

SB 384 INTRODUCED BY MCCALLUM
REVISES THE DEFINITION OF GROSS VALUE OF PRODUCT
FROM METAL MINES

2/19	INTRODUCED		
2/19	REFERRED TO TAXATION		
2/19	FISCAL NOTE REQUESTED		
3/04	FISCAL NOTE RECEIVED		
3/05	HEARING		
3/13	COMMITTEE REPORT--BILL PASSED AS AMENDED		
3/14	REREFERRED TO TAXATION		
4/13	COMMITTEE REPORT--BILL PASSED AS AMENDED		
4/14	2ND READING PASSED AS AMENDED	37	7
4/14	3RD READING PASSED	46	4

TRANSMITTED TO HOUSE

DIED IN PROCESS

1 *State* BILL NO. *384*
 2 INTRODUCED BY *M. Callahan*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE DEFINITION
 5 OF "GROSS VALUE OF PRODUCT" FOR PURPOSES OF MAKING
 6 CONSISTENT THE METHOD OF COMPUTING THE METALLIFEROUS MINES
 7 LICENSE TAX AND THE RESOURCE INDEMNITY TRUST TAX; AMENDING
 8 SECTIONS 15-37-102, 15-37-103, AND 15-37-105, MCA; AND
 9 PROVIDING FOR AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

12 Section 1. Section 15-37-102, MCA, is amended to read:

13 "15-37-102. Gross value of metal mine yield---
 14 computation Definitions. The "quarterly reporting date", as
 15 used in this part, means the last day of the calendar
 16 quarter. The "quarterly gross value of product", as used in
 17 this part, means the market value of all merchantable metals
 18 or precious and semiprecious gems and stones extracted or
 19 produced each calendar quarter from any mine or mining
 20 property in the state or recovered from the smelting,
 21 milling, reduction, or treatment in any manner of ores
 22 extracted from any such mine or mining property or from
 23 tailings resulting from the smelting, reduction, or
 24 treatment of any such ores. Whenever the ores require
 25 smelting, reduction, or treatment to ascertain the metal

1 contents of such ores, the quarterly gross value of the
 2 product thereof shall be determined by taking the market
 3 value of all merchantable metals or mineral products
 4 extracted or recovered thereby as shown by the gross smelter
 5 returns of such metals or mineral product in dollars and
 6 cents without any deductions for costs of smelting,
 7 reduction, or treatment or otherwise, based upon the average
 8 quotations of the price of such metals or mineral products
 9 in the city of New York, as evidenced by some established
 10 authority or market report, giving the market reports during
 11 the calendar quarter for which a report is being made.
 12 Should there be no quotation covering any particular
 13 product, the department of revenue shall fix the value of
 14 such gross product or such portion thereof in such a manner
 15 as may seem equitable. As used in this part, the following
 16 definitions apply:

17 (1) "Gross value of product" means the market value of
 18 any merchantable mineral extracted or produced during the
 19 taxable year.

20 (2) "Mineral" means any gold, silver, copper, lead, or
 21 any other metal or metals or precious or semiprecious gems
 22 or stones that are extracted from the surface or subsurface
 23 of the state of Montana.

24 (3) "Quarterly reporting date" means the last day of
 25 the calendar quarter."



1 Section 2. Section 15-37-103, MCA, is amended to read:
 2 "15-37-103. Rate of tax. The annual license tax to be
 3 paid by such person engaged in or carrying on the business
 4 of working or operating any mine or mining property in this
 5 state from which ~~gold, silver, copper, lead, or any other~~
 6 ~~metal or metals or precious or semiprecious gems or stones~~
 7 minerals are produced shall be an amount computed on the
 8 gross value of product, at the time and location of
 9 extraction from the ground, which may have been derived by
 10 such person from such business, work, or operation within
 11 this state during the calendar year immediately preceding,
 12 at the following rates:

13 Gross Value	Rate of Tax
14 of Product	(percentage of gross value)
15 first \$250,000	0%
16 more than \$250,000 and	
17 not more than \$500,000.	.5% of the increment
18 more than \$500,000 and	
19 not more than \$1,000,000	1% of the increment
20 more than \$1,000,000	1.5% of the increment"

21 Section 3. Section 15-37-105, MCA, is amended to read:
 22 "15-37-105. Computation and payment of tax. {1} The
 23 tax due under this part is computed according to 15-37-103
 24 and is due and payable on or before March 1 of each year for
 25 the products produced in the preceding calendar year. The

1 tax due under this part becomes delinquent as of midnight on
 2 March 1 of the year immediately following the production
 3 year. If good cause is shown, the department may grant a
 4 reasonable extension of time for payment of the tax. During
 5 the period of any extension granted, the tax due bears
 6 interest at a rate of 1% a month or any part thereof.

7 ~~{2}--If any such person has sold or otherwise disposed~~
 8 ~~of any of its mine's products at a price substantially below~~
 9 ~~the true market price of such product at the time and place~~
 10 ~~of such sale or disposal, then the department shall compute~~
 11 ~~the gross value of such portion of said mine's product so~~
 12 ~~sold or disposed of substantially below the market price as~~
 13 ~~aforesaid, which gross value shall be based upon the~~
 14 ~~quotations of the price of such mine's product in New York~~
 15 ~~City at the time such portion of the product was so sold or~~
 16 ~~otherwise disposed of as evidenced by some established~~
 17 ~~authority or market report, such as the Engineering and~~
 18 ~~Mining Journal of New York, or some other standard~~
 19 ~~publication, giving the market reports for the year covered~~
 20 ~~by such statement. Should there be no quotation covering any~~
 21 ~~particular product, then the department shall fix the value~~
 22 ~~of such gross product or such portion thereof as shall have~~
 23 ~~been sold or otherwise disposed of at a price substantially~~
 24 ~~below the true market price at the time and place of such~~
 25 ~~sale or disposal in such a manner as may seem to be~~

1 equitable."

2 NEW SECTION. Section 4. Extension of authority. Any
3 existing authority of the department of revenue to make
4 rules on the subject of the provisions of this act is
5 extended to the provisions of this act.

6 NEW SECTION. Section 5. Effective date --
7 applicability. This act is effective on July 1, 1987, and
8 applies to taxes due for minerals extracted or produced on
9 or after July 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 SB384, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the definition of "gross value of product" for purposes of making consistent the method of computing the metalliferous mines license tax and the resource indemnity trust tax; and providing for an effective date and an applicability date.

ASSUMPTIONS:

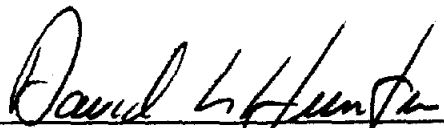
1. Under the current law, metal mines tax receipts will be \$3,425,000 in FY88 and \$3,987,000 in FY89 (REAC).
2. Metal mines tax receipts are deposited 67% to the general fund and 33% to the hard rock mining impact account.
3. The mine mouth value of total metal and gem production in Montana (proposed base for the metal mines tax) is 34.4% of the gross value of metal and gem production (current base for the metal mines tax). Based on the first three quarters of 1986, the proposed change in tax bases would result in a 68.2% decline in metalliferous mine tax revenue. (Natural Resource and Corporation Tax Division).
4. The proposed law applies to taxes due for minerals extracted or produced on or after July 1, 1987. Therefore it will impact half of FY88 payments and all of FY89 payments.

FISCAL IMPACT:

	<u>FY88</u>			<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Revenue Impact:</u>						
Metalliferous						
Mines Tax	\$ 3,425,000	\$ 2,257,075	(\$1,167,925)	\$ 3,987,000	\$ 1,267,866	(\$2,719,134)

FUND INFORMATION:

General Fund	\$ 2,295,000	\$ 1,512,240	(\$ 782,760)	\$ 2,671,000	\$ 849,470	(\$1,821,530)
Hard Rock Mining						
Impact Account	\$ 1,130,000	\$ 744,835	(\$ 385,165)	\$ 1,316,000	\$ 418,396	(\$ 897,604)


 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

DATE

2/26/87


 GEORGE MCCALLUM, PRIMARY SPONSOR

DATE

3-3-87

Fiscal Note for SB384, as introduced.

SB 384

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 384
INTRODUCED BY MCCALLUM

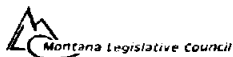
A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE DEFINITION OF "GROSS VALUE OF PRODUCT" FOR PURPOSES OF MAKING CONSISTENT THE METHOD OF COMPUTING THE METALLIFEROUS MINES LICENSE TAX AND THE RESOURCE INDEMNITY TRUST TAX; AMENDING SECTIONS 15-37-102, 15-37-103, AND 15-37-105, MCA; AND PROVIDING FOR AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
Section 1. Section 15-37-102, MCA, is amended to read:
"15-37-102. Gross value of metal mine yield computation Definitions. The "quarterly reporting date", as used in this part, means the last day of the calendar quarter. The "quarterly gross value of product", as used in this part, means the market value of all merchantable metals or precious and semiprecious gems and stones extracted or produced each calendar quarter from any mine or mining property in the state or recovered from the smelting, milling, reduction, or treatment in any manner of ores extracted from any such mine or mining property or from tailings resulting from the smelting, reduction, or treatment of any such ores. Whenever the ores require smelting, reduction, or treatment to ascertain the metal

contents of such ores, the quarterly gross value of the product thereof shall be determined by taking the market value of all merchantable metals or mineral products extracted or recovered thereby as shown by the gross smelter returns of such metals or mineral product in dollars and cents without any deductions for costs of smelting, reduction, or treatment or otherwise, based upon the average quotations of the price of such metals or mineral products in the city of New York, as evidenced by some established authority or market report, giving the market reports during the calendar quarter for which a report is being made. Should there be no quotation covering any particular product, the department of revenue shall fix the value of such gross product or such portion thereof in such a manner as may seem equitable. As used in this part, the following definitions apply:

- (1) "Gross value of product" means the market value of any merchantable mineral extracted or produced during the taxable year.
- (2) "Mineral" means any gold, silver, copper, lead, or any other metal or metals or precious or semiprecious gems or stones that are extracted from the surface or subsurface of the state of Montana.
- (3) "Quarterly reporting date" means the last day of the calendar quarter."

SECOND READING



1 Section 2. Section 15-37-103, MCA, is amended to read:
 2 "15-37-103. Rate of tax. The annual license tax to be
 3 paid by such person engaged in or carrying on the business
 4 of working or operating any mine or mining property in this
 5 state from which ~~gold, silver, copper, lead, or any other~~
 6 ~~metal or metals or precious or semiprecious gems or stones~~
 7 minerals are produced shall be an amount computed on the
 8 gross value of product, at the time and location of
 9 extraction from the ground, which may have been derived by
 10 such person from such business, work, or operation within
 11 this state during the calendar year immediately preceding,
 12 at the following rates:

13 Gross Value	Rate of Tax
14 of Product	(percentage of gross value)
15 first \$250,000	0%
16 more than \$250,000 and	
17 not more than \$500,000	.5% of the increment
18 more than \$500,000 and	
19 not more than \$1,000,000	1% of the increment
20 more than \$1,000,000	1.5% of the increment"

21 Section 3. Section 15-37-105, MCA, is amended to read:
 22 "15-37-105. Computation and payment of tax. (1) The
 23 tax due under this part is computed according to 15-37-103
 24 and is due and payable on or before March 1 of each year for
 25 the products produced in the preceding calendar year. The

1 tax due under this part becomes delinquent as of midnight on
 2 March 1 of the year immediately following the production
 3 year. If good cause is shown, the department may grant a
 4 reasonable extension of time for payment of the tax. During
 5 the period of any extension granted, the tax due bears
 6 interest at a rate of 1% a month or any part thereof.

7 (2) ~~If any such person has sold or otherwise disposed~~
 8 ~~of any of its mine's products at a price substantially below~~
 9 ~~the true market price of such product at the time and place~~
 10 ~~of such sale or disposal, then the department shall compute~~
 11 ~~the gross value of such portion of said mine's product so~~
 12 ~~sold or disposed of substantially below the market price as~~
 13 ~~aforsaid, which gross value shall be based upon the~~
 14 ~~quotations of the price of such mine's product in New York~~
 15 ~~City at the time such portion of the product was so sold or~~
 16 ~~otherwise disposed of as evidenced by some established~~
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 18 ~~Mining Journal of New York, or some other standard~~
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1 **equitable."**

2 NEW SECTION. Section 4. Extension of authority. Any
3 existing authority of the department of revenue to make
4 rules on the subject of the provisions of this act is
5 extended to the provisions of this act.

6 NEW SECTION. Section 5. Effective date --
7 applicability. This act is effective ~~on July 17, 1987~~ WHEN
8 SUFFICIENT REVENUE IS COLLECTED AND DEDICATED TO THE
9 REPLACEMENT OF REVENUE THAT WOULD BE LOST AS A RESULT OF
10 THIS ACT and applies to taxes due for minerals extracted or
11 produced on or after July 1, 1987.

-End-

1 SENATE BILL NO. 384
2 INTRODUCED BY MCCALLUM

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE DEFINITION
5 OF "GROSS VALUE OF PRODUCT" FOR PURPOSES OF MAKING
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7 LICENSE TAX AND THE RESOURCE INDEMNITY TRUST TAX; AMENDING
8 SECTIONS 15-37-102, 15-37-103, AND 15-37-105, MCA; AND
9 PROVIDING FOR AN A DELAYED EFFECTIVE DATE AND AN
10 APPLICABILITY DATE."

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15 computation Definitions. The "quarterly reporting date", as
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18 this part, means the market value of all merchantable metals
19 or precious and semiprecious gems and stones extracted or
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21 property in the state or recovered from the smelting,
22 milling, reduction, or treatment in any manner of ores
23 extracted from any such mine or mining property or from
24 tailings resulting from the smelting, reduction, or
25 treatment of any such ores. Whenever the ores require

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2 contents of such ores, the quarterly gross value of the
3 product thereof shall be determined by taking the market
4 value of all merchantable metals or mineral products
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7 cents without any deductions for costs of smelting,
8 reduction, or treatment or otherwise, based upon the average
9 quotations of the price of such metals or mineral products
10 in the city of New York, as evidenced by some established
11 authority or market report, giving the market reports during
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14 product, the department of revenue shall fix the value of
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19 any merchantable mineral extracted or produced during the
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1 the calendar quarter."

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10 extraction from the ground, which may have been derived by
11 such person from such business, work, or operation within
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23 "15-37-105. Computation and payment of tax. ~~(1)~~ The
24 tax due under this part is computed according to 15-37-103
25 and is due and payable on or before March 1 of each year for

1 the products produced in the preceding calendar year. The
2 tax due under this part becomes delinquent as of midnight on
3 March 1 of the year immediately following the production
4 year. If good cause is shown, the department may grant a
5 reasonable extension of time for payment of the tax. During
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1 sale-or-disposal--in--such--a--manner--as--may--seem--to--be
2 equitable."

3 NEW SECTION. Section 4. Extension of authority. Any
4 existing authority of the department of revenue to make
5 rules on the subject of the provisions of this act is
6 extended to the provisions of this act.

7 NEW SECTION. Section 5. Effective date --
8 applicability. This act is effective ~~on July 1, 1987~~, WHEN
9 SUFFICIENT--REVENUE--IS--COLLECTED--AND--DEDICATED--TO--THE
10 REPLACEMENT--OF--REVENUE--THAT--WOULD--BE--LOST--AS--A--RESULT--OF
11 THIS-ACT ON JULY 1, 1988, and applies to taxes due for
12 minerals extracted or produced on or after July 1, 1987
13 1988.

-End-