

## 1 SENATE BILL NO. 45

2 INTRODUCED BY BECK

3 BY REQUEST OF THE DEPARTMENT OF REVENUE  
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE TAX RATE THAT APPLIES TO OIL  
6 PRODUCTION FROM HORIZONTALLY COMPLETED WELLS; AMENDING SECTIONS 15-16-102, 15-16-121,  
7 AND 15-23-607, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE  
8 APPLICABILITY DATE."

9  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
11

12 **Section 1.** Section 15-16-102, MCA, is amended to read:

13 **"15-16-102. Time for payment -- penalty for delinquency.** Except as provided in 15-16-802 and  
14 15-16-803 and unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes  
15 levied and assessed in the state of Montana, except assessments made for special improvements in cities  
16 and towns payable under 15-16-103 and assessments made on ~~interim production and~~ new production,  
17 production from horizontally completed wells, or incremental production as provided in Title 15, chapter  
18 23, part 6, and payable under 15-16-121, ~~shall be~~ are payable as follows:

19 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within  
20 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.  
21 on May 31 of each year.

22 (2) Unless one-half of the taxes are paid on or before 5 p.m. on November 30 of each year or  
23 within 30 days after the tax notice is postmarked, whichever is later, ~~then~~ the amount ~~so~~ payable ~~shall~~  
24 ~~become~~ is delinquent and ~~shall draw~~ draws interest at the rate of 5/6 of 1% per month from and after the  
25 delinquency until paid and 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

26 (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year ~~shall be~~ are delinquent  
27 and ~~shall~~ draw interest at the rate of 5/6 of 1% per month from and after the delinquency until paid and  
28 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

29 (4) If the date on which taxes are due falls on a holiday or Saturday, taxes may be paid without  
30 penalty or interest on or before 5 p.m. of the next business day in accordance with 1-1-307.

1 (5) A taxpayer may pay his current year taxes without paying delinquent taxes. The county  
 2 treasurer ~~must~~ shall accept a partial payment equal to the delinquent taxes, including penalty and interest,  
 3 for one or more full taxable years, provided both halves of the current tax year have been paid. Payment  
 4 of delinquent taxes must be applied to the taxes that have been delinquent the longest. The payment of  
 5 taxes for the current tax year is not a redemption of the property tax lien for any delinquent tax year.

6 (6) The penalty and interest on delinquent assessment payments for specific parcels of land may  
 7 be waived by resolution of the city council. A copy of the resolution must be certified to the county  
 8 treasurer."

9  
 10 **Section 2.** Section 15-16-121, MCA, is amended to read:

11 **"15-16-121. Payment of ~~interim production and new production~~ oil and gas net proceeds taxes.**

12 (1) Taxes levied and assessed on ~~interim production or new production~~, production from horizontally  
 13 completed wells, or incremental production under the provisions of Title 15, chapter 23, part 6, must be  
 14 paid to the county treasurer in quarterly installments. The payments must be made on or before 5 p.m.  
 15 on the last day of the months of November, February, May, and August.

16 (2) Unless one-quarter of ~~such~~ the taxes are paid on or before 5 p.m. on the last day of the months  
 17 of November, February, May, and August of each year, ~~any~~ the amount ~~so~~ payable is delinquent.

18 (3) ~~All such delinquent~~ Delinquent taxes ~~must draw~~ accrue interest at the rate payable on  
 19 delinquencies under 15-23-115.

20 (4) There must also be added to the delinquent taxes a penalty at the same rate as provided for  
 21 delinquencies under 15-23-104."

22  
 23 **Section 3.** Section 15-23-607, MCA, is amended to read:

24 **"15-23-607. Department to compute taxes.** (1) Immediately after the board of county  
 25 commissioners has fixed tax levies on the second Monday in August, the department shall, subject to the  
 26 provisions of 15-23-612, compute the taxes on net proceeds, as provided in subsections (2) and (3) of this  
 27 section, and royalty assessments and shall transmit the computed taxes to the county treasurer on or  
 28 before September 15. The county treasurer shall ~~proceed to~~ give full notice of the assessments to the  
 29 operator and shall collect the taxes as provided by law.

30 (2) For new production, production from horizontally completed wells, and incremental production,

1 ~~as these terms are defined in 15-23-601~~, the department may not levy or assess any mills against the value  
 2 of the new production, production from horizontally completed wells, or incremental production, but shall  
 3 instead levy a tax as follows:

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

6 (ii) for production of petroleum or other mineral or crude oil from horizontally completed wells, 7%  
 7 of net proceeds, as described in 15-23-603(2);

8 (b) for new production of natural gas, 12% of net proceeds, as described in 15-23-603(2); or

9 (c) ~~(i)~~ except as provided in subsection (4);<sub>2</sub>

10 (i) for incremental production that is classified as secondary recovery from new enhanced recovery  
 11 projects, as defined in 15-23-601, and for incremental production that is classified as secondary recovery  
 12 from expanded enhanced recovery projects, as defined in 15-23-601, 5% of net proceeds, as described  
 13 in 15-23-603(2); or

14 (ii) for incremental production that is classified as tertiary recovery from new enhanced recovery  
 15 projects, as defined in 15-23-601, and for incremental production that is classified as tertiary recovery from  
 16 expanded enhanced recovery projects, as defined in 15-23-601, 3.3% of net proceeds, as described in  
 17 15-23-603(2).

18 (3) For purposes of this section:

19 (a) incremental production from a new enhanced recovery project qualifies for the tax rate imposed  
 20 in subsection (2)(c)(i) or (2)(c)(ii) if, before the project begins development, the board approves the project  
 21 and designates the area to be affected by the project;<sub>2</sub>

22 (b) ~~the~~ incremental production from an expanded enhanced recovery project qualifies for the tax  
 23 rate imposed in subsection (2)(c)(i) or (2)(c)(ii) if, before the expansion begins, the board approves the  
 24 expansion and designates the area to be affected by the expansion.

25 (4) (a) Incremental production from a new enhanced recovery project is subject to the tax rate  
 26 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
 27 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
 28 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
 29 incremental production from a new enhanced recovery project is taxed as provided in subsection (2)(a)(i)  
 30 for production occurring in that quarter.

1 (b) Incremental production from an expanded enhanced recovery project is subject to the tax rate  
2 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
3 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
4 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
5 incremental production from an expanded enhanced recovery project is taxed as provided in subsection  
6 (2)(a)(i) for production occurring in that quarter.

7 (5) For the purposes of subsections (4)(a) and (4)(b), the average price per barrel must be  
8 computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the  
9 Wall Street Journal for the calendar quarter by the number of days on which the price was reported in the  
10 quarter.

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

13 (7) The operator or producer is liable for the payment of the taxes that, except as provided in  
14 15-16-121, are payable by and must be collected from the operators in the same manner and under the  
15 same penalties as provided for the collection of taxes upon net proceeds of mines. However, the operator  
16 may withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount of the  
17 tax to be paid by the operator upon the royalty or royalty interest. After the withholding, any deviation  
18 between the estimated tax and the actual tax may be accounted for by adjusting subsequent withholdings  
19 from the proceeds of royalty interests."  
20

21 NEW SECTION. **Section 4. Effective date -- retroactive applicability date.** [This act] is effective  
22 on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning  
23 after December 31, 1993.

24 -END-

---

STATE OF MONTANA - FISCAL NOTE


Fiscal Note for SB0045, as introduced

---

DESCRIPTION OF PROPOSED LEGISLATION: An act clarifying the tax rate that applies to oil production from horizontally completed wells; and providing an immediate effective date and a retroactive applicability date.

FISCAL IMPACT:

The proposal has no impact on state revenues or expenditures.

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

  
TOM BECK, PRIMARY SPONSOR    DATE

Fiscal Note for SB0045, as introduced

SB 45

APPROVED BY COMMITTEE  
ON TAXATION

1 SENATE BILL NO. 45

2 INTRODUCED BY BECK

3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE TAX RATE THAT APPLIES TO OIL  
6 PRODUCTION FROM HORIZONTALLY COMPLETED WELLS; AMENDING SECTIONS 15-16-102, 15-16-121,  
7 AND 15-23-607, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE  
8 APPLICABILITY DATE."

9  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11  
12 **Section 1.** Section 15-16-102, MCA, is amended to read:

13 **"15-16-102. Time for payment -- penalty for delinquency.** Except as provided in 15-16-802 and  
14 15-16-803 and unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes  
15 levied and assessed in the state of Montana, except assessments made for special improvements in cities  
16 and towns payable under 15-16-103 and assessments made on ~~interim production and~~ new production,  
17 production from horizontally completed wells, or incremental production as provided in Title 15, chapter  
18 23, part 6, and payable under 15-16-121, ~~shall be~~ are payable as follows:

19 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within  
20 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.  
21 on May 31 of each year.

22 (2) Unless one-half of the taxes are paid on or before 5 p.m. on November 30 of each year or  
23 within 30 days after the tax notice is postmarked, whichever is later, ~~then~~ the amount ~~so~~ payable ~~shall~~  
24 ~~become~~ is delinquent and ~~shall draw~~ draws interest at the rate of 5/6 of 1% per month from and after the  
25 delinquency until paid and 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

26 (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year ~~shall be~~ are delinquent  
27 and ~~shall~~ draw interest at the rate of 5/6 of 1% per month from and after the delinquency until paid and  
28 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

29 (4) If the date on which taxes are due falls on a holiday or Saturday, taxes may be paid without  
30 penalty or interest on or before 5 p.m. of the next business day in accordance with 1-1-307.

1 (5) A taxpayer may pay his current year taxes without paying delinquent taxes. The county  
 2 treasurer ~~must~~ shall accept a partial payment equal to the delinquent taxes, including penalty and interest,  
 3 for one or more full taxable years, provided both halves of the current tax year have been paid. Payment  
 4 of delinquent taxes must be applied to the taxes that have been delinquent the longest. The payment of  
 5 taxes for the current tax year is not a redemption of the property tax lien for any delinquent tax year.

6 (6) The penalty and interest on delinquent assessment payments for specific parcels of land may  
 7 be waived by resolution of the city council. A copy of the resolution must be certified to the county  
 8 treasurer."

9

10 **Section 2.** Section 15-16-121, MCA, is amended to read:

11 **"15-16-121. Payment of ~~interim production and new production~~ oil and gas net proceeds taxes.**

12 (1) Taxes levied and assessed on ~~interim production or new production~~, production from horizontally  
 13 completed wells, or incremental production under the provisions of Title 15, chapter 23, part 6, must be  
 14 paid to the county treasurer in quarterly installments. The payments must be made on or before 5 p.m.  
 15 on the last day of the months of November, February, May, and August.

16 (2) Unless one-quarter of ~~such~~ the taxes are paid on or before 5 p.m. on the last day of the months  
 17 of November, February, May, and August of each year, ~~any~~ the amount ~~so~~ payable is delinquent.

18 (3) ~~All such delinquent~~ Delinquent taxes ~~must draw~~ accrue interest at the rate payable on  
 19 delinquencies under 15-23-115.

20 (4) There must also be added to the delinquent taxes a penalty at the same rate as provided for  
 21 delinquencies under 15-23-104."

22

23 **Section 3.** Section 15-23-607, MCA, is amended to read:

24 **"15-23-607. Department to compute taxes.** (1) Immediately after the board of county  
 25 commissioners has fixed tax levies on the second Monday in August, the department shall, subject to the  
 26 provisions of 15-23-612, compute the taxes on net proceeds, as provided in subsections (2) and (3) of this  
 27 section, and royalty assessments and shall transmit the computed taxes to the county treasurer on or  
 28 before September 15. The county treasurer shall ~~proceed to~~ give full notice of the assessments to the  
 29 operator and shall collect the taxes as provided by law.

30 (2) For new production, production from horizontally completed wells, and incremental production,

1 ~~as those terms are defined in 15-23-601~~, the department may not levy or assess any mills against the value  
2 of the new production, production from horizontally completed wells, or incremental production, but shall  
3 instead levy a tax as follows:

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

6 (ii) for production of petroleum or other mineral or crude oil from horizontally completed wells, 7%  
7 of net proceeds, as described in 15-23-603(2);

8 (b) for new production of natural gas, 12% of net proceeds, as described in 15-23-603(2); or

9 (c) ~~(i)~~ except as provided in subsection (4);~~7~~

10 (i) for incremental production that is classified as secondary recovery from new enhanced recovery  
11 projects, as defined in 15-23-601, and for incremental production that is classified as secondary recovery  
12 from expanded enhanced recovery projects, as defined in 15-23-601, 5% of net proceeds, as described  
13 in 15-23-603(2); or

14 (ii) for incremental production that is classified as tertiary recovery from new enhanced recovery  
15 projects, as defined in 15-23-601, and for incremental production that is classified as tertiary recovery from  
16 expanded enhanced recovery projects, as defined in 15-23-601, 3.3% of net proceeds, as described in  
17 15-23-603(2).

18 (3) For purposes of this section:

19 (a) incremental production from a new enhanced recovery project qualifies for the tax rate imposed  
20 in subsection (2)(c)(i) or (2)(c)(ii) if, before the project begins development, the board approves the project  
21 and designates the area to be affected by the project;~~2~~

22 (b) ~~the~~ incremental production from an expanded enhanced recovery project qualifies for the tax  
23 rate imposed in subsection (2)(c)(i) or (2)(c)(ii) if, before the expansion begins, the board approves the  
24 expansion and designates the area to be affected by the expansion.

25 (4) (a) Incremental production from a new enhanced recovery project is subject to the tax rate  
26 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
27 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
28 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
29 incremental production from a new enhanced recovery project is taxed as provided in subsection (2)(a)(i)  
30 for production occurring in that quarter.



1 (b) Incremental production from an expanded enhanced recovery project is subject to the tax rate  
2 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
3 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
4 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
5 incremental production from an expanded enhanced recovery project is taxed as provided in subsection  
6 (2)(a)(i) for production occurring in that quarter.

7 (5) For the purposes of subsections (4)(a) and (4)(b), the average price per barrel must be  
8 computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the  
9 Wall Street Journal for the calendar quarter by the number of days on which the price was reported in the  
10 quarter.

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

13 (7) The operator or producer is liable for the payment of the taxes that, except as provided in  
14 15-16-121, are payable by and must be collected from the operators in the same manner and under the  
15 same penalties as provided for the collection of taxes upon net proceeds of mines. However, the operator  
16 may withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount of the  
17 tax to be paid by the operator upon the royalty or royalty interest. After the withholding, any deviation  
18 between the estimated tax and the actual tax may be accounted for by adjusting subsequent withholdings  
19 from the proceeds of royalty interests."  
20

21 **NEW SECTION. Section 4. Effective date -- retroactive applicability date.** [This act] is effective  
22 on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning  
23 after December 31, 1993.

24

-END-

## 1 SENATE BILL NO. 45

2 INTRODUCED BY BECK

3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE TAX RATE THAT APPLIES TO OIL  
6 PRODUCTION FROM HORIZONTALLY COMPLETED WELLS; AMENDING SECTIONS 15-16-102, 15-16-121,  
7 AND 15-23-607, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE  
8 APPLICABILITY DATE."

9  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11  
12 **Section 1.** Section 15-16-102, MCA, is amended to read:

13 **"15-16-102. Time for payment -- penalty for delinquency.** Except as provided in 15-16-802 and  
14 15-16-803 and unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes  
15 levied and assessed in the state of Montana, except assessments made for special improvements in cities  
16 and towns payable under 15-16-103 and assessments made on ~~interim production and~~ new production,  
17 production from horizontally completed wells, or incremental production as provided in Title 15, chapter  
18 23, part 6, and payable under 15-16-121, ~~shall be~~ are payable as follows:

19 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within  
20 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.  
21 on May 31 of each year.

22 (2) Unless one-half of the taxes are paid on or before 5 p.m. on November 30 of each year or  
23 within 30 days after the tax notice is postmarked, whichever is later, ~~then~~ the amount ~~so~~ payable ~~shall~~  
24 ~~become~~ is delinquent and ~~shall draw~~ draws interest at the rate of 5/6 of 1% per month from and after the  
25 delinquency until paid and 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

26 (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year ~~shall be~~ are delinquent  
27 and ~~shall~~ draw interest at the rate of 5/6 of 1% per month from and after the delinquency until paid and  
28 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

29 (4) If the date on which taxes are due falls on a holiday or Saturday, taxes may be paid without  
30 penalty or interest on or before 5 p.m. of the next business day in accordance with 1-1-307.

1 (5) A taxpayer may pay ~~his~~ current year taxes without paying delinquent taxes. The county  
 2 treasurer ~~must~~ shall accept a partial payment equal to the delinquent taxes, including penalty and interest,  
 3 for one or more full taxable years, provided both halves of the current tax year have been paid. Payment  
 4 of delinquent taxes must be applied to the taxes that have been delinquent the longest. The payment of  
 5 taxes for the current tax year is not a redemption of the property tax lien for any delinquent tax year.

6 (6) The penalty and interest on delinquent assessment payments for specific parcels of land may  
 7 be waived by resolution of the city council. A copy of the resolution must be certified to the county  
 8 treasurer."

9

10 **Section 2.** Section 15-16-121, MCA, is amended to read:

11 **"15-16-121. Payment of ~~interim production and new production~~ oil and gas net proceeds taxes.**

12 (1) Taxes levied and assessed on ~~interim production or new production~~, production from horizontally  
 13 completed wells, or incremental production under the provisions of Title 15, chapter 23, part 6, must be  
 14 paid to the county treasurer in quarterly installments. The payments must be made on or before 5 p.m.  
 15 on the last day of the months of November, February, May, and August.

16 (2) Unless one-quarter of ~~such~~ the taxes are paid on or before 5 p.m. on the last day of the months  
 17 of November, February, May, and August of each year, ~~any~~ the amount ~~so~~ payable is delinquent.

18 (3) ~~All such delinquent~~ Delinquent taxes ~~must draw~~ accrue interest at the rate payable on  
 19 delinquencies under 15-23-115.

20 (4) There must also be added to the delinquent taxes a penalty at the same rate as provided for  
 21 delinquencies under 15-23-104."

22

23 **Section 3.** Section 15-23-607, MCA, is amended to read:

24 **"15-23-607. Department to compute taxes.** (1) Immediately after the board of county  
 25 commissioners has fixed tax levies on the second Monday in August, the department shall, subject to the  
 26 provisions of 15-23-612, compute the taxes on net proceeds, as provided in subsections (2) and (3) of this  
 27 section, and royalty assessments and shall transmit the computed taxes to the county treasurer on or  
 28 before September 15. The county treasurer shall ~~proceed to~~ give full notice of the assessments to the  
 29 operator and shall collect the taxes as provided by law.

30 (2) For new production, production from horizontally completed wells, and incremental production,

1 ~~as these terms are defined in 15-23-601~~, the department may not levy or assess any mills against the value  
2 of the new production, production from horizontally completed wells, or incremental production, but shall  
3 instead levy a tax as follows:

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

6 (ii) for production of petroleum or other mineral or crude oil from horizontally completed wells, 7%  
7 of net proceeds, as described in 15-23-603(2);

8 (b) for new production of natural gas, 12% of net proceeds, as described in 15-23-603(2); or

9 (c) ~~##~~ except as provided in subsection (4);

10 (i) for incremental production that is classified as secondary recovery from new enhanced recovery  
11 projects, as defined in 15-23-601, and for incremental production that is classified as secondary recovery  
12 from expanded enhanced recovery projects, as defined in 15-23-601, 5% of net proceeds, as described  
13 in 15-23-603(2); or

14 (ii) for incremental production that is classified as tertiary recovery from new enhanced recovery  
15 projects, as defined in 15-23-601, and for incremental production that is classified as tertiary recovery from  
16 expanded enhanced recovery projects, as defined in 15-23-601, 3.3% of net proceeds, as described in  
17 15-23-603(2).

18 (3) For purposes of this section:

19 (a) incremental production from a new enhanced recovery project qualifies for the tax rate imposed  
20 in subsection (2)(c)(i) or (2)(c)(ii) if, before the project begins development, the board approves the project  
21 and designates the area to be affected by the project;

22 (b) ~~the~~ incremental production from an expanded enhanced recovery project qualifies for the tax  
23 rate imposed in subsection (2)(c)(i) or (2)(c)(ii) if, before the expansion begins, the board approves the  
24 expansion and designates the area to be affected by the expansion.

25 (4) (a) Incremental production from a new enhanced recovery project is subject to the tax rate  
26 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
27 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
28 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
29 incremental production from a new enhanced recovery project is taxed as provided in subsection (2)(a)(i)  
30 for production occurring in that quarter.

1 (b) Incremental production from an expanded enhanced recovery project is subject to the tax rate  
2 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
3 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
4 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
5 incremental production from an expanded enhanced recovery project is taxed as provided in subsection  
6 (2)(a)(i) for production occurring in that quarter.

7 (5) For the purposes of subsections (4)(a) and (4)(b), the average price per barrel must be  
8 computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the  
9 Wall Street Journal for the calendar quarter by the number of days on which the price was reported in the  
10 quarter.

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

13 (7) The operator or producer is liable for the payment of the taxes that, except as provided in  
14 15-16-121, are payable by and must be collected from the operators in the same manner and under the  
15 same penalties as provided for the collection of taxes upon net proceeds of mines. However, the operator  
16 may withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount of the  
17 tax to be paid by the operator upon the royalty or royalty interest. After the withholding, any deviation  
18 between the estimated tax and the actual tax may be accounted for by adjusting subsequent withholdings  
19 from the proceeds of royalty interests."  
20

21 **NEW SECTION. Section 4. Effective date -- retroactive applicability date.** [This act] is effective  
22 on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning  
23 after December 31, 1993.

24 -END-

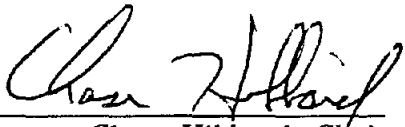


## HOUSE STANDING COMMITTEE REPORT

January 26, 1995

Page 1 of 1

Mr. Speaker: We, the committee on **Taxation** report that **Senate Bill 45** (third reading copy -- blue) be concurred in as amended.

Signed:   
Chase Hibbard, Chair

Carried by: Rep. Marion Hanson

And that such amendment read:

1. Title, line 6.

Following: "WELLS;"

Insert: "MAKING THE WITHHOLDING OF TAXES FROM ROYALTY INTERESTS  
MANDATORY;"

2. Page 4, line 16.

Strike: "may"

Insert: "shall"

-END-

SB 45

Committee Vote:  
Yes \_\_, No \_\_.

HOUSE  
221341SC.Hbk

## 1 SENATE BILL NO. 45

2 INTRODUCED BY BECK

3 BY REQUEST OF THE DEPARTMENT OF REVENUE  
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE TAX RATE THAT APPLIES TO OIL  
6 PRODUCTION FROM HORIZONTALLY COMPLETED WELLS; MAKING THE WITHHOLDING OF TAXES FROM  
7 ROYALTY INTERESTS MANDATORY; AMENDING SECTIONS 15-16-102, 15-16-121, AND 15-23-607,  
8 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."  
9

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
1112 **Section 1.** Section 15-16-102, MCA, is amended to read:

13 **"15-16-102. Time for payment -- penalty for delinquency.** Except as provided in 15-16-802 and  
14 15-16-803 and unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes  
15 levied and assessed in the state of Montana, except assessments made for special improvements in cities  
16 and towns payable under 15-16-103 and assessments made on ~~interim production and~~ new production,  
17 production from horizontally completed wells, or incremental production as provided in Title 15, chapter  
18 23, part 6, and payable under 15-16-121, ~~shall be~~ are payable as follows:

19 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within  
20 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.  
21 on May 31 of each year.

22 (2) Unless one-half of the taxes are paid on or before 5 p.m. on November 30 of each year or  
23 within 30 days after the tax notice is postmarked, whichever is later, ~~then~~ the amount ~~so~~ payable ~~shall~~  
24 ~~become~~ is delinquent and ~~shall draw~~ draws interest at the rate of 5/6 of 1% per month from and after the  
25 delinquency until paid and 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

26 (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year ~~shall be~~ are delinquent  
27 and ~~shall~~ draw interest at the rate of 5/6 of 1% per month from and after the delinquency until paid and  
28 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

29 (4) If the date on which taxes are due falls on a holiday or Saturday, taxes may be paid without  
30 penalty or interest on or before 5 p.m. of the next business day in accordance with 1-1-307.

1 (5) A taxpayer may pay his current year taxes without paying delinquent taxes. The county  
 2 treasurer ~~must~~ shall accept a partial payment equal to the delinquent taxes, including penalty and interest,  
 3 for one or more full taxable years, provided both halves of the current tax year have been paid. Payment  
 4 of delinquent taxes must be applied to the taxes that have been delinquent the longest. The payment of  
 5 taxes for the current tax year is not a redemption of the property tax lien for any delinquent tax year.

6 (6) The penalty and interest on delinquent assessment payments for specific parcels of land may  
 7 be waived by resolution of the city council. A copy of the resolution must be certified to the county  
 8 treasurer."

9

10 **Section 2.** Section 15-16-121, MCA, is amended to read:

11 **"15-16-121. Payment of ~~interim production and new production~~ oil and gas net proceeds taxes.**

12 (1) Taxes levied and assessed on ~~interim production or new production~~, production from horizontally  
 13 completed wells, or incremental production under the provisions of Title 15, chapter 23, part 6, must be  
 14 paid to the county treasurer in quarterly installments. The payments must be made on or before 5 p.m.  
 15 on the last day of the months of November, February, May, and August.

16 (2) Unless one-quarter of ~~such~~ the taxes are paid on or before 5 p.m. on the last day of the months  
 17 of November, February, May, and August of each year, ~~any~~ the amount ~~so~~ payable is delinquent.

18 (3) ~~All such delinquent~~ Delinquent taxes ~~must draw~~ accrue interest at the rate payable on  
 19 delinquencies under 15-23-115.

20 (4) There must also be added to the delinquent taxes a penalty at the same rate as provided for  
 21 delinquencies under 15-23-104."

22

23 **Section 3.** Section 15-23-607, MCA, is amended to read:

24 **"15-23-607. Department to compute taxes.** (1) Immediately after the board of county  
 25 commissioners has fixed tax levies on the second Monday in August, the department shall, subject to the  
 26 provisions of 15-23-612, compute the taxes on net proceeds, as provided in subsections (2) and (3) of this  
 27 section, and royalty assessments and shall transmit the computed taxes to the county treasurer on or  
 28 before September 15. The county treasurer shall ~~proceed to~~ give full notice of the assessments to the  
 29 operator and shall collect the taxes as provided by law.

30 (2) For new production, production from horizontally completed wells, and incremental production,



1 ~~as those terms are defined in 15-23-601~~, the department may not levy or assess any mills against the value  
2 of the new production, production from horizontally completed wells, or incremental production, but shall  
3 instead levy a tax as follows:

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

6 (ii) for production of petroleum or other mineral or crude oil from horizontally completed wells, 7%  
7 of net proceeds, as described in 15-23-603(2);

8 (b) for new production of natural gas, 12% of net proceeds, as described in 15-23-603(2); or

9 (c) ~~(4)~~ except as provided in subsection (4);<sub>7</sub>

10 (i) for incremental production that is classified as secondary recovery from new enhanced recovery  
11 projects, as defined in 15-23-601, and for incremental production that is classified as secondary recovery  
12 from expanded enhanced recovery projects, as defined in 15-23-601, 5% of net proceeds, as described  
13 in 15-23-603(2); or

14 (ii) for incremental production that is classified as tertiary recovery from new enhanced recovery  
15 projects, as defined in 15-23-601, and for incremental production that is classified as tertiary recovery from  
16 expanded enhanced recovery projects, as defined in 15-23-601, 3.3% of net proceeds, as described in  
17 15-23-603(2).

18 (3) For purposes of this section:

19 (a) incremental production from a new enhanced recovery project qualifies for the tax rate imposed  
20 in subsection (2)(c)(i) or (2)(c)(ii) if, before the project begins development, the board approves the project  
21 and designates the area to be affected by the project;<sub>2</sub>

22 (b) ~~the~~ incremental production from an expanded enhanced recovery project qualifies for the tax  
23 rate imposed in subsection (2)(c)(i) or (2)(c)(ii) if, before the expansion begins, the board approves the  
24 expansion and designates the area to be affected by the expansion.

25 (4) (a) Incremental production from a new enhanced recovery project is subject to the tax rate  
26 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
27 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
28 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
29 incremental production from a new enhanced recovery project is taxed as provided in subsection (2)(a)(i)  
30 for production occurring in that quarter.

1 (b) Incremental production from an expanded enhanced recovery project is subject to the tax rate  
2 imposed in subsection (2)(c)(i) or (2)(c)(ii) if the average price per barrel of oil as reported in the Wall Street  
3 Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the  
4 price of oil is equal to or greater than \$30 per barrel in a calendar quarter as determined in subsection (5),  
5 incremental production from an expanded enhanced recovery project is taxed as provided in subsection  
6 (2)(a)(i) for production occurring in that quarter.

7 (5) For the purposes of subsections (4)(a) and (4)(b), the average price per barrel must be  
8 computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the  
9 Wall Street Journal for the calendar quarter by the number of days on which the price was reported in the  
10 quarter.

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

13 (7) The operator or producer is liable for the payment of the taxes that, except as provided in  
14 15-16-121, are payable by and must be collected from the operators in the same manner and under the  
15 same penalties as provided for the collection of taxes upon net proceeds of mines. However, the operator  
16 ~~may~~ SHALL withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount  
17 of the tax to be paid by the operator upon the royalty or royalty interest. After the withholding, any  
18 deviation between the estimated tax and the actual tax may be accounted for by adjusting subsequent  
19 withholdings from the proceeds of royalty interests."  
20

21 **NEW SECTION. Section 4. Effective date -- retroactive applicability date.** [This act] is effective  
22 on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning  
23 after December 31, 1993.

24 -END-