SENATE BILL 25

Introduced by Gage

6/26	Introduced
6/26	Referred to Taxation
6/26	Fiscal Note Requested
6/28	Hearing
6/29	Committee Report--Bill Passed
7/11	Fiscal Note Printed
	Died in Process

Senate BILL NO. 25

INTRODUCED BY [signature]

A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING TAXATION OF NET PROCEEDS OF OIL AND GAS ON OTHER THAN INTERIM PRODUCTION AND NEW PRODUCTION; ESTABLISHING A LOCAL GOVERNMENT SEVERANCE TAX IN LIEU OF A TAX ON NET PROCEEDS ON THE PRODUCTION OF OIL AND GAS OTHER THAN INTERIM PRODUCTION AND NEW PRODUCTION; PROVIDING FOR A 1-YEAR DELAY IN THE PAYMENT OF LOCAL GOVERNMENT SEVERANCE TAX; ALLOCATING THE PROCEEDS OF THE LOCAL GOVERNMENT SEVERANCE TAX ON OIL AND GAS IN THE SAME MANNER AS PROPERTY TAXES ARE DISTRIBUTED; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-23-602, 15-23-603, 15-23-605, 15-23-607, 15-36-101, 15-36-102, 15-36-105, 15-36-112, 15-36-121, 20-9-141, 20-9-331, 20-9-333, 20-9-352, AND 20-10-144, MCA; REPEALING SECTIONS 15-23-604, 15-23-615, AND 15-23-616, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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

"**7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing

the penalties of officers' bonds, the ~~several~~ counties of this state ~~shall~~ must be classified according to that percentage of the true and full valuation of the property ~~therein~~ in the counties upon which the tax levy is made, except for vehicles subject to taxation under 61-3-504(2), as follows:

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

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

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

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

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

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

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

(2) As used in this section, taxable valuation means

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

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

(b) that portion of the taxable value of the county on December 31, 1989, attributable to automobiles and trucks having a rated capacity of more than three-quarters of a ton but less than or equal to 1 ton;

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

(d) the amount of value represented by new production exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%."

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

"**7-7-2101. Limitation on amount of county indebtedness.** (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property therein subject to taxation, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates

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described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, as ascertained by the last assessment for state and county taxes previous to the incurring of ~~such~~ the indebtedness.

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

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

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

"**7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections (2) through (4), no county may issue general obligation bonds for any purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) In addition to the bonds allowed by subsection (1), a county may issue bonds which, with all outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property in the county subject to taxation, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612 multiplied by 60%, when necessary to do so, plus the value of any other production occurring after December 31, 1988, multiplied by 60% for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

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

taxation.

(4) The limitation in subsection (1) does not apply to refunding bonds issued for the purpose of paying or retiring county bonds lawfully issued prior to January 1, 1932, or to bonds issued for the repayment of tax protests lost by the county."

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

"7-14-2524. **Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise provided hereafter and in 7-7-2203 and 7-7-2204, ~~no~~ a county ~~shall~~ may not issue bonds which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%. The taxable property and the amount of interim production and new production taxes levied ~~shall~~ must be ascertained by the last assessment for state and county taxes prior to the issuance of ~~such~~ the bonds.

(2) A county may issue bonds which, with all

outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of such property, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612, plus the value of any other production occurring after December 31, 1988, multiplied by 60% when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other outstanding indebtedness of the county, except county high school bonds, shall not exceed 22.5% of the total of the taxable value of the property within the county, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, as ascertained by the last preceding general assessment."

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

"**7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, and the board determines that the county is unable to pay ~~such~~ the indebtedness in full, the board may:

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

(b) enter into such agreement;

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

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

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

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

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

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed 13% of the total of the taxable value of the taxable property in the county, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, ascertained by the last assessment for state and county taxes previous to the incurring of ~~such~~ the indebtedness.

(b) No money may be borrowed on bonds issued for the purchase of lands and improving same for any such purpose until the proposition has been submitted to the vote of those qualified under the provisions of the state constitution to vote at such election in the county affected thereby and a majority vote is cast in favor thereof."

Section 7. Section 15-23-602, MCA, is amended to read:

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

(a) the name and address of the operator, together with a list in duplicate of the names and addresses of any ~~and--all~~ persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale ~~thereof~~ of the production, and the amount ~~or amounts~~ paid or yielded as royalty to each of ~~such~~ those persons during the period covered by the statement;

(b) the description and location of the well;

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

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

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

~~(i)--actual-cost-of-extracting-product-from-well;~~

~~(ii)-cost-of-construction,-repairs,-and-betterments;~~

~~(iii)-actual---cost--of--fire--insurance--and--workers' compensation-insurance;~~

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

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

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

Section 8. Section 15-23-603, MCA, is amended to read:

"**15-23-603. Net proceeds -- how computed.** (1) ~~Except as~~ As provided in subsection ~~(3)~~ (2), the department of revenue shall calculate and compute from the returns the gross sales proceeds of the product yielded from ~~such~~ the well for the year covered by the statement and shall calculate the net proceeds of the well yielded to the producer, which net proceeds ~~shall--be~~ are determined by subtracting from the gross sales proceeds ~~thereof--the following:~~ of the well

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

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

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

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

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

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

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

~~which the net proceeds are being calculated;~~

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

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

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

~~(3)~~(2) For interim production or new production, net proceeds are the equivalent of the gross sales proceeds, without deduction for excise taxes, of the product yielded from ~~such~~ the well for the ~~year~~ quarter covered by the statement, except that in computing the total number of barrels of petroleum and other mineral or crude oil or cubic feet of natural gas produced, there ~~shall~~ must be deducted ~~therefrom~~ so much ~~thereof~~ of the product as is used in the operation of the well from which the petroleum or other mineral or crude oil or natural gas is produced for pumping the petroleum or other mineral or crude oil or natural gas from the well to a tank or pipeline.

~~(4)~~ (3) ~~To--determine-net-proceeds-under-subsection-(1)~~ In the statement of sales proceeds required under 15-23-602 for lease or unitized areas from which interim or new production and other production have been sold, the ~~deductions-allowed-in-subsections-(1)(b)-through-(1)(h)-must be-prorated-on-the-basis-of-the~~ number of barrels of interim and new production of oil or cubic feet of interim or new production of gas ~~to~~ must be segregated from and stated separately from the number of barrels of other production of oil or cubic feet of other production of gas.

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

Section 9. Section 15-23-605, MCA, is amended to read:

"**15-23-605. Assessment of royalties** on interim production and new production. ~~(1)--The~~ For interim production and new production, the amount of royalty received~~,-valued-as-provided-in-15-23-603(1)(a),-less-70%-of~~

~~the--amount--of--excise--taxes--paid-by-or-withheld-from-the royalty-owner-as-reported-pursuant--to--15-23-602(1)(e)(iv), shall~~ in cash paid by the operator or producer and the gross value of all royalty apportioned in kind by the operator or producer determined by using as the value of a barrel of oil or a cubic foot of gas the average selling price for the calendar year of a barrel of oil or a cubic foot of gas from the well out of which the royalty was paid must be considered net proceeds to the recipient and ~~shall~~ must be assessed as follows: upon receipt of the lists or schedules setting forth the names and addresses of any ~~and-all~~ persons owning or claiming royalty and the amount paid or yielded as royalty to ~~such~~ the royalty owners or claimants during the year for which ~~such~~ the return is made, the department of revenue shall proceed to assess and tax the same as net proceeds of mines.

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

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

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

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

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

(b) for interim production or new production of natural gas, 12% of net proceeds, as described in 15-23-603~~(3)~~(2).

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

(4) The operator or producer ~~shall-be~~ is liable for the payment of ~~said~~ the taxes ~~and-same-shall~~ that, except as provided in 15-16-121, ~~be~~ are payable by and ~~shall~~ must be

collected from ~~such~~ the operators in the same manner and under the same penalties as provided for the collection of taxes upon net proceeds of mines~~;-provided;--however;--that~~. However, the operator may at his option withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount of the tax to be paid by him upon ~~such~~ the royalty or royalty interest. After ~~such~~ the withholding, any deviation between the estimated tax and the actual tax may be accounted for by adjusting subsequent withholdings from the proceeds of royalty interests."

Section 11. Section 15-36-101, MCA, is amended to read:

"15-36-101. Definitions and rate of tax -- local government severance tax. (1) Every person engaging in or carrying on the business of producing petroleum, other mineral or crude oil, or natural gas within this state or engaging in or carrying on the business of owning, controlling, managing, leasing, or operating within this state any well or wells from which any merchantable or marketable petroleum, other mineral or crude oil, or natural gas is extracted or produced sufficient in quantity to justify the marketing of the same must, except as provided in 15-36-121, each year when engaged in or carrying on ~~any such~~ the business in this state pay to the department of revenue a severance tax for the exclusive use and benefit of the state of Montana ~~a-severance-tax~~ plus a local government severance tax in lieu of a tax on net proceeds for the exclusive use and benefit of local government. The severance tax and the local government severance tax are computed at the following rates:

(a) except as provided in subsections (1)(b), (1)(c), and (1)(d), 5% of the total gross value of all the petroleum and other mineral or crude oil produced by the person, plus the local government severance tax of 8.4% on production other than interim production and new production, from each lease or unit; but in determining the amount of severance tax, there ~~shall~~ must be excluded from consideration all petroleum or other crude or mineral oil produced and used by the person during the year in connection with his operations in prospecting for, developing, and producing the petroleum or crude or mineral oil;

(b) 2.65% of the total gross value of all natural gas produced, plus the local government severance tax of 15.25% on natural gas production other than interim production or new production, from each lease or unit; but in determining the amount of severance tax, there ~~shall~~ must be excluded from consideration all gas produced and used by the person during the year in connection with his operations in prospecting for, developing, and producing the gas or petroleum or crude or mineral oil; and there ~~shall~~ must also

be excluded from consideration all gas, including carbon dioxide gas, recycled or reinjected into the ground;

(c) 2.5% of the total gross value of the incremental petroleum and other mineral or crude oil produced, plus the local government severance tax of 4.2% on production other than interim production and new production, from each lease or unit in a tertiary recovery project after July 1, 1985. For purposes of this section, a tertiary recovery project must meet the following requirements:

(i) the project must be approved as a tertiary recovery project by the department of revenue. The approval may be extended only after notice and hearing in accordance with Title 2, chapter 4.

(ii) the property to be affected by the project must be adequately delineated according to the specifications required by the department; and

(iii) the project must involve the application of one or more tertiary recovery methods that can reasonably be expected to result in an increase, determined by the department to be significant in light of all the facts and circumstances, in the amount of crude oil which may potentially be recovered. For the purpose of this section, tertiary recovery methods include but are not limited to:

(A) miscible fluid displacement;

(B) steam drive injection;

(C) micellar/emulsion flooding;

(D) in situ combustion;

(E) polymer augmented water flooding;

(F) cyclic steam injection;

(G) alkaline or caustic flooding;

(H) carbon dioxide water flooding;

(I) immiscible carbon dioxide displacement; or

(J) any other method approved by the department as a tertiary recovery method.

(d) <u>Except as provided in 15-36-121(2),</u> 3% of the total gross value of all the petroleum and other mineral or crude oil, <u>plus the local government severance tax of 4.2% on production other than interim production and new production,</u> after the first 5 barrels, produced by a stripper well, as defined in 15-36-121, that produces more than 5 barrels a day during the period beginning April 1, 1989, and ending March 31, 1991.

(2) For purposes of this section, the term "incremental petroleum and other mineral or crude oil" means the amount of oil, as determined by the department of revenue, to be in excess of what would have been produced by primary and secondary methods. The determination arrived at by the department must be made only after notice and hearing and shall specify through the life of a tertiary project, calendar year by calendar year, the combined amount of

primary and secondary production that must be used to establish the incremental production from each lease or unit in a tertiary recovery project.

(3) Nothing in this part may be construed as requiring laborers or employees hired or employed by any person to drill any oil well or to work in or about any oil well or prospect or explore for or do any work for the purpose of developing any petroleum or other mineral or crude oil to pay the severance tax, nor may work done or the drilling of a well or wells for the purpose of prospecting or exploring for petroleum or other mineral or crude oils or for the purpose of developing them be considered to be the engaging in or carrying on of the business. If, in the doing of any work, in the drilling of any oil well, or in prospecting, exploring, or development work, any merchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by the person for carrying on the operation is produced sufficient in quantity to justify the marketing of the petroleum or other mineral or crude oil, the work, drilling, prospecting, exploring, or development work is considered to be the engaging in and carrying on of the business of producing petroleum or other mineral or crude oil within this state within the meaning of this section.

(4) Every person required to pay the severance tax

under this section shall pay the tax in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production payments, and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of the extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the interests that are owned by the federal, state, county, or municipal governments ~~shall-be~~ are exempt from taxation under this chapter. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners will be deducted from any settlements under the lease or leases or division of proceeds orders or other contracts. (Subsection (1)(d) terminates on occurrence of contingency--sec. 7, Ch. 656, L. 1987.)"

Section 12. Section 15-36-102, MCA, is amended to read:

"**15-36-102. Quarterly payment of tax** -- delayed payment of local government severance tax. ~~Such~~ (1) Except as provided in subsection (2), severance tax ~~shall~~ must be paid in quarterly installments for the quarterly periods

ending, respectively, March 31, June 30, September 30, and December 31 of each year, and the amount of the tax for each quarterly period ~~shall~~ must be paid to the department of revenue within 60 days after the end of each quarterly period.

(2) Local government severance tax must be paid in quarterly installments 1 year after the end of each quarter for which a statement is completed as required by 15-36-105."

Section 13. Section 15-36-105, MCA, is amended to read:

"**15-36-105. Statement to accompany payment -- records -- collection of tax -- refunds.** (1) Each ~~and--every~~ person ~~must~~ shall, within 60 days after the end of each following quarter, ~~make--out~~ complete on forms prescribed by the department of revenue a statement showing the total number of barrels of merchantable or marketable petroleum and other mineral or crude oil or cubic feet of natural gas produced or extracted by ~~such~~ the person in the state during each month of ~~such~~ the quarter and during the whole quarter, the average value ~~thereof~~ of the production during each month, and the total value ~~thereof~~ of the production for the whole quarter, together with the total amount due to the state as severance taxes and local government severance taxes for ~~such~~ the quarter, and ~~must~~ shall within such 60 days deliver

~~such~~ the statement and, except as provided in 15-36-102(2) and 15-36-121, pay to the department the amount of the taxes shown by ~~such~~ the statement to be due to the state for the quarter for which ~~such~~ the statement is made. ~~Such~~ The statement must be signed by the individual or the president, vice-president, treasurer, assistant treasurer, or managing agent in this state of the association, corporation, joint-stock company, or syndicate making the statement. Any ~~such~~ person engaged in carrying on ~~such~~ business at more than one place in this state or owning, leasing, controlling, or operating more than one oil or gas well in this state may include all ~~thereof~~ operations in one statement. The department shall receive and file all ~~such~~ statements and collect and receive from ~~such~~ the person making and filing a statement the amount of tax payable by ~~such~~ the person, if any, as ~~the-same-shall-appear--from--the face-of~~ appears in the statement.

(2) It ~~shall--be~~ is the duty of the department to examine each of ~~such~~ the statements and compute the taxes thereon, and the amount ~~so~~ computed by the department ~~shall be~~ is the ~~taxes~~ tax imposed, assessed against, and payable by the taxpayer making the statement for the quarter for which the statement is filed. If the tax found to be due ~~shall--be~~ is greater than the amount paid, the excess ~~shall~~ must be paid by the taxpayer to the department within 10

days after written notice of the amount of the deficiency ~~shall-be~~ is mailed by the department to ~~such~~ the taxpayer. If the tax imposed ~~shall-be~~ is less than the amount paid, the difference must be applied as a credit against tax liability for subsequent quarters or refunded if there is no subsequent tax liability.

(3) If the tax is not paid on or before the due date, there ~~shall~~ must be assessed a penalty of 10% of the amount of the tax, unless it is shown that the failure was due to reasonable cause and not due to neglect. If any tax under this chapter is not paid when due, interest ~~shall~~ must be added ~~thereto~~ to the tax at the rate of 1% a month or fraction thereof, computed on the total amount of severance tax and penalty from the due date until paid."

Section 14. Section 15-36-112, MCA, is amended to read:

"**15-36-112. Disposition of oil and gas severance taxes -- calculation of unit value for local government severance tax.** (1) Each year the department of revenue shall determine the amount of tax collected under this chapter from within each county.

(2) For purposes of the distribution of local government severance taxes collected under 15-36-101, the department shall determine the unit value of oil and gas for each county as follows:

(a) The unit value for petroleum and other mineral or crude oil for each county is the quotient obtained by dividing the local government severance taxes calculated on petroleum or mineral or crude oil produced in that county in the current calendar year by the number of barrels of petroleum or other mineral or crude oil subject to local government severance tax produced in that county during the year.

(b) The unit value for natural gas is the quotient obtained by dividing the local government severance taxes calculated on natural gas produced in that county in the current calendar year by the number of cubic feet of natural gas subject to local government severance tax produced in that county during the year.

~~(2)~~(3) The severance taxes collected under this chapter are allocated as follows:

(a) ~~the amount, if any, by which the tax collected from within a county for any fiscal year exceeds the total amount collected from within that county for the previous fiscal year, by reason of increased production and not because of increase in or elimination of federal price ceilings on oil and gas,~~ The local government severance tax is statutorily appropriated, as provided in 17-7-502, for allocation to the ~~general fund of the~~ county for distribution as provided in subsection ~~(3)~~ (4)(b);

(b) ~~any~~ Any amount not allocated to the county under subsection ~~(2)(a)~~ (3)(a) is allocated to the state general fund.

~~(3)~~(4) (a) For the purpose of distribution of the local government severance tax, the department shall adjust the unit value determined under this section according to the ratio that the local government severance taxes collected during the quarters to be distributed plus accumulated interest earned by the state and penalties and interest on delinquent local government severance taxes bears to the total liability for local government severance taxes for the quarters to be distributed. The taxes must be calculated and distributed as follows:

(i) By November 30 of each year, the department shall calculate and distribute to each eligible county the amount of local government severance tax, determined by multiplying unit value as adjusted in this subsection (4)(a) times the units of production on which severance tax was owed during the calendar quarters ending March 31 and June 30 of the preceding calendar year.

(ii) By May 31 of each year, the department shall calculate and distribute to each eligible county the amount of local government severance tax, determined by multiplying unit value as adjusted in this subsection (4)(a) times the units of production on which severance tax was owed during the 2 calendar quarters immediately following those quarters referred to in subsection (4)(a)(i).

~~(a)~~(b) The county treasurer shall distribute the money received under subsection ~~(2)(a)--of--this-section-to-the county-and-to-all-the-incorporated-cities-and--towns--within the--county-in-the-following-manner,-The-county-receives-the available--money--multiplied--by--the--ratio--of--the--rural population--to--the--county--population,--Each--incorporated municipality-receives-the-available-money-multiplied-by--the ratio--of-the-population-of-the-incorporated-municipality-to the--county--population,--The--rural--population---is---that population-of-the-county-living-outside-the-boundaries-of-an incorporated--municipality,-Population-shall-be-based-on-the most-recent-figures--as--determined--by--the--department--of commerce,~~

~~(b)--The-money-distributed-under-this-subsection-may-be used--for-any-purpose-as-determined-by-the-governing-body-of the-county,-city,-or-town~~ (3)(a) in the same manner that all other property tax proceeds were distributed during fiscal year 1989."

Section 15. Section 15-36-121, MCA, is amended to read:

"15-36-121. **Exemption from severance tax.** (1) It is the public policy of this state to promote a sufficient supply of natural gas to provide for the residents of this state, to lessen Montana's dependence on imported natural gas, and to encourage the exploration for and development and production of natural gas, petroleum, and other mineral and crude oil within the state.

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(2) All new production, as defined in 15-23-601, from a well during the 24 months immediately following the date of notification to the department of revenue that an oil well is flowing or being pumped or that a gas well has been connected to a gathering or distribution system is exempt from all of the severance tax imposed by 15-36-101, provided the notification was made after March 31, 1987, and before July 1, 1991.

(3) All the natural gas produced from any well that has produced 60,000 cubic feet or less of natural gas a day for the calendar year prior to the current year shall be taxed as provided in this section. Production must be determined by dividing the amount of production from a lease or unitized area for the year prior to the current calendar year by the number of producing wells in the lease or unitized area and by dividing the resulting quotient by 365. The first 30,000 cubic feet of average daily production per well is exempt from all of the severance tax imposed by 15-36-101. Everything over 30,000 cubic feet of gas produced is taxed at 1.59% plus a local government severance tax of 7.625%.

(4) The first 5 barrels of average daily production from a stripper well are exempt from all of the severance tax imposed by 15-36-101.

(5) For the purposes of this section, "stripper well" means a well that produces less than 10 barrels per day, determined by dividing the amount of production from a lease or unitized area for the year prior to the current calendar year by the number of producing wells in the lease or unitized area, and by dividing the resulting quotient by 365.

(6) Notwithstanding the provisions of subsections (2) through (4), all reporting requirements under the severance tax remain in effect. (Subsections (2) and (4) terminate on occurrence of contingency--sec. 7, Ch. 656, L. 1987.)"

Section 16. Section 20-9-141, MCA, is amended to read:

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

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

(i) the district's nonisolated school foundation

program requirement to be met by a district levy as provided in 20-9-303;

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

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

(b) Determine the ~~total-of-the-moneys~~ <u>money</u> available for the reduction of the property tax on the district for the general fund by totaling:

(i) anticipated federal ~~moneys~~ <u>money</u> received under the provisions of Title I of Public Law 81-874 or other anticipated federal ~~moneys~~ <u>money</u> received in lieu of ~~such~~ <u>that</u> federal act;

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

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

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

(v) anticipated or reappropriated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537;

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

(vii) anticipated revenue from local government severance taxes as provided in 15-36-112;

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

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

(c) Subtract the ~~total-of-the-moneys~~ money available to reduce the property tax required to finance the general fund that has been determined in subsection (1)(b) from the total requirement determined in subsection (1)(a).

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

Section 17. Section 20-9-331, MCA, is amended to read:

"20-9-331. Basic county tax and other revenues for county equalization of the elementary district foundation program. (1) ~~It--shall--be--the--duty--of--the~~ The county commissioners of each county ~~to~~ shall levy an annual basic

tax of 28 mills on the ~~dollars~~ dollar of the taxable value of all taxable property within the county, except for vehicles subject to taxation under 61-3-504(2), for the purposes of local and state foundation program support. The revenue ~~to--be~~ collected from this levy ~~shall~~ must be apportioned to the support of the foundation programs of the elementary school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the sum of the estimated ~~revenues~~ revenue identified in subsection (2) ~~below--shall~~ must be subtracted from the sum of the county elementary transportation obligation and the total of the foundation programs of all elementary districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined ~~above~~ in subsection (1)(a), the county treasurer shall remit the surplus funds to the state treasurer for deposit to the state special revenue fund, state equalization aid account, immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final remittance due no later than June 20 of the fiscal year for which the levy has been set.

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

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

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

(c) all money paid into the county treasury as a result of fines for violations of law, except money paid to a justice's court, and the use of which is not otherwise specified by law;

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

(e) any federal or state money distributed to the county as payment in lieu of the property taxation

established by the county levy required by this section;

(f) net proceeds taxes for interim production and new production, as defined in 15-23-601, and local government severance taxes on any other production occurring after December 31, 1988; and

(g) anticipated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537."

Section 18. Section 20-9-333, MCA, is amended to read:

"**20-9-333. Basic special levy and other revenues for county equalization of high school district foundation program.** (1) ~~It--shall--be--the--duty--of--the~~ The county commissioners of each county ~~to~~ shall levy an annual basic special tax for high schools of 17 mills on the dollar of the taxable value of all taxable property within the county, except for vehicles subject to taxation under 61-3-504(2), for the purposes of local and state foundation program support. The revenue ~~to-be~~ collected from this levy ~~shall~~ must be apportioned to the support of the foundation programs of high school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

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

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined ~~above~~ in subsection (1)(a), the county treasurer shall remit the surplus funds to the state treasurer for deposit to the state special revenue fund, state equalization aid account, immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final remittance due no later than June 20 of the fiscal year for which the levy has been set.

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

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

(b) any federal or state ~~moneys~~ money distributed to

the county as ~~a~~ payment in lieu of ~~the~~ property taxation established by the county levy required by this section;

(c) net proceeds taxes for interim production and new production, as defined in 15-23-601, and local government severance taxes on any other production occurring after December 31, 1988; and

(d) anticipated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537."

Section 19. Section 20-9-352, MCA, is amended to read:

"**20-9-352. Permissive amount and permissive levy.** (1) Whenever the trustees of ~~any~~ a district ~~shall deem~~ consider it necessary to adopt a general fund budget in excess of the foundation program amount but not in excess of the maximum general fund budget amount for ~~such~~ the district as established by the schedules in 20-9-316 through 20-9-321, the trustees shall adopt a resolution stating the reasons and purposes for exceeding the foundation program amount. ~~Such~~ The excess above the foundation program amount ~~shall be~~ is known as the "permissive amount", and it ~~shall~~ must be financed by a levy, as prescribed in 20-9-141, on the taxable value of all taxable property within the district, except for vehicles subject to taxation under 61-3-504(2), supplemented with any biennial appropriation by the legislature for this purpose. The proceeds of ~~such--an~~ the appropriation ~~shall~~ must be deposited to the state special revenue fund.

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

(a) For each elementary school district, the county commissioners shall annually set a levy not exceeding 6 mills on all the taxable property in the district, except for vehicles subject to taxation under 61-3-504(2), for the purpose of funding the permissive amount of the district. The permissive levy in mills ~~shall--be~~ is obtained by multiplying the ratio of the permissive amount to the maximum permissive amount by 6 or by using the number of mills ~~which~~ that would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537, is not sufficient to fund the permissive amount in full, the amount of the deficiency ~~shall~~ must be paid to the district from the state special revenue fund according to the provisions of subsections (3) and (4) of this section.

(b) For each high school district, the county commissioners shall annually set a levy not exceeding 4 mills on all taxable property in the district, except for vehicles subject to taxation under 61-3-504(2), for the purpose of funding the permissive amount of the district. The permissive levy in mills ~~shall--be~~ is obtained by

multiplying the ratio of the permissive levy to the maximum permissive amount by 4 or by using the number of mills ~~which~~ that would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537, and plus net proceeds taxes for interim production and new production, as defined in 15-23-601, and local government severance taxes on any other production occurring after December 31, 1988, is not sufficient to fund the permissive amount in full, the amount of the deficiency ~~shall~~ must be paid to the district from the state special revenue fund according to the provisions of subsections (3) and (4) of this section.

(3) The superintendent of public instruction shall, if the appropriation by the legislature for the permissive amount for the biennium is insufficient, request the budget director to submit a request for a supplemental appropriation in the second year of the biennium. The supplemental appropriation ~~shall~~ must provide enough revenue to fund the permissive deficiency of the elementary and high school districts of the state. The proceeds of this appropriation ~~shall~~ must be deposited to the state special revenue fund and ~~shall~~ must be distributed to the elementary and high school districts in accordance with their entitlements as determined by the superintendent of public

instruction according to the provisions of subsections (1) and (2) ~~of-this-section~~.

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

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

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

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county superintendent shall compute the revenue for each district on the following basis:

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

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

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

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

(d) the amount budgeted on the preliminary budget for the contingency amount permitted in 20-10-143, except if ~~such~~ the amount exceeds 10% of the total of subsections

(1)(a), (1)(b), and (1)(c) or $100, whichever is larger, the contingency amount on the preliminary budget ~~shall~~ must be reduced to ~~such~~ the limitation amount and used in this determination of the schedule amount.

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

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

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

(c) the resulting one-third amount multiplied by 2 ~~shall-be~~ is the budgeted county transportation reimbursement amount for high school districts financed under the provisions of subsection (5) ~~of--this-section~~, except as

provided for joint high school districts in subsection (2)(e), and except that the county transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 ~~shall~~ must be one-third of the schedule amount attributed to the transportation of special education pupils;

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

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

(3) The total of the ~~moneys~~ money available for the reduction of property tax on the district for the transportation fund ~~shall~~ must be determined by totaling:

(a) anticipated federal ~~moneys~~ money received under the provisions of Title I of Public Law 81-874 or other anticipated federal ~~moneys~~ money received in lieu of ~~such~~ that federal act; plus

(b) anticipated payments from other districts for providing school bus transportation services for ~~such~~ the district; plus

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

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

(e) anticipated or reappropriated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537; plus

(f) net proceeds taxes for interim production and new production, as defined in 15-23-601, and local government severance taxes on any other production occurring after December 31, 1988; plus

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

(h) any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the transportation fund cash reserve for the ensuing school fiscal year by the trustees

from the end-of-the-year cash balance in the transportation fund. ~~Such~~ The cash reserve ~~shall~~ may not be more than 20% of the final transportation fund budget for the ensuing school fiscal year and ~~shall-be~~ is for the purpose of paying transportation fund warrants issued by the district under the final transportation fund budget.

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

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

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

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

(6) The transportation fund levy requirements

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

NEW SECTION. **Section 21.** Repealer. Sections 15-23-604, 15-23-615, and 15-23-616, MCA, are repealed.

NEW SECTION. **Section 22.** Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to net proceeds taxes, severance taxes, and local government severance taxes on oil and gas produced 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 SB25, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act eliminating taxation of net proceeds of oil and gas on other than interim production and new production; establishing a local government severance tax in lieu of a tax on net proceeds on the production of oil and gas other than interim production and new production; providing for a 1-year delay in the payment of local government severance tax; allocating the proceeds of the local government severance tax on oil and gas in the same manner as property taxes are distributed; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be $1,903,008,000 in FY90 and $1,882,194,000 in FY91.(HJR13)
2. The estimate of taxable value of oil for FY91 is $169,115,180; the taxable value of gas for FY91 is $58,711,835; and the taxable value of liquid gas is estimated to be $1,773,505 for FY91.
3. The current effective rate of taxation for oil net proceeds is 8.28%, and the effective rate for gas is 15.67%. The proposal taxes regular oil at 8.4% and stripper oil at 4.2% of gross value. Natural gas is taxed at 15.25% and stripper gas is taxed at 7.63% of gross value. Taxes computed on regular and stripper estimated 1990 production result in estimated effective rates of 8.03% for combined regular and stripper oil and 12.8% for combined regular and stripper gas.
4. It is estimated that the flat rate tax will generate $34,047,922 in FY91.
5. It is estimated that the average mill levy for oil and gas net proceeds is 162.56 mills for FY90 and 161 mills for FY91.
6. The estimated percentage of the flat rate tax distributed to the university levy is 3.73%. The percentage distributed to the mandatory levy is estimated to be 27.95%.
7. During the first year of implementation there will be an acceleration in the receipt of the local government severance tax. Local government severance taxes on production for the period January 1 through March 31st of 1989 will be received in May of 1990. But, this revenue would not be distributed until November 30, 1990.
8. The proposal will require changes to the Department of Revenue's revenue control system and the accounts receivable system. Expenditures will increase $40,700 in FY90 and $800 in FY91.

W. David Darby 7/1/89

W. DAVID DARBY, BUDGET DIRECTOR DATE

Office of Budget and Program Planning

7/6/89

DELWYN GAGE, PRIMARY SPONSOR DATE

Fiscal Note for SB25, as introduced

SB25

Fiscal Note Request SB 25, Introduced
Form BD-15
Page 2

FISCAL IMPACT:

Revenue Impact:

	FY90 Current Law	FY90 Proposed Law	FY90 Difference	FY91 Current Law	FY91 Proposed Law	FY91 Difference
University Levy (Flat rate)	$ 0	$ 0	$ 0	0	1,269,987	$ 1,269,987
Foundation Program (Flat rate)	0	0	0	0	9,516,394	9,516,394
University Levy	11,418,000	11,418,000	0	11,293,000	9,915,559	(1,377,441)
Foundation Program	85,635,000	85,635,000	0	84,699,000	74,366,704	(10,332,296)
Total	$97,053,000	$97,053,000	$ 0	$95,992,000	$95,068,644	($923,356)

Expenditure Impact: (General Fund)

	FY90 Current Law	FY90 Proposed Law	FY90 Difference	FY91 Current Law	FY91 Proposed Law	FY91 Difference
Personal Services	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating Expenses	0	37,900	37,900	0	800	800
Capital Outlay	0	2,800	2,800	0	0	0
Total	$ 0	$ 40,700	$ 40,700	$ 0	$ 800	$ 800

LOCAL GOVERNMENT IMPACT:

Local government revenues, including counties and school districts, would decrease $1,968,000 in FY91 under the proposal.

SB 25

Senate BILL NO. 25

INTRODUCED BY Page

A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING TAXATION OF NET PROCEEDS OF OIL AND GAS ON OTHER THAN INTERIM PRODUCTION AND NEW PRODUCTION; ESTABLISHING A LOCAL GOVERNMENT SEVERANCE TAX IN LIEU OF A TAX ON NET PROCEEDS ON THE PRODUCTION OF OIL AND GAS OTHER THAN INTERIM PRODUCTION AND NEW PRODUCTION; PROVIDING FOR A 1-YEAR DELAY IN THE PAYMENT OF LOCAL GOVERNMENT SEVERANCE TAX; ALLOCATING THE PROCEEDS OF THE LOCAL GOVERNMENT SEVERANCE TAX ON OIL AND GAS IN THE SAME MANNER AS PROPERTY TAXES ARE DISTRIBUTED; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-23-602, 15-23-603, 15-23-605, 15-23-607, 15-36-101, 15-36-102, 15-36-105, 15-36-112, 15-36-121, 20-9-141, 20-9-331, 20-9-333, 20-9-352, AND 20-10-144, MCA; REPEALING SECTIONS 15-23-604, 15-23-615, AND 15-23-616, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing

THERE IS NO CHANGE ON SB 25 AND WILL NOT BE REPRINTED. PLEASE REFER TO INTRODUCED COPY (WHITE) FOR COMPLETE TEXT.

SECOND READING
SB 25