

HOUSE BILL NO. 382

INTRODUCED BY FOSTER, GILBERT, KOEHNKE, SWYSGOOD, REA,
GRIMES, GAGE, DRISCOLL

IN THE HOUSE

JANUARY 28, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
FEBRUARY 10, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 11, 1993	PRINTING REPORT.
FEBRUARY 13, 1993	SECOND READING, DO PASS.
FEBRUARY 15, 1993	ENGROSSING REPORT.
FEBRUARY 22, 1993	THIRD READING, PASSED. AYES, 98; NOES, 0.
FEBRUARY 23, 1993	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 1, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 3, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 8, 1993	SECOND READING, CONCURRED IN.
APRIL 12, 1993	THIRD READING, CONCURRED IN. AYES, 44; NOES, 4.
	RETURNED TO HOUSE.

IN THE HOUSE

APRIL 12, 1993	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 382
 2 INTRODUCED BY Fraser Gilbert Fehske
 3 Swygood Rea James Driell
 4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE
 5 OF LIMESTONE MINED FOR THE PRODUCTION OF QUICKLIME FOR NET
 6 PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE INDEMNITY
 7 TRUST TAX PURPOSES; ESTABLISHING A SPECIFIC RESOURCE
 8 INDEMNITY TRUST TAX RATE FOR LIMESTONE; AMENDING SECTIONS
 9 15-6-131, 15-8-111, 15-23-103, 15-23-106, 15-23-115,
 10 15-23-502, 15-23-503, 15-23-521, 15-38-103, AND 15-38-104,
 11 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A
 12 RETROACTIVE APPLICABILITY DATE."
 13

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

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

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

1 covered by the statement;

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

3 (c) the number of tons of limestone extracted and sold
 4 either as limestone or quicklime from the mine during the
 5 period covered by the statement;

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

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

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

16 (i) for the tax year beginning January 1, 1993, 34
 17 cents; and

18 (ii) for the taxable years beginning January 1, 1994,
 19 and thereafter, the product obtained by multiplying 34 cents
 20 by the quotient of the PCE for the first quarter of the year
 21 previous to the taxable year for which the net proceeds
 22 value is being calculated, divided by the PCE for the first
 23 quarter of the 1992 taxable year.

24 (b) "PCE" means the implicit price deflator for
 25 personal consumption expenditures as published quarterly in

1 the Survey of Current Business by the bureau of economic
2 analysis of the U.S. department of commerce.

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

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

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

13 (2) Class one property is taxed at 100% of its annual
14 net proceeds after deducting the expenses specified and
15 allowed by 15-23-503 or, for talc, as provided in 15-23-515
16 or, for vermiculite, as provided in 15-23-516 or, for
17 limestone, as provided in [section 1]. (Terminates December
18 31, 1993--sec. 4, Ch. 700, L. 1991.)

19 15-6-131. (Effective January 1, 1994) Class one
20 property -- description -- taxable percentage. (1) Class one
21 property includes the annual net proceeds of all mines and
22 mining claims except coal and metal mines.

23 (2) Class one property is taxed at 100% of its annual
24 net proceeds after deducting the expenses specified and
25 allowed by 15-23-503 or, for talc, as provided in 15-23-515

1 or, for vermiculite, as provided in 15-23-516 or, for
2 limestone, as provided in [section 1]."

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

4 "15-8-111. **Assessment -- market value standard --**
5 **exceptions.** (1) All taxable property must be assessed at
6 100% of its market value except as otherwise provided.

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

11 (b) If the department uses construction cost as one
12 approximation of market value, the department shall fully
13 consider reduction in value caused by depreciation, whether
14 through physical depreciation, functional obsolescence, or
15 economic obsolescence.

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

25 (3) The department of revenue or its agents may not

1 adopt a lower or different standard of value from market
2 value in making the official assessment and appraisal of the
3 value of property, except:

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

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

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

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

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

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

21 (a) Properties in 15-6-131, under class one, are
22 assessed at 100% of the annual net proceeds after deducting
23 the expenses specified and allowed by 15-23-503 or, if
24 applicable, as provided in 15-23-515, or 15-23-516, or
25 [section 1].

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

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

8 (d) Beginning January 1, 1990, and ending December 31,
9 1993, properties in 15-6-143, under class ten, are assessed
10 at 100% of the combined appraised value of the standing
11 timber and grazing productivity of the land when valued as
12 timberland.

13 (e) Beginning January 1, 1994, properties in 15-6-143,
14 under class ten, are assessed at 100% of the forest
15 productivity value of the land when valued as forest land.

16 (7) Land and the improvements thereon on the land are
17 separately assessed when any of the following conditions
18 occur:

19 (a) ownership of the improvements is different from
20 ownership of the land;

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

22 (c) the land is outside an incorporated city or town.
23 (Subsection (6)(d) terminates January 1, 1994--sec. 19, Ch.
24 783, L. 1991.)"

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

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

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

10 (3) Each report described in 15-23-201, 15-23-212,
11 15-23-515, or 15-23-516 must be delivered to the department
12 before April 15 each year.

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

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

16 "15-23-106. Transmission to the counties. (1) On or
17 before July 1, the department shall transmit to its agent in
18 each county a statement listing:

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

1 property;

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

9 (d) the assessed value of the net proceeds and
10 royalties from mines and oil and gas wells in the county, as
11 determined under 15-23-503, 15-23-505, 15-23-515, 15-23-516,
12 [section 1], 15-23-603, and 15-23-605; and

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

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

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

19 "15-23-115. Interest. If the department determines that
20 a taxpayer has incorrectly reported a value under 15-23-502,
21 15-23-515, 15-23-516, [section 1], 15-23-602, 15-23-701, or
22 15-23-802, the department shall inform its agents at the
23 county level of such the determination, and if any
24 additional tax is due, there must be added thereto to the
25 tax until paid in full interest at the rate of 1% a month or

fraction thereof of a month from the date the original tax was due and payable. ~~In--no--instance--will--a~~ A taxpayer subject to imposition of interest pursuant to this section ~~be--also~~ is not 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. (Temporary) 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, travertine, building stone, 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 the person during the year preceding January 1 of the year in which such the statement is made. Such The statement ~~shall~~ must 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. Except as provided in 15-23-515, and 15-23-516, and [section 1], the statement ~~shall~~ must 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 the mine or the proceeds derived from the sale thereof of products, and the amount or amounts paid or yielded as royalty to each of such the persons during the period covered by the statement;

(2) the description and location of the mine;

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

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

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

(6) cost of extracting from the mine;

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

(8) cost of reduction or sale;

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

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

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

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

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

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

(15) cost of mine reclamation. (Terminates December 31, 1993--sec. 4, Ch. 700, L. 1991.)

15-23-502. (Effective January 1, 1994) 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 the person during the year preceding January 1 of the year in which such the statement is made. Such The statement shall must 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. Except as provided in 15-23-515, and 15-23-516, and [section 1], the statement shall must 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 the mine or the proceeds derived from the sale thereof of products, and the amount or amounts paid or yielded as royalty to each of such the persons during the period covered by the statement;

(2) the description and location of the mine;

(3) the number of tons of ore or other mineral products or deposits extracted, produced, and treated or sold from

the mine during the period covered by the statement;

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

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

(6) cost of extracting from the mine;

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

(8) cost of reduction or sale;

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

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

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

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

(13) cost of welfare and retirement fund payments

provided for in wage contracts;

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

(15) cost of mine reclamation."

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

"15-23-503. Net proceeds — how computed. (1) The department of revenue shall calculate from the returns the gross product yielded from a mine and its gross value for the year covered by the statement and shall calculate and compute the net proceeds of the mine yielded to the person engaged in mining. Except as provided in 15-23-515, and 15-23-516, and [section 1], net proceeds shall must be determined by subtracting from the value of the gross product of the mine the following:

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

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

1 (c) all money expended for improvements, repairs, and
2 betterments necessary in and about the working of the mine,
3 except as provided in this section;

4 (d) all money expended for costs of repairs and
5 replacements of the milling and reduction works used in
6 connection with the mine;

7 (e) depreciation in the sum of 6% of the assessed
8 valuation of the milling and reduction works for the
9 calendar year for which the return is made;

10 (f) all money actually expended for transporting the
11 ores and mineral products or deposits from the mines to the
12 mill or reduction works or to the place of sale and for
13 extracting the metals and minerals and for marketing the
14 product and the conversion of the product into money;

15 (g) all money expended for insurance and welfare and
16 retirement costs reported in the statement required in
17 15-23-502;

18 (h) all money expended for necessary labor, equipment,
19 and supplies for testing minerals extracted to satisfy
20 federal or state health and safety laws or regulations, for
21 plant security in Montana, for assaying and sampling the
22 extracted minerals, for the cost of reclamation at the site
23 of the mine, and for engineering and geological services
24 conducted in Montana for existing mining operations but not
25 including services beyond the stage of reduction and

1 beneficiation of the minerals.

2 (2) In computing the deductions allowable for repairs,
3 improvements, and betterments to the mine, the department
4 shall allow 10% of the cost each year for a period of 10
5 years.

6 (3) Money invested in mines or improvements may not be
7 allowed as a deduction unless all machinery, equipment, and
8 buildings represented by the money are returned to the
9 county in which the mine is located for assessment purposes
10 at the level of assessment of all other property in the
11 county.

12 (4) Money invested in the mines and improvements during
13 any year except the year for which such the statement is
14 made and except as provided in this section may not be
15 included in the expenditures, and the expenditures may not
16 include the salary or any portion of the salary of any
17 person or officer not actually engaged in the working of the
18 mine or superintending the management of the mine."

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

20 "15-23-521. Examination of records by department. The
21 department of revenue may at any time examine the records of
22 any person specified in this part as the records may pertain
23 to the yield of ore or mineral products or deposit in order
24 to verify the statements made by the person. If from the
25 examination or from other information, the department finds

1 any statement or any material part of a statement willfully
2 false or fraudulent, the department must assess in the same
3 manner as provided for in 15-23-503, 15-23-515, or
4 15-23-516, or [section 1]."

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

6 "15-38-103. Definitions. As used in this chapter, the
7 following definitions apply:

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

9 (2) "Gross value of product" means, except as provided
10 in 15-38-125 through 15-38-127 and [section 2], the market
11 value of any merchantable mineral extracted or produced
12 during the taxable year.

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

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

21 **Section 12.** Section 15-38-104, MCA, is amended to read:

22 "15-38-104. Tax on mineral production. (1) Except as
23 provided in subsections (2), 1 and (3), and (4), the annual
24 tax to be paid by a person engaged in or carrying on the
25 business of mining, extracting, or producing a mineral is

1 \$25, plus an additional amount computed on the gross value
2 of product that was derived from the business work or
3 operation within this state during the calendar year
4 immediately preceding at the rate of 1/2 of 1% of the amount
5 of gross value of product at the time of extraction from the
6 ground, if in excess of \$5,000. Unless otherwise provided in
7 a contract or lease, the pro rata share of any royalty owner
8 or owners may be deducted from any settlements under the
9 lease or leases or division of proceeds orders or other
10 contracts.

11 (2) The annual tax to be paid by a person engaged in or
12 carrying on the business of mining, extracting, or
13 producing:

14 (a) talc is \$25 plus an additional amount computed on
15 the gross value of product for talc derived from the
16 business work or operation within this state during the
17 calendar year immediately preceding at the rate of 4%; and

18 (b) coal is \$25 plus an additional amount computed on
19 the gross value of product for coal produced in Montana
20 during the calendar year immediately preceding at the rate
21 of 0.4%.

22 (3) The annual tax to be paid by a person engaged in or
23 carrying on the business of mining, extracting, or producing
24 vermiculite is \$25 plus an additional amount computed on the
25 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%.

(4) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing limestone for the production of quicklime is \$25 plus an additional amount computed on the gross value of product for limestone derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 10%."

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, part 5, 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, part 1, 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 production years beginning 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 HB0382, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing the value of limestone mined for the production of quicklime for net proceeds property tax purposes and for resource indemnity trust tax purposes; establishing a specific resource indemnity trust tax rate for limestone; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. There is one quicklime producer in Montana which would be affected by the proposed legislation (MDOR).
2. Under current law, the producer's 1991 limestone net proceeds are \$3,069,000 (MDOR).
3. The producer extracted 507,329 tons of limestone during production year 1991 for net proceeds purposes (MDOR).
4. Net proceeds production in calendar year 1991 is taxable in tax year 1992 and payable in fiscal year 1993 (MDOR).
5. The tax year 1992 total mill levy for the district in which the limestone is mined is 216.834 mills (MDOR).
6. The State levies 95 mills for the school foundation program and 6 mills for the university system in tax year 1993 and 1994 (MDOR).
7. The proposed law Resource Indemnity Trust Tax rate and gross value determination are revenue neutral in regards to current law (MDOR).

FISCAL IMPACT:Expenditures:

There is no impact to Department of Revenue expenditures under the proposed legislation.

Revenues:

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Net Proceeds Tax						
Foundation Program	292,000	16,000	(276,000)	292,000	16,000	(276,000)
University Levy	18,000	1,000	(17,000)	18,000	1,000	(17,000)
Total	310,000	17,000	(293,000)	310,000	17,000	(293,000)

In addition to the FY94/FY95 impacts, there is a FY93 revenue impact of equal magnitude to the foundation program and university system impacts listed above. There is no significant revenue impact to the Resource Indemnity Trust Tax.

EFFECT ON LOCAL REVENUES: (over)

David Lewis 2.1.93
 DAVID LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Mike Foster 2/2/93
 MIKE FOSTER, PRIMARY SPONSOR DATE

Fiscal Note for HB0382, as introduced

HB 382

EFFECT ON LOCAL REVENUES:

	<u>FY '93</u>		
<u>Net Proceeds Tax</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
County Government	209,000	12,000	(197,000)
Local Schools	107,000	6,000	(101,000)
Miscellaneous Districts	<u>40,000</u>	<u>2,000</u>	<u>(38,000)</u>
Total	356,000	20,000	(336,000)

If local government mill levies are similar in tax years 1993 and 1994 to their values in tax year 1992, then net proceeds revenue impacts in each year of the FY94/F95 biennium will be similar to the FY93 impact.

HB 382

APPROVED BY COMMITTEE
ON TAXATION

1 House BILL NO. 382
2 INTRODUCED BY Foster Elliott Fehrnke
3 Surfgood Rea James Driscoll
4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE
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12 RETROACTIVE APPLICABILITY DATE."

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

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

1 covered by the statement;

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

3 (c) the number of tons of limestone extracted and sold
4 either as limestone or quicklime from the mine during the
5 period covered by the statement;

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

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

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

16 (i) for the tax year beginning January 1, 1993, 34
17 cents; and

18 (ii) for the taxable years beginning January 1, 1994,
19 and thereafter, the product obtained by multiplying 34 cents
20 by the quotient of the PCE for the first quarter of the year
21 previous to the taxable year for which the net proceeds
22 value is being calculated, divided by the PCE for the first
23 quarter of the 1992 taxable year.

24 (b) "PCE" means the implicit price deflator for
25 personal consumption expenditures as published quarterly in

1 the Survey of Current Business by the bureau of economic
2 analysis of the U.S. department of commerce.

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

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

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

13 (2) Class one property is taxed at 100% of its annual
14 net proceeds after deducting the expenses specified and
15 allowed by 15-23-503 or, for talc, as provided in 15-23-515
16 or, for vermiculite, as provided in 15-23-516 or, for
17 limestone, as provided in [section 1]. (Terminates December
18 31, 1993--sec. 4, Ch. 700, L. 1991.)

19 15-6-131. (Effective January 1, 1994) Class one
20 property -- description -- taxable percentage. (1) Class one
21 property includes the annual net proceeds of all mines and
22 mining claims except coal and metal mines.

23 (2) Class one property is taxed at 100% of its annual
24 net proceeds after deducting the expenses specified and
25 allowed by 15-23-503 or, for talc, as provided in 15-23-515

1 or, for vermiculite, as provided in 15-23-516 or, for
2 limestone, as provided in [section 1]."

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

4 "15-8-111. Assessment -- market value standard --
5 exceptions. (1) All taxable property must be assessed at
6 100% of its market value except as otherwise provided.

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

11 (b) If the department uses construction cost as one
12 approximation of market value, the department shall fully
13 consider reduction in value caused by depreciation, whether
14 through physical depreciation, functional obsolescence, or
15 economic obsolescence.

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

25 (3) The department of revenue or its agents may not

1 adopt a lower or different standard of value from market
2 value in making the official assessment and appraisal of the
3 value of property, except:

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

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

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

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

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

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

21 (a) Properties in 15-6-131, under class one, are
22 assessed at 100% of the annual net proceeds after deducting
23 the expenses specified and allowed by 15-23-503 or, if
24 applicable, as provided in 15-23-515, or 15-23-516, or
25 [section 1].

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

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

8 (d) Beginning January 1, 1990, and ending December 31,
9 1993, properties in 15-6-143, under class ten, are assessed
10 at 100% of the combined appraised value of the standing
11 timber and grazing productivity of the land when valued as
12 timberland.

13 (e) Beginning January 1, 1994, properties in 15-6-143,
14 under class ten, are assessed at 100% of the forest
15 productivity value of the land when valued as forest land.

16 (7) Land and the improvements thereon on the land are
17 separately assessed when any of the following conditions
18 occur:

19 (a) ownership of the improvements is different from
20 ownership of the land;

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

22 (c) the land is outside an incorporated city or town.
23 (Subsection (6)(d) terminates January 1, 1994--sec. 19, Ch.
24 783, L. 1991.)"

25 **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, [section 1] shall must 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, 15-23-212, 15-23-515, or 15-23-516 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, including the length or other description of such the property;

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

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 must 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, 15-23-515, 15-23-516, [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, 15-23-515, 15-23-516, [section 1], 15-23-602, 15-23-701, or 15-23-802, the department shall inform its agents at the county level of such the determination, and if any additional tax is due, there must be added thereto to the tax until paid in full interest at the rate of 1% a month or

1 fraction thereof of a month from the date the original tax
 2 was due and payable. ~~In--no--instance--will--a~~ A taxpayer
 3 subject to imposition of interest pursuant to this section
 4 ~~be--also~~ is not subject to the penalty and interest
 5 provisions contained in 15-16-102."

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

7 "15-23-502. (Temporary) Net proceeds tax -- statement
 8 of yield. Every person engaged in mining, extracting, or
 9 producing from any quartz vein or lode, placer claim, dump
 10 or tailings, or other place or source whatever precious
 11 stones or gems, vermiculite, bentonite, or other valuable
 12 mineral, except coal, travertine, building stone, and
 13 metals, must on or before March 31 each year make out a
 14 statement of the gross yield and value of the above-named
 15 metals or minerals from each mine owned or worked by such
 16 the person during the year preceding January 1 of the year
 17 in which such the statement is made. Such The statement
 18 ~~shall~~ must be in the form prescribed by the department of
 19 revenue and must be verified by the oath of the person
 20 completing the statement or the manager, superintendent,
 21 agent, president, or vice-president, if a corporation,
 22 association, or partnership, and must be delivered to the
 23 department on or before March 31. Except as provided in
 24 15-23-515, and 15-23-516, and (section 1), the statement
 25 ~~shall~~ must 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 the mine or the
 5 proceeds derived from the sale thereof of products, and the
 6 amount or amounts paid or yielded as royalty to each of such
 7 the persons during 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 products
 10 or deposits extracted, produced, and treated or sold from
 11 the mine during the period covered by the statement;
- 12 (4) the amount and character of such the ores, mineral
 13 products, or deposits and the yield of such the ores,
 14 mineral products, or deposits from such the mine in
 15 constituents of commercial value; that is, commercially
 16 valuable constituents of the ores, mineral products, or
 17 deposits, measured by standard units of measurement, yielded
 18 to such the person so engaged in mining and to each royalty
 19 holder, if any, during the period covered by the statement;
- 20 (5) the gross yield or value in dollars and cents;
- 21 (6) cost of extracting from the mine;
- 22 (7) cost of transporting to place of reduction or sale;
- 23 (8) cost of reduction or sale;
- 24 (9) cost of marketing the product and conversion of
 25 same the product into money;

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

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

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

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

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

20 (15) cost of mine reclamation. (Terminates December 31,
21 1993--sec. 4, Ch. 700, L. 1991.)

22 15-23-502. (Effective January 1, 1994) Net proceeds tax
23 -- statement of yield. Every person engaged in mining,
24 extracting, or producing from any quartz vein or lode,
25 placer claim, dump or tailings, or other place or source

1 whatever precious stones or gems, vermiculite, bentonite, or
2 other valuable mineral, except coal and metals, must on or
3 before March 31 each year make out a statement of the gross
4 yield and value of the above-named metals or minerals from
5 each mine owned or worked by such the person during the year
6 preceding January 1 of the year in which such the statement
7 is made. Such The statement shall must be in the form
8 prescribed by the department of revenue and must be verified
9 by the oath of the person completing the statement or the
10 manager, superintendent, agent, president, or
11 vice-president, if a corporation, association, or
12 partnership, and must be delivered to the department on or
13 before March 31. Except as provided in 15-23-515, and
14 15-23-516, and [section 1], the statement shall must show
15 the following:

16 (1) the name and address of the owner or lessee or
17 operator of the mine, together with the names and addresses
18 of any and all persons owning or claiming any royalty
19 interest in the mineral product of such the mine or the
20 proceeds derived from the sale thereof of products, and the
21 amount or amounts paid or yielded as royalty to each of such
22 the persons during the period covered by the statement;

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

24 (3) the number of tons of ore or other mineral products
25 or deposits extracted, produced, and treated or sold from

1 the mine during the period covered by the statement;

2 (4) the amount and character of such the ores, mineral
3 products, or deposits and the yield of such the ores,
4 mineral products, or deposits from such the mine in
5 constituents of commercial value; that is, commercially
6 valuable constituents of the ores, mineral products, or
7 deposits, measured by standard units of measurement, yielded
8 to such the person so engaged in mining and to each royalty
9 holder, if any, during the period covered by the statement;

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

11 (6) cost of extracting from the mine;

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

13 (8) cost of reduction or sale;

14 (9) cost of marketing the product and conversion of
15 same the product into money;

16 (10) cost of construction, repairs, and betterments of
17 mines and cost of repairs and replacements of reduction
18 works;

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

21 (12) cost of fire insurance, workers' compensation
22 insurance, boiler and machinery insurance, and public
23 liability insurance paid for the mine, reduction works, or
24 beneficiation process;

25 (13) cost of welfare and retirement fund payments

1 provided for in wage contracts;

2 (14) cost of testing extracted minerals for the purpose
3 of satisfying federal or state health and safety laws or
4 regulations, the cost of plant security in Montana, the cost
5 of assaying and sampling the extracted minerals, and the
6 costs incurred in Montana for engineering and geological
7 services for existing mining operations but not including
8 any such services beyond the stage of reduction and
9 beneficiation of the minerals; and

10 (15) cost of mine reclamation."

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

12 "15-23-503. **Net proceeds — how computed.** (1) The
13 department of revenue shall calculate from the returns the
14 gross product yielded from a mine and its gross value for
15 the year covered by the statement and shall calculate and
16 compute the net proceeds of the mine yielded to the person
17 engaged in mining. Except as provided in 15-23-515, and
18 15-23-516, and [section 1], net proceeds shall must be
19 determined by subtracting from the value of the gross
20 product of the mine the following:

21 (a) all royalty paid or apportioned in cash or in kind
22 by the person engaged in mining;

23 (b) all money expended for necessary labor, machinery,
24 and supplies needed and used in the mining operations and
25 developments;

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

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

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

(f) all money actually expended for transporting the ores and mineral products or deposits from the mines to the mill or reduction works or to the place of sale and for extracting the metals and minerals and for marketing the product and the conversion of the product into money;

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

(h) all money expended for necessary labor, equipment, and supplies for testing minerals extracted to satisfy federal or state health and safety laws or regulations, for plant security in Montana, for assaying and sampling the extracted minerals, for the cost of reclamation at the site of the mine, and for engineering and geological services conducted in Montana for existing mining operations but not including services beyond the stage of reduction and

beneficiation of the minerals.

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

(3) Money invested in mines or improvements may not be allowed as a deduction unless all machinery, equipment, and buildings represented by the money are returned to the county in which the mine is located for assessment purposes at the level of assessment of all other property in the county.

(4) Money invested in the mines and improvements during any year except the year for which such the statement is made and except as provided in this section may not be included in the expenditures, and the expenditures may not include the salary or any portion of the salary of any person or officer not actually engaged in the working of the mine or superintending the management 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 may at any time examine the records of any person specified in this part as the records may pertain to the yield of ore or mineral products or deposit in order to verify the statements made by the person. If from the examination or from other information, the department finds

any statement or any material part of a statement willfully false or fraudulent, the department must assess in the same manner as provided for in 15-23-503, 15-23-515, or 15-23-516, 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 15-38-125 through 15-38-127 and [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) Except as provided in subsections (2), 1 and (3), and (4), 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.

(2) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or 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 calendar year immediately preceding at the rate of 4%; and

(b) 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%.

(4) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing limestone for the production of quicklime is \$25 plus an additional amount computed on the gross value of product for limestone derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 10%.

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, part 5, 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, part 1, 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 production years beginning after December 31, 1991.

-End-

1 House BILL NO. 382
 2 INTRODUCED BY Fraser Gilbert Fackler
 3 Swygood Rea Limerick Driscoll
 4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE
 5 OF LIMESTONE MINED FOR THE PRODUCTION OF QUICKLIME FOR NET
 6 PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE INDEMNITY
 7 TRUST TAX PURPOSES; ESTABLISHING A SPECIFIC RESOURCE
 8 INDEMNITY TRUST TAX RATE FOR LIMESTONE; AMENDING SECTIONS
 9 15-6-131, 15-8-111, 15-23-103, 15-23-106, 15-23-115,
 10 15-23-502, 15-23-503, 15-23-521, 15-38-103, AND 15-38-104,
 11 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A
 12 RETROACTIVE APPLICABILITY DATE."
 13

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

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

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

1 covered by the statement;

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

3 (c) the number of tons of limestone extracted and sold
 4 either as limestone or quicklime from the mine during the
 5 period covered by the statement;

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

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

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

16 (i)

17 cents; a

18 (ii)

19 and ther

20 by the q

21 previous

22 value i

23 quarter

24 (b)

25 personal

THERE ARE NO CHANGES IN THIS BILL.
 PLEASE REFER TO WHITE OR YELLOW FOR
 COMPLETE TEXT.

HOUSE BILL NO. 382

INTRODUCED BY FOSTER, GILBERT, KOEHNKE, SWYSGOOD, REA,
GRIMES, GAGE, DRISCOLL

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE OF LIMESTONE MINED FOR THE PRODUCTION OF QUICKLIME FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE INDEMNITY TRUST TAX PURPOSES; ESTABLISHING A SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR LIMESTONE; 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, 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 limestone -- statement -- value. (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer of limestone extracted for the production of quicklime must contain the following:

(a) the name and address of the owner, 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 limestone extracted and sold either as limestone or quicklime from the mine during the period covered by the statement;

(d) the amount and character of the limestone and the yield of the limestone 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 purposes of this section, the gross yield or value of limestone is determined by multiplying the number of tons of limestone reported under subsection (1)(c) by:

(i) for the tax year beginning January 1, 1993, 34 cents; and

(ii) for the taxable years beginning January 1, 1994, and thereafter, the product obtained by multiplying 34 cents by the quotient of the PCE for the first quarter of the year previous to the taxable year for which the net proceeds value is being calculated, divided by the PCE for the first quarter of the 1992 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 limestone. As used in this part, when referring to limestone, "gross value of product" is the gross yield or value as determined in [section 1(2)].

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

"15-6-131. (Temporary) Class one property -- description -- taxable percentage. (1) Class one property includes the annual net proceeds of all mines and mining claims except coal, travertine, building stone, 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, for talc, as provided in 15-23-515 or, for vermiculite, as provided in 15-23-516 or, for limestone, as provided in [section 1]. (Terminates December 31, 1993--sec. 4, Ch. 700, L. 1991.)

15-6-131. (Effective January 1, 1994) 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, for talc, as provided in 15-23-515 or, for vermiculite, as provided in 15-23-516 or, for limestone, 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 a national appraisal guide exists does not exist.

(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.

(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 15-23-515, or 15-23-516, or

[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) Beginning January 1, 1990, and ending December 31, 1993, properties in 15-6-143, under class ten, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(e) Beginning January 1, 1994, properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

(7) Land and the improvements thereon on the land 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, 1994--sec. 19, Ch. 783, L. 1991.)"

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, [section 1] ~~shall~~ must 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, 15-23-212, 15-23-515, or 15-23-516 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, including the length or other description of such the property;

(b) the assessed value of utility property, as determined under 15-23-303, apportioned to the county,

including the length or other description of such the 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~~ must 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, 15-23-515, 15-23-516, [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, 15-23-515, 15-23-516, [section 1], 15-23-602, 15-23-701, or 15-23-802, the department shall inform its agents at the county level of such the determination, and if any additional tax is due, there must be added thereto to the

1 tax until paid in full interest at the rate of 1% a month or
 2 fraction thereof of a month from the date the original tax
 3 was due and payable. ~~In--no--instance--will--a~~ A taxpayer
 4 subject to imposition of interest pursuant to this section
 5 ~~be--also~~ is not subject to the penalty and interest
 6 provisions contained in 15-16-102."

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

8 "15-23-502. (Temporary) Net proceeds tax -- statement
 9 of yield. Every person engaged in mining, extracting, or
 10 producing from any quartz vein or lode, placer claim, dump
 11 or tailings, or other place or source whatever precious
 12 stones or gems, vermiculite, bentonite, or other valuable
 13 mineral, except coal, travertine, building stone, and
 14 metals, must on or before March 31 each year make out a
 15 statement of the gross yield and value of the above-named
 16 metals or minerals from each mine owned or worked by such
 17 the person during the year preceding January 1 of the year
 18 in which such the statement is made. ~~Such The~~ statement
 19 ~~shall must~~ be in the form prescribed by the department of
 20 revenue and must be verified by the oath of the person
 21 completing the statement or the manager, superintendent,
 22 agent, president, or vice-president, if a corporation,
 23 association, or partnership, and must be delivered to the
 24 department on or before March 31. Except as provided in
 25 15-23-515, and 15-23-516, and [section 1], the statement

1 ~~shall must~~ show the following:

- 2 (1) the name and address of the owner or lessee or
 3 operator of the mine, together with the names and addresses
 4 of any and all persons owning or claiming any royalty
 5 interest in the mineral product of such the mine or the
 6 proceeds derived from the sale thereof of products, and the
 7 amount or amounts paid or yielded as royalty to each of such
 8 the persons during the period covered by the statement;
- 9 (2) the description and location of the mine;
- 10 (3) the number of tons of ore or other mineral products
 11 or deposits extracted, produced, and treated or sold from
 12 the mine during the period covered by the statement;
- 13 (4) the amount and character of such the ores, mineral
 14 products, or deposits and the yield of such the ores,
 15 mineral products, or deposits from such the mine in
 16 constituents of commercial value; that is, commercially
 17 valuable constituents of the ores, mineral products, or
 18 deposits, measured by standard units of measurement, yielded
 19 to such the person so engaged in mining and to each royalty
 20 holder, if 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 sale;
- 24 (8) cost of reduction or sale;
- 25 (9) cost of marketing the product and conversion of

1 ~~same the product~~ into money;

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

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

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

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

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

21 (15) cost of mine reclamation. (Terminates December 31,
22 1993--sec. 4, Ch. 700, L. 1991.)

23 15-23-502. (Effective January 1, 1994) Net proceeds tax
24 -- statement of yield. Every person engaged in mining,
25 extracting, or producing from any quartz vein or lode,

1 placer claim, dump or tailings, or other place or source
2 whatever precious stones or gems, vermiculite, bentonite, or
3 other valuable mineral, except coal and metals, must on or
4 before March 31 each year make out a statement of the gross
5 yield and value of the above-named metals or minerals from
6 each mine owned or worked by ~~such the~~ person during the year
7 preceding January 1 of the year in which ~~such the~~ statement
8 is made. ~~Such The~~ statement ~~shall~~ must be in the form
9 prescribed by the department of revenue and must be verified
10 by the oath of the person completing the statement or the
11 manager, superintendent, agent, president, or
12 vice-president, if a corporation, association, or
13 partnership, and must be delivered to the department on or
14 before March 31. Except as provided in 15-23-515, and
15 15-23-516, and [section 1], the statement ~~shall~~ must show
16 the following:

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

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

25 (3) the number of tons of ore or other mineral products

1 or deposits extracted, produced, and treated or sold from
2 the mine during the period covered by the statement;

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

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

12 (6) cost of extracting from the mine;

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

14 (8) cost of reduction or sale;

15 (9) cost of marketing the product and conversion of
16 same the product into money;

17 (10) cost of construction, repairs, and betterments of
18 mines and cost of repairs and replacements of reduction
19 works;

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

22 (12) cost of fire insurance, workers' compensation
23 insurance, boiler and machinery insurance, and public
24 liability insurance paid for the mine, reduction works, or
25 beneficiation process;

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

3 (14) cost of testing extracted minerals for the purpose
4 of satisfying federal or state health and safety laws or
5 regulations, the cost of plant security in Montana, the cost
6 of assaying and sampling the extracted minerals, and the
7 costs incurred in Montana for engineering and geological
8 services for existing mining operations but not including
9 any such services beyond the stage of reduction and
10 beneficiation of the minerals; and

11 (15) cost of mine reclamation."

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

13 "15-23-503. **Net proceeds -- how computed.** (1) The
14 department of revenue shall calculate from the returns the
15 gross product yielded from a mine and its gross value for
16 the year covered by the statement and shall calculate and
17 compute the net proceeds of the mine yielded to the person
18 engaged in mining. Except as provided in 15-23-515, and
19 15-23-516, and (section 1), net proceeds ~~shall~~ must be
20 determined by subtracting from the value of the gross
21 product of the mine the following:

22 (a) all royalty paid or apportioned in cash or in kind
23 by the person engaged in mining;

24 (b) all money expended for necessary labor, machinery,
25 and supplies needed and used in the mining operations and

1 developments;

2 (c) all money expended for improvements, repairs, and
3 betterments necessary in and about the working of the mine,
4 except as provided in this section;

5 (d) all money expended for costs of repairs and
6 replacements of the milling and reduction works used in
7 connection with the mine;

8 (e) depreciation in the sum of 6% of the assessed
9 valuation of the milling and reduction works for the
10 calendar year for which the return is made;

11 (f) all money actually expended for transporting the
12 ores and mineral products or deposits from the mines to the
13 mill or reduction works or to the place of sale and for
14 extracting the metals and minerals and for marketing the
15 product and the conversion of the product into money;

16 (g) all money expended for insurance and welfare and
17 retirement costs reported in the statement required in
18 15-23-502;

19 (h) all money expended for necessary labor, equipment,
20 and supplies for testing minerals extracted to satisfy
21 federal or state health and safety laws or regulations, for
22 plant security in Montana, for assaying and sampling the
23 extracted minerals, for the cost of reclamation at the site
24 of the mine, and for engineering and geological services
25 conducted in Montana for existing mining operations but not

1 including services beyond the stage of reduction and
2 beneficiation of the minerals.

3 (2) In computing the deductions allowable for repairs,
4 improvements, and betterments to the mine, the department
5 shall allow 10% of the cost each year for a period of 10
6 years.

7 (3) Money invested in mines or improvements may not be
8 allowed as a deduction unless all machinery, equipment, and
9 buildings represented by the money are returned to the
10 county in which the mine is located for assessment purposes
11 at the level of assessment of all other property in the
12 county.

13 (4) Money invested in the mines and improvements during
14 any year except the year for which such the statement is
15 made and except as provided in this section may not be
16 included in the expenditures, and the expenditures may not
17 include the salary or any portion of the salary of any
18 person or officer not actually engaged in the working of the
19 mine or superintending the management of the mine."

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

21 "15-23-521. **Examination of records by department.** The
22 department of revenue may at any time examine the records of
23 any person specified in this part as the records may pertain
24 to the yield of ore or mineral products or deposit in order
25 to verify the statements made by the person. If from the

1 examination or from other information, the department finds
 2 any statement or any material part of a statement willfully
 3 false or fraudulent, the department must assess in the same
 4 manner as provided for in 15-23-503, 15-23-515, or
 5 15-23-516, or [section 1]."

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

7 "15-38-103. **Definitions.** As used in this chapter, the
 8 following definitions apply:

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

10 (2) "Gross value of product" means, except as provided
 11 in 15-38-125 through 15-38-127 and [section 2], the market
 12 value of any merchantable mineral extracted or produced
 13 during the taxable year.

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

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

22 **Section 12.** Section 15-38-104, MCA, is amended to read:

23 "15-38-104. **Tax on mineral production.** (1) Except as
 24 provided in subsections (2), and (3), and (4), the annual
 25 tax to be paid by a person engaged in or carrying on the

1 business of mining, extracting, or producing a mineral is
 2 \$25, plus an additional amount computed on the gross value
 3 of product that was derived from the business work or
 4 operation within this state during the calendar year
 5 immediately preceding at the rate of 1/2 of 1% of the amount
 6 of gross value of product at the time of extraction from the
 7 ground, if in excess of \$5,000. Unless otherwise provided in
 8 a contract or lease, the pro rata share of any royalty owner
 9 or owners may be deducted from any settlements under the
 10 lease or leases or division of proceeds orders or other
 11 contracts.

12 (2) The annual tax to be paid by a person engaged in or
 13 carrying on the business of mining, extracting, or
 14 producing:

15 (a) talc is \$25 plus an additional amount computed on
 16 the gross value of product for talc derived from the
 17 business work or operation within this state during the
 18 calendar year immediately preceding at the rate of 4%; and

19 (b) coal is \$25 plus an additional amount computed on
 20 the gross value of product for coal produced in Montana
 21 during the calendar year immediately preceding at the rate
 22 of 0.4%.

23 (3) The annual tax to be paid by a person engaged in or
 24 carrying on the business of mining, extracting, or producing
 25 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%.

(4) The annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing limestone for the production of quicklime is \$25 plus an additional amount computed on the gross value of product for limestone derived from the business work or operation within this state during the calendar year immediately preceding at the rate of 10%."

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, part 5, 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, part 1, 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 production years beginning after December 31, 1991.

-End-