

House BILL NO. 418

INTRODUCED BY Sweeney

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE PRIVILEGE AND LICENSE TAX ON PRODUCERS OF OIL AND NATURAL GAS; AMENDING SECTION 82-11-131, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 82-11-131, MCA, is amended to read:

"82-11-131. Privilege and license tax. (1) For the purpose of providing funds for defraying the expenses of the operation and enforcement of this chapter and expenses of the board, an operator or producer of oil and gas shall pay an assessment not to exceed ~~2/10~~ 3/10 of 1% of the market value of each barrel of crude petroleum ~~originally~~ produced, saved and marketed, or stored within the state or exported from the state and the same rate on the market value of each 10,000 cubic feet of natural gas produced, saved and marketed, or stored within the state or exported ~~therefrom~~ from the state.

(2) The board shall, by rule adopted pursuant to the provisions of the Montana Administrative Procedure Act, fix the amount of the assessment and may from time to time reduce or increase the amount ~~thereof~~ of the assessment as the expenses chargeable against the oil and gas conservation fund may require. However, the assessment fixed by the board may not exceed the limits prescribed in this section. The amount of the assessment ~~shall~~ must be a percentage factor, ~~{not to exceed 100%}~~, of the rate set forth in subsection (1) ~~above~~, and the same percentage factor ~~shall~~ must be applied by the board in fixing the amount of the assessment on each barrel of crude ~~production~~ petroleum produced and each 10,000 cubic feet of natural gas ~~mentioned in that subsection~~ produced. A producer of the crude petroleum and natural gas shall pay the assessment on each barrel of crude petroleum and each 10,000 cubic feet of natural gas produced for ~~himself~~ the producer, as well as for another, including a royalty holder, ~~and the~~ The producer shall must be reimbursed for the payments made on crude oil and natural gas produced for another in the same manner as ~~he~~ the producer is reimbursed for net proceeds tax paid under 15-23-607 on crude petroleum or natural gas produced for another.

(3) The department of revenue shall collect the privilege and license tax assessment in the same

1 manner as the oil and gas severance tax is collected under Title 15, chapter 36."

2

3 NEW SECTION. **Section 2. Effective date -- applicability.** [This act] is effective July 1, 1995, and
4 applies to oil and gas production occurring after June 30, 1995.

5

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0418, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act increasing the privilege and license tax on producers of oil and natural gas; and providing an effective date and an applicability date.

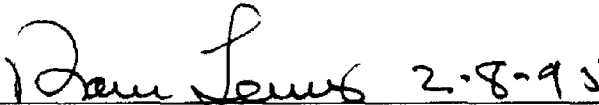
ASSUMPTIONS:


1. Taxable oil production in barrels is 14,608,000 in FY96 and 13,912,000 in FY97 (ROC).
2. Montana oil price per barrel is \$14.56 in FY96 and \$15.58 in FY97 (ROC).
3. Taxable value of natural gas production is \$88,234,000 in FY96 and \$91,968,000 in FY97 (LFA).
4. The Board of Oil and Gas Conservation fixes the amount of the assessment at 3/10% for FY96 and FY97 (MDOR).

FISCAL IMPACT:

Revenues:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Oil and Gas P&L Tax (02)	\$301,000	\$309,000


DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


CHARLES DEVANEY, PRIMARY SPONSOR DATE
Fiscal Note for HB0418, as introduced

HB 418

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13 producer of oil and gas shall pay an assessment not to exceed ~~2/10~~ 3/10 of 1% of the market value of each
14 barrel of crude petroleum ~~originally~~ produced, saved and marketed, or stored within the state or exported
15 from the state and the same rate on the market value of each 10,000 cubic feet of natural gas produced,
16 saved and marketed, or stored within the state or exported ~~therefrom~~ from the state.

17 (2) The board shall, by rule adopted pursuant to the provisions of the Montana Administrative
18 Procedure Act, fix the amount of the assessment and may from time to time reduce or increase the amount
19 ~~thereof~~ of the assessment as the expenses chargeable against the oil and gas conservation fund may
20 require. However, the assessment fixed by the board may not exceed the limits prescribed in this section.
21 The amount of the assessment ~~shall~~ must be a percentage factor, (not to exceed 100%), of the rate set
22 forth in subsection (1) ~~above~~, and the same percentage factor ~~shall~~ must be applied by the board in fixing
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30 (3) The department of revenue shall collect the privilege and license tax assessment in the same

1 manner as the oil and gas severance tax is collected under Title 15, chapter 36."

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3 NEW SECTION. SECTION 2. COORDINATION INSTRUCTION. IF SENATE BILL NO. 412 IS
4 PASSED AND APPROVED, THEN SENATE BILL NO. 412 IS FURTHER AMENDED AS FOLLOWS:

5 (1) THE SECTION IMPOSING TAX RATES, [SECTION 4] OF SENATE BILL NO. 412, MUST BE
6 AMENDED BY ADDING 0.1% TO ALL TAX RATES FOR OIL AND NATURAL GAS, FOR BOTH THE
7 WORKING INTEREST AND NONWORKING INTEREST. THE 0.1% INCREASE IS IN ADDITION TO ALL
8 OTHER CHANGES TO THOSE RATES RESULTING FROM BILLS OTHER THAN [THIS ACT].

9 (2) THE DEPARTMENT OF REVENUE SHALL, BY RULE, CHANGE THE FORMULA UNDER [SECTION
10 18] OF SENATE BILL NO. 412 FOR DISTRIBUTION OF TAXES COLLECTED UNDER [SECTION 4] OF
11 SENATE BILL NO. 412. IN RECALCULATING DISTRIBUTION RATES FOR THE REVENUE RAISED BY
12 SENATE BILL NO. 412, THE DEPARTMENT OF REVENUE SHALL DETERMINE THE REVISED RATE
13 ACCORDING TO A FORMULA THAT DISTRIBUTES AN AMOUNT EQUAL TO THAT RAISED BY THE 0.1%
14 INCREASE PROVIDED FOR IN SUBSECTION (1) FOR EXPENSES OF THE BOARD OF OIL AND GAS
15 CONSERVATION AS PROVIDED IN 82-11-135.

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17 NEW SECTION. Section 3. Effective date -- applicability. [This act] is effective July 1, 1995, and
18 applies to oil and gas production occurring after June 30, 1995.

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-END-

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
March 16, 1995

MR. PRESIDENT:

We, your committee on Taxation having had under consideration HB 418 (third reading copy -- blue), respectfully report that HB 418 be amended as follows and as so amended be concurred in.

Signed: *Gerry Devlin*
Senator Gerry Devlin, Chair

That such amendments read:

1. Title, line 5.

Strike: "AN"

2. Title, line 6.

Strike: the first "DATE"

Insert: "DATES"

3. Page 2, line 3.

Following: "INSTRUCTION."

Insert: "(1)"

4. Page 2, line 5.

Strike: "(1)"

Insert: "(a)"

5. Page 2, line 6.

Strike: "ADDING 0.1 TO"

Insert: "subtracting 0.2% from"

6. Page 2, line 7.

Strike: "0.1%" through "ALL"

Insert: "0.2% decrease must be made regardless of"

7. Page 2.

Following: line 8

Insert: "(b) The section imposing tax rates on natural gas and oil production, [section 4] of Senate Bill No. 412, is amended by adding the following subsection:

"(6) The tax rates imposed under subsections (2) and (4) on working interest owners and nonworking interest owners must be adjusted to include the privilege and license tax adopted by the board of oil and gas conservation pursuant to 82-11-131.""

8. Page 2, line 9.

Strike: "(2)"

Insert: "(c)"

PV
82

Amd. Coord.
Sec. of Senate

Sen. Page
Senator Carrying Bill

HB 418

SENATE

9. Page 2, lines 13 and 14.

Strike: the second "THAT" on line 13 through "(1)" on line 14

Insert: "the rate adopted by the board pursuant to 82-11-131"

10. Page 2, line 16.

Following: line 15

Insert: "(d) The repealer section, [section 49] of Senate Bill No 412, which repeals 82-11-131, is amended to strike that section in [section 49]. The title provision of Senate Bill No. 412 relating to repealing sections is amended to strike 82-11-131.

(2) If Senate Bill No. 412 is passed and approved, then 82-11-131(3) is amended to read as follows:

"(3) The department of revenue shall collect the privilege and license tax assessment in the same manner as ~~the~~ oil and natural gas severance tax is production taxes are collected under Title 15, chapter 36 [sections 1 through 20 of Senate Bill No. 412]."

11. Page 2, line 17.

Strike: "date"

Insert: "dates"

Following: "applicability."

Insert: "(1)"

Strike: "[This act]"

Insert: "Except as provided in subsection (2), [this act]"

12. Page 2.

Following: line 18

Insert: "(2) [Section 2(2)], which amends 82-11-131(3), is effective January 1, 1996."

-END-

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7 ~~GAS, FOR BOTH THE WORKING INTEREST AND NONWORKING INTEREST. THE 0.1% INCREASE IS IN~~
8 ~~ADDITION TO ALL 0.2% DECREASE MUST BE MADE REGARDLESS OF OTHER CHANGES TO THOSE~~
9 ~~RATES RESULTING FROM BILLS OTHER THAN [THIS ACT].~~

10 (B) THE SECTION IMPOSING TAX RATES ON NATURAL GAS AND OIL PRODUCTION, [SECTION
11 4] OF SENATE BILL NO. 412, IS AMENDED BY ADDING THE FOLLOWING SUBSECTION:

12 "(6) THE TAX RATES IMPOSED UNDER SUBSECTIONS (2) AND (4) ON WORKING INTEREST
13 OWNERS AND NONWORKING INTEREST OWNERS MUST BE ADJUSTED TO INCLUDE THE PRIVILEGE
14 AND LICENSE TAX ADOPTED BY THE BOARD OF OIL AND GAS CONSERVATION PURSUANT TO
15 82-11-131."

16 ~~(2) (C) THE DEPARTMENT OF REVENUE SHALL, BY RULE, CHANGE THE FORMULA UNDER~~
17 ~~[SECTION 18] OF SENATE BILL NO. 412 FOR DISTRIBUTION OF TAXES COLLECTED UNDER [SECTION~~
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21 ~~INCREASE PROVIDED FOR IN SUBSECTION (1) THE RATE ADOPTED BY THE BOARD PURSUANT TO~~
22 ~~82-11-131 FOR EXPENSES OF THE BOARD OF OIL AND GAS CONSERVATION AS PROVIDED IN~~
23 ~~82-11-135.~~

24 (D) THE REPEALER SECTION, [SECTION 49] OF SENATE BILL NO. 412, WHICH REPEALS
25 82-11-131, IS AMENDED TO STRIKE THAT SECTION IN [SECTION 49]. THE TITLE PROVISION OF SENATE
26 BILL NO. 412 RELATING TO REPEALING SECTIONS IS AMENDED TO STRIKE 82-11-131.

27 (2) IF SENATE BILL NO. 412 IS PASSED AND APPROVED, THEN 82-11-131(3) IS AMENDED TO
28 READ AS FOLLOWS:

29 "(3) THE DEPARTMENT OF REVENUE SHALL COLLECT THE PRIVILEGE AND LICENSE TAX
30 ASSESSMENT IN THE SAME MANNER AS THE OIL AND NATURAL GAS SEVERANCE TAX IS

1 PRODUCTION TAXES ARE COLLECTED UNDER TITLE 15, CHAPTER 36 [SECTIONS 1 THROUGH 20 OF
2 SENATE BILL NO. 412]."

3
4 NEW SECTION. Section 3. Effective date DATES -- applicability. (1) ~~[This act]~~ EXCEPT AS
5 PROVIDED IN SUBSECTION (2), [THIS ACT] is effective July 1, 1995, and applies to oil and gas production
6 occurring after June 30, 1995.

7 (2) [SECTION 2(2)], WHICH AMENDS 82-11-131(3), IS EFFECTIVE JANUARY 1, 1996.

8 -END-



FREE CONFERENCE COMMITTEE

on House Bill 418
Report No. , April 7, 1995

Page 1 of 2

Mr. Speaker and Mr. President:

We, your Conference Committee on **House Bill 418** met and considered House Bill 418 and recommend that **House Bill 418** (reference copy -- salmon) be amended as follows:

1. Page 2.

Following: line 26

Insert: "(2) If Senate Bill No. 412 is passed and approved, then 82-11-131(2) as amended by [this act] is further amended by striking the last sentence in that subsection as follows:

~~"The producer shall must be reimbursed for the payments made on crude oil and natural gas produced for another in the same manner as he the producer is reimbursed for net proceeds tax paid under 15-23-607 on crude petroleum or natural gas produced for another."~~

Re-number: subsequent section

2. Page 2, line 29.

Strike: "THE DEPARTMENT OF REVENUE SHALL COLLECT"

Insert: "For the purposes of this section, the provisions of [sections 1 through 20 of Senate Bill No. 412] apply to"

3. Page 2, line 30 through page 3, line 2.

Strike: "IN" on line 30 through "412" on page 3, line 2

4. Page 3, line 7.

Following: "(2)"

Insert: "and (3)"

Strike: "AMENDS"

Insert: "amend 82-11-131(2) and"

Following: "(3)."

Strike: "IS"

Insert: "respectively, are"

We recommend that the amendments considered above to House Bill 418 be acceded to by the senate.

And this Conference Committee report be adopted.

ADOPT

REJECT

HB 418
FCCR#1

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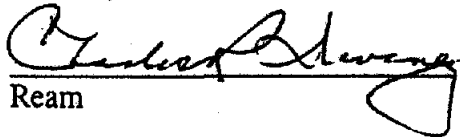
For the House:

Feland

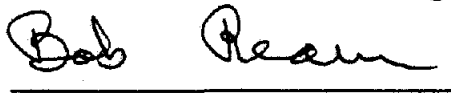


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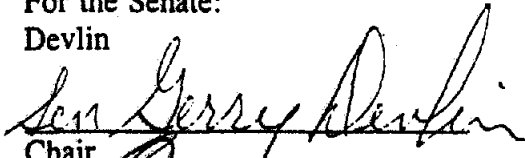


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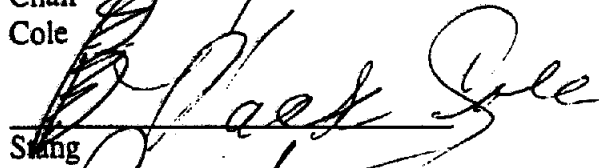
For the Senate:

Devlin

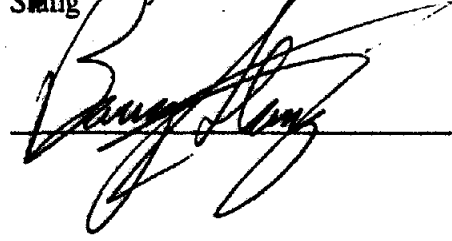


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27 (2) IF SENATE BILL NO. 412 IS PASSED AND APPROVED, THEN 82-11-131(2) AS AMENDED BY
28 [THIS ACT] IS FURTHER AMENDED BY STRIKING THE LAST SENTENCE IN THAT SUBSECTION AS
29 FOLLOWS:

30 "THE PRODUCER SHALL MUST BE REIMBURSED FOR THE PAYMENTS MADE ON CRUDE OIL AND

1 ~~NATURAL GAS PRODUCED FOR ANOTHER IN THE SAME MANNER AS HE THE PRODUCER IS~~
2 ~~REIMBURSED FOR NET PROCEEDS TAX PAID UNDER 15-23-607 ON CRUDE PETROLEUM OR NATURAL~~
3 ~~GAS PRODUCED FOR ANOTHER."~~

4 ~~(2)(3) IF SENATE BILL NO. 412 IS PASSED AND APPROVED, THEN 82-11-131(3) IS AMENDED~~
5 ~~TO READ AS FOLLOWS:~~

6 ~~"(3) THE DEPARTMENT OF REVENUE SHALL COLLECT FOR THE PURPOSES OF THIS SECTION,~~
7 ~~THE PROVISIONS OF [SECTIONS 1 THROUGH 20 OF SENATE BILL NO. 412] APPLY TO THE PRIVILEGE~~
8 ~~AND LICENSE TAX ASSESSMENT IN THE SAME MANNER AS THE OIL AND NATURAL GAS SEVERANCE~~
9 ~~TAX IS PRODUCTION TAXES ARE COLLECTED UNDER TITLE 15, CHAPTER 36 [SECTIONS 1 THROUGH~~
10 ~~20 OF SENATE BILL NO. 412]."~~

11
12 ~~NEW SECTION. Section 3. Effective date DATES -- applicability. (1) {This act} EXCEPT AS~~
13 ~~PROVIDED IN SUBSECTION (2), [THIS ACT] is effective July 1, 1995, and applies to oil and gas production~~
14 ~~occurring after June 30, 1995.~~

15 ~~(2) [SECTION 2(2) AND (3)], WHICH AMENDS AMEND 82-11-131(2) AND 82-11-131(3), IS~~
16 ~~RESPECTIVELY, ARE EFFECTIVE JANUARY 1, 1996.~~

17 ~~-END-~~