SENATE BILL 11

Introduced by Doherty, et al.

7/10	Fiscal Note Requested
7/10	Introduced
7/10	Referred to Taxation
7/10	First Reading
7/13	Hearing
7/13	Fiscal Note Received
7/15	Fiscal Note Printed
7/17	Tabled in Committee

1	State BILL NO. 11
2	INTRODUCED BY Durty Vienu
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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE RESOURCE

INDEMNITY TRUST TAX BY CHANGING THE RATE OF TAX ON COAL FROM

0.4 PERCENT TO 1/2 OF 1 PERCENT; DELETING THE PROVISION THAT

PROVIDES THAT THE GROSS VALUE OF COAL IS DETERMINED BY THE

CONTRACT SALES PRICE OF THE COAL; AMENDING SECTIONS

9 15-38-103 AND 15-38-104, MCA; REPEALING SECTION 15-38-125,

MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A

RETROACTIVE APPLICABILITY DATE."

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

Section 1. 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.

18 (2) "Gross value of product" means, except as provided

19 in ±5-38-125-through 15-38-126 and 15-38-127, the market

value of any merchantable mineral extracted or produced

21 during the taxable year.

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

silver, copper, coal, lead, petroleum, natural gas, oil,

24 uranium, or other nonrenewable merchantable products

25 extracted from the surface or subsurface of the state of



1 Montana.

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

Section 2. Section 15-38-104, MCA, is amended to read:

"15-38-104. Tax on mineral production. (1) Except as provided in subsections (2) and (3), the annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing a mineral is \$25, plus an additional amount computed on the gross value of product 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.

- 19 (2) The annual tax to be paid by a person engaged in or 20 carrying on the business of mining, extracting, or 21 producing:
 - (a) 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
- 25 calendar year immediately preceding at the rate of 4%.7-and

tb --coal--is--\$25-plus-an-additional-amount-computed-on
the-gross-value-of-product--for--coal--produced--in--Montana
during--the--calendar-year-immediately-preceding-at-the-rate
of-0-4%;

- (3) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing vermiculite is \$25 plus an additional amount computed on the gross value of product for vermiculite derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 2%."
- NEW SECTION. Section 3. Repealer. Section 15-38-125,

 MCA, is repealed.
 - NEW SECTION. Section 4. Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to coal produced in Montana after December 31, 1991.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0011, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the resource indemnity trust tax by changing the rate of tax on coal from 0.4 percent to 1/2 of 1 percent; deleting the provision that provides that the gross value of coal is determined by the contract sales price of the coal; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

- 1. Resource indemnity trust tax (RITT) collections on coal, net of audit, penalty, and interest collections, were \$1.173,680 in FY1992. This level of collections will remain constant in FY1993.
- 2. Under current law, the RITT coal tax liability is calculated as 0.4% of contract sales price; under the proposal the tax liability will be calculated as 0.5% of "market value".
- 3. The "market value" of coal means the "mine mouth" value of coal (see technical note below).
- 4. The average ratio of mine mouth value to contract sales price value is 81.20 (MDOR, fiscal note for SB93, 1991 Reg. Leg. Session).

FISCAL IMPACT:

Revenues:

	FY1993		
	Current Law	Proposed Law	Change
Coal RITT	\$ 1,173,680	\$ 1,191,285	\$ 17,605

TECHNICAL NOTES:

This proposal reverses the impact of SB93, passed during the 1991 regular legislative session. At that time the Department of Revenue was embroiled in a conflict regarding the proper calculation of market value (mine-mouth value) for coal for RITT purposes. The above fiscal impact may change once a final determination of the proper method of calculating mine-mouth value is reached.

STEVE YEAKEL, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

STEVE DOHERTY, PRIMARY SPONSOR DATE Fiscal Note for SB0011, as introduced