if a lease contains land that is partly within and
23 partly outside of a pooled or unitized area, the land that
24 is outside of the pooled or unitized area must be considered
25 a separate lease; and

1 (ii) a pooled or unitized area must be considered a
2 separate lease.

3 ~~(2)~~(3) (a) The term "new production" means the
4 production of natural gas, petroleum, or other crude or
5 mineral oil from any lease well:

6 (i) that has not produced natural gas, petroleum, or
7 other crude or mineral oil during the 5 years immediately
8 preceding the first month of qualified new production; and

9 (ii) on which the notification required in 15-36-121(2)
10 was given.

11 (b) New production, when used in connection with a
12 pooled or unitized area, is treated as follows:

13 (i) if a lease contains land that is partly within and
14 partly outside of a pooled or unitized area, the land that
15 is outside of the pooled or unitized area must be considered
16 a separate lease; and

17 (ii) a pooled or unitized area must be considered a
18 separate lease.

19 ~~(3)~~(4) The terms "operator" and "producer" mean any
20 person who engages in the business of drilling for,
21 extracting, or producing any natural gas, petroleum, or
22 other crude or mineral oil.

23 ~~(4)~~(5) The term "well" includes each single well or
24 group of wells, including dry wells, in one field or
25 production unit and under the control of one operator or

1 producer."

2 Section 11. Section 15-23-602, MCA, is amended to
3 read:

4 "15-23-602. Statement of sales proceeds. (1) Except as
5 provided in subsection (2), each operator or producer of
6 natural gas, petroleum, or other crude or mineral oil must
7 on or before April 15 in each year make out and deliver to
8 the department of revenue a statement of the gross sales
9 proceeds of such natural gas, petroleum, or other crude or
10 mineral oil from each well owned or worked by such person
11 during the next preceding calendar year. The gross sales
12 proceeds shall be determined by multiplying the units of
13 production sold from the well times the royalty unit value
14 of that production at the well. Such statement shall be in
15 the form prescribed by the department and must be verified
16 by the oath of the operator or producer or the manager,
17 superintendent, agent, president, or vice-president of such
18 corporation, association, or partnership. Such statement
19 shall show the following:

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

1 by the statement;

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

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

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

10 (e) except for interim production and new production
11 as defined in 15-23-601:

12 (i) actual cost of extracting product from well;

13 (ii) cost of construction, repairs, and betterments;

14 (iii) actual cost of fire insurance and workers'
15 compensation insurance;

16 (iv) the amount paid or withheld in satisfaction of
17 liability for excise taxes imposed by the U.S. government on
18 the production, sale, or removal of the natural gas,
19 petroleum, or other crude or mineral oil reported pursuant
20 to subsection (1)(c), including a separate statement of the
21 amount of such taxes paid or withheld from each royalty
22 owner.

23 (2) Each operator having interim production or new
24 production as defined in 15-23-601 shall, on or before the
25 last day of the months of October, January, April, and July,

1 make out and deliver to the department of revenue a
 2 statement of the gross sales proceeds of such interim
 3 production or new production from each well owned or worked
 4 by such person during the preceding calendar quarter. The
 5 statement must be in the form prescribed by the department
 6 and verified as provided in subsection (1). The statement
 7 shall show the information required in subsections (1)(a)
 8 through (1)(d)."

9 Section 12. Section 15-23-603, MCA, is amended to
 10 read:

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

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

1 (b) all money expended for necessary labor and
 2 machinery needed and used in the operation and development;

3 (c) except as provided in subsection ~~(4)~~ (5), all
 4 money expended for necessary supplies needed and used in the
 5 operation and development;

6 (d) all money expended for improvements, repairs, and
 7 betterments necessary in and about the working of the well;

8 (e) that portion of all money, including costs of
 9 insurance, expended for the acquisition and operation of any
 10 vehicle used in the operation and development of the well
 11 which bears the same ratio to all money expended for the
 12 acquisition and use of the vehicle during the year covered
 13 by the statement as the number of miles the vehicle is used
 14 in operation and development of the well during the year
 15 covered by the statement bears to the total miles the
 16 vehicle is used during the year covered by the statement;

17 (f) all money expended for fire insurance, workers'
 18 compensation insurance, liability insurance, and casualty
 19 insurance directly attributable to the operation and
 20 development of the well and for payments by operators to
 21 welfare and retirement funds when provided for in wage
 22 contracts between operators and employees;

23 (g) all money expended for any performance or
 24 indemnity bonds required by the laws of this state or the
 25 rules of any state agency, with respect to the well for

1 which the net proceeds are being calculated; and

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

8 (i) net proceeds determined under subsection (3).

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

16 (3) For interim production or new production, net
17 proceeds are the equivalent of the gross sales proceeds,
18 without deduction for excise taxes, of the product yielded
19 from such well for the year covered by the statement, except
20 that in computing the total number of barrels of petroleum
21 and other mineral or crude oil or cubic feet of natural gas
22 produced, there shall be deducted therefrom so much thereof
23 as is used in the operation of the well from which the
24 petroleum or other mineral or crude oil or natural gas is
25 produced for pumping the petroleum or other mineral or crude

1 oil or natural gas from the well to a tank or pipeline.

2 (4) To determine net proceeds under subsection (1) for
3 lease or unitized areas from which interim or new production
4 and other production have been sold, the deductions allowed
5 in subsections (1)(b) through (1)(h) must be prorated on the
6 basis of the number of barrels of interim and new production
7 of oil or cubic feet of interim or new production of gas to
8 the number of barrels of other production of oil or cubic
9 feet of other production of gas.

10 ~~(4)~~(5) In calculating the deduction for money expended
11 for necessary chemical supplies needed and used in a
12 tertiary recovery project approved by the department of
13 revenue, as provided in 15-36-101, the department shall
14 require that the necessary chemical supplies, which include
15 but are not limited to carbon dioxide supplies, be amortized
16 over a 10-year period beginning with the year in which the
17 money was expended."

18 Section 13. Section 15-23-604, MCA, is amended to
19 read:

20 "15-23-604. Deduction of drilling costs and capital
21 expenditures. (1) Unless an operator or producer proceeds
22 under subsection (2), the department of revenue in computing
23 the deductions allowable for cost of drilling wells
24 completed during the period and for other capital
25 expenditures shall allow 10% of such cost each year for a

1 period of 10 years beginning:

2 (a) ~~after the 3-year exemption period allowed in~~
3 ~~15-36-121 for qualified natural gas wells;~~

4 (b)(a) with the year natural gas from a nonqualified
5 natural gas well is first placed into a natural gas
6 distribution system; or

7 (c)(b) with the year the pumping unit is installed on
8 a crude oil well or the well flows.

9 (2) The operator or producer may elect to amortize the
10 cost over a period of 2 years if the well is less than 3,000
11 feet deep.

12 (3) The deduction of the costs in subsection (1) is
13 not allowed on wells that are producing interim production
14 or new production, as defined in 15-23-601, and may not be
15 prorated on wells that are not producing interim production
16 or new production when a lease or unitized area has both
17 interim or new production and other production."

18 Section 14. Section 15-23-605, MCA, is amended to
19 read:

20 "15-23-605. Assessment of royalties. (1) The amount of
21 royalty received, valued as provided in 15-23-603(1)(a),
22 less 70% of the amount of excise taxes paid by or withheld
23 from the royalty owner as reported pursuant to 15-23-602(8),
24 shall be considered net proceeds to the recipient and shall
25 be assessed as follows: upon receipt of the lists or

1 schedules setting forth the names and addresses of any and
2 all persons owning or claiming royalty and the amount paid
3 or yielded as royalty to such royalty owners or claimants
4 during the year for which such return is made, the
5 department of revenue shall proceed to assess and tax the
6 same as net proceeds of mines.

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

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

12 "15-23-607. County assessors to compute taxes. (1)
13 Immediately after the board of county commissioners has
14 fixed tax levies on the second Monday in August, the county
15 assessor shall compute the taxes on such net proceeds,
16 except as provided in ~~15-36-121~~ 15-23-612 and in subsection
17 (2), and royalty assessments and shall deliver the book to
18 the county treasurer on or before September 15. The county
19 treasurer shall proceed to give full notice thereof to such
20 operator and to collect the same in manner provided by law.

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

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

4 (b) for interim production or new production of
5 natural gas, 12% of net proceeds, as described in
6 15-23-603(3).

7 (3) The amount of tax levied in subsections (2)(a) and
8 (2)(b), divided by the appropriate tax rate and multiplied
9 by 60%, shall be treated as taxable value for county bonding
10 purposes.

11 (4) The operator or producer shall be liable for the
12 payment of said taxes and same shall, except as provided in
13 15-16-121, be payable by and shall be collected from such
14 operators in the same manner and under the same penalties as
15 provided for the collection of taxes upon net proceeds of
16 mines; provided, however, that the operator may at his
17 option withhold from the proceeds of royalty interest,
18 either in kind or in money, an estimated amount of the tax
19 to be paid by him upon such royalty or royalty interest.
20 After such withholding any deviation between the estimated
21 tax and the actual tax may be accounted for by adjusting
22 subsequent withholdings from the proceeds of royalty
23 interests."

24 Section 16. Section 15-23-612, MCA, is amended to
25 read:

1 "15-23-612. Certain natural gas, petroleum, or other
2 crude or mineral oil exempt. (1) Natural-gas-produced-as
3 provided-in-15-36-121(2)-is-exempt--from--one-half--the--net
4 proceeds--tax--imposed-by-this-part-for-3-years-beginning-as
5 provided-in-15-36-121(3)-if-the-requirements-of-15-36-121(2)
6 are-met. New production, as defined in 15-23-601, is exempt
7 from the net proceeds tax imposed by this part for the first
8 24 months following the last day of the calendar month
9 immediately preceding the month in which:

10 (a) natural gas is placed into a natural gas
11 distribution system; or

12 (b) production for sale from a crude oil or mineral
13 oil well is pumped or flows.

14 (2) After the expiration of the 24-month exemption
15 period provided in subsection (1), new production of natural
16 gas, petroleum, or other crude or mineral oil is subject to
17 net proceeds tax imposed by this part.

18 (2)(3) Notwithstanding the provisions of subsection
19 subsections (1) and (2), all reporting requirements under
20 the net proceeds tax remain in effect."

21 Section 17. Section 15-23-613, MCA, is amended to
22 read:

23 "15-23-613. Disposition of taxes--in--lieu--of--net
24 proceeds interim production and new production taxes. The
25 county treasurer shall credit all taxes on interim

1 production and new oil-or-gas production, as provided for in
 2 15-23-607, in the relative proportions required by the
 3 levies for state, county, school district, and municipal
 4 purposes in the same manner as property taxes were
 5 distributed in the year preceding the budget year."

6 NEW SECTION. Section 18. Allocation of new
 7 production. (1) If a lease has production that does not
 8 qualify for new or interim production and a producing well
 9 is completed on the lease after December 31, 1986, the
 10 allocation of the new production must be based on the
 11 average daily production per well. The average daily
 12 production per well must be determined by dividing the total
 13 production for the quarter by the number of well production
 14 days for the quarter.

15 (2) The number of well production days for the quarter
 16 is the sum of the number of completed wells on the first day
 17 of the quarter times the number of days in the quarter plus
 18 the number of days from the date of completion of any wells
 19 during the quarter to the end of the quarter. New production
 20 for the quarter must then be calculated by multiplying the
 21 average daily production per well times the number of wells
 22 completed after December 31, 1986, times the number of
 23 production days attributed to those wells for the quarter.
 24 The value of the production must be based on the average
 25 price received for the production for the quarter.

1 (3) Average daily production, well production days,
 2 and average price must be calculated each quarter.

3 Section 19. Section 20-9-141, MCA, is amended to read:
 4 "20-9-141. Computation of general fund net levy
 5 requirement by county superintendent. (1) The county
 6 superintendent shall compute the levy requirement for each
 7 district's general fund on the basis of the following
 8 procedure:

9 (a) Determine the total of the funding required for
 10 the district's final general fund budget less the amount
 11 established by the schedules in 20-9-316 through 20-9-321 by
 12 totaling:

13 (i) the district's nonisolated school foundation
 14 program requirement to be met by a district levy as provided
 15 in 20-9-303;

16 (ii) the district's permissive levy amount as provided
 17 in 20-9-352; and

18 (iii) any general fund budget amount adopted by the
 19 trustees of the district under the provisions of 20-9-353,
 20 including any additional levies authorized by the electors
 21 of the district.

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

25 (i) anticipated federal moneys received under the

1 provisions of Title I of Public Law 81-874 or other
2 anticipated federal moneys received in lieu of such federal
3 act;

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

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

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

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

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

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

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

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

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

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

8 Section 20. Section 20-9-331, MCA, is amended to read:

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

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

1 programs of all elementary districts of the county.

2 (b) If the basic levy prescribed by this section
3 produces more revenue than is required to finance the
4 difference determined above, the county treasurer shall
5 remit the surplus funds to the state treasurer for deposit
6 to the state special revenue fund, state equalization aid
7 account, immediately upon occurrence of a surplus balance
8 and each subsequent month thereafter, with any final
9 remittance due no later than June 20 of the fiscal year for
10 which the levy has been set.

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

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

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

25 (c) all money paid into the county treasury as a

1 result of fines for violations of law and the use of which
2 is not otherwise specified by law;

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

7 (e) any federal or state money, including anticipated
8 or reappropriated motor vehicle fees and reimbursement under
9 the provisions of 61-3-532 and 61-3-536, distributed to the
10 county as payment in lieu of the property taxation
11 established by the county levy required by this section; and
12 (f) net proceeds taxes for interim production and new
13 production, as defined in 15-23-601."

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

1 following manner:

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

8 (b) If the basic levy prescribed by this section
9 produces more revenue than is required to finance the
10 difference determined above, the county treasurer shall
11 remit the surplus to the state treasurer for deposit to the
12 state special revenue fund, state equalization aid account,
13 immediately upon occurrence of a surplus balance and each
14 subsequent month thereafter, with any final remittance due
15 no later than June 20 of the fiscal year for which the levy
16 has been set.

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

24 (a) any money remaining at the end of the immediately
25 preceding school fiscal year in the county treasurer's

1 accounts for the various sources of revenue established in
2 this section;

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

8 (c) net proceeds taxes for interim production and new
9 production, as defined in 15-23-601."

10 Section 22. Section 20-9-352, MCA, is amended to read:

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

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

3 (a) For each elementary school district, the county
4 commissioners shall annually set a levy not exceeding 6
5 mills on all the taxable property in the district for the
6 purpose of funding the permissive amount of the district.
7 The permissive levy in mills shall be obtained by
8 multiplying the ratio of the permissive amount to the
9 maximum permissive amount by 6 or by using the number of
10 mills which would fund the permissive amount, whichever is
11 less. If the amount of revenue raised by this levy, plus
12 anticipated or reappropriated motor vehicle fees and
13 reimbursement under the provisions of 61-3-532 and 61-3-536,
14 is not sufficient to fund the permissive amount in full, the
15 amount of the deficiency shall be paid to the district from
16 the state special revenue fund according to the provisions
17 of subsections (3) and (4) of this section.

18 (b) For each high school district, the county
19 commissioners shall annually set a levy not exceeding 4
20 mills on all taxable property in the district for the
21 purpose of funding the permissive amount of the district.
22 The permissive levy in mills shall be obtained by
23 multiplying the ratio of the permissive levy to the maximum
24 permissive amount by 4 or by using the number of mills which
25 would fund the permissive amount, whichever is less. If the

1 amount of revenue raised by this levy, plus anticipated
2 motor vehicle fees and reimbursement under the provisions of
3 61-3-532 and 61-3-536, and plus net proceeds taxes for
4 interim production and new production, as defined in
5 15-23-601, is not sufficient to fund the permissive amount
6 in full, the amount of the deficiency shall be paid to the
7 district from the state special revenue fund according to
8 the provisions of subsections (3) and (4) of this section.

9 (3) The superintendent of public instruction shall, if
10 the appropriation by the legislature for the permissive
11 account for the biennium is insufficient, request the budget
12 director to submit a request for a supplemental
13 appropriation in the second year of the biennium. The
14 supplemental appropriation shall provide enough revenue to
15 fund the permissive deficiency of the elementary and high
16 school districts of the state. The proceeds of this
17 appropriation shall be deposited to the state special
18 revenue fund, permissive account, and shall be distributed
19 to the elementary and high school districts in accordance
20 with their entitlements as determined by the superintendent
21 of public instruction according to the provisions of
22 subsections (1) and (2) of this section.

23 (4) Distribution under this section from the state
24 special revenue fund shall be made in two payments. The
25 first payment shall be made at the same time as the first

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

13 Section 23. Section 20-9-501, MCA, is amended to read:

14 "20-9-501. Retirement fund. (1) The trustees of any
 15 district employing personnel who are members of the
 16 teachers' retirement system or the public employees'
 17 retirement system or who are covered by unemployment
 18 insurance or who are covered by any federal social security
 19 system requiring employer contributions shall establish a
 20 retirement fund for the purposes of budgeting and paying the
 21 employer's contributions to such systems. The district's
 22 contribution for each employee who is a member of the
 23 teachers' retirement system shall be calculated in
 24 accordance with Title 19, chapter 4, part 6. The district's
 25 contribution for each employee who is a member of the public

1 employees' retirement system shall be calculated in
 2 accordance with 19-3-801. The district may levy a special
 3 tax to pay its contribution to the public employees'
 4 retirement system under the conditions prescribed in
 5 19-3-204. The district's contributions for each employee
 6 covered by any federal social security system shall be paid
 7 in accordance with federal law and regulation. The
 8 district's contribution for each employee who is covered by
 9 unemployment insurance shall be paid in accordance with
 10 Title 39, chapter 51, part 11.

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

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

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

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

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

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

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

21 (4) The county superintendent shall total the net
22 retirement fund levy requirements separately for all
23 elementary school districts, all high school districts, and
24 all community college districts of the county, including any
25 prorated joint district or special education cooperative

1 agreement levy requirements, and shall report each such levy
2 requirement to the county commissioners on the second Monday
3 of August as the respective county levy requirements for
4 elementary district, high school district, and community
5 college district retirement funds. The county commissioners
6 shall fix and set such county levy in accordance with
7 20-9-142.

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

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

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

3 Section 24. Section 20-10-144, MCA, is amended to
4 read:

5 "20-10-144. Computation of revenues and net tax levy
6 requirements for the transportation fund budget. Before the
7 fourth Monday of July and in accordance with 20-9-123, the
8 county superintendent shall compute the revenue available to
9 finance the transportation fund budget of each district. The
10 county superintendent shall compute the revenue for each
11 district on the following basis:

12 (1) The "schedule amount" of the preliminary budget
13 expenditures that is derived from the rate schedules in
14 20-10-141 and 20-10-142 shall be determined by adding the
15 following amounts:

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

24 (b) the total of all individual transportation per
25 diem reimbursement rates for such district as determined

1 from the contracts submitted by the district multiplied by
2 the number of pupil-instruction days scheduled for the
3 ensuing school attendance year; plus

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

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

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

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

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

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

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

25 (e) the county revenue requirement for a joint

1 district, after the application of any district moneys under
 2 subsection (2)(d) above, shall be prorated to each county
 3 incorporated by the joint district in the same proportion as
 4 the ANB of the joint district is distributed by pupil
 5 residence in each such county.

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

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

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

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

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

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

24 (f) net proceeds taxes for interim production and new
 25 production, as defined in 15-23-601; plus

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

4 (h) any cash available for reappropriation as
5 determined by subtracting the amount of the end-of-the-year
6 cash balance earmarked as the transportation fund cash
7 reserve for the ensuing school fiscal year by the trustees
8 from the end-of-the-year cash balance in the transportation
9 fund. Such cash reserve shall not be more than 20% of the
10 final transportation fund budget for the ensuing school
11 fiscal year and shall be for the purpose of paying
12 transportation fund warrants issued by the district under
13 the final transportation fund budget.

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

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

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

25 (5) The county levy requirement for the financing of

1 the county transportation reimbursement to high school
2 districts shall be computed by adding all such requirements
3 for all the high school districts of the county, including
4 the county's obligation for reimbursements in joint high
5 school districts.

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

14 NEW SECTION. Section 25. Extension of authority. Any
15 existing authority of the department of revenue or the board
16 of oil and gas conservation to make rules on the subject of
17 the provisions of this act is extended to the provisions of
18 this act.

19 NEW SECTION. Section 26. Codification instruction.
20 Section 18 is intended to be codified as an integral part of
21 Title 15, chapter 23, part 6, and the provisions of Title
22 15, chapter 23, part 6, apply to section 18.

23 NEW SECTION. Section 27. Coordination instructions.
24 (1) If either Senate Bill No. 262 or Senate Bill No. 66 and
25 this act are passed and approved, Senate Bill No. 262 or

1 Senate Bill No. 66 are void.

2 (2) If both this act and ___ Bill No. ___ [LC 950] are
3 not passed and approved, section 10(3)(a)(ii) is void.

4 NEW SECTION. Section 28. Effective date --
5 applicability. This act is effective on passage and approval
6 and applies retroactively, within the meaning of 1-2-109, to
7 taxable years beginning on or after January 1, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB383, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act defining "interim production" of petroleum, oil, and natural gas; revising the definition of "new production" of petroleum, oil, and natural gas; extending the uniform tax rate of net proceeds taxation to interim production and refined new production; providing an exemption from net proceeds taxes for 24 months for new production of natural gas, petroleum, and oil wells; providing for the prorating of deductions to determine net proceeds; providing for the quarterly payment of interim production and new production net proceeds taxes; revising the definition of "taxable valuation" as it applies to the county classification; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
2. New oil and gas production, as referred to in the proposed law, will remain constant at the estimated 1986 level of 518,196 bbl. for oil, and 812,495 mcf. for gas.
3. In FY88, the price of oil will be \$14.799 per bbl. and the price of gas will be \$2.046 per mcf. In FY89, the price of oil will be \$16.48 per bbl. and the price of gas will be \$2.302 per mcf (REAC).
4. The university mill levy is 6 mills; the school equalization mill levy is 45 mills; the average levy for local government purposes is 79 mills. New oil and gas production net proceeds taxes are distributed in proportion to relative mill levies.
5. The proposed law applies to new oil and gas production after January 1, 1987. It allows a net proceeds tax exemption for 24 months.
6. The proposal would affect one quarter of FY87 collections.
7. The proposal has no effect on the net proceeds taxes on current new production (interim production in the proposal).

FISCAL IMPACT:

	<u>FY88</u>			<u>FY89</u>		
<u>Revenue Impact:</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
University Levy	\$ 11,983,158	\$ 11,941,175	(\$ 41,983)	\$ 12,147,966	\$ 12,064,067	(\$ 83,899)
School Equalization	89,873,685	89,554,812	(318,873)	91,109,745	90,476,506	(633,239)
TOTAL	\$101,856,843	\$101,495,987	(\$360,856)	\$103,257,711	\$102,540,573	(\$717,138)

The impact in FY87 would be 25% of FY88 or approximately \$72,000.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposed law would result in local net proceeds revenue losses totaling approximately \$111,861 in FY87, \$559,304 in FY88, and \$1,111,192 in FY89.

David L. Hunter DATE 2/26/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

Delwyn Gage DATE _____
 DELWYN GAGE, PRIMARY SPONSOR

Fiscal Note for SB383, as introduced.

SB 383

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 383

INTRODUCED BY GAGE, KOLSTAD, MCCALLUM, GIACOMETTO,

IVERSON, GILBERT, HIRSCH

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "INTERIM PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; REVISING THE DEFINITION OF "NEW PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; EXTENDING THE UNIFORM RATE OF NET PROCEEDS TAXATION TO INTERIM PRODUCTION AND REDEFINED NEW PRODUCTION; PROVIDING FOR THE EXEMPTION FROM NET PROCEEDS TAXES FOR 24 12 MONTHS FOR NEW PRODUCTION FROM NATURAL GAS, PETROLEUM, AND OIL WELLS; PROVIDING FOR PRORATING OF DEDUCTIONS TO DETERMINE NET PROCEEDS; PROVIDING FOR QUARTERLY PAYMENT OF INTERIM PRODUCTION AND NEW PRODUCTION NET PROCEEDS TAXES; REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES TO COUNTY CLASSIFICATION; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-6-208, 15-16-102, 15-16-121, 15-23-601 THROUGH 15-23-605, 15-23-607, 15-23-612, 15-23-613, 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. 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.



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

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

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

12 (c) the amount of value represented by new production
13 exempted from tax as provided in 15-23-612."

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

15 "7-7-2101. Limitation on amount of county
16 indebtedness. (1) No county may become indebted in any
17 manner or for any purpose to an amount, including existing
18 indebtedness, in the aggregate exceeding 23% of the total of
19 the taxable value of the property therein subject to
20 taxation, plus the amount of interim production and new
21 production taxes levied divided by the appropriate tax rates
22 described in 15-23-607(2)(a) or (2)(b) and multiplied by
23 60%, plus the amount of value represented by new production
24 exempted from tax as provided in 15-23-612, as ascertained
25 by the last assessment for state and county taxes previous

1 to the incurring of such indebtedness.

2 (2) No county may incur indebtedness or liability for
3 any single purpose to an amount exceeding \$500,000 without
4 the approval of a majority of the electors thereof voting at
5 an election to be provided by law, except as provided in
6 7-21-3413 and 7-21-3414.

7 (3) Nothing in this section shall apply to the
8 acquisition of conservation easements as set forth in Title
9 76, chapter 6."

10 Section 3. Section 7-7-2203, MCA, is amended to read:

11 "7-7-2203. Limitation on amount of bonded
12 indebtedness. (1) Except as provided in subsections (2)
13 through (4), no county may issue general obligation bonds
14 for any purpose which, with all outstanding bonds and
15 warrants except county high school bonds and emergency
16 bonds, will exceed 11.25% of the total of the taxable value
17 of the property therein, plus the amount of interim
18 production and new production taxes levied divided by the
19 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)
20 and multiplied by 60%, plus the amount of value represented
21 by new production exempted from tax as provided in
22 15-23-612, to be ascertained by the last assessment for
23 state and county taxes prior to the proposed issuance of
24 bonds.

25 (2) In addition to the bonds allowed by subsection

1 (1), a county may issue bonds which, with all outstanding
 2 bonds and warrants, will not exceed 27.75% of the total of
 3 the taxable value of the property in the county subject to
 4 taxation, plus the amount of interim production and new
 5 production taxes levied divided by the appropriate tax rates
 6 described in 15-23-607(2)(a) or (2)(b) and multiplied by
 7 60%, plus the amount of value represented by new production
 8 exempted from tax as provided in 15-23-612, when necessary
 9 to do so, for the purpose of acquiring land for a site for
 10 county high school buildings and for erecting or acquiring
 11 buildings thereon and furnishing and equipping the same for
 12 county high school purposes.

13 (3) In addition to the bonds allowed by subsections
 14 (1) and (2), a county may issue bonds for the construction
 15 or improvement of a jail which will not exceed 12.5% of the
 16 taxable value of the property in the county subject to
 17 taxation.

18 (4) The limitation in subsection (1) shall not apply
 19 to refunding bonds issued for the purpose of paying or
 20 retiring county bonds lawfully issued prior to January 1,
 21 1932."

22 Section 4. Section 7-14-2524, MCA, is amended to read:

23 "7-14-2524. Limitation on amount of bonds issued --
 24 excess void. (1) Except as otherwise provided hereafter and
 25 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,

1 with all outstanding bonds and warrants except county high
 2 school bonds and emergency bonds, will exceed 11.25% of the
 3 total of the taxable value of the property therein, plus the
 4 amount of interim production and new production taxes levied
 5 divided by the appropriate tax rates described in
 6 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 7 amount of value represented by new production exempted from
 8 tax as provided in 15-23-612. The taxable property and the
 9 amount of interim production and new production taxes levied
 10 shall be ascertained by the last assessment for state and
 11 county taxes prior to the issuance of such bonds.

12 (2) A county may issue bonds which, with all
 13 outstanding bonds and warrants except county high school
 14 bonds, will exceed 11.25% but will not exceed 22.5% of the
 15 total of the taxable value of such property, plus the amount
 16 of interim production and new production taxes levied
 17 divided by the appropriate tax rates described in
 18 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 19 amount of value represented by new production exempted from
 20 tax as provided in 15-23-612, when necessary for the purpose
 21 of replacing, rebuilding, or repairing county buildings,
 22 bridges, or highways which have been destroyed or damaged by
 23 an act of God, disaster, catastrophe, or accident.

24 (3) The value of the bonds issued and all other
 25 outstanding indebtedness of the county, except county high

1 school bonds, shall not exceed 22.5% of the total of the
 2 taxable value of the property within the county, plus the
 3 amount of interim production and new production taxes levied
 4 divided by the appropriate tax rates described in
 5 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 6 amount of value represented by new production exempted from
 7 tax as provided in 15-23-612, as ascertained by the last
 8 preceding general assessment."

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

10 "7-14-2525. Refunding agreements and refunding bonds
 11 authorized. (1) Whenever the total indebtedness of a county
 12 exceeds 22.5% of the total of the taxable value of the
 13 property therein, plus the amount of interim production and
 14 new production taxes levied divided by the appropriate tax
 15 rates described in 15-23-607(2)(a) or (2)(b) and multiplied
 16 by 60%, plus the amount of value represented by new
 17 production exempted from tax as provided in 15-23-612, and
 18 the board determines that the county is unable to pay such
 19 indebtedness in full, the board may:

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

24 (b) enter into such agreement;

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

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

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

6 Section 6. Section 7-16-2327, MCA, is amended to read:

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

13 (2) (a) The total amount of indebtedness authorized to
 14 be contracted in any form, including the then-existing
 15 indebtedness, must not at any time exceed 13% of the total
 16 of the taxable value of the taxable property in the county,
 17 plus the amount of interim production and new production
 18 taxes levied divided by the appropriate tax rates described
 19 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 20 amount of value represented by new production exempted from
 21 tax as provided in 15-23-612, ascertained by the last
 22 assessment for state and county taxes previous to the
 23 incurring of such indebtedness.

24 (b) No money may be borrowed on bonds issued for the
 25 purchase of lands and improving same for any such purpose

1 until the proposition has been submitted to the vote of
 2 those qualified under the provisions of the state
 3 constitution to vote at such election in the county affected
 4 thereby and a majority vote is cast in favor thereof."

5 Section 7. Section 15-6-208, MCA, is amended to read:

6 "15-6-208. Mineral exemptions. (1) One-half of the
 7 contract sales price of coal sold by a coal producer who
 8 extracts less than 50,000 tons of coal in a calendar year is
 9 exempt from taxation.

10 (2) Metal mines producing less than 20,000 tons of ore
 11 in a taxable year shall be exempt from property taxation on
 12 one-half of the merchantable value.

13 (3) New production, as defined in 15-23-601, is exempt
 14 from taxation for the first 24 12 months of production as
 15 provided in 15-23-612."

16 Section 8. Section 15-16-102, MCA, is amended to read:

17 "15-16-102. Time for payment -- penalty for
 18 delinquency. All taxes levied and assessed in the state of
 19 Montana, except assessments made for special improvements in
 20 cities and towns payable under 15-16-103 and assessments
 21 made on interim production and new production as provided in
 22 Title 15, chapter 23, part 6, and payable under 15-16-121,
 23 shall be payable as follows:

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

1 one-half on or before 5 p.m. on May 31 of each year.

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

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

13 Section 9. Section 15-16-121, MCA, is amended to read:

14 "15-16-121. Payment of interim production and new
 15 production taxes. (1) Taxes levied and assessed on interim
 16 production or new production under the provisions of Title
 17 15, chapter 23, part 6, must be paid to the county treasurer
 18 in quarterly installments. The payments must be made on or
 19 before 5 p.m. on the last day of the months of November,
 20 February, May, and August.

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

25 (3) All such delinquent taxes must draw interest at

1 the rate payable on delinquencies under 15-23-115.

2 (4) There must also be added to the delinquent taxes a
3 penalty at the same rate as provided for delinquencies under
4 15-23-104."

5 Section 10. Section 15-23-601, MCA, is amended to
6 read:

7 "15-23-601. Definitions. As used in this part, the
8 following definitions apply:

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

13 (2) (a) "Interim production" means the production of
14 natural gas, petroleum, or other crude or mineral oil from
15 any well that:

16 (i) had not produced natural gas, petroleum, or other
17 crude or mineral oil during the 5 years immediately
18 preceding the first month of interim production; and

19 (ii) began interim production after June 30, 1985, and
20 before January 1, 1987.

21 (b) Interim production, when used in connection with a
22 pooled or unitized area, is treated as follows:

23 (i) if a lease contains land that is partly within and
24 partly outside of a pooled or unitized area, the land that
25 is outside of the pooled or unitized area must be considered

1 a separate lease; and

2 (ii) a pooled or unitized area must be considered a
3 separate lease.

4 ~~(2)(3)~~ (a) The term "new production" means the
5 production of natural gas, petroleum, or other crude or
6 mineral oil from any lease well:

7 (i) that has not produced natural gas, petroleum, or
8 other crude or mineral oil during the 5 years immediately
9 preceding the first month of qualified new production; and

10 (ii) on which the notification required in 15-36-121(2)
11 was given.

12 (b) New production, when used in connection with a
13 pooled or unitized area, is treated as follows:

14 (i) if a lease contains land that is partly within and
15 partly outside of a pooled or unitized area, the land that
16 is outside of the pooled or unitized area must be considered
17 a separate lease; and

18 (ii) a pooled or unitized area must be considered a
19 separate lease.

20 ~~(3)(4)~~ The terms "operator" and "producer" mean any
21 person who engages in the business of drilling for,
22 extracting, or producing any natural gas, petroleum, or
23 other crude or mineral oil.

24 ~~(4)(5)~~ The term "well" includes each single well or
25 group of wells, including dry wells, in one field or

1 production unit and under the control of one operator or
2 producer."

3 Section 11. Section 15-23-602, MCA, is amended to
4 read:

5 "15-23-602. Statement of sales proceeds. (1) Except as
6 provided in subsection (2), each operator or producer of
7 natural gas, petroleum, or other crude or mineral oil must
8 on or before April 15 in each year make out and deliver to
9 the department of revenue a statement of the gross sales
10 proceeds of such natural gas, petroleum, or other crude or
11 mineral oil from each well owned or worked by such person
12 during the next preceding calendar year. The gross sales
13 proceeds shall be determined by multiplying the units of
14 production sold from the well times the royalty unit value
15 of that production at the well. Such statement shall be in
16 the form prescribed by the department and must be verified
17 by the oath of the operator or producer or the manager,
18 superintendent, agent, president, or vice-president of such
19 corporation, association, or partnership. Such statement
20 shall show the following:

21 (a) the name and address of the operator, together
22 with a list in duplicate of the names and addresses of any
23 and all persons owning or claiming any royalty interest in
24 the production from the well or the proceeds derived from
25 the sale thereof, and the amount or amounts paid or yielded

1 as royalty to each of such persons during the period covered
2 by the statement;

3 (b) the description and location of the well;

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

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

11 (e) except for interim production and new production
12 as defined in 15-23-601:

13 (i) actual cost of extracting product from well;

14 (ii) cost of construction, repairs, and betterments;

15 (iii) actual cost of fire insurance and workers'
16 compensation insurance;

17 (iv) the amount paid or withheld in satisfaction of
18 liability for excise taxes imposed by the U.S. government on
19 the production, sale, or removal of the natural gas,
20 petroleum, or other crude or mineral oil reported pursuant
21 to subsection (1)(c), including a separate statement of the
22 amount of such taxes paid or withheld from each royalty
23 owner.

24 (2) Each operator having interim production or new
25 production as defined in 15-23-601 shall, on or before the

1 last day of the months of October, January, April, and July,
 2 make out and deliver to the department of revenue a
 3 statement of the gross sales proceeds of such interim
 4 production or new production from each well owned or worked
 5 by such person during the preceding calendar quarter. The
 6 statement must be in the form prescribed by the department
 7 and verified as provided in subsection (1). The statement
 8 shall show the information required in subsections (1)(a)
 9 through (1)(d)."

10 Section 12. Section 15-23-603, MCA, is amended to
 11 read:

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

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

1 royalty was paid;

2 (b) all money expended for necessary labor and
 3 machinery needed and used in the operation and development;

4 (c) except as provided in subsection ~~(4)~~ (5), all
 5 money expended for necessary supplies needed and used in the
 6 operation and development;

7 (d) all money expended for improvements, repairs, and
 8 betterments necessary in and about the working of the well;

9 (e) that portion of all money, including costs of
 10 insurance, expended for the acquisition and operation of any
 11 vehicle used in the operation and development of the well
 12 which bears the same ratio to all money expended for the
 13 acquisition and use of the vehicle during the year covered
 14 by the statement as the number of miles the vehicle is used
 15 in operation and development of the well during the year
 16 covered by the statement bears to the total miles the
 17 vehicle is used during the year covered by the statement;

18 (f) all money expended for fire insurance, workers'
 19 compensation insurance, liability insurance, and casualty
 20 insurance directly attributable to the operation and
 21 development of the well and for payments by operators to
 22 welfare and retirement funds when provided for in wage
 23 contracts between operators and employees;

24 (g) all money expended for any performance or
 25 indemnity bonds required by the laws of this state or the

1 rules of any state agency, with respect to the well for
2 which the net proceeds are being calculated; and

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

9 (i) net proceeds determined under subsection (3).

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

17 (3) For interim production or new production, net
18 proceeds are the equivalent of the gross sales proceeds,
19 without deduction for excise taxes, of the product yielded
20 from such well for the year covered by the statement, except
21 that in computing the total number of barrels of petroleum
22 and other mineral or crude oil or cubic feet of natural gas
23 produced, there shall be deducted therefrom so much thereof
24 as is used in the operation of the well from which the
25 petroleum or other mineral or crude oil or natural gas is

1 produced for pumping the petroleum or other mineral or crude
2 oil or natural gas from the well to a tank or pipeline.

3 (4) To determine net proceeds under subsection (1) for
4 lease or unitized areas from which interim or new production
5 and other production have been sold, the deductions allowed
6 in subsections (1)(b) through (1)(h) must be prorated on the
7 basis of the number of barrels of interim and new production
8 of oil or cubic feet of interim or new production of gas to
9 the number of barrels of other production of oil or cubic
10 feet of other production of gas.

11 ~~(4)~~(5) In calculating the deduction for money expended
12 for necessary chemical supplies needed and used in a
13 tertiary recovery project approved by the department of
14 revenue, as provided in 15-36-101, the department shall
15 require that the necessary chemical supplies, which include
16 but are not limited to carbon dioxide supplies, be amortized
17 over a 10-year period beginning with the year in which the
18 money was expended."

19 Section 13. Section 15-23-604, MCA, is amended to
20 read:

21 "15-23-604. Deduction of drilling costs and capital
22 expenditures. (1) Unless an operator or producer proceeds
23 under subsection (2), the department of revenue in computing
24 the deductions allowable for cost of drilling wells
25 completed during the period and for other capital

1 expenditures shall allow 10% of such cost each year for a
2 period of 10 years beginning:

3 ~~(a) after the 3-year exemption period allowed in~~
4 ~~15-36-121 for qualified natural gas wells;~~

5 ~~(b)(a)~~ with the year natural gas from a nonqualified
6 natural gas well is first placed into a natural gas
7 distribution system; or

8 ~~(c)(b)~~ with the year the pumping unit is installed on
9 a crude oil well or the well flows.

10 (2) The operator or producer may elect to amortize the
11 cost over a period of 2 years if the well is less than 3,000
12 feet deep.

13 (3) The deduction of the costs in subsection (1) is
14 not allowed on wells that are producing interim production
15 or new production, as defined in 15-23-601, and may not be
16 prorated on wells that are not producing interim production
17 or new production when a lease or unitized area has both
18 interim or new production and other production."

19 Section 14. Section 15-23-605, MCA, is amended to
20 read:

21 "15-23-605. Assessment of royalties. (1) The amount of
22 royalty received, valued as provided in 15-23-603(1)(a),
23 less 70% of the amount of excise taxes paid by or withheld
24 from the royalty owner as reported pursuant to 15-23-602(8),
25 shall be considered net proceeds to the recipient and shall

1 be assessed as follows: upon receipt of the lists or
2 schedules setting forth the names and addresses of any and
3 all persons owning or claiming royalty and the amount paid
4 or yielded as royalty to such royalty owners or claimants
5 during the year for which such return is made, the
6 department of revenue shall proceed to assess and tax the
7 same as net proceeds of mines.

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

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

13 "15-23-607. County assessors to compute taxes. (1)
14 Immediately after the board of county commissioners has
15 fixed tax levies on the second Monday in August, the county
16 assessor shall compute the taxes on such net proceeds,
17 except as provided in ~~15-36-121~~ 15-23-612 and in subsection
18 (2), and royalty assessments and shall deliver the book to
19 the county treasurer on or before September 15. The county
20 treasurer shall proceed to give full notice thereof to such
21 operator and to collect the same in manner provided by law.

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

1 as follows:

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

5 (b) for interim production or new production of
6 natural gas, 12% of net proceeds, as described in
7 15-23-603(3).

8 (3) The amount of tax levied in subsections (2)(a) and
9 (2)(b), divided by the appropriate tax rate and multiplied
10 by 60%, shall be treated as taxable value for county bonding
11 purposes.

12 (4) The operator or producer shall be liable for the
13 payment of said taxes and same shall, except as provided in
14 15-16-121, be payable by and shall be collected from such
15 operators in the same manner and under the same penalties as
16 provided for the collection of taxes upon net proceeds of
17 mines; provided, however, that the operator may at his
18 option withhold from the proceeds of royalty interest,
19 either in kind or in money, an estimated amount of the tax
20 to be paid by him upon such royalty or royalty interest.
21 After such withholding any deviation between the estimated
22 tax and the actual tax may be accounted for by adjusting
23 subsequent withholdings from the proceeds of royalty
24 interests."

25 Section 16. Section 15-23-612, MCA, is amended to

1 read:

2 "15-23-612. Certain natural gas, petroleum, or other
3 crude or mineral oil exempt. (1) Natural-gas-produced-as
4 provided-in-15-36-121(2)-is-exempt--from--one-half--the--net
5 proceeds--tax--imposed-by-this-part-for-3-years-beginning-as
6 provided-in-15-36-121(3)-if-the-requirements-of-15-36-121(2)
7 are-met. New production, as defined in 15-23-601, is exempt
8 from the net proceeds tax imposed by this part for the first
9 24 12 months following the last day of the calendar month
10 immediately preceding the month in which:

11 (a) natural gas is placed into a natural gas
12 distribution system; or

13 (b) production for sale from a crude oil or mineral
14 oil well is pumped or flows.

15 (2) After the expiration of the 24-month 12-MONTH
16 exemption period provided in subsection (1), new production
17 of natural gas, petroleum, or other crude or mineral oil is
18 subject to net proceeds tax imposed by this part.

19 (2)(3) Notwithstanding the provisions of subsection
20 subsections (1) and (2), all reporting requirements under
21 the net proceeds tax remain in effect."

22 Section 17. Section 15-23-613, MCA, is amended to
23 read:

24 "15-23-613. Disposition of taxes--in--lieu--of--net
25 proceeds interim production and new production taxes. The

1 county treasurer shall credit all taxes on interim
 2 production and new oil-or-gas production, as provided for in
 3 15-23-607, in the relative proportions required by the
 4 levies for state, county, school district, and municipal
 5 purposes in the same manner as property taxes were
 6 distributed in the year preceding the budget year."

7 NEW SECTION. Section 18. Allocation of new
 8 production. (1) If a lease has production that does not
 9 qualify for new or interim production and a producing well
 10 is completed on the lease after December 31, 1986, the
 11 allocation of the new production must be based on the
 12 average daily production per well. The average daily
 13 production per well must be determined by dividing the total
 14 production for the quarter by the number of well production
 15 days for the quarter.

16 (2) The number of well production days for the quarter
 17 is the sum of the number of completed wells on the first day
 18 of the quarter times the number of days in the quarter plus
 19 the number of days from the date of completion of any wells
 20 during the quarter to the end of the quarter. New production
 21 for the quarter must then be calculated by multiplying the
 22 average daily production per well times the number of wells
 23 completed after December 31, 1986, times the number of
 24 production days attributed to those wells for the quarter.
 25 The value of the production must be based on the average

1 price received for the production for the quarter.

2 (3) Average daily production, well production days,
 3 and average price must be calculated each quarter.

4 Section 19. Section 20-9-141, MCA, is amended to read:
 5 "20-9-141. Computation of general fund net levy
 6 requirement by county superintendent. (1) The county
 7 superintendent shall compute the levy requirement for each
 8 district's general fund on the basis of the following
 9 procedure:

10 (a) Determine the total of the funding required for
 11 the district's final general fund budget less the amount
 12 established by the schedules in 20-9-316 through 20-9-321 by
 13 totaling:

14 (i) the district's nonisolated school foundation
 15 program requirement to be met by a district levy as provided
 16 in 20-9-303;

17 (ii) the district's permissive levy amount as provided
 18 in 20-9-352; and

19 (iii) any general fund budget amount adopted by the
 20 trustees of the district under the provisions of 20-9-353,
 21 including any additional levies authorized by the electors
 22 of the district.

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

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

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

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

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

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

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

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

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

24 (c) Subtract the total of the moneys available to
25 reduce the property tax required to finance the general fund

1 that has been determined in subsection (1)(b) from the total
2 requirement determined in subsection (1)(a).

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

9 Section 20. Section 20-9-331, MCA, is amended to read:

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

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

1 transportation obligation and the total of the foundation
2 programs of all elementary districts of the county.

3 (b) If the basic levy prescribed by this section
4 produces more revenue than is required to finance the
5 difference determined above, the county treasurer shall
6 remit the surplus funds to the state treasurer for deposit
7 to the state special revenue fund, state equalization aid
8 account, immediately upon occurrence of a surplus balance
9 and each subsequent month thereafter, with any final
10 remittance due no later than June 20 of the fiscal year for
11 which the levy has been set.

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

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

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

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

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

8 (e) any federal or state money, including anticipated
9 or reappropriated motor vehicle fees and reimbursement under
10 the provisions of 61-3-532 and 61-3-536, distributed to the
11 county as payment in lieu of the property taxation
12 established by the county levy required by this section; and
13 (f) net proceeds taxes for interim production and new
14 production, as defined in 15-23-601."

15 Section 21. Section 20-9-333, MCA, is amended to read:

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

1 revenue fund, state equalization aid account, in the
2 following manner:

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

9 (b) If the basic levy prescribed by this section
10 produces more revenue than is required to finance the
11 difference determined above, the county treasurer shall
12 remit the surplus to the state treasurer for deposit to the
13 state special revenue fund, state equalization aid account,
14 immediately upon occurrence of a surplus balance and each
15 subsequent month thereafter, with any final remittance due
16 no later than June 20 of the fiscal year for which the levy
17 has been set.

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

25 (a) any money remaining at the end of the immediately

1 preceding school fiscal year in the county treasurer's
2 accounts for the various sources of revenue established in
3 this section;

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

9 (c) net proceeds taxes for interim production and new
10 production, as defined in 15-23-601."

11 Section 22. Section 20-9-352, MCA, is amended to read:

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

1 the state special revenue fund, permissive account.

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

4 (a) For each elementary school district, the county
5 commissioners shall annually set a levy not exceeding 6
6 mills on all the taxable property in the district for the
7 purpose of funding the permissive amount of the district.
8 The permissive levy in mills shall be obtained by
9 multiplying the ratio of the permissive amount to the
10 maximum permissive amount by 6 or by using the number of
11 mills which would fund the permissive amount, whichever is
12 less. If the amount of revenue raised by this levy, plus
13 anticipated or reappropriated motor vehicle fees and
14 reimbursement under the provisions of 61-3-532 and 61-3-536,
15 is not sufficient to fund the permissive amount in full, the
16 amount of the deficiency shall be paid to the district from
17 the state special revenue fund according to the provisions
18 of subsections (3) and (4) of this section.

19 (b) For each high school district, the county
20 commissioners shall annually set a levy not exceeding 4
21 mills on all taxable property in the district for the
22 purpose of funding the permissive amount of the district.
23 The permissive levy in mills shall be obtained by
24 multiplying the ratio of the permissive levy to the maximum
25 permissive amount by 4 or by using the number of mills which

1 would fund the permissive amount, whichever is less. If the
2 amount of revenue raised by this levy, plus anticipated
3 motor vehicle fees and reimbursement under the provisions of
4 61-3-532 and 61-3-536, and plus net proceeds taxes for
5 interim production and new production, as defined in
6 15-23-601, is not sufficient to fund the permissive amount
7 in full, the amount of the deficiency shall be paid to the
8 district from the state special revenue fund according to
9 the provisions of subsections (3) and (4) of this section.

10 (3) The superintendent of public instruction shall, if
11 the appropriation by the legislature for the permissive
12 account for the biennium is insufficient, request the budget
13 director to submit a request for a supplemental
14 appropriation in the second year of the biennium. The
15 supplemental appropriation shall provide enough revenue to
16 fund the permissive deficiency of the elementary and high
17 school districts of the state. The proceeds of this
18 appropriation shall be deposited to the state special
19 revenue fund, permissive account, and shall be distributed
20 to the elementary and high school districts in accordance
21 with their entitlements as determined by the superintendent
22 of public instruction according to the provisions of
23 subsections (1) and (2) of this section.

24 (4) Distribution under this section from the state
25 special revenue fund shall be made in two payments. The

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

14 Section 23. Section 20-9-501, MCA, is amended to read:

15 "20-9-501. Retirement fund. (1) The trustees of any
 16 district employing personnel who are members of the
 17 teachers' retirement system or the public employees'
 18 retirement system or who are covered by unemployment
 19 insurance or who are covered by any federal social security
 20 system requiring employer contributions shall establish a
 21 retirement fund for the purposes of budgeting and paying the
 22 employer's contributions to such systems. The district's
 23 contribution for each employee who is a member of the
 24 teachers' retirement system shall be calculated in
 25 accordance with Title 19, chapter 4, part 6. The district's

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

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

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

25 (a) determining the sum of the moneys available to

1 reduce the retirement fund levy requirement by adding:

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

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

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

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

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

1 prorated joint district or special education cooperative
2 agreement levy requirements, and shall report each such levy
3 requirement to the county commissioners on the second Monday
4 of August as the respective county levy requirements for
5 elementary district, high school district, and community
6 college district retirement funds. The county commissioners
7 shall fix and set such county levy in accordance with
8 20-9-142.

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

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

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

4 Section 24. Section 20-10-144, MCA, is amended to
5 read:

6 "20-10-144. Computation of revenues and net tax levy
7 requirements for the transportation fund budget. Before the
8 fourth Monday of July and in accordance with 20-9-123, the
9 county superintendent shall compute the revenue available to
10 finance the transportation fund budget of each district. The
11 county superintendent shall compute the revenue for each
12 district on the following basis:

13 (1) The "schedule amount" of the preliminary budget
14 expenditures that is derived from the rate schedules in
15 20-10-141 and 20-10-142 shall be determined by adding the
16 following amounts:

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

25 (b) the total of all individual transportation per

1 diem reimbursement rates for such district as determined
2 from the contracts submitted by the district multiplied by
3 the number of pupil-instruction days scheduled for the
4 ensuing school attendance year; plus

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

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

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

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

1 transportation of special education pupils;

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

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

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

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

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

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

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

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

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

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

25 (f) net proceeds taxes for interim production and new

1 production, as defined in 15-23-601; plus
 2 (g) any other revenue anticipated by the trustees to
 3 be earned during the ensuing school fiscal year which may be
 4 used to finance the transportation fund; plus
 5 (h) any cash available for reappropriation as
 6 determined by subtracting the amount of the end-of-the-year
 7 cash balance earmarked as the transportation fund cash
 8 reserve for the ensuing school fiscal year by the trustees
 9 from the end-of-the-year cash balance in the transportation
 10 fund. Such cash reserve shall not be more than 20% of the
 11 final transportation fund budget for the ensuing school
 12 fiscal year and shall be for the purpose of paying
 13 transportation fund warrants issued by the district under
 14 the final transportation fund budget.
 15 (4) The district levy requirement for each district's
 16 transportation fund shall be computed by:
 17 (a) subtracting the schedule amount calculated in
 18 subsection (1) from the total preliminary transportation
 19 budget amount and, for an elementary district, adding such
 20 difference to the district obligation to finance one-third
 21 of the schedule amount as determined in subsection (2); and
 22 (b) subtracting the amount of moneys available to
 23 reduce the property tax on the district, as determined in
 24 subsection (3), from the amount determined in subsection
 25 (4)(a) above.

1 (5) The county levy requirement for the financing of
 2 the county transportation reimbursement to high school
 3 districts shall be computed by adding all such requirements
 4 for all the high school districts of the county, including
 5 the county's obligation for reimbursements in joint high
 6 school districts.
 7 (6) The transportation fund levy requirements
 8 determined in subsection (4) for each district and in
 9 subsection (5) for the county shall be reported to the
 10 county commissioners on the second Monday of August by the
 11 county superintendent as the transportation fund levy
 12 requirements for the district and for the county, and such
 13 levies shall be made by the county commissioners in
 14 accordance with 20-9-142."
 15 NEW SECTION. Section 25. Extension of authority. Any
 16 existing authority of the department of revenue or the board
 17 of oil and gas conservation to make rules on the subject of
 18 the provisions of this act is extended to the provisions of
 19 this act.
 20 NEW SECTION. Section 26. Codification instruction.
 21 Section 18 is intended to be codified as an integral part of
 22 Title 15, chapter 23, part 6, and the provisions of Title
 23 15, chapter 23, part 6, apply to section 18.
 24 NEW SECTION. Section 27. Coordination instructions.
 25 (1) If either Senate Bill No. 262 or Senate Bill No. 66 and

1 this act are passed and approved, Senate Bill No. 262 or
2 Senate Bill No. 66 are void.

3 (2) If both this act and ___ Bill No. ___ [LC 950] are
4 not passed and approved, section 10(3)(a)(ii) is void.

5 NEW SECTION. Section 28. Effective date --
6 applicability. This act is effective on passage and approval
7 and applies retroactively, within the meaning of 1-2-109, to
8 taxable years beginning on or after January 1, 1987.

-End-

1 SENATE BILL NO. 383

2 INTRODUCED BY GAGE, KOLSTAD, MCCALLUM, GIACOMETTO,

3 IVERSON, GILBERT, HIRSCH

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "INTERIM
 6 PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; REVISING THE
 7 DEFINITION OF "NEW PRODUCTION" OF PETROLEUM, OIL, AND
 8 NATURAL GAS; EXTENDING THE UNIFORM RATE OF NET PROCEEDS
 9 TAXATION TO INTERIM PRODUCTION AND REDEFINED NEW PRODUCTION;
 10 PROVIDING FOR THE EXEMPTION FROM NET PROCEEDS TAXES FOR 24
 11 ~~22~~ ~~24~~ 12 MONTHS FOR NEW PRODUCTION FROM NATURAL GAS,
 12 PETROLEUM, AND OIL WELLS; PROVIDING FOR PRORATING OF
 13 DEDUCTIONS TO DETERMINE NET PROCEEDS; PROVIDING FOR
 14 QUARTERLY PAYMENT OF INTERIM PRODUCTION AND NEW PRODUCTION
 15 NET PROCEEDS TAXES; REVISING THE DEFINITION OF "TAXABLE
 16 VALUATION" AS IT APPLIES TO COUNTY CLASSIFICATION; AMENDING
 17 SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525,
 18 7-16-2327, 15-6-208, 15-16-102, 15-16-121, 15-23-601 THROUGH
 19 15-23-605, 15-23-607, 15-23-612, 15-23-613, 20-9-141,
 20 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA;
 21 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 22 APPLICABILITY DATE."

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

24 Section 1. Section 7-1-2111, MCA, is amended to read:
25

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

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

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

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

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

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

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

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

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

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

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

12 (c) the amount of value represented by new production
13 exempted from tax as provided in 15-23-612."

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

15 "7-7-2101. Limitation on amount of county
16 indebtedness. (1) No county may become indebted in any
17 manner or for any purpose to an amount, including existing
18 indebtedness, in the aggregate exceeding 23% of the total of
19 the taxable value of the property therein subject to
20 taxation, plus the amount of interim production and new
21 production taxes levied divided by the appropriate tax rates
22 described in 15-23-607(2)(a) or (2)(b) and multiplied by
23 60%, plus the amount of value represented by new production
24 exempted from tax as provided in 15-23-612, as ascertained
25 by the last assessment for state and county taxes previous

1 to the incurring of such indebtedness.

2 (2) No county may incur indebtedness or liability for
3 any single purpose to an amount exceeding \$500,000 without
4 the approval of a majority of the electors thereof voting at
5 an election to be provided by law, except as provided in
6 7-21-3413 and 7-21-3414.

7 (3) Nothing in this section shall apply to the
8 acquisition of conservation easements as set forth in Title
9 76, chapter 6."

10 Section 3. Section 7-7-2203, MCA, is amended to read:

11 "7-7-2203. Limitation on amount of bonded
12 indebtedness. (1) Except as provided in subsections (2)
13 through (4), no county may issue general obligation bonds
14 for any purpose which, with all outstanding bonds and
15 warrants except county high school bonds and emergency
16 bonds, will exceed 11.25% of the total of the taxable value
17 of the property therein, plus the amount of interim
18 production and new production taxes levied divided by the
19 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)
20 and multiplied by 60%, plus the amount of value represented
21 by new production exempted from tax as provided in
22 15-23-612, to be ascertained by the last assessment for
23 state and county taxes prior to the proposed issuance of
24 bonds.

25 (2) In addition to the bonds allowed by subsection

1 (1), a county may issue bonds which, with all outstanding
 2 bonds and warrants, will not exceed 27.75% of the total of
 3 the taxable value of the property in the county subject to
 4 taxation, plus the amount of interim production and new
 5 production taxes levied divided by the appropriate tax rates
 6 described in 15-23-607(2)(a) or (2)(b) and multiplied by
 7 60%, plus the amount of value represented by new production
 8 exempted from tax as provided in 15-23-612, when necessary
 9 to do so, for the purpose of acquiring land for a site for
 10 county high school buildings and for erecting or acquiring
 11 buildings thereon and furnishing and equipping the same for
 12 county high school purposes.

13 (3) In addition to the bonds allowed by subsections
 14 (1) and (2), a county may issue bonds for the construction
 15 or improvement of a jail which will not exceed 12.5% of the
 16 taxable value of the property in the county subject to
 17 taxation.

18 (4) The limitation in subsection (1) shall not apply
 19 to refunding bonds issued for the purpose of paying or
 20 retiring county bonds lawfully issued prior to January 1,
 21 1932."

22 Section 4. Section 7-14-2524, MCA, is amended to read:
 23 "7-14-2524. Limitation on amount of bonds issued --
 24 excess void. (1) Except as otherwise provided hereafter and
 25 in 7-2203 and 7-7-2204, no county shall issue bonds which,

1 with all outstanding bonds and warrants except county high
 2 school bonds and emergency bonds, will exceed 11.25% of the
 3 total of the taxable value of the property therein, plus the
 4 amount of interim production and new production taxes levied
 5 divided by the appropriate tax rates described in
 6 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 7 amount of value represented by new production exempted from
 8 tax as provided in 15-23-612. The taxable property and the
 9 amount of interim production and new production taxes levied
 10 shall be ascertained by the last assessment for state and
 11 county taxes prior to the issuance of such bonds.

12 (2) A county may issue bonds which, with all
 13 outstanding bonds and warrants except county high school
 14 bonds, will exceed 11.25% but will not exceed 22.5% of the
 15 total of the taxable value of such property, plus the amount
 16 of interim production and new production taxes levied
 17 divided by the appropriate tax rates described in
 18 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 19 amount of value represented by new production exempted from
 20 tax as provided in 15-23-612, when necessary for the purpose
 21 of replacing, rebuilding, or repairing county buildings,
 22 bridges, or highways which have been destroyed or damaged by
 23 an act of God, disaster, catastrophe, or accident.

24 (3) The value of the bonds issued and all other
 25 outstanding indebtedness of the county, except county high

1 school bonds, shall not exceed 22.5% of the total of the
 2 taxable value of the property within the county, plus the
 3 amount of interim production and new production taxes levied
 4 divided by the appropriate tax rates described in
 5 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 6 amount of value represented by new production exempted from
 7 tax as provided in 15-23-612, as ascertained by the last
 8 preceding general assessment."

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

10 "7-14-2525. Refunding agreements and refunding bonds
 11 authorized. (1) Whenever the total indebtedness of a county
 12 exceeds 22.5% of the total of the taxable value of the
 13 property therein, plus the amount of interim production and
 14 new production taxes levied divided by the appropriate tax
 15 rates described in 15-23-607(2)(a) or (2)(b) and multiplied
 16 by 60%, plus the amount of value represented by new
 17 production exempted from tax as provided in 15-23-612, and
 18 the board determines that the county is unable to pay such
 19 indebtedness in full, the board may:

- 20 (a) negotiate with the bondholders for an agreement
- 21 whereby the bondholders agree to accept less than the full
- 22 amount of the bonds and the accrued unpaid interest thereon
- 23 in satisfaction thereof;
- 24 (b) enter into such agreement;
- 25 (c) issue refunding bonds for the amount agreed upon.

1 (2) These bonds may be issued in more than one series,
 2 and each series may be either amortization or serial bonds.
 3 (3) The plan agreed upon between the board and the
 4 bondholders shall be embodied in full in the resolution
 5 providing for the issue of the bonds."

6 Section 6. Section 7-16-2327, MCA, is amended to read:

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

13 (2) (a) The total amount of indebtedness authorized to
 14 be contracted in any form, including the then-existing
 15 indebtedness, must not at any time exceed 13% of the total
 16 of the taxable value of the taxable property in the county,
 17 plus the amount of interim production and new production
 18 taxes levied divided by the appropriate tax rates described
 19 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 20 amount of value represented by new production exempted from
 21 tax as provided in 15-23-612, ascertained by the last
 22 assessment for state and county taxes previous to the
 23 incurring of such indebtedness.

24 (b) No money may be borrowed on bonds issued for the
 25 purchase of lands and improving same for any such purpose

1 until the proposition has been submitted to the vote of
2 those qualified under the provisions of the state
3 constitution to vote at such election in the county affected
4 thereby and a majority vote is cast in favor thereof."

5 Section 7. Section 15-6-208, MCA, is amended to read:

6 "15-6-208. Mineral exemptions. (1) One-half of the
7 contract sales price of coal sold by a coal producer who
8 extracts less than 50,000 tons of coal in a calendar year is
9 exempt from taxation.

10 (2) Metal mines producing less than 20,000 tons of ore
11 in a taxable year shall be exempt from property taxation on
12 one-half of the merchantable value.

13 (3) New production, as defined in 15-23-601, is exempt
14 from taxation for the first 24 12 24 12 months of production
15 as provided in 15-23-612."

16 Section 8. Section 15-16-102, MCA, is amended to read:

17 "15-16-102. Time for payment -- penalty for
18 delinquency. All taxes levied and assessed in the state of
19 Montana, except assessments made for special improvements in
20 cities and towns payable under 15-16-103 and assessments
21 made on interim production and new production as provided in
22 Title 15, chapter 23, part 6, and payable under 15-16-121,
23 shall be payable as follows:

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

1 one-half on or before 5 p.m. on May 31 of each year.

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

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

13 Section 9. Section 15-16-121, MCA, is amended to read:

14 "15-16-121. Payment of interim production and new
15 production taxes. (1) Taxes levied and assessed on interim
16 production or new production under the provisions of Title
17 15, chapter 23, part 6, must be paid to the county treasurer
18 in quarterly installments. The payments must be made on or
19 before 5 p.m. on the last day of the months of November,
20 February, May, and August.

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

25 (3) All such delinquent taxes must draw interest at

1 the rate payable on delinquencies under 15-23-115.

2 (4) There must also be added to the delinquent taxes a
3 penalty at the same rate as provided for delinquencies under
4 15-23-104."

5 Section 10. Section 15-23-601, MCA, is amended to
6 read:

7 "15-23-601. Definitions. As used in this part, the
8 following definitions apply:

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

13 (2) (a) "Interim production" means the production of
14 natural gas, petroleum, or other crude or mineral oil from
15 any well that:

16 (i) had not produced natural gas, petroleum, or other
17 crude or mineral oil during the 5 years immediately
18 preceding the first month of interim production; and

19 (ii) began interim production after June 30, 1985, and
20 before January 1, 1987.

21 (b) Interim production, when used in connection with a
22 pooled or unitized area, is treated as follows:

23 (i) if a lease contains land that is partly within and
24 partly outside of a pooled or unitized area, the land that
25 is outside of the pooled or unitized area must be considered

1 a separate lease; and

2 (ii) a pooled or unitized area must be considered a
3 separate lease.

4 ~~(2)(3)~~ (a) The term "new production" means the
5 production of natural gas, petroleum, or other crude or
6 mineral oil from any lease well:

7 (i) that has not produced natural gas, petroleum, or
8 other crude or mineral oil during the 5 years immediately
9 preceding the first month of qualified new production; and

10 (ii) on which the notification required in 15-36-121(2)
11 was given.

12 (b) New production, when used in connection with a
13 pooled or unitized area, is treated as follows:

14 (i) if a lease contains land that is partly within and
15 partly outside of a pooled or unitized area, the land that
16 is outside of the pooled or unitized area must be considered
17 a separate lease; and

18 (ii) a pooled or unitized area must be considered a
19 separate lease.

20 ~~(3)(4)~~ The terms "operator" and "producer" mean any
21 person who engages in the business of drilling for,
22 extracting, or producing any natural gas, petroleum, or
23 other crude or mineral oil.

24 ~~(4)(5)~~ The term "well" includes each single well or
25 group of wells, including dry wells, in one field or

1 production unit and under the control of one operator or
2 producer."

3 Section 11. Section 15-23-602, MCA, is amended to
4 read:

5 "15-23-602. Statement of sales proceeds. (1) Except as
6 provided in subsection (2), each operator or producer of
7 natural gas, petroleum, or other crude or mineral oil must
8 on or before April 15 in each year make out and deliver to
9 the department of revenue a statement of the gross sales
10 proceeds of such natural gas, petroleum, or other crude or
11 mineral oil from each well owned or worked by such person
12 during the next preceding calendar year. The gross sales
13 proceeds shall be determined by multiplying the units of
14 production sold from the well times the royalty unit value
15 of that production at the well. Such statement shall be in
16 the form prescribed by the department and must be verified
17 by the oath of the operator or producer or the manager,
18 superintendent, agent, president, or vice-president of such
19 corporation, association, or partnership. Such statement
20 shall show the following:

21 (a) the name and address of the operator, together
22 with a list in duplicate of the names and addresses of any
23 and all persons owning or claiming any royalty interest in
24 the production from the well or the proceeds derived from
25 the sale thereof, and the amount or amounts paid or yielded

1 as royalty to each of such persons during the period covered
2 by the statement;

3 (b) the description and location of the well;

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

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

11 (e) except for interim production and new production
12 as defined in 15-23-601:

13 (i) actual cost of extracting product from well;

14 (ii) cost of construction, repairs, and betterments;

15 (iii) actual cost of fire insurance and workers'
16 compensation insurance;

17 (iv) the amount paid or withheld in satisfaction of
18 liability for excise taxes imposed by the U.S. government on
19 the production, sale, or removal of the natural gas,
20 petroleum, or other crude or mineral oil reported pursuant
21 to subsection (1)(c), including a separate statement of the
22 amount of such taxes paid or withheld from each royalty
23 owner.

24 (2) Each operator having interim production or new
25 production as defined in 15-23-601 shall, on or before the

1 last day of the months of October, January, April, and July,
 2 make out and deliver to the department of revenue a
 3 statement of the gross sales proceeds of such interim
 4 production or new production from each well owned or worked
 5 by such person during the preceding calendar quarter. The
 6 statement must be in the form prescribed by the department
 7 and verified as provided in subsection (1). The statement
 8 shall show the information required in subsections (1)(a)
 9 through (1)(d)."

10 Section 12. Section 15-23-603, MCA, is amended to
 11 read:

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

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

1 royalty was paid;

2 (b) all money expended for necessary labor and
 3 machinery needed and used in the operation and development;

4 (c) except as provided in subsection ~~(4)~~ (5), all
 5 money expended for necessary supplies needed and used in the
 6 operation and development;

7 (d) all money expended for improvements, repairs, and
 8 betterments necessary in and about the working of the well;

9 (e) that portion of all money, including costs of
 10 insurance, expended for the acquisition and operation of any
 11 vehicle used in the operation and development of the well
 12 which bears the same ratio to all money expended for the
 13 acquisition and use of the vehicle during the year covered
 14 by the statement as the number of miles the vehicle is used
 15 in operation and development of the well during the year
 16 covered by the statement bears to the total miles the
 17 vehicle is used during the year covered by the statement;

18 (f) all money expended for fire insurance, workers'
 19 compensation insurance, liability insurance, and casualty
 20 insurance directly attributable to the operation and
 21 development of the well and for payments by operators to
 22 welfare and retirement funds when provided for in wage
 23 contracts between operators and employees;

24 (g) all money expended for any performance or
 25 indemnity bonds required by the laws of this state or the

1 rules of any state agency, with respect to the well for
2 which the net proceeds are being calculated; and

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

9 (i) net proceeds determined under subsection (3).

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

17 (3) For interim production or new production, net
18 proceeds are the equivalent of the gross sales proceeds,
19 without deduction for excise taxes, of the product yielded
20 from such well for the year covered by the statement, except
21 that in computing the total number of barrels of petroleum
22 and other mineral or crude oil or cubic feet of natural gas
23 produced, there shall be deducted therefrom so much thereof
24 as is used in the operation of the well from which the
25 petroleum or other mineral or crude oil or natural gas is

1 produced for pumping the petroleum or other mineral or crude
2 oil or natural gas from the well to a tank or pipeline.

3 (4) To determine net proceeds under subsection (1) for
4 lease or unitized areas from which interim or new production
5 and other production have been sold, the deductions allowed
6 in subsections (1)(b) through (1)(h) must be prorated on the
7 basis of the number of barrels of interim and new production
8 of oil or cubic feet of interim or new production of gas to
9 the number of barrels of other production of oil or cubic
10 feet of other production of gas.

11 ~~†4†~~(5) In calculating the deduction for money expended
12 for necessary chemical supplies needed and used in a
13 tertiary recovery project approved by the department of
14 revenue, as provided in 15-36-101, the department shall
15 require that the necessary chemical supplies, which include
16 but are not limited to carbon dioxide supplies, be amortized
17 over a 10-year period beginning with the year in which the
18 money was expended."

19 Section 13. Section 15-23-604, MCA, is amended to
20 read:

21 "15-23-604. Deduction of drilling costs and capital
22 expenditures. (1) Unless an operator or producer proceeds
23 under subsection (2), the department of revenue in computing
24 the deductions allowable for cost of drilling wells
25 completed during the period and for other capital

1 expenditures shall allow 10% of such cost each year for a
2 period of 10 years beginning:

3 ~~(a) after the 3-year exemption period allowed in~~
4 ~~15-36-121 for qualified natural gas wells;~~

5 (b)(a) with the year natural gas from a nonqualified
6 natural gas well is first placed into a natural gas
7 distribution system; or

8 (c)(b) with the year the pumping unit is installed on
9 a crude oil well or the well flows.

10 (2) The operator or producer may elect to amortize the
11 cost over a period of 2 years if the well is less than 3,000
12 feet deep.

13 (3) The deduction of the costs in subsection (1) is
14 not allowed on wells that are producing interim production
15 or new production, as defined in 15-23-601, and may not be
16 prorated on wells that are not producing interim production
17 or new production when a lease or unitized area has both
18 interim or new production and other production."

19 Section 14. Section 15-23-605, MCA, is amended to
20 read:

21 "15-23-605. Assessment of royalties. (1) The amount of
22 royalty received, valued as provided in 15-23-603(1)(a),
23 less 70% of the amount of excise taxes paid by or withheld
24 from the royalty owner as reported pursuant to 15-23-602(8),
25 shall be considered net proceeds to the recipient and shall

1 be assessed as follows: upon receipt of the lists or
2 schedules setting forth the names and addresses of any and
3 all persons owning or claiming royalty and the amount paid
4 or yielded as royalty to such royalty owners or claimants
5 during the year for which such return is made, the
6 department of revenue shall proceed to assess and tax the
7 same as net proceeds of mines.

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

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

13 "15-23-607. County assessors to compute taxes. (1)
14 Immediately after the board of county commissioners has
15 fixed tax levies on the second Monday in August, the county
16 assessor shall compute the taxes on such net proceeds,
17 except as provided in ~~15-36-121~~ 15-23-612 and in subsection
18 (2), and royalty assessments and shall deliver the book to
19 the county treasurer on or before September 15. The county
20 treasurer shall proceed to give full notice thereof to such
21 operator and to collect the same in manner provided by law.

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

1 as follows:

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

5 (b) for interim production or new production of
6 natural gas, 12% of net proceeds, as described in
7 15-23-603(3).

8 (3) The amount of tax levied in subsections (2)(a) and
9 (2)(b), divided by the appropriate tax rate and multiplied
10 by 60%, shall be treated as taxable value for county bonding
11 purposes.

12 (4) The operator or producer shall be liable for the
13 payment of said taxes and same shall, except as provided in
14 15-16-121, be payable by and shall be collected from such
15 operators in the same manner and under the same penalties as
16 provided for the collection of taxes upon net proceeds of
17 mines; provided, however, that the operator may at his
18 option withhold from the proceeds of royalty interest,
19 either in kind or in money, an estimated amount of the tax
20 to be paid by him upon such royalty or royalty interest.
21 After such withholding any deviation between the estimated
22 tax and the actual tax may be accounted for by adjusting
23 subsequent withholdings from the proceeds of royalty
24 interests."

25 Section 16. Section 15-23-612, MCA, is amended to

1 read:

2 "15-23-612. Certain natural gas, petroleum, or other
3 crude or mineral oil exempt. (1) Natural--gas--produced--as
4 provided--in--15-36-121(2)--is--exempt-from-one-half-the-net
5 proceeds-tax-imposed-by-this-part-for-3-years--beginning--as
6 provided-in-15-36-121(3)-if-the-requirements-of-15-36-121(2)
7 are--met. New production, as defined in 15-23-601, is exempt
8 from the net proceeds tax imposed by this part for the first
9 24 12 24 12 months following the last day of the calendar
10 month immediately preceding the month in which:

11 (a) natural gas is placed into a natural gas
12 distribution system; or

13 (b) production for sale from a crude oil or mineral
14 oil well is pumped or flows.

15 (2) After the expiration of the 24-month 12-MONTH
16 24-MONTH 12-MONTH exemption period provided in subsection
17 (1), new production of natural gas, petroleum, or other
18 crude or mineral oil is subject to net proceeds tax imposed
19 by this part.

20 (2)(3) Notwithstanding the provisions of subsection
21 subsections (1) and (2), all reporting requirements under
22 the net proceeds tax remain in effect."

23 Section 17. Section 15-23-613, MCA, is amended to
24 read:

25 "15-23-613. Disposition of taxes--in--lieu--of--net

1 proceeds interim production and new production taxes. The
 2 county treasurer shall credit all taxes on interim
 3 production and new oil-or-gas production, as provided for in
 4 15-23-607, in the relative proportions required by the
 5 levies for state, county, school district, and municipal
 6 purposes in the same manner as property taxes were
 7 distributed in the year preceding the budget year."

8 NEW SECTION. Section 18. Allocation of new
 9 production. (1) If a lease has production that does not
 10 qualify for new or interim production and a producing well
 11 is completed on the lease after December 31, 1986, the
 12 allocation of the new production must be based on the
 13 average daily production per well. The average daily
 14 production per well must be determined by dividing the total
 15 production for the quarter by the number of well production
 16 days for the quarter.

17 (2) The number of well production days for the quarter
 18 is the sum of the number of completed wells on the first day
 19 of the quarter times the number of days in the quarter plus
 20 the number of days from the date of completion of any wells
 21 during the quarter to the end of the quarter. New production
 22 for the quarter must then be calculated by multiplying the
 23 average daily production per well times the number of wells
 24 completed after December 31, 1986, times the number of
 25 production days attributed to those wells for the quarter.

1 The value of the production must be based on the average
 2 price received for the production for the quarter.

3 (3) Average daily production, well production days,
 4 and average price must be calculated each quarter.

5 Section 19. Section 20-9-141, MCA, is amended to read:

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

11 (a) Determine the total of the funding required for
 12 the district's final general fund budget less the amount
 13 established by the schedules in 20-9-316 through 20-9-321 by
 14 totaling:

15 (i) the district's nonisolated school foundation
 16 program requirement to be met by a district levy as provided
 17 in 20-9-303;

18 (ii) the district's permissive levy amount as provided
 19 in 20-9-352; and

20 (iii) any general fund budget amount adopted by the
 21 trustees of the district under the provisions of 20-9-353,
 22 including any additional levies authorized by the electors
 23 of the district.

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

1 general fund by totaling:

2 (i) anticipated federal moneys received under the

3 provisions of Title I of Public Law 81-874 or other

4 anticipated federal moneys received in lieu of such federal

5 act;

6 (ii) anticipated tuition payments for out-of-district

7 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,

8 and 20-5-313;

9 (iii) general fund cash reappropriated, as established

10 under the provisions of 20-9-104;

11 (iv) anticipated or reappropriated state impact aid

12 received under the provisions of 20-9-304;

13 (v) anticipated or reappropriated motor vehicle fees

14 and reimbursement under the provisions of 61-3-532 and

15 61-3-536;

16 (vi) anticipated net proceeds taxes for interim

17 production and new production, as defined in 15-23-601;

18 (vii) anticipated interest to be earned or

19 reappropriated interest earned by the investment of general

20 fund cash in accordance with the provisions of 20-9-213(4);

21 and

22 (viii) any other revenue anticipated by the trustees to

23 be received during the ensuing school fiscal year which may

24 be used to finance the general fund.

25 (c) Subtract the total of the moneys available to

1 reduce the property tax required to finance the general fund

2 that has been determined in subsection (1)(b) from the total

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

4 (2) The net general fund levy requirement determined

5 in subsection (1)(c) shall be reported to the county

6 commissioners on the second Monday of August by the county

7 superintendent as the general fund levy requirement for the

8 district, and a levy shall be made by the county

9 commissioners in accordance with 20-9-142."

10 Section 20. Section 20-9-331, MCA, is amended to read:

11 "20-9-331. Basic county tax and other revenues for

12 county equalization of the elementary district foundation

13 program. (1) It shall be the duty of the county

14 commissioners of each county to levy an annual basic tax of

15 28 mills on the dollars of the taxable value of all taxable

16 property within the county for the purposes of local and

17 state foundation program support. The revenue to be

18 collected from this levy shall be apportioned to the support

19 of the foundation programs of the elementary school

20 districts in the county and to the state special revenue

21 fund, state equalization aid account, in the following

22 manner:

23 (a) In order to determine the amount of revenue raised

24 by this levy which is retained by the county, the sum of the

25 estimated revenues identified in subsection (2) below shall

1 be subtracted from the sum of the county elementary
2 transportation obligation and the total of the foundation
3 programs of all elementary districts of the county.

4 (b) If the basic levy prescribed by this section
5 produces more revenue than is required to finance the
6 difference determined above, the county treasurer shall
7 remit the surplus funds to the state treasurer for deposit
8 to the state special revenue fund, state equalization aid
9 account, immediately upon occurrence of a surplus balance
10 and each subsequent month thereafter, with any final
11 remittance due no later than June 20 of the fiscal year for
12 which the levy has been set.

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

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

23 (b) the portion of the federal flood control act funds
24 distributed to a county and designated for expenditure for
25 the benefit of the county common schools under the

1 provisions of 17-3-232;

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

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

9 (e) any federal or state money, including anticipated
10 or reappropriated motor vehicle fees and reimbursement under
11 the provisions of 61-3-532 and 61-3-536, distributed to the
12 county as payment in lieu of the property taxation
13 established by the county levy required by this section; and
14 (f) net proceeds taxes for interim production and new
15 production, as defined in 15-23-601."

16 Section 21. Section 20-9-333, MCA, is amended to read:

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

1 high school districts in the county and to the state special
2 revenue fund, state equalization aid account, in the
3 following manner:

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

10 (b) IF the basic levy prescribed by this section
11 produces more revenue than is required to finance the
12 difference determined above, the county treasurer shall
13 remit the surplus to the state treasurer for deposit to the
14 state special revenue fund, state equalization aid account,
15 immediately upon occurrence of a surplus balance and each
16 subsequent month thereafter, with any final remittance due
17 no later than June 20 of the fiscal year for which the levy
18 has been set.

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

1 (a) any money remaining at the end of the immediately
2 preceding school fiscal year in the county treasurer's
3 accounts for the various sources of revenue established in
4 this section;

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

10 (c) net proceeds taxes for interim production and new
11 production, as defined in 15-23-601."

12 Section 22. Section 20-9-352, MCA, is amended to read:

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

1 The proceeds of such an appropriation shall be deposited to
2 the state special revenue fund, permissive account.

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

5 (a) For each elementary school district, the county
6 commissioners shall annually set a levy not exceeding 6
7 mills on all the taxable property in the district for the
8 purpose of funding the permissive amount of the district.
9 The permissive levy in mills shall be obtained by
10 multiplying the ratio of the permissive amount to the
11 maximum permissive amount by 6 or by using the number of
12 mills which would fund the permissive amount, whichever is
13 less. If the amount of revenue raised by this levy, plus
14 anticipated or reappropriated motor vehicle fees and
15 reimbursement under the provisions of 61-3-532 and 61-3-536,
16 is not sufficient to fund the permissive amount in full, the
17 amount of the deficiency shall be paid to the district from
18 the state special revenue fund according to the provisions
19 of subsections (3) and (4) of this section.

20 (b) For each high school district, the county
21 commissioners shall annually set a levy not exceeding 4
22 mills on all taxable property in the district for the
23 purpose of funding the permissive amount of the district.
24 The permissive levy in mills shall be obtained by
25 multiplying the ratio of the permissive levy to the maximum

1 permissive amount by 4 or by using the number of mills which
2 would fund the permissive amount, whichever is less. If the
3 amount of revenue raised by this levy, plus anticipated
4 motor vehicle fees and reimbursement under the provisions of
5 61-3-532 and 61-3-536, and plus net proceeds taxes for
6 interim production and new production, as defined in
7 15-23-601, is not sufficient to fund the permissive amount
8 in full, the amount of the deficiency shall be paid to the
9 district from the state special revenue fund according to
10 the provisions of subsections (3) and (4) of this section.

11 (3) The superintendent of public instruction shall, if
12 the appropriation by the legislature for the permissive
13 account for the biennium is insufficient, request the budget
14 director to submit a request for a supplemental
15 appropriation in the second year of the biennium. The
16 supplemental appropriation shall provide enough revenue to
17 fund the permissive deficiency of the elementary and high
18 school districts of the state. The proceeds of this
19 appropriation shall be deposited to the state special
20 revenue fund, permissive account, and shall be distributed
21 to the elementary and high school districts in accordance
22 with their entitlements as determined by the superintendent
23 of public instruction according to the provisions of
24 subsections (1) and (2) of this section.

25 (4) Distribution under this section from the state

1 special revenue fund shall be made in two payments. The
 2 first payment shall be made at the same time as the first
 3 distribution of state equalization aid is made after January
 4 1 of the fiscal year. The second payment shall be made at
 5 the same time as the last payment of state equalization aid
 6 is made for the fiscal year. If the appropriation is not
 7 sufficient to finance the deficiencies of the districts as
 8 determined according to subsection (2), each district will
 9 receive the same percentage of its deficiency. Surplus
 10 revenue in the second year of the biennium may be used to
 11 reduce the appropriation required for the next succeeding
 12 biennium or may be transferred to the state equalization aid
 13 state special revenue fund if revenues in that fund are
 14 insufficient to meet foundation program requirements."

15 Section 23. Section 20-9-501, MCA, is amended to read:

16 "20-9-501. Retirement fund. (1) The trustees of any
 17 district employing personnel who are members of the
 18 teachers' retirement system or the public employees'
 19 retirement system or who are covered by unemployment
 20 insurance or who are covered by any federal social security
 21 system requiring employer contributions shall establish a
 22 retirement fund for the purposes of budgeting and paying the
 23 employer's contributions to such systems. The district's
 24 contribution for each employee who is a member of the
 25 teachers' retirement system shall be calculated in

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

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

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

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

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

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

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

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

23 (4) The county superintendent shall total the net
24 retirement fund levy requirements separately for all
25 elementary school districts, all high school districts, and

1 all community college districts of the county, including any
2 prorated joint district or special education cooperative
3 agreement levy requirements, and shall report each such levy
4 requirement to the county commissioners on the second Monday
5 of August as the respective county levy requirements for
6 elementary district, high school district, and community
7 college district retirement funds. The county commissioners
8 shall fix and set such county levy in accordance with
9 20-9-142.

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

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

1 determine the net retirement fund levy requirement for each
 2 county in the same manner as provided in 20-9-151 and fix
 3 and levy the net retirement fund levy for each county in the
 4 same manner as provided in 20-9-152."

5 Section 24. Section 20-10-144, MCA, is amended to
 6 read:

7 "20-10-144. Computation of revenues and net tax levy
 8 requirements for the transportation fund budget. Before the
 9 fourth Monday of July and in accordance with 20-9-123, the
 10 county superintendent shall compute the revenue available to
 11 finance the transportation fund budget of each district. The
 12 county superintendent shall compute the revenue for each
 13 district on the following basis:

14 (1) The "schedule amount" of the preliminary budget
 15 expenditures that is derived from the rate schedules in
 16 20-10-141 and 20-10-142 shall be determined by adding the
 17 following amounts:

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

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

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

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

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

22 (a) the resulting one-third amount shall be the
 23 budgeted state transportation reimbursement, except that the
 24 state transportation reimbursement for the transportation of
 25 special education pupils under the provisions of 20-7-442

1 shall be two-thirds of the schedule amount attributed to the
2 transportation of special education pupils;

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

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

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

1 financial obligation in subsection (2)(a); and

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

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

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

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

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

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

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

1 (f) net proceeds taxes for interim production and new
2 production, as defined in 15-23-601; plus

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

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

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

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

23 (b) subtracting the amount of moneys available to
24 reduce the property tax on the district, as determined in
25 subsection (3), from the amount determined in subsection

1 (4)(a) above.

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

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

16 NEW SECTION. Section 25. Extension of authority. Any
17 existing authority of the department of revenue or the board
18 of oil and gas conservation to make rules on the subject of
19 the provisions of this act is extended to the provisions of
20 this act.

21 NEW SECTION. Section 26. Codification instruction.
22 Section 18 is intended to be codified as an integral part of
23 Title 15, chapter 23, part 6, and the provisions of Title
24 15, chapter 23, part 6, apply to section 18.

25 NEW SECTION. Section 27. Coordination instructions.

1 (1) If either Senate Bill No. 262 or Senate Bill No. 66 and
2 this act are passed and approved, Senate Bill No. 262 or
3 Senate Bill No. 66 are void.

4 (2) If both this act and ___ Bill No. ___ [LC 950] are
5 not passed and approved, section 10(3)(a)(ii) is void.

6 NEW SECTION. Section 28. Effective date --
7 applicability. This act is effective on passage and approval
8 and applies retroactively, within the meaning of 1-2-109, to
9 taxable years beginning on or after January 1, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB383, reference copy.

DESCRIPTION OF PROPOSED LEGISLATION:

An act defining "interim production" of petroleum, oil, and natural gas; revising the definition of "new production" of petroleum, oil, and natural gas; extending the uniform tax rate of net proceeds taxation to interim production and refined new production; providing an exemption from net proceeds taxes for 24 months for new production of natural gas, petroleum, and oil wells; providing for the prorating of deductions to determine net proceeds; providing for the quarterly payment of interim production and new production net proceeds taxes; revising the definition of "taxable valuation" as it applies to the county classification; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
2. New oil and gas production, as referred to in the proposed law, will remain constant at the estimated 1986 level of 518,196 bbl. for oil, and 812,495 mcf. for gas.
3. In FY88, the price of oil will be \$14.799 per bbl. and the price of gas will be \$2.046 per mcf. In FY89, the price of oil will be \$16.48 per bbl. and the price of gas will be \$2.302 per mcf (REAC).
4. The university mill levy is 6 mills; the school equalization mill levy is 45 mills; the average levy for local government purposes is 79 mills. New oil and gas production net proceeds taxes are distributed in proportion to relative mill levies.
5. The proposed law applies to new oil and gas production after April 1, 1987. It allows a net proceeds tax exemption for 12 months.
6. The proposal has no effect on the net proceeds taxes on current new production (interim production in the proposal).

FISCAL IMPACT:

Revenue Impact:	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	\$ 11,983,158	\$ 11,949,175	(\$ 33,983)	\$ 12,110,017	\$ 12,110,017	(\$ 37,949)
School Equalization	89,873,685	89,618,812	(254,873)	90,109,745	90,825,125	(284,620)
TOTAL	\$101,856,843	\$101,567,987	(\$288,856)	\$103,257,711	\$102,935,142	(\$322,569)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposed law would result in local net proceeds revenue losses totaling approximately \$447,443 in FY88 and \$499,666 in FY89.

David L. Hunter DATE 4/16/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

Delwyn Gage DATE 4/16/87
 DELWYN GAGE, PRIMARY SPONSOR

Fiscal Note for SB383, reference copy.

SB 383
#2

1 SENATE BILL NO. 383
 2 INTRODUCED BY GAGE, KOLSTAD, MCCALLUM, GIACOMETTO,
 3 IVERSON, GILBERT, HIRSCH
 4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "INTERIM
 6 PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; REVISING THE
 7 DEFINITION OF "NEW PRODUCTION" OF PETROLEUM, OIL, AND
 8 NATURAL GAS; EXTENDING THE UNIFORM RATE OF NET PROCEEDS
 9 TAXATION TO INTERIM PRODUCTION AND REDEFINED NEW PRODUCTION;
 10 PROVIDING FOR THE EXEMPTION FROM NET PROCEEDS TAXES FOR ~~24~~
 11 ~~12~~ ~~24~~ 12 MONTHS FOR NEW PRODUCTION FROM NATURAL GAS,
 12 PETROLEUM, AND OIL WELLS; PROVIDING FOR PRORATING OF
 13 DEDUCTIONS TO DETERMINE NET PROCEEDS; PROVIDING FOR
 14 QUARTERLY PAYMENT OF INTERIM PRODUCTION AND NEW PRODUCTION
 15 NET PROCEEDS TAXES; REVISING THE DEFINITION OF "TAXABLE
 16 VALUATION" AS IT APPLIES TO COUNTY CLASSIFICATION; AMENDING
 17 SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525,
 18 7-16-2327, 15-6-208, 15-16-102, 15-16-121, 15-23-601 THROUGH
 19 15-23-605, 15-23-607, 15-23-612, 15-23-613, 20-9-141,
 20 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA;
 21 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 22 APPLICABILITY DATE."
 23
 24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 25 Section 1. Section 7-1-2111, MCA, is amended to read:

1 "7-1-2111. Classification of counties. (1) For the
 2 purpose of regulating the compensation and salaries of all
 3 county officers, not otherwise provided for, and for fixing
 4 the penalties of officers' bonds, the several counties of
 5 this state shall be classified according to that percentage
 6 of the true and full valuation of the property therein upon
 7 which the tax levy is made, as follows:
 8 (a) first class--all counties having such a taxable
 9 valuation of \$50 million or over;
 10 (b) second class--all counties having such a taxable
 11 valuation of more than \$30 million and less than \$50
 12 million;
 13 (c) third class--all counties having such a taxable
 14 valuation of more than \$20 million and less than \$30
 15 million;
 16 (d) fourth class--all counties having such a taxable
 17 valuation of more than \$15 million and less than \$20
 18 million;
 19 (e) fifth class--all counties having such a taxable
 20 valuation of more than \$10 million and less than \$15
 21 million;
 22 (f) sixth class--all counties having such a taxable
 23 valuation of more than \$5 million and less than \$10 million;
 24 (g) seventh class--all counties having such a taxable
 25 valuation of less than \$5 million.

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

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

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

12 (c) the amount of value represented by new production
13 exempted from tax as provided in 15-23-612."

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

15 "7-7-2101. Limitation on amount of county
16 indebtedness. (1) No county may become indebted in any
17 manner or for any purpose to an amount, including existing
18 indebtedness, in the aggregate exceeding 23% of the total of
19 the taxable value of the property therein subject to
20 taxation, plus the amount of interim production and new
21 production taxes levied divided by the appropriate tax rates
22 described in 15-23-607(2)(a) or (2)(b) and multiplied by
23 60%, plus the amount of value represented by new production
24 exempted from tax as provided in 15-23-612, as ascertained
25 by the last assessment for state and county taxes previous

1 to the incurring of such indebtedness.

2 (2) No county may incur indebtedness or liability for
3 any single purpose to an amount exceeding \$500,000 without
4 the approval of a majority of the electors thereof voting at
5 an election to be provided by law, except as provided in
6 7-21-3413 and 7-21-3414.

7 (3) Nothing in this section shall apply to the
8 acquisition of conservation easements as set forth in Title
9 76, chapter 6."

10 Section 3. Section 7-7-2203, MCA, is amended to read:

11 "7-7-2203. Limitation on amount of bonded
12 indebtedness. (1) Except as provided in subsections (2)
13 through (4), no county may issue general obligation bonds
14 for any purpose which, with all outstanding bonds and
15 warrants except county high school bonds and emergency
16 bonds, will exceed 11.25% of the total of the taxable value
17 of the property therein, plus the amount of interim
18 production and new production taxes levied divided by the
19 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)
20 and multiplied by 60%, plus the amount of value represented
21 by new production exempted from tax as provided in
22 15-23-612, to be ascertained by the last assessment for
23 state and county taxes prior to the proposed issuance of
24 bonds.

25 (2) In addition to the bonds allowed by subsection

1 (1), a county may issue bonds which, with all outstanding
 2 bonds and warrants, will not exceed 27.75% of the total of
 3 the taxable value of the property in the county subject to
 4 taxation, plus the amount of interim production and new
 5 production taxes levied divided by the appropriate tax rates
 6 described in 15-23-607(2)(a) or (2)(b) and multiplied by
 7 60%, plus the amount of value represented by new production
 8 exempted from tax as provided in 15-23-612, when necessary
 9 to do so, for the purpose of acquiring land for a site for
 10 county high school buildings and for erecting or acquiring
 11 buildings thereon and furnishing and equipping the same for
 12 county high school purposes.

13 (3) In addition to the bonds allowed by subsections
 14 (1) and (2), a county may issue bonds for the construction
 15 or improvement of a jail which will not exceed 12.5% of the
 16 taxable value of the property in the county subject to
 17 taxation.

18 (4) The limitation in subsection (1) shall not apply
 19 to refunding bonds issued for the purpose of paying or
 20 retiring county bonds lawfully issued prior to January 1,
 21 1932."

22 Section 4. Section 7-14-2524, MCA, is amended to read:

23 "7-14-2524. Limitation on amount of bonds issued --
 24 excess void. (1) Except as otherwise provided hereafter and
 25 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,

1 with all outstanding bonds and warrants except county high
 2 school bonds and emergency bonds, will exceed 11.25% of the
 3 total of the taxable value of the property therein, plus the
 4 amount of interim production and new production taxes levied
 5 divided by the appropriate tax rates described in
 6 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 7 amount of value represented by new production exempted from
 8 tax as provided in 15-23-612. The taxable property and the
 9 amount of interim production and new production taxes levied
 10 shall be ascertained by the last assessment for state and
 11 county taxes prior to the issuance of such bonds.

12 (2) A county may issue bonds which, with all
 13 outstanding bonds and warrants except county high school
 14 bonds, will exceed 11.25% but will not exceed 22.5% of the
 15 total of the taxable value of such property, plus the amount
 16 of interim production and new production taxes levied
 17 divided by the appropriate tax rates described in
 18 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 19 amount of value represented by new production exempted from
 20 tax as provided in 15-23-612, when necessary for the purpose
 21 of replacing, rebuilding, or repairing county buildings,
 22 bridges, or highways which have been destroyed or damaged by
 23 an act of God, disaster, catastrophe, or accident.

24 (3) The value of the bonds issued and all other
 25 outstanding indebtedness of the county, except county high

1 school bonds, shall not exceed 22.5% of the total of the
 2 taxable value of the property within the county, plus the
 3 amount of interim production and new production taxes levied
 4 divided by the appropriate tax rates described in
 5 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 6 amount of value represented by new production exempted from
 7 tax as provided in 15-23-612, as ascertained by the last
 8 preceding general assessment."

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

10 "7-14-2525. Refunding agreements and refunding bonds
 11 authorized. (1) Whenever the total indebtedness of a county
 12 exceeds 22.5% of the total of the taxable value of the
 13 property therein, plus the amount of interim production and
 14 new production taxes levied divided by the appropriate tax
 15 rates described in 15-23-607(2)(a) or (2)(b) and multiplied
 16 by 60%, plus the amount of value represented by new
 17 production exempted from tax as provided in 15-23-612, and
 18 the board determines that the county is unable to pay such
 19 indebtedness in full, the board may:

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

24 (b) enter into such agreement;

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

1 (2) These bonds may be issued in more than one series,
 2 and each series may be either amortization or serial bonds.
 3 (3) The plan agreed upon between the board and the
 4 bondholders shall be embodied in full in the resolution
 5 providing for the issue of the bonds."

6 Section 6. Section 7-16-2327, MCA, is amended to read:

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

13 (2) (a) The total amount of indebtedness authorized to
 14 be contracted in any form, including the then-existing
 15 indebtedness, must not at any time exceed 13% of the total
 16 of the taxable value of the taxable property in the county,
 17 plus the amount of interim production and new production
 18 taxes levied divided by the appropriate tax rates described
 19 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 20 amount of value represented by new production exempted from
 21 tax as provided in 15-23-612, ascertained by the last
 22 assessment for state and county taxes previous to the
 23 incurring of such indebtedness.

24 (b) No money may be borrowed on bonds issued for the
 25 purchase of lands and improving same for any such purpose

1 until the proposition has been submitted to the vote of
 2 those qualified under the provisions of the state
 3 constitution to vote at such election in the county affected
 4 thereby and a majority vote is cast in favor thereof."

5 Section 7. Section 15-6-208, MCA, is amended to read:

6 "15-6-208. Mineral exemptions. (1) One-half of the
 7 contract sales price of coal sold by a coal producer who
 8 extracts less than 50,000 tons of coal in a calendar year is
 9 exempt from taxation.

10 (2) Metal mines producing less than 20,000 tons of ore
 11 in a taxable year shall be exempt from property taxation on
 12 one-half of the merchantable value.

13 (3) New production, as defined in 15-23-601, is exempt
 14 from taxation for the first ~~24~~ ~~12~~ ~~24~~ 12 months of production
 15 as provided in 15-23-612."

16 Section 8. Section 15-16-102, MCA, is amended to read:

17 "15-16-102. Time for payment -- penalty for
 18 delinquency. All taxes levied and assessed in the state of
 19 Montana, except assessments made for special improvements in
 20 cities and towns payable under 15-16-103 and assessments
 21 made on interim production and new production as provided in
 22 Title 15, chapter 23, part 6, and payable under 15-16-121,
 23 shall be payable as follows:

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

1 one-half on or before 5 p.m. on May 31 of each year.

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

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

13 Section 9. Section 15-16-121, MCA, is amended to read:

14 "15-16-121. Payment of interim production and new
 15 production taxes. (1) Taxes levied and assessed on interim
 16 production or new production under the provisions of Title
 17 15, chapter 23, part 6, must be paid to the county treasurer
 18 in quarterly installments. The payments must be made on or
 19 before 5 p.m. on the last day of the months of November,
 20 February, May, and August.

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

25 (3) All such delinquent taxes must draw interest at

1 the rate payable on delinquencies under 15-23-115.

2 (4) There must also be added to the delinquent taxes a
3 penalty at the same rate as provided for delinquencies under
4 15-23-104."

5 Section 10. Section 15-23-601, MCA, is amended to
6 read:

7 "15-23-601. Definitions. As used in this part, the
8 following definitions apply:

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

13 (2) (a) "Interim production" means the production of
14 natural gas, petroleum, or other crude or mineral oil from
15 any well that:

16 (i) had not produced natural gas, petroleum, or other
17 crude or mineral oil during the 5 years immediately
18 preceding the first month of interim production; and

19 (ii) began interim production after June 30, 1985, and
20 before January 1, 1987.

21 (b) Interim production, when used in connection with a
22 pooled or unitized area, is treated as follows:

23 (i) if a lease contains land that is partly within and
24 partly outside of a pooled or unitized area, the land that
25 is outside of the pooled or unitized area must be considered

1 a separate lease; and

2 (ii) a pooled or unitized area must be considered a
3 separate lease.

4 (2)(3) (a) The term "new production" means the
5 production of natural gas, petroleum, or other crude or
6 mineral oil from any lease well:

7 (i) that has not produced natural gas, petroleum, or
8 other crude or mineral oil during the 5 years immediately
9 preceding the first month of qualified new production; and

10 (ii) on which the notification required in 15-36-121(2)
11 was given.

12 (b) New production, when used in connection with a
13 pooled or unitized area, is treated as follows:

14 (i) if a lease contains land that is partly within and
15 partly outside of a pooled or unitized area, the land that
16 is outside of the pooled or unitized area must be considered
17 a separate lease; and

18 (ii) a pooled or unitized area must be considered a
19 separate lease.

20 (3)(4) The terms "operator" and "producer" mean any
21 person who engages in the business of drilling for,
22 extracting, or producing any natural gas, petroleum, or
23 other crude or mineral oil.

24 (4)(5) The term "well" includes each single well or
25 group of wells, including dry wells, in one field or

1 production unit and under the control of one operator or
2 producer."

3 Section 11. Section 15-23-602, MCA, is amended to
4 read:

5 "15-23-602. Statement of sales proceeds. (1) Except as
6 provided in subsection (2), each operator or producer of
7 natural gas, petroleum, or other crude or mineral oil must
8 on or before April 15 in each year make out and deliver to
9 the department of revenue a statement of the gross sales
10 proceeds of such natural gas, petroleum, or other crude or
11 mineral oil from each well owned or worked by such person
12 during the next preceding calendar year. The gross sales
13 proceeds shall be determined by multiplying the units of
14 production sold from the well times the royalty unit value
15 of that production at the well. Such statement shall be in
16 the form prescribed by the department and must be verified
17 by the oath of the operator or producer or the manager,
18 superintendent, agent, president, or vice-president of such
19 corporation, association, or partnership. Such statement
20 shall show the following:

21 (a) the name and address of the operator, together
22 with a list in duplicate of the names and addresses of any
23 and all persons owning or claiming any royalty interest in
24 the production from the well or the proceeds derived from
25 the sale thereof, and the amount or amounts paid or yielded

1 as royalty to each of such persons during the period covered
2 by the statement;

3 (b) the description and location of the well;

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

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

11 (e) except for interim production and new production
12 as defined in 15-23-601:

13 (i) actual cost of extracting product from well;

14 (ii) cost of construction, repairs, and betterments;

15 (iii) actual cost of fire insurance and workers'
16 compensation insurance;

17 (iv) the amount paid or withheld in satisfaction of
18 liability for excise taxes imposed by the U.S. government on
19 the production, sale, or removal of the natural gas,
20 petroleum, or other crude or mineral oil reported pursuant
21 to subsection (1)(c), including a separate statement of the
22 amount of such taxes paid or withheld from each royalty
23 owner.

24 (2) Each operator having interim production or new
25 production as defined in 15-23-601 shall, on or before the

1 last day of the months of October, January, April, and July,
 2 make out and deliver to the department of revenue a
 3 statement of the gross sales proceeds of such interim
 4 production or new production from each well owned or worked
 5 by such person during the preceding calendar quarter. The
 6 statement must be in the form prescribed by the department
 7 and verified as provided in subsection (1). The statement
 8 shall show the information required in subsections (1)(a)
 9 through (1)(d)."

10 Section 12. Section 15-23-603, MCA, is amended to
 11 read:

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

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

1 royalty was paid;

2 (b) all money expended for necessary labor and
 3 machinery needed and used in the operation and development;

4 (c) except as provided in subsection ~~(4)~~ (5), all
 5 money expended for necessary supplies needed and used in the
 6 operation and development;

7 (d) all money expended for improvements, repairs, and
 8 betterments necessary in and about the working of the well;

9 (e) that portion of all money, including costs of
 10 insurance, expended for the acquisition and operation of any
 11 vehicle used in the operation and development of the well
 12 which bears the same ratio to all money expended for the
 13 acquisition and use of the vehicle during the year covered
 14 by the statement as the number of miles the vehicle is used
 15 in operation and development of the well during the year
 16 covered by the statement bears to the total miles the
 17 vehicle is used during the year covered by the statement;

18 (f) all money expended for fire insurance, workers'
 19 compensation insurance, liability insurance, and casualty
 20 insurance directly attributable to the operation and
 21 development of the well and for payments by operators to
 22 welfare and retirement funds when provided for in wage
 23 contracts between operators and employees;

24 (g) all money expended for any performance or
 25 indemnity bonds required by the laws of this state or the

1 rules of any state agency, with respect to the well for
2 which the net proceeds are being calculated; and

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

9 (i) net proceeds determined under subsection (3).

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

17 (3) For interim production or new production, net
18 proceeds are the equivalent of the gross sales proceeds,
19 without deduction for excise taxes, of the product yielded
20 from such well for the year covered by the statement, except
21 that in computing the total number of barrels of petroleum
22 and other mineral or crude oil or cubic feet of natural gas
23 produced, there shall be deducted therefrom so much thereof
24 as is used in the operation of the well from which the
25 petroleum or other mineral or crude oil or natural gas is

1 produced for pumping the petroleum or other mineral or crude
2 oil or natural gas from the well to a tank or pipeline.

3 (4) To determine net proceeds under subsection (1) for
4 lease or unitized areas from which interim or new production
5 and other production have been sold, the deductions allowed
6 in subsections (1)(b) through (1)(h) must be prorated on the
7 basis of the number of barrels of interim and new production
8 of oil or cubic feet of interim or new production of gas to
9 the number of barrels of other production of oil or cubic
10 feet of other production of gas.

11 ~~(4)~~(5) In calculating the deduction for money expended
12 for necessary chemical supplies needed and used in a
13 tertiary recovery project approved by the department of
14 revenue, as provided in 15-36-101, the department shall
15 require that the necessary chemical supplies, which include
16 but are not limited to carbon dioxide supplies, be amortized
17 over a 10-year period beginning with the year in which the
18 money was expended."

19 Section 13. Section 15-23-604, MCA, is amended to
20 read:

21 "15-23-604. Deduction of drilling costs and capital
22 expenditures. (1) Unless an operator or producer proceeds
23 under subsection (2), the department of revenue in computing
24 the deductions allowable for cost of drilling wells
25 completed during the period and for other capital

1 expenditures shall allow 10% of such cost each year for a
2 period of 10 years beginning:

3 ~~{a}--after--the--3--year--exemption--period--allowed--in~~
4 ~~15-36-121--for--qualified--natural--gas--wells;~~

5 ~~{b}(a)~~ with the year natural gas from a nonqualified
6 natural gas well is first placed into a natural gas
7 distribution system; or

8 ~~{c}(b)~~ with the year the pumping unit is installed on
9 a crude oil well or the well flows.

10 (2) The operator or producer may elect to amortize the
11 cost over a period of 2 years if the well is less than 3,000
12 feet deep.

13 (3) The deduction of the costs in subsection (1) is
14 not allowed on wells that are producing interim production
15 or new production, as defined in 15-23-601, and may not be
16 prorated on wells that are not producing interim production
17 or new production when a lease or unitized area has both
18 interim or new production and other production."

19 Section 14. Section 15-23-605, MCA, is amended to
20 read:

21 "15-23-605. Assessment of royalties. (1) The amount of
22 royalty received, valued as provided in 15-23-603(1)(a),
23 less 70% of the amount of excise taxes paid by or withheld
24 from the royalty owner as reported pursuant to 15-23-602(8),
25 shall be considered net proceeds to the recipient and shall

1 be assessed as follows: upon receipt of the lists or
2 schedules setting forth the names and addresses of any and
3 all persons owning or claiming royalty and the amount paid
4 or yielded as royalty to such royalty owners or claimants
5 during the year for which such return is made, the
6 department of revenue shall proceed to assess and tax the
7 same as net proceeds of mines.

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

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

13 "15-23-607. County assessors to compute taxes. (1)
14 Immediately after the board of county commissioners has
15 fixed tax levies on the second Monday in August, the county
16 assessor shall compute the taxes on such net proceeds,
17 except as provided in ~~15-36-121~~ 15-23-612 and in subsection
18 (2), and royalty assessments and shall deliver the book to
19 the county treasurer on or before September 15. The county
20 treasurer shall proceed to give full notice thereof to such
21 operator and to collect the same in manner provided by law.

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

1 as follows:

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

5 (b) for interim production or new production of
 6 natural gas, 12% of net proceeds, as described in
 7 15-23-603(3).

8 (3) The amount of tax levied in subsections (2)(a) and
 9 (2)(b), divided by the appropriate tax rate and multiplied
 10 by 60%, shall be treated as taxable value for county bonding
 11 purposes.

12 (4) The operator or producer shall be liable for the
 13 payment of said taxes and same shall, except as provided in
 14 15-16-121, be payable by and shall be collected from such
 15 operators in the same manner and under the same penalties as
 16 provided for the collection of taxes upon net proceeds of
 17 mines; provided, however, that the operator may at his
 18 option withhold from the proceeds of royalty interest,
 19 either in kind or in money, an estimated amount of the tax
 20 to be paid by him upon such royalty or royalty interest.
 21 After such withholding any deviation between the estimated
 22 tax and the actual tax may be accounted for by adjusting
 23 subsequent withholdings from the proceeds of royalty
 24 interests."

25 Section 16. Section 15-23-612, MCA, is amended to

1 read:

2 "15-23-612. Certain natural gas, petroleum, or other
 3 crude or mineral oil exempt. (1) Natural-gas-produced-as
 4 provided-in-15-36-121(2)-is-exempt-from-one-half-the-net
 5 proceeds-tax-imposed-by-this-part-for-3-years--beginning--as
 6 provided-in-15-36-121(3)-if-the-requirements-of-15-36-121(2)
 7 are--met. New production, as defined in 15-23-601, is exempt
 8 from the net proceeds tax imposed by this part for the first
 9 24 12 24 12 months following the last day of the calendar
 10 month immediately preceding the month in which:

11 (a) natural gas is placed into a natural gas
 12 distribution system; or

13 (b) production for sale from a crude oil or mineral
 14 oil well is pumped or flows.

15 (2) After the expiration of the 24-month 12-MONTH
 16 24-MONTH 12-MONTH exemption period provided in subsection
 17 (1), new production of natural gas, petroleum, or other
 18 crude or mineral oil is subject to net proceeds tax imposed
 19 by this part.

20 (2)(3) Notwithstanding the provisions of subsection
 21 subsections (1) and (2), all reporting requirements under
 22 the net proceeds tax remain in effect."

23 Section 17. Section 15-23-613, MCA, is amended to
 24 read:

25 "15-23-613. Disposition of taxes--in-lieu--of---net

1 proceeds interim production and new production taxes. The
 2 county treasurer shall credit all taxes on interim
 3 production and new oil-or-gas production, as provided for in
 4 15-23-607, in the relative proportions required by the
 5 levies for state, county, school district, and municipal
 6 purposes in the same manner as property taxes were
 7 distributed in the year preceding the budget year."

8 NEW SECTION. Section 18. Allocation of new
 9 production. (1) If a lease has production that does not
 10 qualify for new or interim production and a producing well
 11 is completed on the lease after December 31, 1986, the
 12 allocation of the new production must be based on the
 13 average daily production per well. The average daily
 14 production per well must be determined by dividing the total
 15 production for the quarter by the number of well production
 16 days for the quarter.

17 (2) The number of well production days for the quarter
 18 is the sum of the number of completed wells on the first day
 19 of the quarter times the number of days in the quarter plus
 20 the number of days from the date of completion of any wells
 21 during the quarter to the end of the quarter. New production
 22 for the quarter must then be calculated by multiplying the
 23 average daily production per well times the number of wells
 24 completed after December 31, 1986, times the number of
 25 production days attributed to those wells for the quarter.

1 The value of the production must be based on the average
 2 price received for the production for the quarter.

3 (3) Average daily production, well production days,
 4 and average price must be calculated each quarter.

5 Section 19. Section 20-9-141, MCA, is amended to read:
 6 "20-9-141. Computation of general fund net levy
 7 requirement by county superintendent. (1) The county
 8 superintendent shall compute the levy requirement for each
 9 district's general fund on the basis of the following
 10 procedure:

11 (a) Determine the total of the funding required for
 12 the district's final general fund budget less the amount
 13 established by the schedules in 20-9-316 through 20-9-321 by
 14 totaling:

15 (i) the district's nonisolated school foundation
 16 program requirement to be met by a district levy as provided
 17 in 20-9-303;

18 (ii) the district's permissive levy amount as provided
 19 in 20-9-352; and

20 (iii) any general fund budget amount adopted by the
 21 trustees of the district under the provisions of 20-9-353,
 22 including any additional levies authorized by the electors
 23 of the district.

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

1 general fund by totaling:

2 (i) anticipated federal moneys received under the

3 provisions of Title I of Public Law 81-874 or other

4 anticipated federal moneys received in lieu of such federal

5 act;

6 (ii) anticipated tuition payments for out-of-district

7 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,

8 and 20-5-313;

9 (iii) general fund cash reappropriated, as established

10 under the provisions of 20-9-104;

11 (iv) anticipated or reappropriated state impact aid

12 received under the provisions of 20-9-304;

13 (v) anticipated or reappropriated motor vehicle fees

14 and reimbursement under the provisions of 61-3-532 and

15 61-3-536;

16 (vi) anticipated net proceeds taxes for interim

17 production and new production, as defined in 15-23-601;

18 (vii) anticipated interest to be earned or

19 reappropriated interest earned by the investment of general

20 fund cash in accordance with the provisions of 20-9-213(4);

21 and

22 (viii) any other revenue anticipated by the trustees to

23 be received during the ensuing school fiscal year which may

24 be used to finance the general fund.

25 (c) Subtract the total of the moneys available to

1 reduce the property tax required to finance the general fund

2 that has been determined in subsection (1)(b) from the total

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

4 (2) The net general fund levy requirement determined

5 in subsection (1)(c) shall be reported to the county

6 commissioners on the second Monday of August by the county

7 superintendent as the general fund levy requirement for the

8 district, and a levy shall be made by the county

9 commissioners in accordance with 20-9-142."

10 Section 20. Section 20-9-331, MCA, is amended to read:

11 "20-9-331. Basic county tax and other revenues for

12 county equalization of the elementary district foundation

13 program. (1) It shall be the duty of the county

14 commissioners of each county to levy an annual basic tax of

15 28 mills on the dollars of the taxable value of all taxable

16 property within the county for the purposes of local and

17 state foundation program support. The revenue to be

18 collected from this levy shall be apportioned to the support

19 of the foundation programs of the elementary school

20 districts in the county and to the state special revenue

21 fund, state equalization aid account, in the following

22 manner:

23 (a) In order to determine the amount of revenue raised

24 by this levy which is retained by the county, the sum of the

25 estimated revenues identified in subsection (2) below shall

1 be subtracted from the sum of the county elementary
2 transportation obligation and the total of the foundation
3 programs of all elementary districts of the county.

4 (b) If the basic levy prescribed by this section
5 produces more revenue than is required to finance the
6 difference determined above, the county treasurer shall
7 remit the surplus funds to the state treasurer for deposit
8 to the state special revenue fund, state equalization aid
9 account, immediately upon occurrence of a surplus balance
10 and each subsequent month thereafter, with any final
11 remittance due no later than June 20 of the fiscal year for
12 which the levy has been set.

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

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

23 (b) the portion of the federal flood control act funds
24 distributed to a county and designated for expenditure for
25 the benefit of the county common schools under the

1 provisions of 17-3-232;

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

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

9 (e) any federal or state money, including anticipated
10 or reappropriated motor vehicle fees and reimbursement under
11 the provisions of 61-3-532 and 61-3-536, distributed to the
12 county as payment in lieu of the property taxation
13 established by the county levy required by this section; and
14 (f) net proceeds taxes for interim production and new
15 production, as defined in 15-23-601."

16 Section 21. Section 20-9-333, MCA, is amended to read:

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

1 high school districts in the county and to the state special
2 revenue fund, state equalization aid account, in the
3 following manner:

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

10 (b) If the basic levy prescribed by this section
11 produces more revenue than is required to finance the
12 difference determined above, the county treasurer shall
13 remit the surplus to the state treasurer for deposit to the
14 state special revenue fund, state equalization aid account,
15 immediately upon occurrence of a surplus balance and each
16 subsequent month thereafter, with any final remittance due
17 no later than June 20 of the fiscal year for which the levy
18 has been set.

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

1 (a) any money remaining at the end of the immediately
2 preceding school fiscal year in the county treasurer's
3 accounts for the various sources of revenue established in
4 this section;

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

10 (c) net proceeds taxes for interim production and new
11 production, as defined in 15-23-601."

12 Section 22. Section 20-9-352, MCA, is amended to read:

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

1 The proceeds of such an appropriation shall be deposited to
2 the state special revenue fund, permissive account.

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

5 (a) For each elementary school district, the county
6 commissioners shall annually set a levy not exceeding 6
7 mills on all the taxable property in the district for the
8 purpose of funding the permissive amount of the district.
9 The permissive levy in mills shall be obtained by
10 multiplying the ratio of the permissive amount to the
11 maximum permissive amount by 6 or by using the number of
12 mills which would fund the permissive amount, whichever is
13 less. If the amount of revenue raised by this levy, plus
14 anticipated or reappropriated motor vehicle fees and
15 reimbursement under the provisions of 61-3-532 and 61-3-536,
16 is not sufficient to fund the permissive amount in full, the
17 amount of the deficiency shall be paid to the district from
18 the state special revenue fund according to the provisions
19 of subsections (3) and (4) of this section.

20 (b) For each high school district, the county
21 commissioners shall annually set a levy not exceeding 4
22 mills on all taxable property in the district for the
23 purpose of funding the permissive amount of the district.
24 The permissive levy in mills shall be obtained by
25 multiplying the ratio of the permissive levy to the maximum

1 permissive amount by 4 or by using the number of mills which
2 would fund the permissive amount, whichever is less. If the
3 amount of revenue raised by this levy, plus anticipated
4 motor vehicle fees and reimbursement under the provisions of
5 61-3-532 and 61-3-536, and plus net proceeds taxes for
6 interim production and new production, as defined in
7 15-23-601, is not sufficient to fund the permissive amount
8 in full, the amount of the deficiency shall be paid to the
9 district from the state special revenue fund according to
10 the provisions of subsections (3) and (4) of this section.

11 (3) The superintendent of public instruction shall, if
12 the appropriation by the legislature for the permissive
13 account for the biennium is insufficient, request the budget
14 director to submit a request for a supplemental
15 appropriation in the second year of the biennium. The
16 supplemental appropriation shall provide enough revenue to
17 fund the permissive deficiency of the elementary and high
18 school districts of the state. The proceeds of this
19 appropriation shall be deposited to the state special
20 revenue fund, permissive account, and shall be distributed
21 to the elementary and high school districts in accordance
22 with their entitlements as determined by the superintendent
23 of public instruction according to the provisions of
24 subsections (1) and (2) of this section.

25 (4) Distribution under this section from the state

1 special revenue fund shall be made in two payments. The
 2 first payment shall be made at the same time as the first
 3 distribution of state equalization aid is made after January
 4 1 of the fiscal year. The second payment shall be made at
 5 the same time as the last payment of state equalization aid
 6 is made for the fiscal year. If the appropriation is not
 7 sufficient to finance the deficiencies of the districts as
 8 determined according to subsection (2), each district will
 9 receive the same percentage of its deficiency. Surplus
 10 revenue in the second year of the biennium may be used to
 11 reduce the appropriation required for the next succeeding
 12 biennium or may be transferred to the state equalization aid
 13 state special revenue fund if revenues in that fund are
 14 insufficient to meet foundation program requirements."

15 Section 23. Section 20-9-501, MCA, is amended to read:

16 "20-9-501. Retirement fund. (1) The trustees of any
 17 district employing personnel who are members of the
 18 teachers' retirement system or the public employees'
 19 retirement system or who are covered by unemployment
 20 insurance or who are covered by any federal social security
 21 system requiring employer contributions shall establish a
 22 retirement fund for the purposes of budgeting and paying the
 23 employer's contributions to such systems. The district's
 24 contribution for each employee who is a member of the
 25 teachers' retirement system shall be calculated in

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

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

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

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

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

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

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

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

23 (4) The county superintendent shall total the net
24 retirement fund levy requirements separately for all
25 elementary school districts, all high school districts, and

1 all community college districts of the county, including any
2 prorated joint district or special education cooperative
3 agreement levy requirements, and shall report each such levy
4 requirement to the county commissioners on the second Monday
5 of August as the respective county levy requirements for
6 elementary district, high school district, and community
7 college district retirement funds. The county commissioners
8 shall fix and set such county levy in accordance with
9 20-9-142.

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

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

1 determine the net retirement fund levy requirement for each
 2 county in the same manner as provided in 20-9-151 and fix
 3 and levy the net retirement fund levy for each county in the
 4 same manner as provided in 20-9-152."

5 Section 24. Section 20-10-144, MCA, is amended to
 6 read:

7 "20-10-144. Computation of revenues and net tax levy
 8 requirements for the transportation fund budget. Before the
 9 fourth Monday of July and in accordance with 20-9-123, the
 10 county superintendent shall compute the revenue available to
 11 finance the transportation fund budget of each district. The
 12 county superintendent shall compute the revenue for each
 13 district on the following basis:

14 (1) The "schedule amount" of the preliminary budget
 15 expenditures that is derived from the rate schedules in
 16 20-10-141 and 20-10-142 shall be determined by adding the
 17 following amounts:

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

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

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

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

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

22 (a) the resulting one-third amount shall be the
 23 budgeted state transportation reimbursement, except that the
 24 state transportation reimbursement for the transportation of
 25 special education pupils under the provisions of 20-7-442

1 shall be two-thirds of the schedule amount attributed to the
2 transportation of special education pupils;

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

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

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

1 financial obligation in subsection (2)(a); and

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

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

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

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

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

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

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

1 (f) net proceeds taxes for interim production and new
2 production, as defined in 15-23-601; plus

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

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

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

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

23 (b) subtracting the amount of moneys available to
24 reduce the property tax on the district, as determined in
25 subsection (3), from the amount determined in subsection

1 (4)(a) above.

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

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

16 NEW SECTION. Section 25. Extension of authority. Any
17 existing authority of the department of revenue or the board
18 of oil and gas conservation to make rules on the subject of
19 the provisions of this act is extended to the provisions of
20 this act.

21 NEW SECTION. Section 26. Codification instruction.
22 Section 18 is intended to be codified as an integral part of
23 Title 15, chapter 23, part 6, and the provisions of Title
24 15, chapter 23, part 6, apply to section 18.

25 NEW SECTION. Section 27. Coordination instructions.

1 (1) If either Senate Bill No. 262 or Senate Bill No. 66 and
2 this act are passed and approved, Senate Bill No. 262 or
3 Senate Bill No. 66 are void.

4 (2) If both this act and House Bill No. 776 are not
5 passed and approved, section 10(3)(a)(ii) is void.

6 NEW SECTION. Section 28. Effective date --
7 applicability. This act is effective on passage and approval
8 and applies retroactively, within the meaning of 1-2-109, to
9 taxable ~~years~~ QUARTERS beginning on or after ~~January-1~~ APRIL
10 1, 1987.

-End-

GOVERNOR'S AMENDMENTS
TO SENATE BILL NO. 383
(Reference Copy)
April 22, 1987

1. Page 11, line 20.
Strike: "January"
Insert: "April"
2. Page 11, line 13.
Following: (2)
Strike: "(a)"
3. Page 11, line 16.
Following: line 15
Strike: "(i)"
Insert: "(a)"
4. Page 11, line 19.
Following: line 18
Strike: "(ii)"
Insert: "b"
5. Page 11, line 21 through page 12, line 3.
Strike: subsection (b) in its entirety
6. Page 12, line 4.
Following: "(3)"
Strike: "(a)"
7. Page 12, line 7.
Following: line 6
Strike: "(i)"
Insert: "(a)"
8. Page 12, line 10.
Following: line 9
Strike: "(ii)"
Insert: "(b)"
9. Page 12, lines 12 through 19.
Strike: subsection (b) in its entirety
10. Page 43, line 4.
Following: "if"
Strike: "both this act and"
Following: "776"
Strike: "are"
Insert: "is"

11. Page 43, line 5.
Following: "section"
Strike: "10(3)(a)(ii)"
Insert: "10(3)(b)"

12. Page 43, line 10.
Following: "1987."
Insert: "The tax rate and filing method applicable to a well that qualifies as interim production under section 10 but which did not qualify as new production under 15-23-601 prior to the applicability date of this act does not change for tax periods prior to the applicability date."

-END-

STANDING COMMITTEE REPORT

HOUSE

APRIL 8

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 383

do pass

do not pass

be concurred in

be not concurred in

as amended

statement of intent attached

Ramirez
Representative Jack Ramirez, Chairman

Be amended as follows:

- Page 43, line 9
 Following: "taxable"
 Strike: "years"
 Insert: "quarters"
 Following: "after"
 Strike: "January 1"
 Insert: "April 1"

B



SENATE BILL NO. 383

INTRODUCED BY GAGE, KOLSTAD, MCCALLUM, GIACOMETTO,
IVERSON, GILBERT, HIRSCH

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "INTERIM PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; REVISING THE DEFINITION OF "NEW PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; EXTENDING THE UNIFORM RATE OF NET PROCEEDS TAXATION TO INTERIM PRODUCTION AND REDEFINED NEW PRODUCTION; PROVIDING FOR THE EXEMPTION FROM NET PROCEEDS TAXES FOR ~~24~~ 12 MONTHS FOR NEW PRODUCTION FROM NATURAL GAS, PETROLEUM, AND OIL WELLS; PROVIDING FOR PRORATING OF DEDUCTIONS TO DETERMINE NET PROCEEDS; PROVIDING FOR QUARTERLY PAYMENT OF INTERIM PRODUCTION AND NEW PRODUCTION NET PROCEEDS TAXES; REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES TO COUNTY CLASSIFICATION; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-6-208, 15-16-102, 15-16-121, 15-23-601 THROUGH 15-23-605, 15-23-607, 15-23-612, 15-23-613, 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. 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.



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

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

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

12 (c) the amount of value represented by new production
13 exempted from tax as provided in 15-23-612."

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

15 "7-7-2101. Limitation on amount of county
16 indebtedness. (1) No county may become indebted in any
17 manner or for any purpose to an amount, including existing
18 indebtedness, in the aggregate exceeding 23% of the total of
19 the taxable value of the property therein subject to
20 taxation, plus the amount of interim production and new
21 production taxes levied divided by the appropriate tax rates
22 described in 15-23-607(2)(a) or (2)(b) and multiplied by
23 60%, plus the amount of value represented by new production
24 exempted from tax as provided in 15-23-612, as ascertained
25 by the last assessment for state and county taxes previous

1 to the incurring of such indebtedness.

2 (2) No county may incur indebtedness or liability for
3 any single purpose to an amount exceeding \$500,000 without
4 the approval of a majority of the electors thereof voting at
5 an election to be provided by law, except as provided in
6 7-21-3413 and 7-21-3414.

7 (3) Nothing in this section shall apply to the
8 acquisition of conservation easements as set forth in Title
9 76, chapter 6."

10 Section 3. Section 7-7-2203, MCA, is amended to read:

11 "7-7-2203. Limitation on amount of bonded
12 indebtedness. (1) Except as provided in subsections (2)
13 through (4), no county may issue general obligation bonds
14 for any purpose which, with all outstanding bonds and
15 warrants except county high school bonds and emergency
16 bonds, will exceed 11.25% of the total of the taxable value
17 of the property therein, plus the amount of interim
18 production and new production taxes levied divided by the
19 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)
20 and multiplied by 60%, plus the amount of value represented
21 by new production exempted from tax as provided in
22 15-23-612, to be ascertained by the last assessment for
23 state and county taxes prior to the proposed issuance of
24 bonds.

25 (2) In addition to the bonds allowed by subsection

1 (1), a county may issue bonds which, with all outstanding
 2 bonds and warrants, will not exceed 27.75% of the total of
 3 the taxable value of the property in the county subject to
 4 taxation, plus the amount of interim production and new
 5 production taxes levied divided by the appropriate tax rates
 6 described in 15-23-607(2)(a) or (2)(b) and multiplied by
 7 60%, plus the amount of value represented by new production
 8 exempted from tax as provided in 15-23-612, when necessary
 9 to do so, for the purpose of acquiring land for a site for
 10 county high school buildings and for erecting or acquiring
 11 buildings thereon and furnishing and equipping the same for
 12 county high school purposes.

13 (3) In addition to the bonds allowed by subsections
 14 (1) and (2), a county may issue bonds for the construction
 15 or improvement of a jail which will not exceed 12.5% of the
 16 taxable value of the property in the county subject to
 17 taxation.

18 (4) The limitation in subsection (1) shall not apply
 19 to refunding bonds issued for the purpose of paying or
 20 retiring county bonds lawfully issued prior to January 1,
 21 1932."

22 Section 4. Section 7-14-2524, MCA, is amended to read:

23 "7-14-2524. Limitation on amount of bonds issued --
 24 excess void. (1) Except as otherwise provided hereafter and
 25 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,

1 with all outstanding bonds and warrants except county high
 2 school bonds and emergency bonds, will exceed 11.25% of the
 3 total of the taxable value of the property therein, plus the
 4 amount of interim production and new production taxes levied
 5 divided by the appropriate tax rates described in
 6 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 7 amount of value represented by new production exempted from
 8 tax as provided in 15-23-612. The taxable property and the
 9 amount of interim production and new production taxes levied
 10 shall be ascertained by the last assessment for state and
 11 county taxes prior to the issuance of such bonds.

12 (2) A county may issue bonds which, with all
 13 outstanding bonds and warrants except county high school
 14 bonds, will exceed 11.25% but will not exceed 22.5% of the
 15 total of the taxable value of such property, plus the amount
 16 of interim production and new production taxes levied
 17 divided by the appropriate tax rates described in
 18 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 19 amount of value represented by new production exempted from
 20 tax as provided in 15-23-612, when necessary for the purpose
 21 of replacing, rebuilding, or repairing county buildings,
 22 bridges, or highways which have been destroyed or damaged by
 23 an act of God, disaster, catastrophe, or accident.

24 (3) The value of the bonds issued and all other
 25 outstanding indebtedness of the county, except county high

1 school bonds, shall not exceed 22.5% of the total of the
 2 taxable value of the property within the county, plus the
 3 amount of interim production and new production taxes levied
 4 divided by the appropriate tax rates described in
 5 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 6 amount of value represented by new production exempted from
 7 tax as provided in 15-23-612, as ascertained by the last
 8 preceding general assessment."

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

10 "7-14-2525. Refunding agreements and refunding bonds
 11 authorized. (1) Whenever the total indebtedness of a county
 12 exceeds 22.5% of the total of the taxable value of the
 13 property therein, plus the amount of interim production and
 14 new production taxes levied divided by the appropriate tax
 15 rates described in 15-23-607(2)(a) or (2)(b) and multiplied
 16 by 60%, plus the amount of value represented by new
 17 production exempted from tax as provided in 15-23-612, and
 18 the board determines that the county is unable to pay such
 19 indebtedness in full, the board may:

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

24 (b) enter into such agreement;

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

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

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

6 Section 6. Section 7-16-2327, MCA, is amended to read:

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

13 (2) (a) The total amount of indebtedness authorized to
 14 be contracted in any form, including the then-existing
 15 indebtedness, must not at any time exceed 13% of the total
 16 of the taxable value of the taxable property in the county,
 17 plus the amount of interim production and new production
 18 taxes levied divided by the appropriate tax rates described
 19 in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
 20 amount of value represented by new production exempted from
 21 tax as provided in 15-23-612, ascertained by the last
 22 assessment for state and county taxes previous to the
 23 incurring of such indebtedness.

24 (b) No money may be borrowed on bonds issued for the
 25 purchase of lands and improving same for any such purpose

1 until the proposition has been submitted to the vote of
 2 those qualified under the provisions of the state
 3 constitution to vote at such election in the county affected
 4 thereby and a majority vote is cast in favor thereof."

5 Section 7. Section 15-6-208, MCA, is amended to read:

6 "15-6-208. Mineral exemptions. (1) One-half of the
 7 contract sales price of coal sold by a coal producer who
 8 extracts less than 50,000 tons of coal in a calendar year is
 9 exempt from taxation.

10 (2) Metal mines producing less than 20,000 tons of ore
 11 in a taxable year shall be exempt from property taxation on
 12 one-half of the merchantable value.

13 (3) New production, as defined in 15-23-601, is exempt
 14 from taxation for the first 24 ±2 24 12 months of production
 15 as provided in 15-23-612."

16 Section 8. Section 15-16-102, MCA, is amended to read:

17 "15-16-102. Time for payment -- penalty for
 18 delinquency. All taxes levied and assessed in the state of
 19 Montana, except assessments made for special improvements in
 20 cities and towns payable under 15-16-103 and assessments
 21 made on interim production and new production as provided in
 22 Title 15, chapter 23, part 6, and payable under 15-16-121,
 23 shall be payable as follows:

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

1 one-half on or before 5 p.m. on May 31 of each year.

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

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

13 Section 9. Section 15-16-121, MCA, is amended to read:

14 "15-16-121. Payment of interim production and new
 15 production taxes. (1) Taxes levied and assessed on interim
 16 production or new production under the provisions of Title
 17 15, chapter 23, part 6, must be paid to the county treasurer
 18 in quarterly installments. The payments must be made on or
 19 before 5 p.m. on the last day of the months of November,
 20 February, May, and August.

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

25 (3) All such delinquent taxes must draw interest at

1 the rate payable on delinquencies under 15-23-115.

2 (4) There must also be added to the delinquent taxes a
3 penalty at the same rate as provided for delinquencies under
4 15-23-104."

5 Section 10. Section 15-23-601, MCA, is amended to
6 read:

7 "15-23-601. Definitions. As used in this part, the
8 following definitions apply:

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

13 (2) ~~(a)~~ "Interim production" means the production of
14 natural gas, petroleum, or other crude or mineral oil from
15 any well that:

16 ~~(i)~~(A) had not produced natural gas, petroleum, or
17 other crude or mineral oil during the 5 years immediately
18 preceding the first month of interim production; and

19 ~~(ii)~~(B) began interim production after June 30, 1985,
20 and before January APRIL 1, 1987.

21 ~~(b)--Interim production, when used in connection with a~~
22 ~~pooled or unitized area, is treated as follows:~~

23 ~~(i)--if a lease contains land that is partly within and~~
24 ~~partly outside of a pooled or unitized area, the land that~~
25 ~~is outside of the pooled or unitized area must be considered~~

1 ~~a separate lease, and~~

2 ~~(ii)--a pooled or unitized area must be considered a~~
3 ~~separate lease;~~

4 ~~(2)(3) (a)~~ The term "new production" means the
5 production of natural gas, petroleum, or other crude or
6 mineral oil from any lease well:

7 ~~(i)~~(A) that has not produced natural gas, petroleum,
8 or other crude or mineral oil during the 5 years immediately
9 preceding the first month of qualified new production; and

10 ~~(ii)~~(B) on which the notification required in
11 15-36-121(2) was given.

12 ~~(b)--New production, when used in connection with a~~
13 ~~pooled or unitized area, is treated as follows:~~

14 ~~(i)--if a lease contains land that is partly within and~~
15 ~~partly outside of a pooled or unitized area, the land that~~
16 ~~is outside of the pooled or unitized area must be considered~~
17 ~~a separate lease, and~~

18 ~~(ii)--a pooled or unitized area must be considered a~~
19 ~~separate lease;~~

20 ~~(3)(4)~~ The terms "operator" and "producer" mean any
21 person who engages in the business of drilling for,
22 extracting, or producing any natural gas, petroleum, or
23 other crude or mineral oil.

24 ~~(4)~~(5) The term "well" includes each single well or
25 group of wells, including dry wells, in one field or

1 production unit and under the control of one operator or
2 producer."

3 Section 11. Section 15-23-602, MCA, is amended to
4 read:

5 "15-23-602. Statement of sales proceeds. (1) Except as
6 provided in subsection (2), each operator or producer of
7 natural gas, petroleum, or other crude or mineral oil must
8 on or before April 15 in each year make out and deliver to
9 the department of revenue a statement of the gross sales
10 proceeds of such natural gas, petroleum, or other crude or
11 mineral oil from each well owned or worked by such person
12 during the next preceding calendar year. The gross sales
13 proceeds shall be determined by multiplying the units of
14 production sold from the well times the royalty unit value
15 of that production at the well. Such statement shall be in
16 the form prescribed by the department and must be verified
17 by the oath of the operator or producer or the manager,
18 superintendent, agent, president, or vice-president of such
19 corporation, association, or partnership. Such statement
20 shall show the following:

21 (a) the name and address of the operator, together
22 with a list in duplicate of the names and addresses of any
23 and all persons owning or claiming any royalty interest in
24 the production from the well or the proceeds derived from
25 the sale thereof, and the amount or amounts paid or yielded

1 as royalty to each of such persons during the period covered
2 by the statement;

3 (b) the description and location of the well;

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

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

11 (e) except for interim production and new production
12 as defined in 15-23-601:

13 (i) actual cost of extracting product from well;

14 (ii) cost of construction, repairs, and betterments;

15 (iii) actual cost of fire insurance and workers'
16 compensation insurance;

17 (iv) the amount paid or withheld in satisfaction of
18 liability for excise taxes imposed by the U.S. government on
19 the production, sale, or removal of the natural gas,
20 petroleum, or other crude or mineral oil reported pursuant
21 to subsection (1)(c), including a separate statement of the
22 amount of such taxes paid or withheld from each royalty
23 owner.

24 (2) Each operator having interim production or new
25 production as defined in 15-23-601 shall, on or before the

1 last day of the months of October, January, April, and July,
 2 make out and deliver to the department of revenue a
 3 statement of the gross sales proceeds of such interim
 4 production or new production from each well owned or worked
 5 by such person during the preceding calendar quarter. The
 6 statement must be in the form prescribed by the department
 7 and verified as provided in subsection (1). The statement
 8 shall show the information required in subsections (1)(a)
 9 through (1)(d)."

10 Section 12. Section 15-23-603, MCA, is amended to
 11 read:

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

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

1 royalty was paid;

2 (b) all money expended for necessary labor and
 3 machinery needed and used in the operation and development;

4 (c) except as provided in subsection ~~(4)~~ (5), all
 5 money expended for necessary supplies needed and used in the
 6 operation and development;

7 (d) all money expended for improvements, repairs, and
 8 betterments necessary in and about the working of the well;

9 (e) that portion of all money, including costs of
 10 insurance, expended for the acquisition and operation of any
 11 vehicle used in the operation and development of the well
 12 which bears the same ratio to all money expended for the
 13 acquisition and use of the vehicle during the year covered
 14 by the statement as the number of miles the vehicle is used
 15 in operation and development of the well during the year
 16 covered by the statement bears to the total miles the
 17 vehicle is used during the year covered by the statement;

18 (f) all money expended for fire insurance, workers'
 19 compensation insurance, liability insurance, and casualty
 20 insurance directly attributable to the operation and
 21 development of the well and for payments by operators to
 22 welfare and retirement funds when provided for in wage
 23 contracts between operators and employees;

24 (g) all money expended for any performance or
 25 indemnity bonds required by the laws of this state or the

1 rules of any state agency, with respect to the well for
2 which the net proceeds are being calculated; and

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

9 (i) net proceeds determined under subsection (3).

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

17 (3) For interim production or new production, net
18 proceeds are the equivalent of the gross sales proceeds,
19 without deduction for excise taxes, of the product yielded
20 from such well for the year covered by the statement, except
21 that in computing the total number of barrels of petroleum
22 and other mineral or crude oil or cubic feet of natural gas
23 produced, there shall be deducted therefrom so much thereof
24 as is used in the operation of the well from which the
25 petroleum or other mineral or crude oil or natural gas is

1 produced for pumping the petroleum or other mineral or crude
2 oil or natural gas from the well to a tank or pipeline.

3 (4) To determine net proceeds under subsection (1) for
4 lease or unitized areas from which interim or new production
5 and other production have been sold, the deductions allowed
6 in subsections (1)(b) through (1)(h) must be prorated on the
7 basis of the number of barrels of interim and new production
8 of oil or cubic feet of interim or new production of gas to
9 the number of barrels of other production of oil or cubic
10 feet of other production of gas.

11 ~~††~~(5) In calculating the deduction for money expended
12 for necessary chemical supplies needed and used in a
13 tertiary recovery project approved by the department of
14 revenue, as provided in 15-36-101, the department shall
15 require that the necessary chemical supplies, which include
16 but are not limited to carbon dioxide supplies, be amortized
17 over a 10-year period beginning with the year in which the
18 money was expended."

19 Section 13. Section 15-23-604, MCA, is amended to
20 read:

21 "15-23-604. Deduction of drilling costs and capital
22 expenditures. (1) Unless an operator or producer proceeds
23 under subsection (2), the department of revenue in computing
24 the deductions allowable for cost of drilling wells
25 completed during the period and for other capital

1 expenditures shall allow 10% of such cost each year for a
2 period of 10 years beginning:

3 ~~{a)--after--the--3-year--exemption--period--allowed--in~~
4 ~~15-36-121-for-qualified-natural-gas-wells;~~

5 {b}(a) with the year natural gas from a nonqualified
6 natural gas well is first placed into a natural gas
7 distribution system; or

8 {c}(b) with the year the pumping unit is installed on
9 a crude oil well or the well flows.

10 (2) The operator or producer may elect to amortize the
11 cost over a period of 2 years if the well is less than 3,000
12 feet deep.

13 (3) The deduction of the costs in subsection (1) is
14 not allowed on wells that are producing interim production
15 or new production, as defined in 15-23-601, and may not be
16 prorated on wells that are not producing interim production
17 or new production when a lease or unitized area has both
18 interim or new production and other production."

19 Section 14. Section 15-23-605, MCA, is amended to
20 read:

21 "15-23-605. Assessment of royalties. (1) The amount of
22 royalty received, valued as provided in 15-23-603(1)(a),
23 less 70% of the amount of excise taxes paid by or withheld
24 from the royalty owner as reported pursuant to 15-23-602(8),
25 shall be considered net proceeds to the recipient and shall

1 be assessed as follows: upon receipt of the lists or
2 schedules setting forth the names and addresses of any and
3 all persons owning or claiming royalty and the amount paid
4 or yielded as royalty to such royalty owners or claimants
5 during the year for which such return is made, the
6 department of revenue shall proceed to assess and tax the
7 same as net proceeds of mines.

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

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

13 "15-23-607. County assessors to compute taxes. (1)
14 Immediately after the board of county commissioners has
15 fixed tax levies on the second Monday in August, the county
16 assessor shall compute the taxes on such net proceeds,
17 except as provided in ~~15-36-121~~ 15-23-612 and in subsection
18 (2), and royalty assessments and shall deliver the book to
19 the county treasurer on or before September 15. The county
20 treasurer shall proceed to give full notice thereof to such
21 operator and to collect the same in manner provided by law.

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

1 as follows:

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

5 (b) for interim production or new production of
 6 natural gas, 12% of net proceeds, as described in
 7 15-23-603(3).

8 (3) The amount of tax levied in subsections (2)(a) and
 9 (2)(b), divided by the appropriate tax rate and multiplied
 10 by 60%, shall be treated as taxable value for county bonding
 11 purposes.

12 (4) The operator or producer shall be liable for the
 13 payment of said taxes and same shall, except as provided in
 14 15-16-121, be payable by and shall be collected from such
 15 operators in the same manner and under the same penalties as
 16 provided for the collection of taxes upon net proceeds of
 17 mines; provided, however, that the operator may at his
 18 option withhold from the proceeds of royalty interest,
 19 either in kind or in money, an estimated amount of the tax
 20 to be paid by him upon such royalty or royalty interest.
 21 After such withholding any deviation between the estimated
 22 tax and the actual tax may be accounted for by adjusting
 23 subsequent withholdings from the proceeds of royalty
 24 interests."

25 Section 16. Section 15-23-612, MCA, is amended to

1 read:

2 "15-23-612. Certain natural gas, petroleum, or other
 3 crude or mineral oil exempt. (1) Natural gas produced as
 4 provided in 15-36-121(2) is exempt from one-half the net
 5 proceeds tax imposed by this part for 3 years beginning as
 6 provided in 15-36-121(3) if the requirements of 15-36-121(2)
 7 are met. New production, as defined in 15-23-601, is exempt
 8 from the net proceeds tax imposed by this part for the first
 9 24 12 24 12 months following the last day of the calendar
 10 month immediately preceding the month in which:

11 (a) natural gas is placed into a natural gas
 12 distribution system; or

13 (b) production for sale from a crude oil or mineral
 14 oil well is pumped or flows.

15 (2) After the expiration of the 24-month 12-MONTH
 16 24-MONTH 12-MONTH exemption period provided in subsection
 17 (1), new production of natural gas, petroleum, or other
 18 crude or mineral oil is subject to net proceeds tax imposed
 19 by this part.

20 (2)(3) Notwithstanding the provisions of subsection
 21 subsections (1) and (2), all reporting requirements under
 22 the net proceeds tax remain in effect."

23 Section 17. Section 15-23-613, MCA, is amended to
 24 read:

25 "15-23-613. Disposition of taxes in lieu of net

1 proceeds interim production and new production taxes. The
 2 county treasurer shall credit all taxes on interim
 3 production and new oil-or-gas production, as provided for in
 4 15-23-607, in the relative proportions required by the
 5 levies for state, county, school district, and municipal
 6 purposes in the same manner as property taxes were
 7 distributed in the year preceding the budget year."

8 NEW SECTION. Section 18. Allocation of new
 9 production. (1) If a lease has production that does not
 10 qualify for new or interim production and a producing well
 11 is completed on the lease after December 31, 1986, the
 12 allocation of the new production must be based on the
 13 average daily production per well. The average daily
 14 production per well must be determined by dividing the total
 15 production for the quarter by the number of well production
 16 days for the quarter.

17 (2) The number of well production days for the quarter
 18 is the sum of the number of completed wells on the first day
 19 of the quarter times the number of days in the quarter plus
 20 the number of days from the date of completion of any wells
 21 during the quarter to the end of the quarter. New production
 22 for the quarter must then be calculated by multiplying the
 23 average daily production per well times the number of wells
 24 completed after December 31, 1986, times the number of
 25 production days attributed to those wells for the quarter.

1 The value of the production must be based on the average
 2 price received for the production for the quarter.

3 (3) Average daily production, well production days,
 4 and average price must be calculated each quarter.

5 Section 19. Section 20-9-141, MCA, is amended to read:
 6 "20-9-141. Computation of general fund net levy
 7 requirement by county superintendent. (1) The county
 8 superintendent shall compute the levy requirement for each
 9 district's general fund on the basis of the following
 10 procedure:

11 (a) Determine the total of the funding required for
 12 the district's final general fund budget less the amount
 13 established by the schedules in 20-9-316 through 20-9-321 by
 14 totaling:

15 (i) the district's nonisolated school foundation
 16 program requirement to be met by a district levy as provided
 17 in 20-9-303;

18 (ii) the district's permissive levy amount as provided
 19 in 20-9-352; and

20 (iii) any general fund budget amount adopted by the
 21 trustees of the district under the provisions of 20-9-353,
 22 including any additional levies authorized by the electors
 23 of the district.

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

1 general fund by totaling:

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

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

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

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

13 (v) anticipated or reappropriated motor vehicle fees
14 and reimbursement under the provisions of 61-3-532 and
15 61-3-536;

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

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

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

25 (c) Subtract the total of the moneys available to

1 reduce the property tax required to finance the general fund
2 that has been determined in subsection (1)(b) from the total
3 requirement determined in subsection (1)(a).

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

10 Section 20. Section 20-9-331, MCA, is amended to read:

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

23 (a) In order to determine the amount of revenue raised
24 by this levy which is retained by the county, the sum of the
25 estimated revenues identified in subsection (2) below shall

1 be subtracted from the sum of the county elementary
2 transportation obligation and the total of the foundation
3 programs of all elementary districts of the county.

4 (b) If the basic levy prescribed by this section
5 produces more revenue than is required to finance the
6 difference determined above, the county treasurer shall
7 remit the surplus funds to the state treasurer for deposit
8 to the state special revenue fund, state equalization aid
9 account, immediately upon occurrence of a surplus balance
10 and each subsequent month thereafter, with any final
11 remittance due no later than June 20 of the fiscal year for
12 which the levy has been set.

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

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

23 (b) the portion of the federal flood control act funds
24 distributed to a county and designated for expenditure for
25 the benefit of the county common schools under the

1 provisions of 17-3-232;

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

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

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

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

16 Section 21. Section 20-9-333, MCA, is amended to read:

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

1 high school districts in the county and to the state special
2 revenue fund, state equalization aid account, in the
3 following manner:

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

10 (b) If the basic levy prescribed by this section
11 produces more revenue than is required to finance the
12 difference determined above, the county treasurer shall
13 remit the surplus to the state treasurer for deposit to the
14 state special revenue fund, state equalization aid account,
15 immediately upon occurrence of a surplus balance and each
16 subsequent month thereafter, with any final remittance due
17 no later than June 20 of the fiscal year for which the levy
18 has been set.

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

1 (a) any money remaining at the end of the immediately
2 preceding school fiscal year in the county treasurer's
3 accounts for the various sources of revenue established in
4 this section;

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

10 (c) net proceeds taxes for interim production and new
11 production, as defined in 15-23-601."

12 Section 22. Section 20-9-352, MCA, is amended to read:

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

1 The proceeds of such an appropriation shall be deposited to
2 the state special revenue fund, permissive account.

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

5 (a) For each elementary school district, the county
6 commissioners shall annually set a levy not exceeding 6
7 mills on all the taxable property in the district for the
8 purpose of funding the permissive amount of the district.
9 The permissive levy in mills shall be obtained by
10 multiplying the ratio of the permissive amount to the
11 maximum permissive amount by 6 or by using the number of
12 mills which would fund the permissive amount, whichever is
13 less. If the amount of revenue raised by this levy, plus
14 anticipated or reappropriated motor vehicle fees and
15 reimbursement under the provisions of 61-3-532 and 61-3-536,
16 is not sufficient to fund the permissive amount in full, the
17 amount of the deficiency shall be paid to the district from
18 the state special revenue fund according to the provisions
19 of subsections (3) and (4) of this section.

20 (b) For each high school district, the county
21 commissioners shall annually set a levy not exceeding 4
22 mills on all taxable property in the district for the
23 purpose of funding the permissive amount of the district.
24 The permissive levy in mills shall be obtained by
25 multiplying the ratio of the permissive levy to the maximum

1 permissive amount by 4 or by using the number of mills which
2 would fund the permissive amount, whichever is less. If the
3 amount of revenue raised by this levy, plus anticipated
4 motor vehicle fees and reimbursement under the provisions of
5 61-3-532 and 61-3-536, and plus net proceeds taxes for
6 interim production and new production, as defined in
7 15-23-601, is not sufficient to fund the permissive amount
8 in full, the amount of the deficiency shall be paid to the
9 district from the state special revenue fund according to
10 the provisions of subsections (3) and (4) of this section.

11 (3) The superintendent of public instruction shall, if
12 the appropriation by the legislature for the permissive
13 account for the biennium is insufficient, request the budget
14 director to submit a request for a supplemental
15 appropriation in the second year of the biennium. The
16 supplemental appropriation shall provide enough revenue to
17 fund the permissive deficiency of the elementary and high
18 school districts of the state. The proceeds of this
19 appropriation shall be deposited to the state special
20 revenue fund, permissive account, and shall be distributed
21 to the elementary and high school districts in accordance
22 with their entitlements as determined by the superintendent
23 of public instruction according to the provisions of
24 subsections (1) and (2) of this section.

25 (4) Distribution under this section from the state

1 special revenue fund shall be made in two payments. The
 2 first payment shall be made at the same time as the first
 3 distribution of state equalization aid is made after January
 4 1 of the fiscal year. The second payment shall be made at
 5 the same time as the last payment of state equalization aid
 6 is made for the fiscal year. If the appropriation is not
 7 sufficient to finance the deficiencies of the districts as
 8 determined according to subsection (2), each district will
 9 receive the same percentage of its deficiency. Surplus
 10 revenue in the second year of the biennium may be used to
 11 reduce the appropriation required for the next succeeding
 12 biennium or may be transferred to the state equalization aid
 13 state special revenue fund if revenues in that fund are
 14 insufficient to meet foundation program requirements."

15 Section 23. Section 20-9-501, MCA, is amended to read:
 16 "20-9-501. Retirement fund. (1) The trustees of any
 17 district employing personnel who are members of the
 18 teachers' retirement system or the public employees'
 19 retirement system or who are covered by unemployment
 20 insurance or who are covered by any federal social security
 21 system requiring employer contributions shall establish a
 22 retirement fund for the purposes of budgeting and paying the
 23 employer's contributions to such systems. The district's
 24 contribution for each employee who is a member of the
 25 teachers' retirement system shall be calculated in

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

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

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

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

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

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

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

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

23 (4) The county superintendent shall total the net
24 retirement fund levy requirements separately for all
25 elementary school districts, all high school districts, and

1 all community college districts of the county, including any
2 prorated joint district or special education cooperative
3 agreement levy requirements, and shall report each such levy
4 requirement to the county commissioners on the second Monday
5 of August as the respective county levy requirements for
6 elementary district, high school district, and community
7 college district retirement funds. The county commissioners
8 shall fix and set such county levy in accordance with
9 20-9-142.

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

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

1 determine the net retirement fund levy requirement for each
 2 county in the same manner as provided in 20-9-151 and fix
 3 and levy the net retirement fund levy for each county in the
 4 same manner as provided in 20-9-152."

5 Section 24. Section 20-10-144, MCA, is amended to
 6 read:

7 "20-10-144. Computation of revenues and net tax levy
 8 requirements for the transportation fund budget. Before the
 9 fourth Monday of July and in accordance with 20-9-123, the
 10 county superintendent shall compute the revenue available to
 11 finance the transportation fund budget of each district. The
 12 county superintendent shall compute the revenue for each
 13 district on the following basis:

14 (1) The "schedule amount" of the preliminary budget
 15 expenditures that is derived from the rate schedules in
 16 20-10-141 and 20-10-142 shall be determined by adding the
 17 following amounts:

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

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

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

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

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

22 (a) the resulting one-third amount shall be the
 23 budgeted state transportation reimbursement, except that the
 24 state transportation reimbursement for the transportation of
 25 special education pupils under the provisions of 20-7-442

1 shall be two-thirds of the schedule amount attributed to the
2 transportation of special education pupils;

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

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

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

1 financial obligation in subsection (2)(a); and

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

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

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

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

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

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

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

1 (f) net proceeds taxes for interim production and new
2 production, as defined in 15-23-601; plus

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

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

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

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

23 (b) subtracting the amount of moneys available to
24 reduce the property tax on the district, as determined in
25 subsection (3), from the amount determined in subsection

1 (4)(a) above.

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

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

16 NEW SECTION. Section 25. Extension of authority. Any
17 existing authority of the department of revenue or the board
18 of oil and gas conservation to make rules on the subject of
19 the provisions of this act is extended to the provisions of
20 this act.

21 NEW SECTION. Section 26. Codification instruction.
22 Section 18 is intended to be codified as an integral part of
23 Title 15, chapter 23, part 6, and the provisions of Title
24 15, chapter 23, part 6, apply to section 18.

25 NEW SECTION. Section 27. Coordination instructions.

1 (1) If either Senate Bill No. 262 or Senate Bill No. 66 and
2 this act are passed and approved, Senate Bill No. 262 or
3 Senate Bill No. 66 are void.

4 (2) If ~~both this act and~~ House Bill No. 776 are IS not
5 passed and approved, section ~~10(3)(a)(iii)~~ 10(3)(B) is void.

6 NEW SECTION. Section 28. Effective date --
7 applicability. This act is effective on passage and approval
8 and applies retroactively, within the meaning of 1-2-109, to
9 taxable years QUARTERS beginning on or after ~~January-1~~ APRIL
10 1, 1987. THE TAX RATE AND FILING METHOD APPLICABLE TO A
11 WELL THAT QUALIFIES AS INTERIM PRODUCTION UNDER SECTION 10
12 BUT WHICH DID NOT QUALIFY AS NEW PRODUCTION UNDER 15-23-601
13 PRIOR TO THE APPLICABILITY DATE OF THIS ACT DOES NOT CHANGE
14 FOR TAX PERIODS PRIOR TO THE APPLICABILITY DATE.

-End-