

SENATE BILL NO. 407

*Swygood Bond*

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE OF INDUSTRIAL GARNETS AND ASSOCIATED BYPRODUCTS FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE INDEMNITY TRUST TAX PURPOSES; ESTABLISHING A SPECIFIC RESOURCE INDEMNITY TRUST TAX RATE FOR INDUSTRIAL GARNETS AND ASSOCIATED BYPRODUCTS; 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 industrial garnets and byproducts -- statement -- value.** (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer of industrial garnets and associated byproducts 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)(i) the number of tons of rougher garnet concentrate produced by initial concentration and sold from the mine during the period covered by the statement; and

(ii) the gross revenue received from any byproduct produced and sold as a result of the garnet mining operation.

(d) the amount and character of the industrial garnet and byproducts from the mine and the amount of the industrial garnets measured in tons and associated byproducts measured in dollars 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.

1 (2) (a) For the purposes of this section, the gross yield or value of industrial garnets is determined  
2 by multiplying the number of tons of rougher garnet concentrate reported under subsection (1)(c)(i) by:

3 (i) for the tax year beginning January 1, 1995, \$20; and

4 (ii) for the tax years beginning January 1, 1996, and thereafter, the product obtained by multiplying  
5 \$20 by the quotient of the PCE for the first quarter of the year previous to the tax year for which the net  
6 proceed value is being calculated, divided by the PCE for the first quarter of the 1991 tax year.

7 (b) "PCE" means the implicit price deflator for personal consumption expenditures as published  
8 quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of  
9 commerce.

10 (c) The gross yield or value of the byproducts produced and sold as a result of industrial garnet  
11 production is determined by multiplying the gross revenue reported under subsection (1)(c)(iii) by 30%.

12  
13 **NEW SECTION. Section 2. Gross value of product for industrial garnets and byproducts.** As used  
14 in this part, when referring to industrial garnets and associated byproducts, "gross value of product" is the  
15 gross yield or value as determined in [section 1(2)].

16  
17 **Section 3.** Section 15-6-131, MCA, is amended to read:

18 **"15-6-131. Class one property -- description -- taxable percentage.** (1) Class one property includes  
19 the annual net proceeds of all mines and mining claims except coal and metal mines.

20 (2) Class one property is taxed at 100% of its annual net proceeds after deducting the expenses  
21 specified and allowed by 15-23-503 or, for talc, as provided in 15-23-515 or, for vermiculite, as provided  
22 in 15-23-516 or, for limestone, as provided in 15-23-517 or, for industrial garnets and associated  
23 byproducts, as provided in [section 1]."

24  
25 **Section 4.** Section 15-8-111, MCA, is amended to read:

26 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be  
27 assessed at 100% of its market value except as otherwise provided.

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

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

4 (c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools,  
5 implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national  
6 appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The  
7 department shall prepare valuation schedules showing the average wholesale value when a national  
8 appraisal guide does not exist.

9 (3) The department may not adopt a lower or different standard of value from market value in  
10 making the official assessment and appraisal of the value of property, except:

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

14 (b) for agricultural implements and machinery not listed in the official guide, the department shall  
15 prepare a supplemental manual in which the values reflect the same depreciation as those found in the  
16 official guide; and

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

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

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

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

22 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after  
23 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
24 15-23-516, ~~or 15-23-517,~~ or [section 1].

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

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

29 (d) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value  
30 of the land when valued as forest land.

1 (7) Land and the improvements on the land are separately assessed when any of the following  
2 conditions occur:

- 3 (a) ownership of the improvements is different from ownership of the land;  
4 (b) the taxpayer makes a written request; or  
5 (c) the land is outside an incorporated city or town."  
6

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

8 "**15-23-103. Due date of reports and returns -- extensions.** (1) Except as provided in subsection  
9 (2) and 15-23-602, each report or return described in 15-23-301, 15-23-402, 15-23-502, 15-23-701, or  
10 15-23-517 must be delivered to the department on or before March 31 each year.

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

13 (3) Each report described in 15-23-201, 15-23-212, 15-23-515, ~~or 15-23-516~~, or [section 1] must  
14 be delivered to the department before April 15 each year.

15 (4) The department may for good cause extend the time for filing a return or report for not more  
16 than 30 days."  
17

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

19 "**15-23-106. Report to the counties.** (1) On or before July 1, the department shall prepare for each  
20 county a statement listing:

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

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

25 (c) the assessed value of property of airline companies, as determined under 15-23-403,  
26 apportioned to the county; 90% of the value of the property of airline companies apportioned to any county  
27 by reason of a state airport being located in the county must be stated separately from the remaining  
28 assessed value of the property of airline companies apportioned to the county;

29 (d) the assessed value of the net proceeds and royalties from mines and oil and gas wells in the  
30 county, as determined under 15-23-503, 15-23-505, 15-23-515, ~~15-23-516~~, through 15-23-517, [section

1 1], 15-23-603, and 15-23-605; and

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

3 (2) The department shall enter the reported assessed values in the property tax record for the  
4 county."

5

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

7 "15-23-115. **Interest.** If the department determines that a taxpayer has incorrectly reported a value  
8 under 15-23-502, 15-23-515, 15-23-516, 15-23-517, [section 1], 15-23-602, 15-23-701, or 15-23-802  
9 and if an additional tax is due, there must be added to the tax until paid in full interest at the rate of 1%  
10 a month or fraction of a month from the date the original tax was due and payable. A taxpayer subject to  
11 imposition of interest pursuant to this section is not subject to the penalty and interest provisions contained  
12 in 15-16-102."

13

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

15 "15-23-502. **Net proceeds tax -- statement of yield.** Every person engaged in mining, extracting,  
16 or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever  
17 precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals, must  
18 on or before March 31 each year make out a statement of the gross yield and value of the above-named  
19 metals or minerals from each mine owned or worked by the person during the year preceding January 1  
20 of the year in which the statement is made. The statement must be in the form prescribed by the  
21 department of revenue and must be verified by the oath of the person completing the statement or the  
22 manager, superintendent, agent, president, or vice-president, if a corporation, association, or partnership,  
23 and must be delivered to the department on or before March 31. Except as provided in 15-23-515,  
24 ~~15-23-516, and through~~ 15-23-517, and [section 1], the statement must show the following:

25 (1) the name and address of the owner or lessee or operator of the mine, together with the names  
26 and addresses of any and all persons owning or claiming any royalty interest in the mineral product of the  
27 mine or the proceeds derived from the sale of products, and the amount or amounts paid or yielded as  
28 royalty to each of the persons during the period covered by the statement;

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

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

1 treated or sold from the mine during the period covered by the statement;

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

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

8 (6) cost of extracting from the mine;

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

10 (8) cost of reduction or sale;

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

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

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

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

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

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

23 (15) cost of mine reclamation."  
24

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

26 **"15-23-503. Net proceeds -- how computed.** (1) The department of revenue shall calculate from  
27 the returns the gross product yielded from a mine and its gross value for the year covered by the statement  
28 and shall calculate and compute the net proceeds of the mine yielded to the person engaged in mining.  
29 Except as provided in 15-23-515, ~~15-23-516~~, and through 15-23-517; and [section 1], net proceeds must  
30 be determined by subtracting from the value of the gross product of the mine the following:

- 1 (a) all royalty paid or apportioned in cash or in kind by the person engaged in mining;
- 2 (b) all money expended for necessary labor, machinery, and supplies needed and used in the mining  
3 operations and developments;
- 4 (c) all money expended for improvements, repairs, and betterments necessary in and about the  
5 working of the mine, except as provided in this section;
- 6 (d) all money expended for costs of repairs and replacements of the milling and reduction works  
7 used in connection with the mine;
- 8 (e) depreciation in the sum of 6% of the assessed valuation of the milling and reduction works for  
9 the calendar year for which the return is made;
- 10 (f) all money actually expended for transporting the ores and mineral products or deposits from the  
11 mines to the mill or reduction works or to the place of sale and for extracting the metals and minerals and  
12 for marketing the product and the conversion of the product into money;
- 13 (g) all money expended for insurance and welfare and retirement costs reported in the statement  
14 required in 15-23-502;
- 15 (h) all money expended for necessary labor, equipment, and supplies for testing minerals extracted  
16 to satisfy federal or state health and safety laws or regulations, for plant security in Montana, for assaying  
17 and sampling the extracted minerals, for the cost of reclamation at the site of the mine, and for engineering  
18 and geological services conducted in Montana for existing mining operations but not including services  
19 beyond the stage of reduction and beneficiation of the minerals.
- 20 (2) In computing the deductions allowable for repairs, improvements, and betterments to the mine,  
21 the department shall allow 10% of the cost each year for a period of 10 years.
- 22 (3) Money invested in mines or improvements may not be allowed as a deduction unless all  
23 machinery, equipment, and buildings represented by the money are returned to the county in which the  
24 mine is located for assessment purposes at the level of assessment of all other property in the county.
- 25 (4) Money invested in the mines and improvements during any year except the year for which the  
26 statement is made and except as provided in this section may not be included in the expenditures, and the  
27 expenditures may not include the salary or any portion of the salary of any person or officer not actually  
28 engaged in the working of the mine or superintending the management of the mine."

29

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

1           **"15-23-521. Examination of records by department.** The department of revenue may at any time  
2 examine the records of any person specified in this part as the records may pertain to the yield of ore or  
3 mineral products or deposit in order to verify the statements made by the person. If from the examination  
4 or from other information, the department finds any statement or any material part of a statement willfully  
5 false or fraudulent, the department must assess in the same manner as provided for in 15-23-503,  
6 15-23-515, 15-23-516, ~~or 15-23-517~~, or [section 1]."

7  
8           **Section 11.** Section 15-38-103, MCA, is amended to read:

9           **"15-38-103. Definitions.** As used in this chapter, the following definitions apply:

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

11           (2) "Gross value of product" means, except as provided in 15-38-125 through 15-38-128 and  
12 [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

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

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

18  
19           **Section 12.** Section 15-38-104, MCA, is amended to read:

20           **"15-38-104. Tax on mineral production.** (1) Except as provided in subsections (2) through (4), the  
21 annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or producing  
22 a mineral is \$25, plus an additional amount computed on the gross value of product that was derived from  
23 the business work or operation within this state during the calendar year immediately preceding at the rate  
24 of 1/2 of 1% of the amount of gross value of product at the time of extraction from the ground, if in excess  
25 of \$5,000. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or  
26 owners may be deducted from any settlements under the lease or leases or division of proceeds orders or  
27 other contracts.

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

30           (a) talc is \$25 plus an additional amount computed on the gross value of product for talc derived



1 from the business work or operation within this state during the calendar year immediately preceding at the  
2 rate of 4%; and

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

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

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

13 (5) The annual tax to be paid by a person engaged in or carrying on the business of mining,  
14 extracting, or producing industrial garnets and associated byproducts is \$25 plus an additional amount  
15 computed on the gross value of product for industrial garnets and associated byproducts derived from the  
16 business work or operation within this state during the calendar year immediately preceding at the rate of  
17 1% on the gross value of product in excess of \$2,500."

18  
19 **NEW SECTION. Section 13. Codification instructions.** (1) [Section 1] is intended to be codified  
20 as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, part 5, apply  
21 to [section 1].

22 (2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the  
23 provisions of Title 15, chapter 38, part 1, apply to [section 2].

24  
25 **NEW SECTION. Section 14. Effective date -- retroactive applicability.** [This act] is effective on  
26 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after  
27 December 31, 1994.

28 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0407, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An act establishing the value of industrial garnets and associated byproducts for net proceeds property tax purposes and for resource indemnity trust tax purposes; establishing a specific resource indemnity trust tax rate for industrial garnets and associated byproducts; and providing an immediate effective date and a retroactive applicability date.

FISCAL IMPACT:

Expenditures:

There is no impact to department expenditures under the proposed legislation.

Revenues:

There are currently no mines producing industrial garnets in Montana. The information is not available to accurately determine any revenue impacts to the Resource Indemnity and Groundwater Assessment Tax or the Mines Net Proceeds taxes.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposed legislation would affect local revenues under the Mines Net Proceeds Tax should future production including industrial garnets occur; however, the extent of any impacts cannot be estimated with the available data.

TECHNICAL NOTES:

The proposed legislation does not clearly define byproducts from industrial garnet mining. As the legislation reads, other minerals or metals which are currently taxed separately could be considered as byproducts of industrial garnet mining. A specific definition of "byproducts" in the proposed legislation would reduce administrative and taxpayer confusion as well as avoid potential legal complications.

"Tax year" and "production year" are not the same with regard to natural resource taxes. The bill has a retroactive applicability date for tax years after December 31, 1994. Production from calendar year 1994 would be taxable under the proposed legislation, because it is taxable in *tax year* 1995. If the intent of the bill is to apply to production occurring after December 31, 1994, the retroactive applicability date should be changed to read "to production years beginning after December 31, 1994".

The proposed legislation arbitrarily sets the gross value of industrial garnets at \$20 per ton of "rougher garnet concentrate". The department has no basis on which to judge whether \$20 per ton is a realistic gross value for industrial garnets in relation to valuations used for other minerals subject to the Mines Net Proceeds Tax.

 Dave Lewis 2-18-95

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

CHARLES SWYSGOOD, PRIMARY SPONSOR DATE  
Fiscal Note for SB0407, as introduced.

SB 407

## 1 SENATE BILL NO. 407

2 INTRODUCED BY SWYSGOOD, BECK

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE OF INDUSTRIAL GARNETS AND  
5 ASSOCIATED BYPRODUCTS FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE  
6 INDEMNITY TRUST TAX PURPOSES; EXEMPTING 1,000 TONS OF ROUGHER GARNET CONCENTRATE,  
7 UNDER CERTAIN CONDITIONS, FROM THE NET PROCEEDS TAX; ESTABLISHING A SPECIFIC RESOURCE  
8 INDEMNITY TRUST TAX RATE FOR INDUSTRIAL GARNETS AND ASSOCIATED BYPRODUCTS; AMENDING  
9 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,  
10 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A  
11 RETROACTIVE APPLICABILITY DATE."

12

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

14

15 NEW SECTION. Section 1. Net proceeds for industrial garnets and byproducts -- statement -- value  
16 -- EXEMPTION. (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer  
17 of industrial garnets and associated byproducts must contain the following:

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

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

23 (c) (i) the number of tons of rougher garnet concentrate produced by initial concentration and sold  
24 from the mine during the period covered by the statement; and

25 (ii) the gross revenue received from any byproduct produced and sold as a result of the garnet  
26 mining operation.

27 (d) the amount and character of the industrial garnet and byproducts from the mine and the amount  
28 of the industrial garnets measured in tons and associated byproducts measured in dollars yielded to the  
29 person engaged in mining and to each royalty holder, if any, during the period covered by the statement;  
30 and

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

2 (2) (a) For the purposes of this section, the gross yield or value of industrial garnets is determined  
3 by multiplying the number of tons of rougher garnet concentrate reported under subsection (1)(c)(i) by:

4 (i) for the tax year beginning January 1, ~~1995~~ 1996, \$20; and

5 (ii) for the tax years beginning January 1, ~~1996~~ 1997, and thereafter, the product obtained by  
6 multiplying \$20 by the quotient of the PCE for the first quarter of the year previous to the tax year for  
7 which the net proceed value is being calculated, divided by the PCE for the first quarter of the ~~1994~~ 1995  
8 tax year.

9 (b) "PCE" means the implicit price deflator for personal consumption expenditures as published  
10 quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of  
11 commerce.

12 (c) The gross yield or value of the byproducts produced and sold as a result of industrial garnet  
13 production is determined by multiplying the gross revenue reported under subsection (1)(c)(ii) by 30%.

14 (3) FOR THE PURPOSES OF THIS SECTION, "ASSOCIATED BYPRODUCTS" MEANS GOLD,  
15 SILVER, COPPER, LEAD, OR ANY OTHER MINERAL OR PRECIOUS OR SEMIPRECIOUS GEMS OR STONES  
16 THAT ARE PRODUCED, PROCESSED, AND SOLD IN CONJUNCTION WITH THE MINING AND PROCESSING  
17 OF INDUSTRIAL GARNETS.

18 (4) A PERSON WHO PRODUCES AND SELLS ASSOCIATED BYPRODUCTS SUBJECT TO  
19 TAXATION UNDER THIS SECTION IS NOT REQUIRED TO FILE A STATEMENT OR PAY THE TAX ON THE  
20 ASSOCIATED BYPRODUCTS UNDER TITLE 15, CHAPTER 23, PART 8, OR UNDER TITLE 15, CHAPTER  
21 37, PART 1.

22 (5) (A) EXCEPT AS PROVIDED IN SUBSECTION (5)(B), A PERSON IS NOT LIABLE FOR THE NET  
23 PROCEEDS TAX ON 1,000 TONS OR LESS OF ROUGHER GARNET CONCENTRATE, INCLUDING THE  
24 VALUE OF ASSOCIATED BYPRODUCTS, PRODUCED AND SOLD IN A CALENDAR YEAR.

25 (B) A PERSON WHO PRODUCES AND SELLS MORE THAN 1,000 TONS OF ROUGHER GARNET  
26 CONCENTRATE IN A CALENDAR YEAR IS LIABLE FOR THE NET PROCEEDS TAX ON ALL ROUGHER  
27 GARNET CONCENTRATE, INCLUDING THE VALUE OF ASSOCIATED BYPRODUCTS, PRODUCED AND  
28 SOLD IN THE CALENDAR YEAR.

29  
30 NEW SECTION. Section 2. Gross value of product for industrial garnets and byproducts. As used

1 in this part, when referring to industrial garnets and associated byproducts, "gross value of product" is the  
2 gross yield or value as determined in [section 1(2)].

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

5 **"15-6-131. Class one property -- description -- taxable percentage.** (1) Class one property  
6 includes the annual net proceeds of all mines and mining claims except coal and metal mines.

7 (2) Class one property is taxed at 100% of its annual net proceeds after deducting the expenses  
8 specified and allowed by 15-23-503 or, for talc, as provided in 15-23-515 or, for vermiculite, as provided  
9 in 15-23-516 or, for limestone, as provided in 15-23-517 or, for industrial garnets and associated  
10 byproducts, as provided in [section 1]."

11  
12 **Section 4.** Section 15-8-111, MCA, is amended to read:

13 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be  
14 assessed at 100% of its market value except as otherwise provided.

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

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

21 (c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools,  
22 implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national  
23 appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The  
24 department shall prepare valuation schedules showing the average wholesale value when a national  
25 appraisal guide does not exist.

26 (3) The department may not adopt a lower or different standard of value from market value in  
27 making the official assessment and appraisal of the value of property, except:

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

1 (b) for agricultural implements and machinery not listed in the official guide, the department shall  
2 prepare a supplemental manual in which the values reflect the same depreciation as those found in the  
3 official guide; and

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

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

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

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

9 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after  
10 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
11 15-23-516, ~~or 15-23-517,~~ or [section 1].

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

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

16 (d) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value  
17 of the land when valued as forest land.

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

20 (a) ownership of the improvements is different from 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

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

25 "**15-23-103. Due date of reports and returns -- extensions.** (1) Except as provided in subsection  
26 (2) and 15-23-602, each report or return described in 15-23-301, 15-23-402, 15-23-502, 15-23-701, or  
27 15-23-517 must be delivered to the department on or before March 31 each year.

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

30 (3) Each report described in 15-23-201, 15-23-212, 15-23-515, ~~or 15-23-516,~~ or [section 1] must

1 be delivered to the department before April 15 each year.

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

4

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

6 **"15-23-106. Report to the counties.** (1) On or before July 1, the department shall prepare for  
7 each county a statement listing:

8 (a) the assessed value of railroad property, as determined under 15-23-202, apportioned to the  
9 county, including the length or other description of the property;

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

12 (c) the assessed value of property of airline companies, as determined under 15-23-403,  
13 apportioned to the county; 90% of the value of the property of airline companies apportioned to any county  
14 by reason of a state airport being located in the county must be stated separately from the remaining  
15 assessed value of the property of airline companies apportioned to the county;

16 (d) the assessed value of the net proceeds and royalties from mines and oil and gas wells in the  
17 county, as determined under 15-23-503, 15-23-505, 15-23-515, ~~15-23-516~~, through 15-23-517, [section  
18 1], 15-23-603, and 15-23-605; and

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

20 (2) The department shall enter the reported assessed values in the property tax record for the  
21 county."

22

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

24 **"15-23-115. Interest.** If the department determines that a taxpayer has incorrectly reported a value  
25 under 15-23-502, 15-23-515, 15-23-516, 15-23-517, [section 1], 15-23-602, 15-23-701, or 15-23-802  
26 and if an additional tax is due, there must be added to the tax until paid in full interest at the rate of 1%  
27 a month or fraction of a month from the date the original tax was due and payable. A taxpayer subject to  
28 imposition of interest pursuant to this section is not subject to the penalty and interest provisions contained  
29 in 15-16-102."

30

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

2           **"15-23-502. Net proceeds tax -- statement of yield.** Every person engaged in mining, extracting,  
3 or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever  
4 precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals, must  
5 on or before March 31 each year make out a statement of the gross yield and value of the above-named  
6 metals or minerals from each mine owned or worked by the person during the year preceding January 1  
7 of the year in which the statement is made. The statement must be in the form prescribed by the  
8 department of revenue and must be verified by the oath of the person completing the statement or the  
9 manager, superintendent, agent, president, or vice-president, if a corporation, association, or partnership,  
10 and must be delivered to the department on or before March 31. Except as provided in 15-23-515,  
11 ~~15-23-516, and through~~ 15-23-517, and [section 1], the statement must show the following:

12           (1) the name and address of the owner or lessee or operator of the mine, together with the names  
13 and addresses of any and all persons owning or claiming any royalty interest in the mineral product of the  
14 mine or the proceeds derived from the sale of products, and the amount or amounts paid or yielded as  
15 royalty to each of the persons during the period covered by the statement;

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

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

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

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

25           (6) cost of extracting from the mine;

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

27           (8) cost of reduction or sale;

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

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



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

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

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

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

10 (15) cost of mine reclamation."  
11

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

13 **"15-23-503. Net proceeds -- how computed.** (1) The department of revenue shall calculate from  
14 the returns the gross product yielded from a mine and its gross value for the year covered by the statement  
15 and shall calculate and compute the net proceeds of the mine yielded to the person engaged in mining.  
16 Except as provided in 15-23-515, ~~15-23-516~~, and through 15-23-517, and [section 1], net proceeds must  
17 be determined by subtracting from the value of the gross product of the mine the following:

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

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

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

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

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

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

30 (g) all money expended for insurance and welfare and retirement costs reported in the statement

1 required in 15-23-502;

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

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

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

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

16

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

18 "15-23-521. **Examination of records by department.** The department of revenue may at any time  
19 examine the records of any person specified in this part as the records may pertain to the yield of ore or  
20 mineral products or deposit in order to verify the statements made by the person. If from the examination  
21 or from other information, the department finds any statement or any material part of a statement willfully  
22 false or fraudulent, the department must assess in the same manner as provided for in 15-23-503,  
23 15-23-515, 15-23-516, ~~or~~ 15-23-517, or [section 1]."

24

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

26 "15-38-103. **Definitions.** As used in this chapter, the following definitions apply:

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

28 (2) "Gross value of product" means, except as provided in 15-38-125 through 15-38-128 and  
29 [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

30 (3) "Mineral" means any precious stones or gems, gold, silver, copper, coal, lead, petroleum,

1 natural gas, oil, uranium, or other nonrenewable merchantable products extracted from the surface or  
2 subsurface of the state of Montana.

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

5  
6 **Section 12.** Section 15-38-104, MCA, is amended to read:

7 **"15-38-104. Tax on mineral production.** (1) Except as provided in subsections (2) through (4),  
8 the annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or  
9 producing a mineral is \$25, plus an additional amount computed on the gross value of product that was  
10 derived from the business work or operation within this state during the calendar year immediately  
11 preceding at the rate of 1/2 of 1% of the amount of gross value of product at the time of extraction from  
12 the ground, if in excess of \$5,000. Unless otherwise provided in a contract or lease, the pro rata share  
13 of any royalty owner or owners may be deducted from any settlements under the lease or leases or division  
14 of proceeds orders or other contracts.

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

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

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

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

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

30 (5) The annual tax to be paid by a person engaged in or carrying on the business of mining,

1 extracting, or producing industrial garnets and associated byproducts is \$25 plus an additional amount  
2 computed on the gross value of product for industrial garnets and associated byproducts derived from the  
3 business work or operation within this state during the calendar year immediately preceding at the rate of  
4 1% on the gross value of product in excess of \$2,500."

5

6 **NEW SECTION. Section 13. Codification instructions.** (1) [Section 1] is intended to be codified  
7 as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, part 5, apply  
8 to [section 1].

9 (2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the  
10 provisions of Title 15, chapter 38, part 1, apply to [section 2].

11

12 **NEW SECTION. Section 14. Effective date -- retroactive applicability.** [This act] is effective on  
13 passage and approval and applies retroactively, within the meaning of 1-2-109, to ~~tax~~ PRODUCTION years  
14 beginning after December 31, 1994.

15

-END-

## 1 SENATE BILL NO. 407

2 INTRODUCED BY SWYSGOOD, BECK

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE VALUE OF INDUSTRIAL GARNETS AND  
5 ASSOCIATED BYPRODUCTS FOR NET PROCEEDS PROPERTY TAX PURPOSES AND FOR RESOURCE  
6 INDEMNITY TRUST TAX PURPOSES; EXEMPTING 1,000 TONS OF ROUGHER GARNET CONCENTRATE,  
7 UNDER CERTAIN CONDITIONS, FROM THE NET PROCEEDS TAX; ESTABLISHING A SPECIFIC RESOURCE  
8 INDEMNITY TRUST TAX RATE FOR INDUSTRIAL GARNETS AND ASSOCIATED BYPRODUCTS; AMENDING  
9 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,  
10 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A  
11 RETROACTIVE APPLICABILITY DATE."

12

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

THERE ARE NO CHANGES IN THIS BILL AND IT WILL  
NOT BE REPRINTED. PLEASE REFER TO SECOND  
READING COPY (YELLOW) FOR COMPLETE TEXT.

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 10 15-38-103, AND 15-38-104, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A  
 11 RETROACTIVE APPLICABILITY DATE."

12  
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14  
 15 NEW SECTION. Section 1. Net proceeds for industrial garnets and byproducts -- statement -- value  
 16 -- EXEMPTION. (1) A statement of gross yield and value, required in 15-23-502, that is filed by a producer  
 17 of industrial garnets and associated byproducts must contain the following:

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

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

23 (c) (i) the number of tons of rougher garnet concentrate produced by initial concentration and sold  
 24 from the mine during the period covered by the statement; and

25 (ii) the gross revenue received from any byproduct produced and sold as a result of the garnet  
 26 mining operation.

27 (d) the amount and character of the industrial garnet and byproducts from the mine and the amount  
 28 of the industrial garnets measured in tons and associated byproducts measured in dollars yielded to the  
 29 person engaged in mining and to each royalty holder, if any, during the period covered by the statement;  
 30 and

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

2 (2) (a) For the purposes of this section, the gross yield or value of industrial garnets is determined  
3 by multiplying the number of tons of rougher garnet concentrate reported under subsection (1)(c)(i) by:

4 (i) for the tax year beginning January 1, ~~1996~~ 1996, \$20; and

5 (ii) for the tax years beginning January 1, ~~1996~~ 1997, and thereafter, the product obtained by  
6 multiplying \$20 by the quotient of the PCE for the first quarter of the year previous to the tax year for  
7 which the net proceed value is being calculated, divided by the PCE for the first quarter of the ~~1994~~ 1995  
8 tax year.

9 (b) "PCE" means the implicit price deflator for personal consumption expenditures as published  
10 quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of  
11 commerce.

12 (c) The gross yield or value of the byproducts produced and sold as a result of industrial garnet  
13 production is determined by multiplying the gross revenue reported under subsection (1)(c)(ii) by 30%.

14 (3) FOR THE PURPOSES OF THIS SECTION, "ASSOCIATED BYPRODUCTS" MEANS GOLD,  
15 SILVER, COPPER, LEAD, OR ANY OTHER MINERAL OR PRECIOUS OR SEMIPRECIOUS GEMS OR STONES  
16 THAT ARE PRODUCED, PROCESSED, AND SOLD IN CONJUNCTION WITH THE MINING AND PROCESSING  
17 OF INDUSTRIAL GARNETS.

18 (4) A PERSON WHO PRODUCES AND SELLS ASSOCIATED BYPRODUCTS SUBJECT TO  
19 TAXATION UNDER THIS SECTION IS NOT REQUIRED TO FILE A STATEMENT OR PAY THE TAX ON THE  
20 ASSOCIATED BYPRODUCTS UNDER TITLE 15, CHAPTER 23, PART 8, OR UNDER TITLE 15, CHAPTER  
21 37, PART 1.

22 (5) (A) EXCEPT AS PROVIDED IN SUBSECTION (5)(B), A PERSON IS NOT LIABLE FOR THE NET  
23 PROCEEDS TAX ON 1,000 TONS OR LESS OF ROUGHER GARNET CONCENTRATE, INCLUDING THE  
24 VALUE OF ASSOCIATED BYPRODUCTS, PRODUCED AND SOLD IN A CALENDAR YEAR.

25 (B) A PERSON WHO PRODUCES AND SELLS MORE THAN 1,000 TONS OF ROUGHER GARNET  
26 CONCENTRATE IN A CALENDAR YEAR IS LIABLE FOR THE NET PROCEEDS TAX ON ALL ROUGHER  
27 GARNET CONCENTRATE, INCLUDING THE VALUE OF ASSOCIATED BYPRODUCTS, PRODUCED AND  
28 SOLD IN THE CALENDAR YEAR.

29

30 NEW SECTION. Section 2. Gross value of product for industrial garnets and byproducts. As used

1 in this part, when referring to industrial garnets and associated byproducts, "gross value of product" is the  
2 gross yield or value as determined in [section 1(2)].

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

5 **"15-6-131. Class one property -- description -- taxable percentage.** (1) Class one property  
6 includes the annual net proceeds of all mines and mining claims except coal and metal mines.

7 (2) Class one property is taxed at 100% of its annual net proceeds after deducting the expenses  
8 specified and allowed by 15-23-503 or, for talc, as provided in 15-23-515 or, for vermiculite, as provided  
9 in 15-23-516 or, for limestone, as provided in 15-23-517 or, for industrial garnets and associated  
10 byproducts, as provided in [section 1]."

11  
12 **Section 4.** Section 15-8-111, MCA, is amended to read:

13 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be  
14 assessed at 100% of its market value except as otherwise provided.

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

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

21 (c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools,  
22 implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national  
23 appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The  
24 department shall prepare valuation schedules showing the average wholesale value when a national  
25 appraisal guide does not exist.

26 (3) The department may not adopt a lower or different standard of value from market value in  
27 making the official assessment and appraisal of the value of property, except:

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



1 (b) for agricultural implements and machinery not listed in the official guide, the department shall  
2 prepare a supplemental manual in which the values reflect the same depreciation as those found in the  
3 official guide; and

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

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

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

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

9 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after  
10 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
11 15-23-516, ~~or 15-23-517~~, or [section 1].

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

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

16 (d) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value  
17 of the land when valued as forest land.

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

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

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

22 (c) the land is outside an incorporated city or town."  
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28 (2) Each report or return for a natural gas or oil pipeline described in 15-23-301 must be delivered  
29 to the department on or before April 15 each year.

30 (3) Each report described in 15-23-201, 15-23-212, 15-23-515, ~~or 15-23-516~~, or [section 1] must

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

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

6 "**15-23-106. Report to the counties.** (1) On or before July 1, the department shall prepare for  
7 each county a statement listing:

8 (a) the assessed value of railroad property, as determined under 15-23-202, apportioned to the  
9 county, including the length or other description of the property;

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

12 (c) the assessed value of property of airline companies, as determined under 15-23-403,  
13 apportioned to the county; 90% of the value of the property of airline companies apportioned to any county  
14 by reason of a state airport being located in the county must be stated separately from the remaining  
15 assessed value of the property of airline companies apportioned to the county;

16 (d) the assessed value of the net proceeds and royalties from mines and oil and gas wells in the  
17 county, as determined under 15-23-503, 15-23-505, 15-23-515, ~~15-23-516~~, through 15-23-517, [section  
18 1], 15-23-603, and 15-23-605; and

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

20 (2) The department shall enter the reported assessed values in the property tax record for the  
21 county."

22

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

24 "**15-23-115. Interest.** If the department determines that a taxpayer has incorrectly reported a value  
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26 and if an additional tax is due, there must be added to the tax until paid in full interest at the rate of 1%  
27 a month or fraction of a month from the date the original tax was due and payable. A taxpayer subject to  
28 imposition of interest pursuant to this section is not subject to the penalty and interest provisions contained  
29 in 15-16-102."

30

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

2           **"15-23-502. Net proceeds tax -- statement of yield.** Every person engaged in mining, extracting,  
3 or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever  
4 precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals, must  
5 on or before March 31 each year make out a statement of the gross yield and value of the above-named  
6 metals or minerals from each mine owned or worked by the person during the year preceding January 1  
7 of the year in which the statement is made. The statement must be in the form prescribed by the  
8 department of revenue and must be verified by the oath of the person completing the statement or the  
9 manager, superintendent, agent, president, or vice-president, if a corporation, association, or partnership,  
10 and must be delivered to the department on or before March 31. Except as provided in 15-23-515,  
11 ~~15-23-516, and through 15-23-517, and [section 1],~~ the statement must show the following:

12           (1) the name and address of the owner or lessee or operator of the mine, together with the names  
13 and addresses of any and all persons owning or claiming any royalty interest in the mineral product of the  
14 mine or the proceeds derived from the sale of products, and the amount or amounts paid or yielded as  
15 royalty to each of the persons during the period covered by the statement;

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

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

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

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

25           (6) cost of extracting from the mine;

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

27           (8) cost of reduction or sale;

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

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

- 1 (11) the assessed valuation of reduction works for the calendar year for which the return is made;
- 2 (12) cost of fire insurance, workers' compensation insurance, boiler and machinery insurance, and
- 3 public liability insurance paid for the mine, reduction works, or beneficiation process;
- 4 (13) cost of welfare and retirement fund payments provided for in wage contracts;
- 5 (14) cost of testing extracted minerals for the purpose of satisfying federal or state health and
- 6 safety laws or regulations, the cost of plant security in Montana, the cost of assaying and sampling the
- 7 extracted minerals, and the costs incurred in Montana for engineering and geological services for existing
- 8 mining operations but not including any services beyond the stage of reduction and beneficiation of the
- 9 minerals; and
- 10 (15) cost of mine reclamation."

11

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

13 **"15-23-503. Net proceeds -- how computed.** (1) The department of revenue shall calculate from

14 the returns the gross product yielded from a mine and its gross value for the year covered by the statement

15 and shall calculate and compute the net proceeds of the mine yielded to the person engaged in mining.

16 Except as provided in 15-23-515, ~~15-23-516~~, and through 15-23-517, and [section 1], net proceeds must

17 be determined by subtracting from the value of the gross product of the mine the following:

- 18 (a) all royalty paid or apportioned in cash or in kind by the person engaged in mining;
- 19 (b) all money expended for necessary labor, machinery, and supplies needed and used in the mining
- 20 operations and developments;
- 21 (c) all money expended for improvements, repairs, and betterments necessary in and about the
- 22 working of the mine, except as provided in this section;
- 23 (d) all money expended for costs of repairs and replacements of the milling and reduction works
- 24 used in connection with the mine;
- 25 (e) depreciation in the sum of 6% of the assessed valuation of the milling and reduction works for
- 26 the calendar year for which the return is made;
- 27 (f) all money actually expended for transporting the ores and mineral products or deposits from the
- 28 mines to the mill or reduction works or to the place of sale and for extracting the metals and minerals and
- 29 for marketing the product and the conversion of the product into money;
- 30 (g) all money expended for insurance and welfare and retirement costs reported in the statement

1 required in 15-23-502;

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

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

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

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

16

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

18 "15-23-521. **Examination of records by department.** The department of revenue may at any time  
19 examine the records of any person specified in this part as the records may pertain to the yield of ore or  
20 mineral products or deposit in order to verify the statements made by the person. If from the examination  
21 or from other information, the department finds any statement or any material part of a statement willfully  
22 false or fraudulent, the department must assess in the same manner as provided for in 15-23-503,  
23 15-23-515, 15-23-516, ~~or~~ 15-23-517, or [section 1]."

24

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

26 "15-38-103. **Definitions.** As used in this chapter, the following definitions apply:

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

28 (2) "Gross value of product" means, except as provided in 15-38-125 through 15-38-128 and  
29 [section 2], the market value of any merchantable mineral extracted or produced during the taxable year.

30 (3) "Mineral" means any precious stones or gems, gold, silver, copper, coal, lead, petroleum,

1 natural gas, oil, uranium, or other nonrenewable merchantable products extracted from the surface or  
2 subsurface of the state of Montana.

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

5

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

7 **"15-38-104. Tax on mineral production.** (1) Except as provided in subsections (2) through (4),  
8 the annual tax to be paid by a person engaged in or carrying on the business of mining, extracting, or  
9 producing a mineral is \$25, plus an additional amount computed on the gross value of product that was  
10 derived from the business work or operation within this state during the calendar year immediately  
11 preceding at the rate of 1/2 of 1% of the amount of gross value of product at the time of extraction from  
12 the ground, if in excess of \$5,000. Unless otherwise provided in a contract or lease, the pro rata share  
13 of any royalty owner or owners may be deducted from any settlements under the lease or leases or division  
14 of proceeds orders or other contracts.

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

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

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

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

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

30 (5) The annual tax to be paid by a person engaged in or carrying on the business of mining,

1 extracting, or producing industrial garnets and associated byproducts is \$25 plus an additional amount  
2 computed on the gross value of product for industrial garnets and associated byproducts derived from the  
3 business work or operation within this state during the calendar year immediately preceding at the rate of  
4 1% on the gross value of product in excess of \$2,500."

5

6 **NEW SECTION. Section 13. Codification instructions.** (1) [Section 1] is intended to be codified  
7 as an integral part of Title 15, chapter 23, part 5, and the provisions of Title 15, chapter 23, part 5, apply  
8 to [section 1].

9 (2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 38, part 1, and the  
10 provisions of Title 15, chapter 38, part 1, apply to [section 2].

11

12 **NEW SECTION. Section 14. Effective date -- retroactive applicability.** [This act] is effective on  
13 passage and approval and applies retroactively, within the meaning of 1-2-109, to ~~tax~~ PRODUCTION years  
14 beginning after December 31, 1994.

15

-END-