

HOUSE BILL NO. 525

INTRODUCED BY SWYSGOOD, HOFFMAN, ANDERSON, CAMPBELL,
GRADY, DAILY, PAVLOVICH, PATTERSON, THOFT, KASTEN,
GILBERT, O'KEEFE, KOEHNKE, PECK, HANSON, HARRINGTON,
QUILICI, MARKS

IN THE HOUSE

FEBRUARY 1, 1989

INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

FIRST READING.

MARCH 1, 1989

COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 2, 1989

PRINTING REPORT.

MARCH 4, 1989

PASSED CONSIDERATION FOR THE DAY.

MARCH 6, 1989

PASSED CONSIDERATION FOR THE DAY.

MARCH 7, 1989

ON MOTION, CONSIDERATION PASSED
UNTIL 55TH DAY.

MARCH 9, 1989

ON MOTION, CONSIDERATION PASSED
UNTIL 57TH DAY.

MARCH 11, 1989

SECOND READING, DO PASS.

MARCH 13, 1989

ENGROSSING REPORT.

MARCH 14, 1989

THIRD READING, PASSED.
AYES, 91; NOES, 0.

TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 15, 1989

INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

FIRST READING.

MARCH 30, 1989

COMMITTEE RECOMMEND BILL BE

MARCH 31, 1989

CONCURRED IN. REPORT ADOPTED.

SECOND READING, CONCURRED IN.

APRIL 3, 1989

THIRD READING, CONCURRED IN.
AYES, 50; NOES, 0.

RETURNED TO HOUSE.

IN THE HOUSE

APRIL 3, 1989

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *525*
 2 INTRODUCED BY *Sen. J. G. Hoffmann, Anderson*
 3 *Sen. J. G. Hoffmann, Anderson*
 4 *Sen. J. G. Hoffmann, Anderson* BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH THE VALUE
 5 OF TALC FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR
 6 RESOURCE INDEMNITY TRUST TAX PURPOSES; AMENDING SECTIONS
 7 15-6-131, 15-8-111, 15-23-103, 15-23-106, 15-23-115,
 8 15-23-502, 15-23-503, 15-23-521, AND 15-38-103, MCA; AND
 9 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 10 APPLICABILITY DATE."

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

13 NEW SECTION. **Section 1.** Net proceeds for talc --
 14 statement -- value. (1) A statement of gross yield and
 15 value, required in 15-23-502, that is filed by a producer of
 16 talc must contain the following:

17 (a) the name and address of the owner or lessee or
 18 operator of the mine, together with the name and address of
 19 any person owning or claiming a royalty interest in the
 20 mineral product of the mine or the proceeds derived from the
 21 sale of the mineral product, and the amount or amounts paid
 22 or yielded as royalty to each person during the period
 23 covered by the statement;

24 (b) the description and location of the mine;

25 (c) the number of tons of talc extracted, produced,

1 and treated or sold from the mine during the period covered
 2 by the statement;

3 (d) the amount and character of the talc and the yield
 4 of the talc from the mine, measured in tons, yielded to the
 5 person engaged in mining and to each royalty holder, if any,
 6 during the period covered by the statement; and

7 (e) the gross yield or value in dollars and cents.

8 (2) (a) For the purposes of this section, the gross
 9 yield or value of talc is determined by multiplying the
 10 number of tons of talc reported under subsection (1)(c) by:

11 (i) for the taxable year beginning January 1, 1989,
 12 \$4.25; and

13 (ii) for the taxable years beginning January 1, 1990,
 14 and thereafter, the product obtained by multiplying \$4.25 by
 15 the quotient of the PCE for the first quarter of the taxable
 16 year for which the net proceed value is being calculated,
 17 divided by the PCE for the first quarter of the 1989 taxable
 18 year.

19 (b) "PCE" means the implicit price deflator for
 20 personal consumption expenditures as published quarterly in
 21 the Survey of Current Business by the bureau of economic
 22 analysis of the U.S. department of commerce.

23 NEW SECTION. **Section 2.** Gross value of product for
 24 talc. As used in this part, when referring to talc, "gross
 25 value of product" is the gross yield or value of talc as

1 determined in [section 1(2)].

2 **Section 3.** Section 15-6-131, MCA, is amended to read:

3 "15-6-131. Class one property -- description --
4 taxable percentage. (1) Class one property includes the
5 annual net proceeds of all mines and mining claims except
6 coal and metal mines.

7 (2) Class one property is taxed at 100% of its annual
8 net proceeds after deducting the expenses specified and
9 allowed by 15-23-503 or, if applicable, as provided in
10 [section 1]."

11 **Section 4.** Section 15-8-111, MCA, is amended to read:

12 "15-8-111. Assessment -- market value standard --
13 exceptions. (1) All taxable property must be assessed at
14 100% of its market value except as otherwise provided.

15 (2) (a) Market value is the value at which property
16 would change hands between a willing buyer and a willing
17 seller, neither being under any compulsion to buy or to sell
18 and both having reasonable knowledge of relevant facts.

19 (b) If the department uses construction cost as one
20 approximation of market value, the department shall fully
21 consider reduction in value caused by depreciation, whether
22 through physical depreciation, functional obsolescence, or
23 economic obsolescence.

24 (c) Except as provided in subsection (3), the market
25 value of all motor trucks; agricultural tools, implements,

1 and machinery; and vehicles of all kinds, including but not
2 limited to boats and all watercraft, is the average
3 wholesale value shown in national appraisal guides and
4 manuals or the value of the vehicle before reconditioning
5 and profit margin. The department of revenue shall prepare
6 valuation schedules showing the average wholesale value when
7 no national appraisal guide exists.

8 (3) The department of revenue or its agents may not
9 adopt a lower or different standard of value from market
10 value in making the official assessment and appraisal of the
11 value of property, except:

12 (a) the wholesale value for agricultural implements
13 and machinery is the loan value as shown in the Official
14 Guide, Tractor and Farm Equipment, published by the national
15 farm and power equipment dealers association, St. Louis,
16 Missouri;

17 (b) for agricultural implements and machinery not
18 listed in the official guide, the department shall prepare a
19 supplemental manual where the values reflect the same
20 depreciation as those found in the official guide; and

21 (c) as otherwise authorized in Title 15 and Title 61.

22 (4) For purposes of taxation, assessed value is the
23 same as appraised value.

24 (5) The taxable value for all property is the
25 percentage of market or assessed value established for each

1 class of property.

2 (6) The assessed value of properties in 15-6-131
3 through 15-6-133 is as follows:

4 (a) Properties in 15-6-131, under class one, are
5 assessed at 100% of the annual net proceeds after deducting
6 the expenses specified and allowed by 15-23-503 or, if
7 applicable, as provided in [section 1].

8 (b) Properties in 15-6-132, under class two, are
9 assessed at 100% of the annual gross proceeds.

10 (c) Properties in 15-6-133, under class three, are
11 assessed at 100% of the productive capacity of the lands
12 when valued for agricultural purposes. All lands that meet
13 the qualifications of 15-7-202 are valued as agricultural
14 lands for tax purposes.

15 (d) Properties in 15-6-143, under class thirteen, are
16 assessed at 100% of the combined appraised value of the
17 standing timber and grazing productivity of the land when
18 valued as timberland.

19 (7) Land and the improvements thereon are separately
20 assessed when any of the following conditions occur:

21 (a) ownership of the improvements is different from
22 ownership of the land;

23 (b) the taxpayer makes a written request; or

24 (c) the land is outside an incorporated city or town.

25 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.

1 681, L. 1985.)"

2 **Section 5.** Section 15-23-103, MCA, is amended to read:

3 "15-23-103. Due date of reports and returns --
4 extensions. (1) Except as provided in subsection (2) and
5 15-23-602, each report or return described in 15-23-301,
6 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the
7 department on or before March 31 each year.

8 (2) Each report or return for a natural gas or oil
9 pipeline described in 15-23-301 must be delivered to the
10 department on or before April 15 each year.

11 (3) Each report described in 15-23-201 ~~shall~~ or
12 [section 1] must be delivered to the department before April
13 15 each year.

14 (4) The department may for good cause extend the time
15 for filing a return or report for not more than 30 days."

16 **Section 6.** Section 15-23-106, MCA, is amended to read:

17 "15-23-106. Transmission to the counties. (1) On or
18 before July 1, the department shall transmit to its agent in
19 each county a statement listing:

20 (a) the assessed value of railroad property, as
21 determined under 15-23-202, apportioned to the county,
22 including the length or other description of such property;

23 (b) the assessed value of utility property, as
24 determined under 15-23-303, apportioned to the county,
25 including the length or other description of such property;

(c) the assessed value of property of airline companies, as determined under 15-23-403, apportioned to the county; 90% of the value of the property of airline companies apportioned to any county by reason of a state airport being located in the county shall be stated separately from the remaining assessed value of the property of airline companies apportioned to the county;

(d) the assessed value of the net proceeds and royalties from mines and oil and gas wells in the county, as determined under 15-23-503, 15-23-505, [section 1], 15-23-603, and 15-23-605; and

(e) the assessed value of the gross proceeds from coal mines, as described in 15-23-701.

(2) The agent of the department shall enter the assessed values so transmitted in the assessment book in a manner prescribed by the department."

Section 7. Section 15-23-115, MCA, is amended to read:

"15-23-115. Interest. If the department determines that a taxpayer has incorrectly reported a value under 15-23-502, [section 1], 15-23-602, 15-23-701, or 15-23-802, the department shall inform its agents at the county level of such determination, and if any additional tax is due, there must be added thereto until paid in full interest at the rate of 1% a month or fraction thereof from the date the original tax was due and payable. In no instance will a

taxpayer subject to imposition of interest pursuant to this section be also subject to the penalty and interest provisions contained in 15-16-102."

Section 8. Section 15-23-502, MCA, is amended to read:

"15-23-502. Net proceeds tax -- statement of yield. Every person engaged in mining, extracting, or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals, must on or before March 31 each year make out a statement of the gross yield and value of the above-named metals or minerals from each mine owned or worked by such person during the year preceding January 1 of the year in which such statement is made. Such statement shall be in the form prescribed by the department of revenue and must be verified by the oath of the person completing the statement or the manager, superintendent, agent, president, or vice-president, if a corporation, association, or partnership, and must be delivered to the department on or before March 31. Such Except as provided in [section 1], the statement shall show the following:

(1) the name and address of the owner or lessee or operator of the mine, together with the names and addresses of any and all persons owning or claiming any royalty interest in the mineral product of such mine or the proceeds

1 derived from the sale thereof, and the amount or amounts
2 paid or yielded as royalty to each of such persons during
3 the period covered by the statement;

4 (2) the description and location of the mine;

5 (3) the number of tons of ore or other mineral
6 products or deposits extracted, produced, and treated or
7 sold from the mine during the period covered by the
8 statement;

9 (4) the amount and character of such ores, mineral
10 products, or deposits and the yield of such ores, mineral
11 products, or deposits from such mine in constituents of
12 commercial value; that is, commercially valuable
13 constituents of the ores, mineral products, or deposits,
14 measured by standard units of measurement, yielded to such
15 person so engaged in mining and to each royalty holder, if
16 any, during the period covered by the statement;

17 (5) the gross yield or value in dollars and cents;

18 (6) cost of extracting from the mine;

19 (7) cost of transporting to place of reduction or
20 sale;

21 (8) cost of reduction or sale;

22 (9) cost of marketing the product and conversion of
23 same into money;

24 (10) cost of construction, repairs, and betterments of
25 mines and cost of repairs and replacements of reduction

1 works;

2 (11) the assessed valuation of reduction works for the
3 calendar year for which such return is made;

4 (12) cost of fire insurance, workers' compensation
5 insurance, boiler and machinery insurance, and public
6 liability insurance paid for the mine, reduction works, or
7 beneficiation process;

8 (13) cost of welfare and retirement fund payments
9 provided for in wage contracts;

10 (14) cost of testing extracted minerals for the purpose
11 of satisfying federal or state health and safety laws or
12 regulations, the cost of plant security in Montana, the cost
13 of assaying and sampling the extracted minerals, and the
14 costs incurred in Montana for engineering and geological
15 services for existing mining operations but not including
16 any such services beyond the stage of reduction and
17 beneficiation of the minerals; and

18 (15) cost of mine reclamation."

19 **Section 9.** Section 15-23-503, MCA, is amended to read:

20 "15-23-503. Net proceeds -- how computed. (1) The
21 department of revenue shall calculate from the returns the
22 gross product yielded from such a mine and its gross value
23 for the year covered by the statement and shall calculate
24 and compute the net proceeds of the mine yielded to the
25 person engaged in mining. Net Except as provided in

1 [section 1], net proceeds shall be determined by subtracting
2 from the value of the gross product thereof of the mine the
3 following:

4 (a) all royalty paid or apportioned in cash or in kind
5 by the person ~~so~~ engaged in mining;

6 (b) all ~~moneys~~ money expended for necessary labor,
7 machinery, and supplies needed and used in the mining
8 operations and developments;

9 (c) all ~~moneys~~ money expended for improvements,
10 repairs, and betterments necessary in and about the working
11 of the mine, except as hereinafter provided in this section;

12 (d) all ~~moneys~~ money expended for costs of repairs and
13 replacements of the milling and reduction works used in
14 connection with the mine;

15 (e) depreciation in the sum of 6% of the assessed
16 valuation of ~~such the~~ milling and reduction works for the
17 calendar year for which ~~such the~~ return is made;

18 (f) all ~~moneys~~ money actually expended for
19 transporting the ores and mineral products or deposits from
20 the mines to the mill or reduction works or to the place of
21 sale and for extracting the metals and minerals ~~therefrom~~
22 and for marketing the product and the conversion of the ~~same~~
23 product into money;

24 (g) all ~~moneys~~ money expended for insurance and
25 welfare and retirement costs reported in the statement

1 required in 15-23-502;

2 (h) all ~~moneys~~ money expended for necessary labor,
3 equipment, and supplies for testing minerals extracted to
4 satisfy federal or state health and safety laws or
5 regulations, for plant security in Montana, for assaying and
6 sampling the extracted minerals, for the cost of reclamation
7 at the site of the mine, and for engineering and geological
8 services conducted in Montana for existing mining operations
9 but not including ~~any-such~~ services beyond the stage of
10 reduction and beneficiation of the minerals.

11 (2) In computing the deductions allowable for repairs,
12 improvements, and betterments to the mine, the department
13 shall allow 10% of ~~such the~~ cost each year for a period of
14 10 years.

15 (3) ~~No--moneys~~ Money invested in mines or improvements
16 may not be allowed as a deduction unless all machinery,
17 equipment, and buildings represented by ~~such-moneys the~~
18 money are returned to the county in which ~~such the~~ mine is
19 located for assessment purposes at the level of assessment
20 of all other property in ~~such the~~ county.

21 (4) ~~No--moneys~~ Money invested in the mines and
22 improvements during any year except the year for which such
23 statement is made and except as provided in this section may
24 not be included in ~~such the~~ expenditures, and ~~such the~~
25 expenditures may not include the ~~salaries~~ salary or any

portion ~~thereof~~ of the salary of any person or officer not actually engaged in the working of the mine or superintending the management ~~thereof~~ of the mine."

Section 10. Section 15-23-521, MCA, is amended to read:

"15-23-521. Examination of records by department. The department of revenue ~~shall have the right and power may~~ at any time to examine the records of any person specified in this part as the ~~same~~ records may pertain to the yield of ore or mineral products or deposit in order to verify the statements made by ~~such the person, and if, If~~ from ~~such the~~ examination or from other information, ~~said the~~ department finds any statement or any material part ~~thereof~~ of a statement willfully false or fraudulent, ~~said the~~ department must assess in the same manner as provided for in 15-23-503 or [section 1]."

Section 11. Section 15-38-103, MCA, is amended to read:

"15-38-103. Definitions. As used in this chapter, the following definitions apply:

(1) "Department" means department of revenue.

(2) "Gross value of product" means, except as provided in [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

(3) "Mineral" means any precious stones or gems, gold,

silver, copper, coal, lead, petroleum, natural gas, oil, uranium, or other nonrenewable merchantable products extracted from the surface or subsurface of the state of Montana.

(4) "Total environment" means air, water, soil, flora, and fauna and the social, economic, and cultural conditions that influence communities and individual citizens."

NEW SECTION. **Section 12.** Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. **Section 13.** Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the provisions of Title 15, chapter 38, apply to [section 2].

NEW SECTION. **Section 14.** Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1988.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB525, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to establish the value of talc for net proceeds property tax purposes and for resource indemnity trust tax purposes; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

- 1) The estimate of gross property tax value of miscellaneous mines is estimated to be \$43,651,000 in FY90 and \$43,651,000 in FY91 (REAC). The gross property value of talc for 1987 production was \$19,000,000. It is estimated that for FY90 and FY91 the gross property value of talc will also be \$19,000,000. The taxable value of miscellaneous mines is estimated to be 12.4% of gross value (REAC). Therefore, the estimated taxable value of talc mines is estimated to be \$2,356,000 in FY90 and FY91.
- 2) The estimate of the Resource Indemnity Trust Tax is \$4,584,000 for FY90 and \$4,324,000 for FY91 (REAC). Resource Indemnity Trust Tax receipts for 1987 talc production were \$44,000, on a mine mouth value of \$8,800,000; or 300,000 tons. It is estimated that the mine mouth value of talc will be \$8,800,000 in FY90 and FY91, and production is estimated to be 300,000 tons in each year.
- 3) The proposal sets the gross value of talc for 1989 taxable year at \$4.25 per ton. At 300,000 tons, the gross value of talc is estimated to be \$1,275,000 for the gross RITT value and for property taxable value.
- 4) The proposal adjusts the per ton value of talc using the change in the Personal Consumption Expenditures(PCE). The estimate of the PCE change for FY90 is 4.9%, and for FY91 is 5.19% (REAC). Therefore, for FY91 (1990 taxable year) the gross value of talc is estimated to be \$4.46 per ton.
- 5) The average mill levy for state, county and schools is 224.31 mills.
- 6) The proposal will have no effect on Department of Revenue expenditures.

FISCAL IMPACT:Revenue Impact:

	<u>FY90</u>			<u>FY91</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
RITT	\$4,584,000	\$4,546,375	\$ (37,625)	\$4,324,000	\$4,286,687	\$ (37,313)
School Equalization	243,945	195,300	(48,645)	243,945	198,090	(45,855)
University System	32,526	26,040	(6,486)	32,526	26,412	(6,114)
Local Levies	939,514	752,165	(187,349)	939,514	762,911	(176,603)
Total	\$5,799,985	\$5,519,880	\$ (280,105)	\$5,539,985	\$5,274,100	\$ (265,885)

Ray Shackleford DATE 3/8/89
 RAY SHACKLEFORD, BUDGET DIRECTOR
 Office of Budget and Program Planning

Chuck Swysgood DATE 3-8-89
 CHUCK SWYSGOOD, PRIMARY SPONSOR

Fiscal Note for HB525, as introduced

HB 525

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Fund Information:

	<u>FY90</u>			<u>FY91</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Resource Idemnity Trust	\$4,584,000	\$4,546,365	\$ (37,630)	\$4,324,000	\$4,286,687	\$ (37,313)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

It is estimated that the taxable value of Miscellaneous Mine production will be reduced from \$5,421,000 to \$4,340,000 in FY90 and from \$5,421,000 to \$4,402,000 in FY91. Using the average millage for state, county and school mills in Madison County of 224.31 this results in a decline of taxes of \$242,479 in FY90 and \$228,572 in FY91.

The analysis of effect on property tax does not include recent audits by the Department of Revenue that increased the current law tax liability by \$1,300,000 annually.

HB 525

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB525, on second reading

DESCRIPTION OF PROPOSED LEGISLATION:


An act to establish the value of talc for net proceeds property tax purposes and for resource indemnity trust tax purposes; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Based on prices reported for the last three years, the proposal will not affect property tax revenues. The average price for the last five years, however, was \$5.50. Hence, from a five year perspective the proposal would result in a slight reduction in property tax revenues.
2. The estimate of the Resource Indemnity Trust Tax is \$4,584,000 for FY90 and \$4,324,000 for FY91.(REAC) Resource Indemnity Trust Tax receipts for 1987 talc production were \$44,000, on a mine mouth value of \$8,800,000; or 300,000 tons. It is estimated that the mine mouth value of talc will be \$8,800,000 in FY90 and FY91, and production is estimated to be 300,000 tons in each year.
3. The proposal adjusts the per ton value of talc using the change in the Personal Consumption Expenditures(PCE). The estimate of the PCE change for FY90 is 4.9%, and for FY91 is 5.19%.(REAC) Therefore, for FY91(1990 taxable year) the gross value of talc is estimated to be \$4.46 per ton.
4. The proposal set the RITT tax rate for talc at \$25 plus 4% of gross value. Gross value is computed by using a per ton value of \$4.46 in FY91.
5. The proposal will have no effect on Department of Revenue expenditures.

FISCAL IMPACT:Revenue Impact:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Resource Indemnity Trust Tax	\$4,584,000	\$ 4,591,000	\$ 7,000	\$ 4,324,000	\$ 4,333,520	\$ 9.520
<u>Fund Information:</u>						
RITT	\$ 4,584,000	\$ 4,591,000	\$ 7,000	\$ 4,324,000	\$ 4,333,520	\$ 9.520


 DATE 3-11-89
 BOB KUCHENBROD, ACTING BUDGET DIRECTOR
 Office of Budget and Program Planning


 DATE 3-11-89
 CHUCK SWYSGOOD, PRIMARY SPONSOR

Fiscal Note for HB525, on second reading

HB 525
2nd Rdg.

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 525

INTRODUCED BY SWYSGOOD, HOFFMAN, ANDERSON, CAMPBELL,
GRADY, DAILY, PAVLOVICH, PATTERSON, THOFT, KASTEN,
GILBERT, O'KEEFE, KOEHNKE, PECK, HANSON, HARRINGTON,
QUILICI, MARKS

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH THE VALUE
OF TALC FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR
RESOURCE INDEMNITY TRUST TAX PURPOSES; TO ESTABLISH A
SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR TALC;
AMENDING SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106,
15-23-115, 15-23-502, 15-23-503, 15-23-521, AND 15-38-103,
AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
DATE AND A RETROACTIVE APPLICABILITY DATE."

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

NEW SECTION. **Section 1.** Net proceeds for talc --
statement -- value. (1) A statement of gross yield and
value, required in 15-23-502, that is filed by a producer of
talc must contain the following:

(a) the name and address of the owner or lessee or
operator of the mine, together with the name and address of
any person owning or claiming a royalty interest in the
mineral product of the mine or the proceeds derived from the
sale of the mineral product, and the amount or amounts paid

or yielded as royalty to each person during the period
covered by the statement;

(b) the description and location of the mine;

(c) the number of tons of talc extracted, produced,
and treated or sold from the mine during the period covered
by the statement;

(d) the amount and character of the talc and the yield
of the talc from the mine, measured in tons, yielded to the
person engaged in mining and to each royalty holder, if any,
during the period covered by the statement; and

(e) the gross yield or value in dollars and cents.

(2) (a) For the purposes of this section, the gross
yield or value of talc is determined by multiplying the
number of tons of talc reported under subsection (1)(c) by:

(i) for the taxable year beginning January 1, 1989,
\$4.25; and

(ii) for the taxable years beginning January 1, 1990,
and thereafter, the product obtained by multiplying \$4.25 by
the quotient of the PCE for the first quarter of the taxable
year for which the net proceed value is being calculated,
divided by the PCE for the first quarter of the 1989 taxable
year.

(b) "PCE" means the implicit price deflator for
personal consumption expenditures as published quarterly in
the Survey of Current Business by the bureau of economic

1 analysis of the U.S. department of commerce.

2 **NEW SECTION. Section 2.** Gross value of product for
3 talc. As used in this part, when referring to talc, "gross
4 value of product" is the gross yield or value of talc as
5 determined in [section 1(2)].

6 **Section 3.** Section 15-6-131, MCA, is amended to read:

7 "15-6-131. Class one property -- description --
8 taxable percentage. (1) Class one property includes the
9 annual net proceeds of all mines and mining claims except
10 coal and metal mines.

11 (2) Class one property is taxed at 100% of its annual
12 net proceeds after deducting the expenses specified and
13 allowed by 15-23-503 or, if-applicable FOR TALC, as provided
14 in [section 1]."

15 **Section 4.** Section 15-8-111, MCA, is amended to read:

16 "15-8-111. Assessment -- market value standard --
17 exceptions. (1) All taxable property must be assessed at
18 100% of its market value except as otherwise provided.

19 (2) (a) Market value is the value at which property
20 would change hands between a willing buyer and a willing
21 seller, neither being under any compulsion to buy or to sell
22 and both having reasonable knowledge of relevant facts.

23 (b) If the department uses construction cost as one
24 approximation of market value, the department shall fully
25 consider reduction in value caused by depreciation, whether

1 through physical depreciation, functional obsolescence, or
2 economic obsolescence.

3 (c) Except as provided in subsection (3), the market
4 value of all motor trucks; agricultural tools, implements,
5 and machinery; and vehicles of all kinds, including but not
6 limited to boats and all watercraft, is the average
7 wholesale value shown in national appraisal guides and
8 manuals or the value of the vehicle before reconditioning
9 and profit margin. The department of revenue shall prepare
10 valuation schedules showing the average wholesale value when
11 no national appraisal guide exists.

12 (3) The department of revenue or its agents may not
13 adopt a lower or different standard of value from market
14 value in making the official assessment and appraisal of the
15 value of property, except:

16 (a) the wholesale value for agricultural implements
17 and machinery is the loan value as shown in the Official
18 Guide, Tractor and Farm Equipment, published by the national
19 farm and power equipment dealers association, St. Louis,
20 Missouri;

21 (b) for agricultural implements and machinery not
22 listed in the official guide, the department shall prepare a
23 supplemental manual where the values reflect the same
24 depreciation as those found in the official guide; and

25 (c) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property is the percentage of market or assessed value established for each class of property.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in [section 1].

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from

ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town. (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

Section 5. Section 15-23-103, MCA, is amended to read:

"15-23-103. Due date of reports and returns -- extensions. (1) Except as provided in subsection (2) and 15-23-602, each report or return described in 15-23-301, 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the department on or before March 31 each year.

(2) Each report or return for a natural gas or oil pipeline described in 15-23-301 must be delivered to the department on or before April 15 each year.

(3) Each report described in 15-23-201 ~~shall~~ or [section 1] must be delivered to the department before April 15 each year.

(4) The department may for good cause extend the time for filing a return or report for not more than 30 days."

Section 6. Section 15-23-106, MCA, is amended to read:

"15-23-106. Transmission to the counties. (1) On or before July 1, the department shall transmit to its agent in each county a statement listing:

(a) the assessed value of railroad property, as determined under 15-23-202, apportioned to the county,

1 including the length or other description of such property;

2 (b) the assessed value of utility property, as
3 determined under 15-23-303, apportioned to the county,
4 including the length or other description of such property;

5 (c) the assessed value of property of airline
6 companies, as determined under 15-23-403, apportioned to the
7 county; 90% of the value of the property of airline
8 companies apportioned to any county by reason of a state
9 airport being located in the county shall be stated
10 separately from the remaining assessed value of the property
11 of airline companies apportioned to the county;

12 (d) the assessed value of the net proceeds and
13 royalties from mines and oil and gas wells in the county, as
14 determined under 15-23-503, 15-23-505, [section 1],
15 15-23-603, and 15-23-605; and

16 (e) the assessed value of the gross proceeds from coal
17 mines, as described in 15-23-701.

18 (2) The agent of the department shall enter the
19 assessed values so transmitted in the assessment book in a
20 manner prescribed by the department."

21 **Section 7.** Section 15-23-115, MCA, is amended to read:

22 "15-23-115. Interest. If the department determines
23 that a taxpayer has incorrectly reported a value under
24 15-23-502, [section 1], 15-23-602, 15-23-701, or 15-23-802,
25 the department shall inform its agents at the county level

1 of such determination, and if any additional tax is due,
2 there must be added thereto until paid in full interest at
3 the rate of 1% a month or fraction thereof from the date the
4 original tax was due and payable. In no instance will a
5 taxpayer subject to imposition of interest pursuant to this
6 section be also subject to the penalty and interest
7 provisions contained in 15-16-102."

8 **Section 8.** Section 15-23-502, MCA, is amended to read:

9 "15-23-502. Net proceeds tax -- statement of yield.
10 Every person engaged in mining, extracting, or producing
11 from any quartz vein or lode, placer claim, dump or
12 tailings, or other place or source whatever precious stones
13 or gems, vermiculite, bentonite, or other valuable mineral,
14 except coal and metals, must on or before March 31 each year
15 make out a statement of the gross yield and value of the
16 above-named metals or minerals from each mine owned or
17 worked by such person during the year preceding January 1 of
18 the year in which such statement is made. Such statement
19 shall be in the form prescribed by the department of revenue
20 and must be verified by the oath of the person completing
21 the statement or the manager, superintendent, agent,
22 president, or vice-president, if a corporation, association,
23 or partnership, and must be delivered to the department on
24 or before March 31. Such Except as provided in [section 1],
25 the statement shall show the following:

1 (1) the name and address of the owner or lessee or
 2 operator of the mine, together with the names and addresses
 3 of any and all persons owning or claiming any royalty
 4 interest in the mineral product of such mine or the proceeds
 5 derived from the sale thereof, and the amount or amounts
 6 paid or yielded as royalty to each of such persons during
 7 the period covered by the statement;

8 (2) the description and location of the mine;

9 (3) the number of tons of ore or other mineral
 10 products or deposits extracted, produced, and treated or
 11 sold from the mine during the period covered by the
 12 statement;

13 (4) the amount and character of such ores, mineral
 14 products, or deposits and the yield of such ores, mineral
 15 products, or deposits from such mine in constituents of
 16 commercial value; that is, commercially valuable
 17 constituents of the ores, mineral products, or deposits,
 18 measured by standard units of measurement, yielded to such
 19 person so engaged in mining and to each royalty holder, if
 20 any, during the period covered by the statement;

21 (5) the gross yield or value in dollars and cents;

22 (6) cost of extracting from the mine;

23 (7) cost of transporting to place of reduction or
 24 sale;

25 (8) cost of reduction or sale;

1 (9) cost of marketing the product and conversion of
 2 same into money;

3 (10) cost of construction, repairs, and betterments of
 4 mines and cost of repairs and replacements of reduction
 5 works;

6 (11) the assessed valuation of reduction works for the
 7 calendar year for which such return is made;

8 (12) cost of fire insurance, workers' compensation
 9 insurance, boiler and machinery insurance, and public
 10 liability insurance paid for the mine, reduction works, or
 11 beneficiation process;

12 (13) cost of welfare and retirement fund payments
 13 provided for in wage contracts;

14 (14) cost of testing extracted minerals for the purpose
 15 of satisfying federal or state health and safety laws or
 16 regulations, the cost of plant security in Montana, the cost
 17 of assaying and sampling the extracted minerals, and the
 18 costs incurred in Montana for engineering and geological
 19 services for existing mining operations but not including
 20 any such services beyond the stage of reduction and
 21 beneficiation of the minerals; and

22 (15) cost of mine reclamation."

23 **Section 9.** Section 15-23-503, MCA, is amended to read:

24 "15-23-503. Net proceeds -- how computed. (1) The
 25 department of revenue shall calculate from the returns the

1 gross product yielded from such a mine and its gross value
 2 for the year covered by the statement and shall calculate
 3 and compute the net proceeds of the mine yielded to the
 4 person engaged in mining. Net Except as provided in
 5 [section 1], net proceeds shall be determined by subtracting
 6 from the value of the gross product thereof of the mine the
 7 following:

8 (a) all royalty paid or apportioned in cash or in kind
 9 by the person ~~so~~ engaged in mining;

10 (b) all ~~moneys~~ money expended for necessary labor,
 11 machinery, and supplies needed and used in the mining
 12 operations and developments;

13 (c) all ~~moneys~~ money expended for improvements,
 14 repairs, and betterments necessary in and about the working
 15 of the mine, except as hereinafter provided in this section;

16 (d) all ~~moneys~~ money expended for costs of repairs and
 17 replacements of the milling and reduction works used in
 18 connection with the mine;

19 (e) depreciation in the sum of 6% of the assessed
 20 valuation of such the milling and reduction works for the
 21 calendar year for which such the return is made;

22 (f) all ~~moneys~~ money actually expended for
 23 transporting the ores and mineral products or deposits from
 24 the mines to the mill or reduction works or to the place of
 25 sale and for extracting the metals and minerals ~~therefrom~~

1 and for marketing the product and the conversion of the ~~same~~
 2 product into money;

3 (g) all ~~moneys~~ money expended for insurance and
 4 welfare and retirement costs reported in the statement
 5 required in 15-23-502;

6 (h) all ~~moneys~~ money expended for necessary labor,
 7 equipment, and supplies for testing minerals extracted to
 8 satisfy federal or state health and safety laws or
 9 regulations, for plant security in Montana, for assaying and
 10 sampling the extracted minerals, for the cost of reclamation
 11 at the site of the mine, and for engineering and geological
 12 services conducted in Montana for existing mining operations
 13 but not including ~~any-such~~ services beyond the stage of
 14 reduction and beneficiation of the minerals.

15 (2) In computing the deductions allowable for repairs,
 16 improvements, and betterments to the mine, the department
 17 shall allow 10% of such the cost each year for a period of
 18 10 years.

19 (3) ~~No--moneys~~ Money invested in mines or improvements
 20 may not be allowed as a deduction unless all machinery,
 21 equipment, and buildings represented by ~~such-moneys~~ the
 22 money are returned to the county in which such the mine is
 23 located for assessment purposes at the level of assessment
 24 of all other property in such the county.

25 (4) ~~No--moneys~~ Money invested in the mines and

improvements during any year except the year for which such statement is made and except as provided in this section may not be included in such the expenditures, and such the expenditures may not include the ~~salaries~~ salary or any portion ~~thereof~~ of the salary of any person or officer not actually engaged in the working of the mine or superintending the management ~~thereof~~ of the mine."

Section 10. Section 15-23-521, MCA, is amended to read:

"15-23-521. Examination of records by department. The department of revenue ~~shall have the right and power may~~ at any time to examine the records of any person specified in this part as the ~~same~~ records may pertain to the yield of ore or mineral products or deposit in order to verify the statements made by ~~such the person, and if,~~ such the examination or from other information, ~~said the~~ department finds any statement or any material part thereof of a statement willfully false or fraudulent, ~~said the~~ department must assess in the same manner as provided for in 15-23-503 or [section 1]."

Section 11. Section 15-38-103, MCA, is amended to read:

"15-38-103. Definitions. As used in this chapter, the following definitions apply:

(1) "Department" means department of revenue.

(2) "Gross value of product" means, except as provided in [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

(3) "Mineral" means any precious stones or gems, gold, silver, copper, coal, lead, petroleum, natural gas, oil, uranium, or other nonrenewable merchantable products extracted from the surface or subsurface of the state of Montana.

(4) "Total environment" means air, water, soil, flora, and fauna and the social, economic, and cultural conditions that influence communities and individual citizens."

SECTION 12. SECTION 15-38-104, MCA, IS AMENDED TO READ:

"15-38-104. Tax on mineral production. (1) The Except as provided in subsection (2), the annual tax to be paid by the a person engaged in or carrying on the business of mining, extracting, or producing a mineral shall be is \$25, ~~together--with~~ plus an additional ~~sum-or~~ amount computed on the gross value of product ~~which--may--have--been~~ that was derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 1/2 of 1% of the amount of gross value of product at the time of extraction from the ground, if in excess of \$5,000. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners may be

deducted from any settlements under the lease or leases or division of proceeds orders or other contracts.

(2) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing talc is \$25 plus an additional amount computed on the gross value of product for talc derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 4%.

NEW SECTION. Section 13. Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. Section 14. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the provisions of Title 15, chapter 38, apply to [section 2].

NEW SECTION. Section 15. Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1988.

-End-

1 HOUSE BILL NO. 525

2 INTRODUCED BY SWYSGOOD, HOFFMAN, ANDERSON, CAMPBELL,
3 GRADY, DAILY, PAVLOVICH, PATTERSON, THOFT, KASTEN,
4 GILBERT, O'KEEFE, KOEHNKE, PECK, HANSON, HARRINGTON,
5 QUILICI, MARKS
6

7 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH THE VALUE
8 OF TALC FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR
9 RESOURCE INDEMNITY TRUST TAX PURPOSES; TO ESTABLISH A
10 SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR TALC;
11 AMENDING SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106,
12 15-23-115, 15-23-502, 15-23-503, 15-23-521, AND 15-38-103,
13 AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
14 DATE AND A RETROACTIVE APPLICABILITY DATE."
15

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

17 NEW SECTION. Section 1. Net proceeds for talc --
18 statement -- value. (1) A statement of gross yield and
19 value, required in 15-23-502, that is filed by a producer of
20 talc must contain the following:

21 (a) the name and address of the owner or lessee or
22 operator of the mine, together with the name and address of
23 any person owning or claiming a royalty interest in the
24 mineral product of the mine or the proceeds derived from the
25 sale of the mineral product, and the amount or amounts paid

1 or yielded as royalty to each person during the period
2 covered by the statement;

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

4 (c) the number of tons of talc extracted, produced,
5 and treated or sold from the mine during the period covered
6 by the statement;

7 (d) the amount and character of the talc and the yield
8 of the talc from the mine, measured in tons, yielded to the
9 person engaged in mining and to each royalty holder, if any,
10 during the period covered by the statement; and

11 (e) the gross yield or value in dollars and cents.

12 (2) (a) For the purposes of this section, the gross
13 yield or value of talc is determined by multiplying the
14 number of tons of talc reported under subsection (1)(c) by:

15 (i) for the taxable year beginning January 1, 1989,
16 \$4.25; and

17 (ii) for the taxable years beginning January 1, 1990,
18 and thereafter, the product obtained by multiplying \$4.25 by
19 the quotient of the PCE for the first quarter of the taxable
20 year for which the net proceed value is being calculated,
21 divided by the PCE for the first quarter of the 1989 taxable
22 year.

23 (b) "PCE" means the implicit price deflator for
24 personal consumption expenditures as published quarterly in
25 the Survey of Current Business by the bureau of economic

1 analysis of the U.S. department of commerce.

2 **NEW SECTION. Section 2.** Gross value of product for
3 talc. As used in this part, when referring to talc, "gross
4 value of product" is the gross yield or value of talc as
5 determined in [section 1(2)].

6 **Section 3.** Section 15-6-131, MCA, is amended to read:

7 "15-6-131. Class one property -- description --
8 taxable percentage. (1) Class one property includes the
9 annual net proceeds of all mines and mining claims except
10 coal and metal mines.

11 (2) Class one property is taxed at 100% of its annual
12 net proceeds after deducting the expenses specified and
13 allowed by 15-23-503 or, if applicable FOR TALC, as provided
14 in [section 1]."

15 **Section 4.** Section 15-8-111, MCA, is amended to read:

16 "15-8-111. Assessment -- market value standard --
17 exceptions. (1) All taxable property must be assessed at
18 100% of its market value except as otherwise provided.

19 (2) (a) Market value is the value at which property
20 would change hands between a willing buyer and a willing
21 seller, neither being under any compulsion to buy or to sell
22 and both having reasonable knowledge of relevant facts.

23 (b) If the department uses construction cost as one
24 approximation of market value, the department shall fully
25 consider reduction in value caused by depreciation, whether

1 through physical depreciation, functional obsolescence, or
2 economic obsolescence.

3 (c) Except as provided in subsection (3), the market
4 value of all motor trucks; agricultural tools, implements,
5 and machinery; and vehicles of all kinds, including but not
6 limited to boats and all watercraft, is the average
7 wholesale value shown in national appraisal guides and
8 manuals or the value of the vehicle before reconditioning
9 and profit margin. The department of revenue shall prepare
10 valuation schedules showing the average wholesale value when
11 no national appraisal guide exists.

12 (3) The department of revenue or its agents may not
13 adopt a lower or different standard of value from market
14 value in making the official assessment and appraisal of the
15 value of property, except:

16 (a) the wholesale value for agricultural implements
17 and machinery is the loan value as shown in the Official
18 Guide, Tractor and Farm Equipment, published by the national
19 farm and power equipment dealers association, St. Louis,
20 Missouri;

21 (b) for agricultural implements and machinery not
22 listed in the official guide, the department shall prepare a
23 supplemental manual where the values reflect the same
24 depreciation as those found in the official guide; and

25 (c) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property is the percentage of market or assessed value established for each class of property.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in [section 1].

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from

ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town. (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

Section 5. Section 15-23-103, MCA, is amended to read:

"15-23-103. Due date of reports and returns -- extensions. (1) Except as provided in subsection (2) and 15-23-602, each report or return described in 15-23-301, 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the department on or before March 31 each year.

(2) Each report or return for a natural gas or oil pipeline described in 15-23-301 must be delivered to the department on or before April 15 each year.

(3) Each report described in 15-23-201 ~~shall~~ or [section 1] must be delivered to the department before April 15 each year.

(4) The department may for good cause extend the time for filing a return or report for not more than 30 days."

Section 6. Section 15-23-106, MCA, is amended to read:

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1 including the length or other description of such property;

2 (b) the assessed value of utility property, as
3 determined under 15-23-303, apportioned to the county,
4 including the length or other description of such property;

5 (c) the assessed value of property of airline
6 companies, as determined under 15-23-403, apportioned to the
7 county; 90% of the value of the property of airline
8 companies apportioned to any county by reason of a state
9 airport being located in the county shall be stated
10 separately from the remaining assessed value of the property
11 of airline companies apportioned to the county;

12 (d) the assessed value of the net proceeds and
13 royalties from mines and oil and gas wells in the county, as
14 determined under 15-23-503, 15-23-505, [section 1],
15 15-23-603, and 15-23-605; and

16 (e) the assessed value of the gross proceeds from coal
17 mines, as described in 15-23-701.

18 (2) The agent of the department shall enter the
19 assessed values so transmitted in the assessment book in a
20 manner prescribed by the department."

21 **Section 7.** Section 15-23-115, MCA, is amended to read:

22 "15-23-115. Interest. If the department determines
23 that a taxpayer has incorrectly reported a value under
24 15-23-502, [section 1], 15-23-602, 15-23-701, or 15-23-802,
25 the department shall inform its agents at the county level

1 of such determination, and if any additional tax is due,
2 there must be added thereto until paid in full interest at
3 the rate of 1% a month or fraction thereof from the date the
4 original tax was due and payable. In no instance will a
5 taxpayer subject to imposition of interest pursuant to this
6 section be also subject to the penalty and interest
7 provisions contained in 15-16-102."

8 **Section 8.** Section 15-23-502, MCA, is amended to read:

9 "15-23-502. Net proceeds tax -- statement of yield.
10 Every person engaged in mining, extracting, or producing
11 from any quartz vein or lode, placer claim, dump or
12 tailings, or other place or source whatever precious stones
13 or gems, vermiculite, bentonite, or other valuable mineral,
14 except coal and metals, must on or before March 31 each year
15 make out a statement of the gross yield and value of the
16 above-named metals or minerals from each mine owned or
17 worked by such person during the year preceding January 1 of
18 the year in which such statement is made. Such statement
19 shall be in the form prescribed by the department of revenue
20 and must be verified by the oath of the person completing
21 the statement or the manager, superintendent, agent,
22 president, or vice-president, if a corporation, association,
23 or partnership, and must be delivered to the department on
24 or before March 31. Such Except as provided in [section 1],
25 the statement shall show the following:

1 (1) the name and address of the owner or lessee or
2 operator of the mine, together with the names and addresses
3 of any and all persons owning or claiming any royalty
4 interest in the mineral product of such mine or the proceeds
5 derived from the sale thereof, and the amount or amounts
6 paid or yielded as royalty to each of such persons during
7 the period covered by the statement;

8 (2) the description and location of the mine;

9 (3) the number of tons of ore or other mineral
10 products or deposits extracted, produced, and treated or
11 sold from the mine during the period covered by the
12 statement;

13 (4) the amount and character of such ores, mineral
14 products, or deposits and the yield of such ores, mineral
15 products, or deposits from such mine in constituents of
16 commercial value; that is, commercially valuable
17 constituents of the ores, mineral products, or deposits,
18 measured by standard units of measurement, yielded to such
19 person so engaged in mining and to each royalty holder, if
20 any, during the period covered by the statement;

21 (5) the gross yield or value in dollars and cents;

22 (6) cost of extracting from the mine;

23 (7) cost of transporting to place of reduction or
24 sale;

25 (8) cost of reduction or sale;

1 (9) cost of marketing the product and conversion of
2 same into money;

3 (10) cost of construction, repairs, and betterments of
4 mines and cost of repairs and replacements of reduction
5 works;

6 (11) the assessed valuation of reduction works for the
7 calendar year for which such return is made;

8 (12) cost of fire insurance, workers' compensation
9 insurance, boiler and machinery insurance, and public
10 liability insurance paid for the mine, reduction works, or
11 beneficiation process;

12 (13) cost of welfare and retirement fund payments
13 provided for in wage contracts;

14 (14) cost of testing extracted minerals for the purpose
15 of satisfying federal or state health and safety laws or
16 regulations, the cost of plant security in Montana, the cost
17 of assaying and sampling the extracted minerals, and the
18 costs incurred in Montana for engineering and geological
19 services for existing mining operations but not including
20 any such services beyond the stage of reduction and
21 beneficiation of the minerals; and

22 (15) cost of mine reclamation."

23 **Section 9.** Section 15-23-503, MCA, is amended to read:

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25 department of revenue shall calculate from the returns the

1 gross product yielded from such a mine and its gross value
 2 for the year covered by the statement and shall calculate
 3 and compute the net proceeds of the mine yielded to the
 4 person engaged in mining. Net Except as provided in
 5 [section 1], net proceeds shall be determined by subtracting
 6 from the value of the gross product thereof of the mine the
 7 following:

8 (a) all royalty paid or apportioned in cash or in kind
 9 by the person so engaged in mining;

10 (b) all moneys money expended for necessary labor,
 11 machinery, and supplies needed and used in the mining
 12 operations and developments;

13 (c) all moneys money expended for improvements,
 14 repairs, and betterments necessary in and about the working
 15 of the mine, except as hereinafter provided in this section;

16 (d) all moneys money expended for costs of repairs and
 17 replacements of the milling and reduction works used in
 18 connection with the mine;

19 (e) depreciation in the sum of 6% of the assessed
 20 valuation of such the milling and reduction works for the
 21 calendar year for which such the return is made;

22 (f) all moneys money actually expended for
 23 transporting the ores and mineral products or deposits from
 24 the mines to the mill or reduction works or to the place of
 25 sale and for extracting the metals and minerals therefrom

1 and for marketing the product and the conversion of the same
 2 product into money;

3 (g) all moneys money expended for insurance and
 4 welfare and retirement costs reported in the statement
 5 required in 15-23-502;

6 (h) all moneys money expended for necessary labor,
 7 equipment, and supplies for testing minerals extracted to
 8 satisfy federal or state health and safety laws or
 9 regulations, for plant security in Montana, for assaying and
 10 sampling the extracted minerals, for the cost of reclamation
 11 at the site of the mine, and for engineering and geological
 12 services conducted in Montana for existing mining operations
 13 but not including any-such services beyond the stage of
 14 reduction and beneficiation of the minerals.

15 (2) In computing the deductions allowable for repairs,
 16 improvements, and betterments to the mine, the department
 17 shall allow 10% of such the cost each year for a period of
 18 10 years.

19 (3) No--moneys Money invested in mines or improvements
 20 may not be allowed as a deduction unless all machinery,
 21 equipment, and buildings represented by such-moneys the
 22 money are returned to the county in which such the mine is
 23 located for assessment purposes at the level of assessment
 24 of all other property in such the county.

25 (4) No--moneys Money invested in the mines and

1 improvements during any year except the year for which such
 2 statement is made and except as provided in this section may
 3 not be included in such the expenditures, and such the
 4 expenditures may not include the salaries salary or any
 5 portion thereof of the salary of any person or officer not
 6 actually engaged in the working of the mine or
 7 superintending the management thereof of the mine."

8 **Section 10.** Section 15-23-521, MCA, is amended to
 9 read:

10 "15-23-521. Examination of records by department. The
 11 department of revenue ~~shall have the right and power~~ may at
 12 any time to examine the records of any person specified in
 13 this part as the same records may pertain to the yield of
 14 ore or mineral products or deposit in order to verify the
 15 statements made by such the person, and if, If from such
 16 the examination or from other information, said the
 17 department finds any statement or any material part thereof
 18 of a statement willfully false or fraudulent, said the
 19 department must assess in the same manner as provided for in
 20 15-23-503 or [section 1]."

21 **Section 11.** Section 15-38-103, MCA, is amended to
 22 read:

23 "15-38-103. Definitions. As used in this chapter, the
 24 following definitions apply:

25 (1) "Department" means department of revenue.

1 (2) "Gross value of product" means, except as provided
 2 in [section 2], the market value of any merchantable mineral
 3 extracted or produced during the taxable year.

4 (3) "Mineral" means any precious stones or gems, gold,
 5 silver, copper, coal, lead, petroleum, natural gas, oil,
 6 uranium, or other nonrenewable merchantable products
 7 extracted from the surface or subsurface of the state of
 8 Montana.

9 (4) "Total environment" means air, water, soil, flora,
 10 and fauna and the social, economic, and cultural conditions
 11 that influence communities and individual citizens."

12 **SECTION 12.** SECTION 15-38-104, MCA, IS AMENDED TO
 13 READ:

14 "15-38-104. Tax on mineral production. (1) The Except
 15 as provided in subsection (2), the annual tax to be paid by
 16 the a person engaged in or carrying on the business of
 17 mining, extracting, or producing a mineral ~~shall be~~ is \$25,
 18 together--with plus an additional sum-or amount computed on
 19 the gross value of product which--may--have--been that was
 20 derived from the business work or operation within this
 21 state during the calendar year immediately preceding at the
 22 rate of 1/2 of 1% of the amount of gross value of product at
 23 the time of extraction from the ground, if in excess of
 24 \$5,000. Unless otherwise provided in a contract or lease,
 25 the pro rata share of any royalty owner or owners may be

deducted from any settlements under the lease or leases or
division of proceeds orders or other contracts.

(2) The annual tax to be paid by a person engaged in
or carrying on the business of mining, extracting, or
producing talc is \$25 plus an additional amount computed on
the gross value of product for talc derived from the
business work or operation within this state during the
calendar year immediately preceding at the rate of 4%."

NEW SECTION. Section 13. Extension of authority. Any
existing authority to make rules on the subject of the
provisions of [this act] is extended to the provisions of
[this act].

NEW SECTION. Section 14. Codification instruction.
(1) [Section 1] is intended to be codified as an integral
part of Title 15, chapter 23, part 5, and the provisions of
Title 15, chapter 23, apply to [section 1].

(2) [Section 2] is intended to be codified as an
integral part of Title 15, chapter 38, part 1, and the
provisions of Title 15, chapter 38, apply to [section 2].

NEW SECTION. Section 15. Effective date --
retroactive applicability. [This act] is effective on
passage and approval and applies retroactively, within the
meaning of 1-2-109, to tax years beginning after December
31, 1988.

-End-

HOUSE BILL NO. 525

INTRODUCED BY SWYSGOOD, HOFFMAN, ANDERSON, CAMPBELL,
GRADY, DAILY, PAVLOVICH, PATTERSON, THOFT, KASTEN,
GILBERT, O'KEEFE, KOEHNKE, PECK, HANSON, HARRINGTON,
QUILICI, MARKS

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH THE VALUE
OF TALC FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR
RESOURCE INDEMNITY TRUST TAX PURPOSES; TO ESTABLISH A
SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR TALC;
AMENDING SECTIONS 15-6-131, 15-8-111, 15-23-103, 15-23-106,
15-23-115, 15-23-502, 15-23-503, 15-23-521, AND 15-38-103,
AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
DATE AND A RETROACTIVE APPLICABILITY DATE."

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

NEW SECTION. Section 1. Net proceeds for talc --
statement -- value. (1) A statement of gross yield and
value, required in 15-23-502, that is filed by a producer of
talc must contain the following:

(a) the name and address of the owner or lessee or
operator of the mine, together with the name and address of
any person owning or claiming a royalty interest in the
mineral product of the mine or the proceeds derived from the
sale of the mineral product, and the amount or amounts paid

or yielded as royalty to each person during the period
covered by the statement;

(b) the description and location of the mine;

(c) the number of tons of talc extracted, produced,
and treated or sold from the mine during the period covered
by the statement;

(d) the amount and character of the talc and the yield
of the talc from the mine, measured in tons, yielded to the
person engaged in mining and to each royalty holder, if any,
during the period covered by the statement; and

(e) the gross yield or value in dollars and cents.

(2) (a) For the purposes of this section, the gross
yield or value of talc is determined by multiplying the
number of tons of talc reported under subsection (1)(c) by:

(i) for the taxable year beginning January 1, 1989,
\$4.25; and

(ii) for the taxable years beginning January 1, 1990,
and thereafter, the product obtained by multiplying \$4.25 by
the quotient of the PCE for the first quarter of the taxable
year for which the net proceed value is being calculated,
divided by the PCE for the first quarter of the 1989 taxable
year.

(b) "PCE" means the implicit price deflator for
personal consumption expenditures as published quarterly in
the Survey of Current Business by the bureau of economic

analysis of the U.S. department of commerce.

NEW SECTION. Section 2. Gross value of product for talc. As used in this part, when referring to talc, "gross value of product" is the gross yield or value of talc as determined in [section 1(2)].

Section 3. Section 15-6-131, MCA, is amended to read:

"15-6-131. Class one property -- description -- taxable percentage. (1) Class one property includes the annual net proceeds of all mines and mining claims except coal and metal mines.

(2) Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable FOR TALC, as provided in [section 1]."

Section 4. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether

through physical depreciation, functional obsolescence, or economic obsolescence.

(c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri;

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide; and

(c) as otherwise authorized in Title 15 and Title 61.

1 (4) For purposes of taxation, assessed value is the
2 same as appraised value.

3 (5) The taxable value for all property is the
4 percentage of market or assessed value established for each
5 class of property.

6 (6) The assessed value of properties in 15-6-131
7 through 15-6-133 is as follows:

8 (a) Properties in 15-6-131, under class one, are
9 assessed at 100% of the annual net proceeds after deducting
10 the expenses specified and allowed by 15-23-503 or, if
11 applicable, as provided in [section 1].

12 (b) Properties in 15-6-132, under class two, are
13 assessed at 100% of the annual gross proceeds.

14 (c) Properties in 15-6-133, under class three, are
15 assessed at 100% of the productive capacity of the lands
16 when valued for agricultural purposes. All lands that meet
17 the qualifications of 15-7-202 are valued as agricultural
18 lands for tax purposes.

19 (d) Properties in 15-6-143, under class thirteen, are
20 assessed at 100% of the combined appraised value of the
21 standing timber and grazing productivity of the land when
22 valued as timberland.

23 (7) Land and the improvements thereon are separately
24 assessed when any of the following conditions occur:

25 (a) Ownership of the improvements is different from

1 ownership of the land;

2 (b) the taxpayer makes a written request; or

3 (c) the land is outside an incorporated city or town.
4 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.
5 681, L. 1985.)"

6 **Section 5.** Section 15-23-103, MCA, is amended to read:

7 "15-23-103. Due date of reports and returns --
8 extensions. (1) Except as provided in subsection (2) and
9 15-23-602, each report or return described in 15-23-301,
10 15-23-402, 15-23-502, or 15-23-701 shall be delivered to the
11 department on or before March 31 each year.

12 (2) Each report or return for a natural gas or oil
13 pipeline described in 15-23-301 must be delivered to the
14 department on or before April 15 each year.

15 (3) Each report described in 15-23-201 ~~shall~~ or
16 [section 1] must be delivered to the department before April
17 15 each year.

18 (4) The department may for good cause extend the time
19 for filing a return or report for not more than 30 days."

20 **Section 6.** Section 15-23-106, MCA, is amended to read:

21 "15-23-106. Transmission to the counties. (1) On or
22 before July 1, the department shall transmit to its agent in
23 each county a statement listing:

24 (a) the assessed value of railroad property, as
25 determined under 15-23-202, apportioned to the county,

1 including the length or other description of such property;

2 (b) the assessed value of utility property, as
3 determined under 15-23-303, apportioned to the county,
4 including the length or other description of such property;

5 (c) the assessed value of property of airline
6 companies, as determined under 15-23-403, apportioned to the
7 county; 90% of the value of the property of airline
8 companies apportioned to any county by reason of a state
9 airport being located in the county shall be stated
10 separately from the remaining assessed value of the property
11 of airline companies apportioned to the county;

12 (d) the assessed value of the net proceeds and
13 royalties from mines and oil and gas wells in the county, as
14 determined under 15-23-503, 15-23-505, [section 1],
15 15-23-603, and 15-23-605; and

16 (e) the assessed value of the gross proceeds from coal
17 mines, as described in 15-23-701.

18 (2) The agent of the department shall enter the
19 assessed values so transmitted in the assessment book in a
20 manner prescribed by the department."

21 **Section 7.** Section 15-23-115, MCA, is amended to read:

22 *15-23-115. Interest. If the department determines
23 that a taxpayer has incorrectly reported a value under
24 15-23-502, [section 1], 15-23-602, 15-23-701, or 15-23-802,
25 the department shall inform its agents at the county level

1 of such determination, and if any additional tax is due,
2 there must be added thereto until paid in full interest at
3 the rate of 1% a month or fraction thereof from the date the
4 original tax was due and payable. In no instance will a
5 taxpayer subject to imposition of interest pursuant to this
6 section be also subject to the penalty and interest
7 provisions contained in 15-16-102."

8 **Section 8.** Section 15-23-502, MCA, is amended to read:

9 *15-23-502. Net proceeds tax -- statement of yield.

10 Every person engaged in mining, extracting, or producing
11 from any quartz vein or lode, placer claim, dump or
12 tailings, or other place or source whatever precious stones
13 or gems, vermiculite, bentonite, or other valuable mineral,
14 except coal and metals, must on or before March 31 each year
15 make out a statement of the gross yield and value of the
16 above-named metals or minerals from each mine owned or
17 worked by such person during the year preceding January 1 of
18 the year in which such statement is made. Such statement
19 shall be in the form prescribed by the department of revenue
20 and must be verified by the oath of the person completing
21 the statement or the manager, superintendent, agent,
22 president, or vice-president, if a corporation, association,
23 or partnership, and must be delivered to the department on
24 or before March 31. Such Except as provided in [section 1],
25 the statement shall show the following:

1 (1) the name and address of the owner or lessee or
 2 operator of the mine, together with the names and addresses
 3 of any and all persons owning or claiming any royalty
 4 interest in the mineral product of such mine or the proceeds
 5 derived from the sale thereof, and the amount or amounts
 6 paid or yielded as royalty to each of such persons during
 7 the period covered by the statement;

8 (2) the description and location of the mine;

9 (3) the number of tons of ore or other mineral
 10 products or deposits extracted, produced, and treated or
 11 sold from the mine during the period covered by the
 12 statement;

13 (4) the amount and character of such ores, mineral
 14 products, or deposits and the yield of such ores, mineral
 15 products, or deposits from such mine in constituents of
 16 commercial value; that is, commercially valuable
 17 constituents of the ores, mineral products, or deposits,
 18 measured by standard units of measurement, yielded to such
 19 person so engaged in mining and to each royalty holder, if
 20 any, during the period covered by the statement;

21 (5) the gross yield or value in dollars and cents;

22 (6) cost of extracting from the mine;

23 (7) cost of transporting to place of reduction or
 24 sale;

25 (8) cost of reduction or sale;

1 (9) cost of marketing the product and conversion of
 2 same into money;

3 (10) cost of construction, repairs, and betterments of
 4 mines and cost of repairs and replacements of reduction
 5 works;

6 (11) the assessed valuation of reduction works for the
 7 calendar year for which such return is made;

8 (12) cost of fire insurance, workers' compensation
 9 insurance, boiler and machinery insurance, and public
 10 liability insurance paid for the mine, reduction works, or
 11 beneficiation process;

12 (13) cost of welfare and retirement fund payments
 13 provided for in wage contracts;

14 (14) cost of testing extracted minerals for the purpose
 15 of satisfying federal or state health and safety laws or
 16 regulations, the cost of plant security in Montana, the cost
 17 of assaying and sampling the extracted minerals, and the
 18 costs incurred in Montana for engineering and geological
 19 services for existing mining operations but not including
 20 any such services beyond the stage of reduction and
 21 beneficiation of the minerals; and

22 (15) cost of mine reclamation."

23 **Section 9.** Section 15-23-503, MCA, is amended to read:

24 "15-23-503. Net proceeds -- how computed. (1) The
 25 department of revenue shall calculate from the returns the

1 gross product yielded from such a mine and its gross value
 2 for the year covered by the statement and shall calculate
 3 and compute the net proceeds of the mine yielded to the
 4 person engaged in mining. Net Except as provided in
 5 [section 1], net proceeds shall be determined by subtracting
 6 from the value of the gross product thereof of the mine the
 7 following:

8 (a) all royalty paid or apportioned in cash or in kind
 9 by the person so engaged in mining;

10 (b) all moneys money expended for necessary labor,
 11 machinery, and supplies needed and used in the mining
 12 operations and developments;

13 (c) all moneys money expended for improvements,
 14 repairs, and betterments necessary in and about the working
 15 of the mine, except as hereinafter provided in this section;

16 (d) all moneys money expended for costs of repairs and
 17 replacements of the milling and reduction works used in
 18 connection with the mine;

19 (e) depreciation in the sum of 6% of the assessed
 20 valuation of such the milling and reduction works for the
 21 calendar year for which such the return is made;

22 (f) all moneys money actually expended for
 23 transporting the ores and mineral products or deposits from
 24 the mines to the mill or reduction works or to the place of
 25 sale and for extracting the metals and minerals therefrom

1 and for marketing the product and the conversion of the same
 2 product into money;

3 (g) all moneys money expended for insurance and
 4 welfare and retirement costs reported in the statement
 5 required in 15-23-502;

6 (h) all moneys money expended for necessary labor,
 7 equipment, and supplies for testing minerals extracted to
 8 satisfy federal or state health and safety laws or
 9 regulations, for plant security in Montana, for assaying and
 10 sampling the extracted minerals, for the cost of reclamation
 11 at the site of the mine, and for engineering and geological
 12 services conducted in Montana for existing mining operations
 13 but not including any-such services beyond the stage of
 14 reduction and beneficiation of the minerals.

15 (2) In computing the deductions allowable for repairs,
 16 improvements, and betterments to the mine, the department
 17 shall allow 10% of such the cost each year for a period of
 18 10 years.

19 (3) No--moneys Money invested in mines or improvements
 20 may not be allowed as a deduction unless all machinery,
 21 equipment, and buildings represented by such-moneys the
 22 money are returned to the county in which such the mine is
 23 located for assessment purposes at the level of assessment
 24 of all other property in such the county.

25 (4) No--moneys Money invested in the mines and

improvements during any year except the year for which such statement is made and except as provided in this section may not be included in such the expenditures, and such the expenditures may not include the ~~salaries~~ salary or any portion thereof of the salary of any person or officer not actually engaged in the working of the mine or superintending the management thereof of the mine."

Section 10. Section 15-23-521, MCA, is amended to read:

"15-23-521. **Examination of records by department.** The department of revenue ~~shall have the right and power~~ may at any time to examine the records of any person specified in this part as the same records may pertain to the yield of ore or mineral products or deposit in order to verify the statements made by such the person, ~~and if~~. If from such the examination or from other information, ~~said the~~ department finds any statement or any material part thereof of a statement willfully false or fraudulent, ~~said the~~ department must assess in the same manner as provided for in 15-23-503 or [section 1]."

Section 11. Section 15-38-103, MCA, is amended to read:

"15-38-103. **Definitions.** As used in this chapter, the following definitions apply:

(1) "Department" means department of revenue.

(2) "Gross value of product" means, except as provided in [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

(3) "Mineral" means any precious stones or gems, gold, silver, copper, coal, lead, petroleum, natural gas, oil, uranium, or other nonrenewable merchantable products extracted from the surface or subsurface of the state of Montana.

(4) "Total environment" means air, water, soil, flora, and fauna and the social, economic, and cultural conditions that influence communities and individual citizens."

SECTION 12. SECTION 15-38-104, MCA, IS AMENDED TO READ:

"15-38-104. **Tax on mineral production.** (1) The Except as provided in subsection (2), the annual tax to be paid by the a person engaged in or carrying on the business of mining, extracting, or producing a mineral shall be is \$25, together--with plus an additional sum--or amount computed on the gross value of product which--may--have--been that was derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 1/2 of 1% of the amount of gross value of product at the time of extraction from the ground, if in excess of \$5,000. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners may be

deducted from any settlements under the lease or leases or division of proceeds orders or other contracts.

(2) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing talc is \$25 plus an additional amount computed on the gross value of product for talc derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 4%.

NEW SECTION. Section 13. Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. Section 14. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the provisions of Title 15, chapter 38, apply to [section 2].

NEW SECTION. Section 15. Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1988.

-End-