

Cole Elliott

SENATE BILL NO. 412

INTRODUCED BY

Groff *Hart* *Eland* *Post* *Rose* *Kelly*

BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE TAXATION OF OIL AND NATURAL GAS; ELIMINATING THE OIL AND NATURAL GAS NET PROCEEDS TAX, THE LOCAL GOVERNMENT SEVERANCE TAX, THE STATE OIL AND GAS SEVERANCE TAX, AND THE OIL AND GAS PRIVILEGE AND LICENSE TAX; IMPOSING OIL AND NATURAL GAS PRODUCTION TAXES BASED ON THE TYPE OF WELL AND TYPE OF PRODUCTION; PROVIDING FOR THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES; PROVIDING A DISBURSEMENT TO SCHOOL DISTRICTS AND LOCAL GOVERNMENTS TO REPLACE NET PROCEEDS AND LOCAL GOVERNMENT SEVERANCE TAX REVENUE; EXEMPTING OIL AND NATURAL GAS PRODUCTION FROM THE RESOURCE INDEMNITY TRUST TAX; PROVIDING AN ALLOCATION OF OIL AND NATURAL GAS PRODUCTION TAX REVENUE FOR THE PURPOSES OF THE MONTANA RESOURCE INDEMNITY TRUST AND GROUND WATER ASSESSMENT ACT; PROVIDING FOR THE ACCELERATED PAYMENT OF LOCAL GOVERNMENT SEVERANCE TAXES FOR PRODUCTION YEAR 1995; AUTHORIZING COUNTIES TO ESTABLISH AN OIL AND NATURAL GAS ACCELERATED TAX FUND; ALLOWING SCHOOL DISTRICTS TO USE ACCELERATED LOCAL GOVERNMENT SEVERANCE TAX PAYMENTS FOR ANY BUDGET PURPOSE; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-6-208, 15-16-102, 15-23-103, 15-23-104, 15-23-106, 15-23-115, 15-38-105, 15-38-121, 15-38-202, 17-7-502, 20-9-104, 20-9-141, 20-9-161, 20-9-331, 20-9-333, 20-9-501, 20-9-507, 20-10-144, 20-10-146, 82-11-118, AND 82-11-135, MCA; REPEALING SECTIONS 15-23-601, 15-23-602, 15-23-603, 15-23-605, 15-23-606, 15-23-607, 15-23-608, 15-23-609, 15-23-610, 15-23-611, 15-23-612, 15-23-613, 15-23-614, 15-23-621, 15-23-631, 15-36-101, 15-36-102, 15-36-103, 15-36-104, 15-36-105, 15-36-106, 15-36-107, 15-36-108, 15-36-109, 15-36-110, 15-36-112, 15-36-113, 15-36-114, 15-36-120, 15-36-121, 15-36-122, 15-36-126, 82-11-131, 82-11-132, AND 82-11-133, MCA; AND PROVIDING EFFECTIVE DATES AND APPLICABILITY PROVISIONS."

STATEMENT OF INTENT

(1) A statement of intent is required for this bill because [section 16] grants the department of

1 revenue authority to adopt rules for the implementation and administration of the new production taxes
2 imposed on oil and natural gas.

3 (2) The legislature contemplates that rules adopted by the department should, at a minimum,
4 address the following:

5 (a) the forms and other documents required for the reporting and payment of the oil and natural
6 gas production tax;

7 (b) the definition and clarification of the categories of oil and natural gas subject to taxation;

8 (c) the requirements for the maintenance of records and other documents required to ensure proper
9 payment of oil and natural gas production taxes;

10 (d) the process for the estimation and collection of delinquent or unpaid taxes; and

11 (e) the procedures for the efficient collection of the oil and natural gas production tax.

12 (3) [This act] takes effect before taxes on the oil and gas net proceeds tax, the local government
13 severance tax, the state oil and gas severance tax, the resource indemnity and ground water assessment
14 tax, and the oil and gas privilege and license tax for certain production periods will have been paid. The
15 legislature intends that the department establish procedures to ensure that all tax liabilities for production
16 occurring before January 1, 1996, are satisfied. The legislature also intends that the department establish
17 procedures for the proper distribution of this tax revenue to all affected governmental entities and funds.

18

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

20

21 **NEW SECTION. Section 1. Short title.** [Sections 1 through 20] may be cited as the "Montana Oil
22 and Natural Gas Production Tax Act".

23

24 **NEW SECTION. Section 2. Legislative findings and declaration of purpose.** (1) (a) The legislature
25 finds that the extraction taxes imposed on the production of oil and natural gas have been exceedingly
26 complex and confusing. Oil and natural gas producers have been required to file several tax forms and to
27 pay taxes at different times on the same production.

28 (b) The legislature further finds that it is in the best interest of the state and in the best interest
29 of oil and gas producers to simplify the taxation of oil and natural gas production.

30 (2) The legislature declares that the purposes of [sections 1 through 20] are:

1 (a) to replace all net proceeds taxes, severance taxes, privilege and license taxes, and other
2 extraction taxes on oil and natural gas production with a single production tax based on the type of well
3 and type of production;

4 (b) to ensure that the distribution of tax revenue to the state, counties, and school districts from
5 the new production taxes is consistent with the distribution of tax revenue from the former extraction
6 taxes;

7 (c) to simplify the procedures for compliance with and the administration of the taxation of oil and
8 natural gas production;

9 (d) to provide an incentive for oil and natural gas producers to pay 1995 local government
10 severance taxes on an accelerated basis; and

11 (e) to provide discretionary authority to counties and school districts for the use of the accelerated
12 payments of the local government severance tax.

13

14 NEW SECTION. **Section 3. Definitions.** As used in [sections 1 through 20], the following
15 definitions apply:

16 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

17 (2) "Department" means department of revenue provided for in 2-15-1301;

18 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the
19 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or
20 biological process.

21 (4) "Existing enhanced recovery project" means an enhanced recovery project that began
22 development before January 1, 1994.

23 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells
24 or production wells, the recompletion of existing wells as horizontally completed wells, the change of an
25 injection pattern, or other operating changes to an existing enhanced recovery project that will result in the
26 recovery of oil that would not otherwise be recovered. The project must be developed after December 31,
27 1993, and before January 1, 2002.

28 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax,
29 means the gross value of the product as determined in [section 5].

30 (7) "Horizontal drain hole" means that portion of a well bore with 70 degrees to 110 degrees

1 deviation from the vertical and a horizontal projection within the common source of supply, as that term
2 is defined by the board, that exceeds 100 feet.

3 (8) "Horizontally completed well" means:

4 (a) a well with one or more horizontal drain holes; and

5 (b) any other well classified by the board as a horizontally completed well.

6 (9) "Incremental production" means:

7 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery
8 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume
9 of production is in excess of the production decline rate established under the conditions existing before:

10 (i) the commencement of the recompletion of a well as a horizontally completed well;

11 (ii) expansion of the existing enhanced recovery project; or

12 (iii) commencing a new enhanced recovery project; or

13 (b) in the case of any project that had no taxable production prior to commencing the enhanced
14 recovery project, all production of oil from the enhanced recovery project.

15 (10) "Natural gas" or "gas" means natural gas and other fluid hydrocarbons, other than oil,
16 produced at the wellhead.

17 (11) "New enhanced recovery project" means an enhanced recovery project that began
18 development after December 31, 1993, and before January 1, 2002.

19 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,
20 development, and operation costs of the lease or unit, except for production taxes.

21 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that
22 are produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves
23 the wellhead.

24 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or
25 who owns, controls, manages, leases, or operates within this state any well or wells from which any
26 marketable oil or natural gas is extracted or produced.

27 (15) "Post-1985 well" means an oil or natural gas well drilled after June 30, 1985, other than
28 horizontally completed or recompleted oil wells drilled after December 31, 1993, that produces oil or natural
29 gas or a well that has not produced oil or natural gas during the 5 years immediately preceding the first
30 month of qualifying as a post-1985 well.

1 (16) "Pre-1985 well" means an oil or natural gas well that was drilled before July 1, 1985.

2 (17) "Primary recovery" means the displacement of oil from the earth into the well bore by means
3 of the natural pressure of the oil reservoir and includes artificial lift.

4 (18) "Production decline rate" means the projected rate of future oil production, extrapolated by
5 a method approved by the board, that must be determined for a project area prior to commencing a new
6 or expanded enhanced recovery project or the recompletion of a well as a horizontally completed well. The
7 approved production decline rate must be certified in writing to the department by the board. In that
8 certification, the board shall identify the project area and shall specify the projected rate of future oil
9 production by calendar year and by calendar quarter within each year. The certified rate of future oil
10 production must be used to determine the volume of incremental production that qualifies for the tax rate
11 imposed under [section 4(4)(d)].

12 (19) "Secondary recovery project" means an enhanced recovery project, other than a tertiary
13 recovery project, that commenced or was expanded after December 31, 1993, and before January 1, 2002,
14 and meets each of the following requirements:

15 (a) The project must be certified as a secondary recovery project to the department by the board.
16 The certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

17 (b) The property to be affected by the project must be adequately delineated according to the
18 specifications required by the board.

19 (c) The project must involve the application of secondary recovery methods that can reasonably
20 be expected to result in an increase, determined by the board to be significant in light of all the facts and
21 circumstances, in the amount of oil that may potentially be recovered. For purposes of [sections 1 through
22 20], secondary recovery methods include but are not limited to:

23 (i) the injection of water into the producing formation for the purposes of maintaining pressure in
24 that formation or for the purpose of increasing the flow of oil from the producing formation to a producing
25 well bore; or

26 (ii) any other method approved by the board as a secondary recovery method.

27 (20) "Stripper natural gas" means the natural gas produced from any well that produces less than
28 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.
29 Production must be determined by dividing the amount of production from a lease or unitized area for the
30 year immediately preceding the current calendar year by the number of producing wells in the lease or

1 unitized area and by dividing the resulting quotient by 365.

2 (21) "Stripper oil" means the oil produced from any well that produces less than 10 barrels a day
3 for the calendar year immediately preceding the current year. Production must be determined by dividing
4 the amount of production from a lease or unitized area for the year immediately preceding the current
5 calendar year by the number of producing wells in the lease or unitized area and by dividing the resulting
6 quotient by 365.

7 (22) "Tertiary recovery project" means an enhanced recovery project, other than a secondary
8 recovery project, using a tertiary recovery method that meets the following requirements:

9 (a) The project must be certified as a tertiary recovery project to the department by the board. The
10 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

11 (b) The property to be affected by the project must be adequately delineated in the certification
12 according to the specifications required by the board.

13 (c) The project must involve the application of one or more tertiary recovery methods that can
14 reasonably be expected to result in an increase, determined by the board to be significant in light of all the
15 facts and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of
16 [sections 1 through 20], tertiary recovery methods include but are not limited to:

17 (i) miscible fluid displacement;

18 (ii) steam drive injection;

19 (iii) micellar/emulsion flooding;

20 (iv) in situ combustion;

21 (v) polymer augmented water flooding;

22 (vi) cyclic steam injection;

23 (vii) alkaline or caustic flooding;

24 (viii) carbon dioxide water flooding;

25 (ix) immiscible carbon dioxide displacement; or

26 (x) any other method approved by the board as a tertiary recovery method.

27 (23) "Well" or "wells" means a single well or a group of wells in one field or production unit and
28 under the control of one operator or producer.

29 (24) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells
30 who bears any portion of the exploration, development, and operating costs of the well or wells.

1 **NEW SECTION. Section 4. Production tax rates imposed on oil and natural gas.** (1) The
2 production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in
3 [section 18].

4 (2) Natural gas is taxed on the gross taxable value of production based on the type of well and
5 type of production according to the following schedule for working interest and nonworking interest
6 owners:

	Working	Nonworking
	Interest	Interest
9 (a) pre-1985 wells	18.75%	15%
10 (b) post-1985 wells		
11 (i) first 12 months		
12 of qualifying production	3.35%	15%
13 (ii) after 12 months	15.35%	15%
14 (c) stripper natural gas		
15 pre-1985 and post-1985 wells	11.2%	15%

16 (3) The reduced tax rate under subsection (2)(b)(i) on natural gas production for the first 12 months
17 of natural gas production from a post-1985 well begins following the last day of the calendar month
18 immediately preceding the month in which natural gas is placed in a natural gas distribution system,
19 provided that notification has been given to the department.

20 (4) Oil is taxed on the gross taxable value of production based on the type of well and type of
21 production according to the following schedule for working interest and nonworking interest owners:

	Working	Nonworking
	Interest	Interest
24 (a) primary recovery production		
25 (i) pre-1985 wells	14.1%	16.5%
26 (ii) post-1985 wells		
27 (A) first 12 months of		
28 qualifying production	5.7%	16.5%
29 (B) after 12 months	12.7%	16.5%
30 (b) stripper oil production		

1	pre-1985 and post-1985 wells	11%	16.5%
2	(c) horizontally completed well production		
3	(i) first 18 months of		
4	qualifying production	5.7%	5.7%
5	(ii) after 18 months	12.7%	12.7%
6	(d) incremental production		
7	(i) new or expanded secondary recovery production		
8	(A) pre-1985 well	8.7%	16.2%
9	(B) post-1985 well	8.7%	10.7%
10	(ii) new or expanded tertiary production		
11	(A) pre-1985 well	6%	15.2%
12	(B) post-1985 well	6%	9.7%
13	(e) horizontally recompleted well		
14	(i) first 18 months	5.7%	5.7%
15	(ii) after 18 months	12.7%	12.7%
16	(5) (a) The reduced tax rate under subsection (4)(a)(ii)(A) on oil production for the first 12 months		
17	of oil production from a post-1985 well begins following the last day of the calendar month immediately		
18	preceding the month in which oil is pumped or flows, provided that notification has been given to the		
19	department.		
20	(b) The reduced tax rate under subsection (4)(c)(i) on oil production from a horizontally completed		
21	well and the reduced tax rate under subsection (4)(e)(i) on oil production from a horizontally recompleted		
22	well for the first 18 months of production begins following the last day of the calendar month immediately		
23	preceding the month in which oil is pumped or flows, provided that the well has been certified as a		
24	horizontally completed well or as a horizontally recompleted well to the department by the board.		
25	(c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel		
26	of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter		
27	is less than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter as		
28	determined in subsection (5)(d), incremental production is taxed at the rate imposed on primary recovery		
29	production under subsection (4)(a)(i) for production occurring in that quarter.		
30	(d) For the purposes of subsection (5)(c), the average price per barrel must be computed by		

1 dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall Street
2 Journal for the calendar quarter by the number of days on which the price was reported in the quarter.

3
4 **NEW SECTION. Section 5. Determination of gross value of product.** The total gross value of all
5 oil or natural gas produced and sold each quarter must be determined by taking the total number of barrels
6 or cubic feet of oil or natural gas produced and sold each month at the average value at the mouth of the
7 well during the month that the oil or natural gas is produced and sold, as determined by the department.
8 However, in computing the total number of barrels of oil or cubic feet of gas produced and sold, there must
9 be deducted the amount of oil or gas used by the person in connection with the operation of the well from
10 which the oil or gas is produced or for pumping the oil or gas from the well to a tank or pipeline.

11
12 **NEW SECTION. Section 6. Certain royalties exempt.** Exempt from taxation are royalties received
13 by:

- 14 (1) an Indian tribe with respect to on-reservation oil and gas production pursuant to a lease entered
15 into under the Indian Mineral Leasing Act of 1938, 25 U.S.C. 396a-396g;
16 (2) the United States as trustee for individual Indians; and
17 (3) the United States, the state of Montana, or a county or municipal government in Montana.

18
19 **NEW SECTION. Section 7. Operator responsible for payment -- deduction of taxes from royalty**
20 **payments.** (1) Each operator required to pay the oil and natural gas production tax under [sections 1
21 through 20] shall pay the tax in full for the operator's own account and for the account of each of the other
22 owners of the gross value of product or in kind of all the marketable oil or natural gas produced and sold.
23 Other owners include an owner or owners of working interest, royalty interest, overriding royalty interest,
24 carried working interest, production payments, and all other interest or interests owned or carved out of
25 the total gross value of product or in kind of the extracted marketable oil or natural gas.

26 (2) Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or
27 owners must be deducted from any settlements under the lease or leases or division of proceeds orders or
28 other contracts.

29
30 **NEW SECTION. Section 8. Quarterly payment of tax -- statement -- failure to pay penalty.** (1)

1 The oil and natural gas production tax must be paid in quarterly installments for the quarterly periods
2 ending, respectively, March 31, June 30, September 30, and December 31 of each year, and the amount
3 of the tax for each quarterly period must be paid to the department within 60 days after the end of each
4 quarterly period.

5 (2) The operator shall complete on forms prescribed by the department a statement showing the
6 total number of barrels of merchantable or marketable oil or cubic feet of natural gas produced and sold by
7 the person in the state during each month of the quarter and during the whole quarter, the average value
8 of the production sold during each month, and the total value of the production sold for the whole quarter,
9 together with the total amount due as taxes for the quarter. The statement must be filed within the time
10 provided in subsection (1). The statement must be accompanied by the tax due. The statement must be
11 signed by the individual or the president, vice president, treasurer, assistant treasurer, or authorized agent
12 of the association, corporation, joint-stock company, or syndicate making the statement. A person engaged
13 in carrying on business at more than one place in this state or owning, leasing, controlling, or operating
14 more than one oil or gas well in this state may include all operations in one statement.

15 (3) If the tax is not paid on or before the due date, there must be assessed a penalty of 10% of
16 the amount of the tax not paid. If the tax is not paid when due, interest also must be added at the rate of
17 1% a month or fraction of a month, computed on the total amount of the tax from the due date until paid.
18 The department may waive the 10% penalty if reasonable cause for the failure to pay is provided to the
19 department.

20

21 **NEW SECTION. Section 9. Record of product -- carriers to furnish data -- penalty.** (1) Each
22 person who purchases oil or natural gas shall keep a record of all oil or natural gas purchased by the
23 person in this state. The records are subject to inspection by the department on reasonable notice at any
24 time during normal business hours.

25 (2) Each railroad, pipeline, purchasing, and transportation company that carries or purchases oil
26 or natural gas shall furnish to the department, whenever requested to do so, all data related to the shipment
27 of oil or natural gas that may be required to properly enforce the provisions of [sections 1 through 20]. A
28 railroad, pipeline, purchasing, or transportation company that fails to comply with the provisions of this
29 section is subject to a penalty of \$100 for each day that it fails to furnish the statement.

30

1 **NEW SECTION. Section 10. Procedure to compute tax in absence of statement -- estimation of tax**
2 **-- failure to file penalty and interest.** (1) If the operator fails to file any statement required by [section 8]
3 within the time required, the department shall, immediately after the time has expired, ascertain the number
4 of barrels of oil or cubic feet of gas produced and sold by the person in this state during the quarter and
5 during each month of the quarter. The department also shall determine the average value of the barrels
6 of oil produced and sold during each month or the average value of cubic feet of gas produced and sold
7 during each month and fix the amount of the taxes due from the person for the quarter.

8 (2) The department shall impose a penalty of 10% of the tax due plus interest at the rate of 1%
9 a month or fraction of a month, computed on the total amount of the tax. Interest must be computed from
10 the date on which the oil and natural gas production taxes were due to the date of payment. The
11 department shall mail to the taxpayer a notice, pursuant to 15-1-211, of the tax, penalty, and interest
12 proposed to be assessed. The taxpayer may seek review of the determination pursuant to 15-1-211. The
13 notice must contain a statement that if payment is not made, a warrant for distraint may be filed. The
14 department may waive the 10% penalty if reasonable cause for the failure to file the statement required
15 by [section 8] is provided to the department.

16
17 **NEW SECTION. Section 11. Deficiency assessment -- review -- interest.** (1) When the
18 department determines that the amount of the tax due is greater than the amount disclosed by a return,
19 it shall mail to the taxpayer a notice, pursuant to 15-1-211, of the additional tax proposed to be assessed.
20 The notice must contain a statement that if payment is not made, a warrant for distraint may be filed. The
21 taxpayer may seek review of the determination pursuant to 15-1-211.

22 (2) A deficiency assessment must bear interest until paid at the rate of 1% a month or fraction of
23 a month, computed from the original due date of the return.

24
25 **NEW SECTION. Section 12. Credit for overpayment -- interest on overpayment.** (1) If the
26 department determines that the amount of tax, penalty, or interest due for any taxable period is less than
27 the amount paid, the amount of the overpayment must be credited against any tax, penalty, or interest then
28 due from the taxpayer and the balance refunded to the taxpayer or its successor through reorganization,
29 merger, or consolidation or to its shareholders upon dissolution.

30 (2) Except as provided in subsection (3), interest must be allowed on overpayments at the same

1 rate as is charged on deficiency assessments provided in [section 11] beginning from the due date of the
 2 return or from the date of overpayment, whichever date is later, to the date on which the department
 3 approves refunding or crediting of the overpayment.

4 (3) (a) Interest may not accrue during any period in which the processing of a claim for refund is
 5 delayed more than 30 days by reason of failure of the taxpayer to furnish information requested by the
 6 department for the purpose of verifying the amount of the overpayment.

7 (b) Interest is not allowed:

8 (i) if the overpayment is refunded within 6 months from the date on which the return is due or from
 9 the date on which the return is filed, whichever is later; or

10 (ii) if the amount of interest is less than \$1.

11
 12 **NEW SECTION. Section 13. Warrant for distraint.** If all or part of the tax imposed by [sections
 13 1 through 20] is not paid when due, the department may issue a warrant for distraint as provided in Title
 14 15, chapter 1, part 7. The resulting lien has precedence over any other claim, lien, or demand filed and
 15 recorded after the warrant is issued.

16
 17 **NEW SECTION. Section 14. Exemption from resource indemnity and ground water assessment**
 18 **tax.** A person who has paid the tax on oil and natural gas under the provisions of [sections 1 through 20]
 19 is exempt from the resource indemnity and ground water assessment tax.

20
 21 **NEW SECTION. Section 15. Statute of limitations.** (1) Except as otherwise provided in this
 22 section, a deficiency may not be assessed with respect to the year for which a return is filed unless the
 23 notice of additional tax proposed to be assessed is mailed within 5 years from the date on which the return
 24 was filed. For the purposes of this section, a return filed before the last day prescribed for filing is
 25 considered as filed on the last day. If the taxpayer, before the expiration of the period prescribed for
 26 assessment of the tax, consents in writing to an assessment after that time, the tax may be assessed at
 27 any time prior to the expiration of the period agreed upon.

28 (2) A refund or credit may not be allowed or paid with respect to the year for which a return is filed
 29 after 5 years from the last day prescribed for filing the return or after 1 year from the date of the
 30 overpayment, whichever period is later, unless before the expiration of the period, the taxpayer files a claim

1 or the department of revenue has determined the existence of the overpayment and has approved the
2 refund or credit. If the taxpayer has agreed in writing under the provisions of subsection (1) to extend the
3 time within which the department may propose an additional assessment, the period within which a claim
4 for refund or credit may be filed or a credit or refund allowed if a claim is not filed is automatically
5 extended.

6 (3) If a return is required to be filed and the taxpayer fails to file the return, the tax may be
7 assessed or an action to collect the tax may be brought at any time. If a return is required to be filed and
8 the taxpayer files a fraudulent return, the 5-year period provided for in subsection (1) does not begin until
9 discovery of the fraud by the department.

10

11 **NEW SECTION. Section 16. Rulemaking authority.** The department shall adopt rules that are
12 necessary to implement and administer [sections 1 through 20].

13

14 **NEW SECTION. Section 17. Calculation of unit value.** For the purposes of distribution of oil and
15 natural gas production taxes to county and school taxing units for production from pre-1985 wells, the
16 department shall determine the unit value of oil and natural gas for each taxing unit as follows:

17 (1) The unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds
18 taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels
19 of oil produced in that taxing unit during 1988, excluding post-1985 wells.

20 (2) The unit value for natural gas is the quotient obtained by dividing the net proceeds taxes
21 calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of
22 cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

23

24 **NEW SECTION. Section 18. Distribution of taxes.** (1) For each calendar quarter, the department
25 of revenue shall determine the amount of tax, late payment interest, and penalty collected under [sections
26 1 through 20]. For purposes of distribution of the taxes to county and school taxing units, the department
27 shall determine the amount of oil and natural gas production taxes paid on production from pre-1985 wells,
28 post-1985 wells, and horizontally drilled wells located in the taxing unit.

29 (2) Except as provided in subsections (3) and (4), oil production taxes must be distributed as
30 follows:

1 (a) The amount equal to 41.6% of the oil production taxes, including late payment interest and
2 penalty, collected under [sections 1 through 20] must be distributed as provided in subsection (7).

3 (b) The remaining 58.4% of the oil production taxes, plus accumulated interest earned on the
4 amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state treasury
5 and transferred to the county and school taxing units for distribution as provided in subsection (8).

6 (3) The amount equal to 100% of the oil production taxes, including late payment interest and
7 penalty, collected from working interest owners on production from post-1985 wells occurring during the
8 first 12 months of production must be distributed as provided in subsection (7).

9 (4) The amount equal to 100% of the oil production taxes, including late payment interest and
10 penalty, collected under [sections 1 through 20] on production from horizontally drilled wells and on the
11 incremental production from horizontally recompleted wells occurring during the first 18 months of
12 production must be distributed as provided in subsection (7).

13 (5) Except as provided in subsection (6), natural gas production taxes must be allocated as follows:

14 (a) The amount equal to 14.6% of the natural gas production taxes, including late payment interest
15 and penalty, collected under [sections 1 through 20] must be distributed as provided in subsection (7).

16 (b) The remaining 85.4% of the natural gas production taxes, plus accumulated interest earned on
17 the amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state
18 treasury and transferred to the county and school taxing units for distribution as provided in subsection (8).

19 (6) The amount equal to 100% of the natural gas production taxes, including late payment interest
20 and penalty, collected from working interest owners under [sections 1 through 20] on production from
21 post-1985 wells occurring during the first 12 months of production must be distributed as provided in
22 subsection (7).

23 (7) The department shall, in accordance with the provisions of 15-1-501(6), distribute the state
24 portion of oil and natural gas production taxes, including late payment interest and penalty collected, as
25 follows:

26 (a) 85% to the state general fund;

27 (b) 4.3% to the state special revenue fund for the purpose of paying expenses of the board as
28 provided in 82-11-135; and

29 (c) 10.7% to be distributed as provided by 15-38-106(2).

30 (8) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985

1 wells, the department shall each calendar quarter adjust the unit value determined under this subsection
2 (8) according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during
3 the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and
4 natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas
5 production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil
6 and production taxes distributions must be calculated and distributed as follows:

7 (i) By the dates referred to in subsection (9), the department shall calculate and distribute to each
8 eligible county the amount of oil and natural gas production taxes from pre-1985 wells for the quarter,
9 determined by multiplying the unit value, as adjusted in this subsection (8)(a), by the units of production
10 on which oil and natural gas production taxes from pre-1985 wells were owed for the calendar quarter for
11 which the distribution occurs.

12 (ii) Any amount by which the total tax liability exceeds or is less than the total distributions
13 determined in subsection (8)(a) must be calculated and distributed in the following manner:

14 (A) The excess amount or shortage must be divided by the total distribution determined for that
15 period to obtain an excess or shortage percentage.

16 (B) The excess percentage must be multiplied by the distribution to each taxing unit, and this
17 amount must be added to the distribution to each respective taxing unit.

18 (C) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
19 amount must be subtracted from the distribution to each respective taxing unit.

20 (b) Except as provided in subsection (8)(c), the county treasurer shall distribute the money received
21 under subsection (9) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against
22 calendar year 1988 production in the same manner that all other property tax proceeds were distributed
23 during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing
24 unit.

25 (c) The board of county commissioners of a county may direct the county treasurer to reallocate
26 the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as
27 provided in subsection (8)(b), to another taxing unit or taxing units, other than an elementary school or high
28 school, within the county under the following conditions:

29 (i) The county treasurer shall first allocate the oil and natural gas production taxes to the taxing
30 units within the county in the same proportion that all other property tax proceeds were distributed in the

1 county in fiscal year 1990.

2 (ii) If the allocation in subsection (8)(c)(i) exceeds the total budget for a taxing unit, the
3 commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

4 (d) The board of trustees of an elementary or high school district may reallocate the oil and natural
5 gas production taxes distributed to the district by the county treasurer under the following conditions:

6 (i) The district shall first allocate the oil and natural gas production taxes to the budgeted funds
7 of the district in the same proportion that all other property tax proceeds were distributed in the district in
8 fiscal year 1990.

9 (ii) If the allocation under subsection (8)(d)(i) exceeds the total budget for a fund, the trustees may
10 allocate the excess to any budgeted fund of the school district.

11 (e) For all production from post-1985 wells and horizontally drilled wells completed after December
12 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under
13 subsections (2)(b) and (5)(b) between county and school taxing units in the relative proportions required
14 by the levies for state, county, and school district purposes in the same manner as property taxes were
15 distributed in the preceding fiscal year.

16 (f) The allocation to the county in subsection (8)(e) must be distributed by the county treasurer in
17 the relative proportions required by the levies for county taxing units and in the same manner as property
18 taxes were distributed in the preceding fiscal year.

19 (g) The money distributed in subsection (8)(e) that is required for the county mill levies for school
20 district retirement obligations and transportation schedules must be deposited to the funds established for
21 these purposes.

22 (h) The oil and natural gas production taxes distributed under subsection (8)(b) that are required
23 for the 6-mill university levy imposed under 20-25-423 and for the county equalization levies imposed under
24 20-9-331 and 20-9-333, as those sections read on July 1, 1989, must be remitted by the county treasurer
25 to the state treasurer.

26 (i) The oil and natural gas production taxes distributed under subsection (8)(e) that are required for
27 the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under
28 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted
29 by the county treasurer to the state treasurer.

30 (j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted

1 the amounts determined in subsections (8)(h) and (8)(i) is for the exclusive use and benefit of the county
2 and school taxing units.

3 (9) The department shall remit the amounts to be distributed in subsection (8) to the county
4 treasurer by the following dates:

5 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and
6 natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

7 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil
8 and natural gas production tax payments received for the calendar quarter ending June 30 of the current
9 year.

10 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
11 natural gas production tax payments received for the calendar quarter ending September 30 of the previous
12 year.

13 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and
14 natural gas production tax payments received for the calendar quarter ending December 31 of the previous
15 calendar year.

16 (10) The department shall provide to each county by May 31 of each year the amount of gross
17 taxable value represented by all types of production taxed under [section 4] for the previous calendar year
18 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes
19 and for county bonding purposes.

20

21 **NEW SECTION. Section 19. Local government severance tax payments for calendar year 1995**
22 **production -- distribution of payments -- not subject to I-105 limitations.** (1) The local government
23 severance tax imposed under 15-36-101, as that section read before [the effective date of this act], for
24 calendar year 1995 production is due as follows:

25 (a) for oil and natural gas production occurring in the first calendar quarter of 1995, the tax is due
26 May 31, 1996;

27 (b) for oil and natural gas production occurring in the second calendar quarter of 1995, the tax is
28 due May 31, 1997;

29 (c) for oil and natural gas production occurring in the third calendar quarter of 1995, the tax is due
30 May 31, 1998; and

1 (d) for oil and natural gas production occurring in the fourth calendar quarter of 1995, the tax is
2 due May 31, 1999.

3 (2) (a) If the taxpayer pays the entire local government severance tax liability for calendar year
4 1995 on or before June 30, 1996, the taxpayer must receive a 6% reduction in the total local government
5 severance tax liability.

6 (b) Any payment of local government severance taxes for calendar year 1995 made on or before
7 June 30, 1997, does not accrue interest. Any payment of local government severance taxes for calendar
8 year 1995 made after June 30, 1997, must accrue interest at the rate of 1% a month or fraction of a
9 month from July 1, 1997, to the date of payment. Any payment for the third quarter of 1995 received after
10 May 31, 1998, and any payment for the fourth quarter of 1995 received after May 31, 1999, is subject
11 to the late payment penalty provisions in [section 8].

12 (c) In the case of the dissolution of the operator or a change in the operator of any lease or unit,
13 any unpaid local government severance tax for calendar year 1995 becomes due on the date of dissolution
14 or on the date of the change in operator. The operator is subject to the provisions of subsection (2)(a)
15 regarding the 6% tax liability reduction or the provisions of subsection (2)(b) regarding interest and
16 penalties.

17 (3) The department shall determine the amount of tax collected under subsections (1) and (2) from
18 within each taxing unit.

19 (4) For purposes of the distribution of local government severance taxes collected under this
20 section, the department shall use the unit value of oil and gas for each taxing unit as determined in [section
21 17].

22 (5) The local government severance tax must be deposited in the agency fund in the state treasury
23 and transferred to the county for distribution as provided in subsection (6).

24 (6) For the purpose of the distribution of the local government severance tax for calendar year
25 1995 production, the department shall adjust the unit value determined under this section according to the
26 ratio that the local government severance taxes collected during the quarters for which the distribution
27 occurs plus penalties and interest on delinquent local government severance taxes bears to the total liability
28 for local government severance taxes for the quarters for which the distribution occurs. The taxes must
29 be calculated and distributed as follows:

30 (a) By July 31 of each of the years 1996, 1997, 1998, and 1999, the department shall calculate

1 and distribute to each eligible county the amount of local government severance tax for calendar year 1995
2 production, determined by multiplying the unit value, as adjusted in this subsection (6), by the units of
3 production on which the local government severance tax was owed during calendar year 1995 production.

4 (b) Any amount by which the total tax liability exceeds or is less than the total distributions
5 determined in subsection (6)(a) must be calculated and distributed in the following manner:

6 (i) The excess amount or shortage must be divided by the total distribution determined for that
7 period to obtain an excess or shortage percentage.

8 (ii) The excess percentage must be multiplied by the distribution to each taxing unit, and this
9 amount must be added to the distribution to each respective taxing unit.

10 (iii) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
11 amount must be subtracted from the distribution to each respective taxing unit.

12 (7) (a) The county treasurer shall distribute the money received under subsection (6) between the
13 county and school taxing units. The distribution between county and school taxing units is the ratio of the
14 number of mills levied for fiscal year 1990 against 1988 production in each taxing unit for the county and
15 schools, including the county equalization levies that were in effect under 20-9-331 and 20-9-333 as those
16 sections read on July 1, 1989, and the university 6-mill levy imposed under 20-25-423, except that a
17 distribution may not be made to a municipal taxing unit or the state equalization aid levy imposed under
18 20-9-360. Distribution of money for the county equalization levies and the university levy must be remitted
19 to the state by the county treasurer. The amounts distributed under subsections (7)(b) and (7)(c) are for
20 the exclusive use of county and school taxing units.

21 (b) The county treasurer shall deposit the money from subsection (7)(a) allocated to county levies
22 to the oil and gas tax accelerated fund.

23 (c) The trustees of a school district may allocate any payment received under subsection (7)(a) to
24 any budget fund of the district or to the miscellaneous programs fund established in 20-9-507. The
25 trustees shall direct the county treasurer to deposit the local government severance tax payments under
26 this section to the funds of the district in accordance with the allocations determined by the trustees.

27 (8) Local government severance tax payments to county taxing units pursuant to this section are
28 not subject to the limitations of Title 15, chapter 10, part 4. Payments of local government severance tax
29 pursuant to this section may not be used for county classification purposes under 7-1-2111 and may not
30 be considered in the determination of bonding limits under 7-7-2101, 7-7-2203, 7-14-2524, and

1 7-16-2327.

2

3 NEW SECTION. **Section 20. Oil and natural gas accelerated tax fund.** (1) The county
4 commissioners of a county that receives tax distributions under [section 19] shall establish an oil and
5 natural gas accelerated tax fund for the deposit of the distributions. The county commissioners may retain
6 the money in the fund for any time period considered appropriate by the commissioners. Money retained
7 in the fund may not be considered as fund balance for the purpose of reducing mill levies.

8 (2) Money may be expended from the fund for any purpose allowed by law.

9 (3) Money in the fund must be invested as provided by law. Interest and income earned on the
10 investment of money in the fund must be credited to the fund.

11 (4) The oil and natural gas accelerated tax fund must be financially administered as a nonbudgeted
12 fund under the provisions of Title 7, chapter 6, part 23.

13

14 **Section 21.** Section 7-1-2111, MCA, is amended to read:

15 **"7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and
16 salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds,
17 the counties of this state must be classified according to ~~that percentage of the true and full~~ the taxable
18 valuation of the property in the counties upon which the tax levy is made, except for vehicles subject to
19 taxation under 61-3-504(2), as follows:

20 (a) first class--all counties having a taxable valuation of \$50 million or over;

21 (b) second class--all counties having a taxable valuation of more than \$30 million and less than \$50
22 million;

23 (c) third class--all counties having a taxable valuation of more than \$20 million and less than \$30
24 million;

25 (d) fourth class--all counties having a taxable valuation of more than \$15 million and less than \$20
26 million;

27 (e) fifth class--all counties having a taxable valuation of more than \$10 million and less than \$15
28 million;

29 (f) sixth class--all counties having a taxable valuation of more than \$5 million and less than \$10
30 million;

1 (g) seventh class--all counties having a taxable valuation of less than \$5 million.

2 (2) As used in this section, taxable valuation means the taxable value of taxable property in the
3 county as of the time of determination plus:

4 (a) that portion of the taxable value of the county on December 31, 1981, attributable to
5 automobiles and trucks having a rated capacity of three-quarters of a ton or less;

6 (b) that portion of the taxable value of the county on December 31, 1989, attributable to
7 automobiles and trucks having a rated capacity of more than three-quarters of a ton but less than or equal
8 to 1 ton;

9 ~~(c) the amount of taxes levied on new production, production from horizontally completed wells,~~
10 ~~and incremental production, as provided in 15-23-607, divided by the appropriate tax rates described in~~
11 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%~~ the value provided by the department of revenue
12 under [section 18(10)]; and

13 ~~(d) the amount of value represented by new production or production from horizontally completed~~
14 ~~wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other~~
15 ~~production occurring after December 31, 1988, multiplied by 60%; and~~

16 ~~(e) 6% of the taxable value of the county on January 1 of each tax year."~~

17

18 **Section 22.** Section 7-7-2101, MCA, is amended to read:

19 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted
20 in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding
21 23% of the total of the taxable value of the property in the county subject to taxation, plus the ~~amount of~~
22 ~~taxes levied on new production, production from horizontally completed wells, and incremental production~~
23 ~~divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%,~~
24 ~~plus the amount of value represented by new production and production from horizontally completed wells~~
25 ~~exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production~~
26 ~~occurring after December 31, 1988, multiplied by 60%~~ value provided by the department of revenue in
27 [section 18(10)], as ascertained by the last assessment for state and county taxes previous to the incurring
28 of the indebtedness.

29 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding
30 \$500,000 without the approval of a majority of the electors of the county voting at an election to be

1 provided by law, except as provided in 7-21-3413 and 7-21-3414.

2 (3) This section does not apply to the acquisition of conservation easements as set forth in Title
3 76, chapter 6."

4
5 **Section 23.** Section 7-7-2203, MCA, is amended to read:

6 **"7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections
7 (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding
8 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
9 total of the taxable value of the property in the county, plus the ~~amount of taxes levied on new production,~~
10 ~~production from horizontally completed wells, and incremental production divided by the appropriate tax~~
11 ~~rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value~~
12 ~~represented by new production and production from horizontally completed wells exempted from tax as~~
13 ~~provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December~~
14 ~~31, 1988, multiplied by 60%~~ value provided by the department of revenue under [section 18(10)], to be
15 ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

16 (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all
17 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property
18 in the county subject to taxation, plus the ~~amount of taxes levied on new production, production from~~
19 ~~horizontally completed wells, and incremental production divided by the appropriate tax rates described in~~
20 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new~~
21 ~~production and production from horizontally completed wells exempted from tax as provided in 15-23-612~~
22 ~~multiplied by 60%~~ value provided by the department of revenue under [section 18(10)], when necessary
23 to do so, ~~plus the value of any other production occurring after December 31, 1988, multiplied by 60%~~ for
24 the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring
25 buildings on the site and furnishing and equipping the buildings for county high school purposes.

26 (3) In addition to the bonds allowed by subsections (1) and (2), a county may issue bonds for the
27 construction or improvement of a jail that will not exceed 12.5% of the taxable value of the property in the
28 county subject to taxation.

29 (4) The limitation in subsection (1) does not apply to refunding bonds issued for the purpose of
30 paying or retiring county bonds lawfully issued prior to January 1, 1932, or to bonds issued for the

1 repayment of tax protests lost by the county."
2

3 **Section 24.** Section 7-14-2524, MCA, is amended to read:

4 **"7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise
5 provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding
6 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
7 total of the taxable value of the property in the county, plus the ~~amount of taxes levied on new production,~~
8 ~~production from horizontally completed wells, and incremental production divided by the appropriate tax~~
9 ~~rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value~~
10 ~~represented by new production and production from horizontally completed wells exempted from tax as~~
11 ~~provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December~~
12 ~~31, 1988, multiplied by 60%~~ value provided by the department of revenue under [section 18(10)]. The
13 taxable property and the amount of taxes levied on new production, production from horizontally completed
14 wells, and incremental production must be ascertained by the last assessment for state and county taxes
15 prior to the issuance of the bonds.

16 (2) A county may issue bonds that, with all outstanding bonds and warrants except county high
17 school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of the
18 property, plus the ~~amount of taxes levied on new production, production from horizontally completed wells,~~
19 ~~and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or~~
20 ~~(2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from~~
21 ~~horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value~~
22 ~~of any other production occurring after December 31, 1988, multiplied by 60%~~ value provided by the
23 department of revenue under [section 18(10)] when necessary for the purpose of replacing, rebuilding, or
24 repairing county buildings, bridges, or highways that have been destroyed or damaged by an act of God
25 or by a disaster, catastrophe, or accident.

26 (3) The value of the bonds issued and all other outstanding indebtedness of the county, except
27 county high school bonds, may not exceed 22.5% of the total of the taxable value of the property within
28 the county, plus the ~~amount of taxes levied on new production, production from horizontally completed~~
29 ~~wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b),~~
30 ~~or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production~~

1 ~~from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus~~
 2 ~~the value of any other production occurring after December 31, 1988, multiplied by 60% value provided~~
 3 ~~by the department of revenue under [section 18(10)], as ascertained by the last preceding general~~
 4 ~~assessment."~~

5
 6 **Section 25.** Section 7-14-2525, MCA, is amended to read:

7 **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total
 8 indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus the
 9 ~~amount of taxes levied on new production, production from horizontally completed wells, and incremental~~
 10 ~~production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied~~
 11 ~~by 60%, plus the amount of value represented by new production and production from horizontally~~
 12 ~~completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any~~
 13 ~~other production occurring after December 31, 1988, multiplied by 60% value provided by the department~~
 14 ~~of revenue under [section 18(10)], and the board determines that the county is unable to pay the~~
 15 ~~indebtedness in full, the board may:~~

16 (a) negotiate with the bondholders for an agreement whereby the bondholders agree to accept less
 17 than the full amount of the bonds and the accrued unpaid interest in satisfaction of the bonds;

18 (b) enter into the agreement;

19 (c) issue refunding bonds for the amount agreed upon.

20 (2) These bonds may be issued in more than one series, and each series may be either amortization
 21 or serial bonds.

22 (3) The plan agreed upon between the board and the bondholders must be embodied in full in the
 23 resolution providing for the issuance of the bonds."

24
 25 **Section 26.** Section 7-16-2327, MCA, is amended to read:

26 **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a
 27 county park board, in addition to powers and duties now given under law, has the power and duty to
 28 contract an indebtedness in behalf of a county, upon the credit of the county, for the purposes of
 29 7-16-2321(1) and (2).

30 (2) (a) The total amount of indebtedness authorized to be contracted in any form, including the

1 then-existing indebtedness, may not at any time exceed 13% of the total of the taxable value of the taxable
 2 property in the county, plus the ~~amount of taxes levied on new production, production from horizontally~~
 3 ~~completed wells, and incremental production divided by the appropriate tax rates described in~~
 4 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new~~
 5 ~~production and production from horizontally completed wells exempted from tax as provided in 15-23-612,~~
 6 ~~plus the value of any other production occurring after December 31, 1988, multiplied by 60% value~~
 7 provided by the department of revenue under [section 18(10)], ascertained by the last assessment for state
 8 and county taxes previous to the incurring of the indebtedness.

9 (b) Money may not be borrowed on bonds issued for the purchase of lands and improving the land
 10 for any purpose until the proposition has been submitted to the vote of those qualified under the provisions
 11 of the state constitution to vote at the election in the affected county and a majority vote is cast in favor
 12 of the bonds."

13

14 **Section 27.** Section 15-1-501, MCA, is amended to read:

15 **"15-1-501. Disposition of money from certain designated license and other taxes.** (1) The state
 16 treasurer shall deposit to the credit of the state general fund in accordance with the provisions of
 17 subsection (6) all money received from the collection of:

18 (a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as
 19 provided in 61-5-121;

20 (b) electrical energy producer's license taxes under chapter 51;

21 ~~(c) severance taxes allocated to the general fund under chapter 36;~~

22 ~~(c)~~ (c) liquor license taxes under Title 16;

23 ~~(d)~~ (d) telephone company license taxes under chapter 53; and

24 ~~(e)~~ (e) inheritance and estate taxes under Title 72, chapter 16.

25 (2) All money received from the collection of income taxes under chapter 30 of this title must, in
 26 accordance with the provisions of subsection (6), be deposited as follows:

27 (a) 91.3% of the taxes to the credit of the state general fund;

28 (b) 8.7% of the taxes to the credit of the debt service account for long-range building program
 29 bonds as described in 17-5-408; and

30 (c) all interest and penalties to the credit of the state general fund.

1 (3) All money received from the collection of corporation license and income taxes under chapter
2 31 of this title, except as provided in 15-31-702, must, in accordance with the provisions of subsection
3 (6), be deposited as follows:

4 (a) 89.5% of the taxes to the credit of the state general fund;

5 (b) 10.5% of the taxes to the credit of the debt service account for long-range building program
6 bonds as described in 17-5-408; and

7 (c) all interest and penalties to the credit of the state general fund.

8 (4) The department of revenue shall also deposit to the credit of the state general fund all money
9 received from the collection of license taxes, fees, and all net revenues and receipts from all other sources
10 under the operation of the Montana Alcoholic Beverage Code.

11 ~~(5) After the distribution provided for in 15-36-112, the remainder of the oil severance tax~~
12 ~~collections~~ Oil and natural gas production taxes allocated under [section 18(7)(a)] must be deposited in the
13 general fund.

14 (6) Notwithstanding any other provision of law, the distribution of tax revenue must be made
15 according to the provisions of the law governing allocation of the tax that were in effect for the period in
16 which the tax revenue was recorded for accounting purposes. Tax revenue must be recorded as prescribed
17 by the department of administration, pursuant to 17-1-102(2) and (5), in accordance with generally
18 accepted accounting principles.

19 (7) All refunds of taxes must be attributed to the funds in which the taxes are currently being
20 recorded. All refunds of interest and penalties must be attributed to the funds in which the interest and
21 penalties are currently being recorded."

22
23 **Section 28.** Section 15-6-208, MCA, is amended to read:

24 "**15-6-208. Mineral exemptions.** (1) One-half of the contract sales price of coal sold by a coal
25 producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation.

26 (2) Metal mines producing less than 20,000 tons of ore in a taxable year are exempt from property
27 taxation on one-half of the merchantable value.

28 ~~(3) (a) New production, as defined in 15-23-601, is exempt from taxation for the first 12 months~~
29 ~~of production as provided in 15-23-612.~~

30 ~~(b) Production from horizontally completed wells, as defined in 15-23-601, is exempt from taxation~~

1 ~~for the first 18 months of production as provided in 15-23-612.~~

2 ~~(4)(3)~~ The first 1,000 tons of travertine and building stone extracted from a mine in a tax year are
3 exempt from property taxation."

4

5 **Section 29.** Section 15-16-102, MCA, is amended to read:

6 **"15-16-102. Time for payment -- penalty for delinquency.** Except as provided in 15-16-802 and
7 15-16-803 and unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes
8 levied and assessed in the state of Montana, except assessments made for special improvements in cities
9 and towns payable under 15-16-103 ~~and assessments made on interim production and new production as~~
10 ~~provided in Title 15, chapter 23, part 6, and payable under 15-16-121, shall be~~ are payable as follows:

11 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within
12 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.
13 on May 31 of each year.

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

18 (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year ~~shall be~~ are delinquent
19 and ~~shall~~ draw interest at the rate of 5/6 of 1% ~~per~~ a month from and after the delinquency until paid and
20 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

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

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

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

1 **Section 30.** Section 15-23-103, MCA, is amended to read:

2 **"15-23-103. Due date of reports and returns -- extensions.** (1) Except as provided in subsection
3 (2) ~~and 15-23-602~~, each report or return described in 15-23-301, 15-23-402, 15-23-502, 15-23-701, or
4 15-23-517 must be delivered to the department on or before March 31 each year.

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

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

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

11

12 **Section 31.** Section 15-23-104, MCA, is amended to read:

13 **"15-23-104. Failure to file -- estimate by department -- penalty.** (1) If any person fails to file a
14 report or return within the time established in 15-23-103 or by a later date approved by the department,
15 the department shall estimate the value of the property that should have been reported on the basis of the
16 best available information. In estimating the value of the net proceeds of mines, the department shall
17 proceed under 15-23-506, and in estimating the value of the gross proceeds of coal mines, the department
18 shall proceed under 15-35-107. In estimating the value of all other property subject to assessment under
19 parts 2 through 4 of this chapter, the department shall proceed under 15-1-303. In estimating value under
20 this section, the department may subpoena a person or the person's agent as specified in 15-1-302. An
21 assessment pursuant to parts ~~5, through 7, and~~ 7, and 8 of this chapter based on estimated value or imputed
22 value is subject to review under 15-1-211. For each month or part of a month that a report is delinquent,
23 the department shall impose and collect a \$25 penalty, with the total not to exceed \$200, and shall deposit
24 the penalty to the credit of the general fund. The department shall assess a penalty of 1% of the tax due
25 for each month or part of a month that the report is delinquent. The department shall notify the county
26 treasurer of each affected county of the amount of the penalty, and the treasurer shall collect the penalty
27 in the same manner as the taxes to which the penalty applies.

28 (2) For a delinquency in reporting under 15-23-212, the department shall assess a penalty of 1%
29 of the tax due for each month or part of a month that the report is delinquent."

30

1 **Section 32.** Section 15-23-106, MCA, is amended to read:

2 "**15-23-106. Report to the counties.** (1) On or before July 1, the department shall prepare for each
3 county a statement listing:

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

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

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

12 (d) the assessed value of the net proceeds and royalties from mines ~~and oil and gas wells~~ in the
13 county, as determined under 15-23-503, 15-23-505, 15-23-515, 15-23-516, and 15-23-517, ~~15-23-603,~~
14 ~~and 15-23-605~~; and

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

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

18

19 **Section 33.** Section 15-23-115, MCA, is amended to read:

20 "**15-23-115. Interest.** If the department determines that a taxpayer has incorrectly reported a value
21 under 15-23-502, 15-23-515, 15-23-516, 15-23-517, ~~15-23-602~~, 15-23-701, or 15-23-802 and if an
22 additional tax is due, there must be added to the tax until paid in full interest at the rate of 1% a month or
23 fraction of a month from the date the original tax was due and payable. A taxpayer subject to imposition
24 of interest pursuant to this section is not subject to the penalty and interest provisions contained in
25 15-16-102."

26

27 **Section 34.** Section 15-38-105, MCA, is amended to read:

28 "**15-38-105. Report of gross yield from mines.** A person who engages in or carries on the business
29 of mining, extracting, or producing a mineral from any quartz vein or lode, placer claim, dump or tailings,
30 or other place or source shall file an annual statement of gross yield of the mineral from each mine owned

1 or worked by that person during the calendar year. This statement must be in the form prescribed by the
 2 department and ~~shall~~ must be signed by the person or the manager, superintendent, agent, president, or
 3 vice-president of the corporation, association, or partnership, if any. Metal producers shall deliver the
 4 statement to the department on or before March 31 following the end of the calendar year. Mineral
 5 producers, ~~including oil and gas producers,~~ shall deliver the statement to the department on or before the
 6 60th day following the end of the calendar year. The statement ~~shall~~ must show the following:

- 7 (1) the name and address of the owner or lessee or operator of the mine;
- 8 (2) the description and location of the mine;
- 9 (3) the quantity of minerals extracted, produced, and treated or sold from the mine during the
 10 period covered by the statement;
- 11 (4) the amount and character of the mineral and the total yield of the mineral from the mine in
 12 constituents of commercial value; that is to say, the number of ounces of gold or silver, pounds of copper
 13 or lead, tons of coal, ~~barrels of petroleum or other crude or mineral oil, cubic feet of natural gas,~~ or other
 14 commercially valuable constituents of the ores or mineral products or deposits yielded to the person
 15 engaged in mining measured by standard units of measurement;
- 16 (5) the gross yield or value in dollars and cents."

17

18 **Section 35.** Section 15-38-121, MCA, is amended to read:

19 "**15-38-121. Certain royalties exempt.** Exempt from taxation are royalties received by:

- 20 (1) an Indian tribe with respect to ~~on-reservation oil and gas~~ mineral production pursuant to a lease
 21 entered into under the Indian Mineral Leasing Act of 1938 (25 U.S.C. 396a-396g ~~(1983)~~);
- 22 (2) the United States as trustee for individual Indians; and
- 23 (3) the United States, the state of Montana, or a county or municipal government."

24

25 **Section 36.** Section 15-38-202, MCA, is amended to read:

26 "**15-38-202. (Temporary) Investment of resource indemnity trust fund -- expenditure -- minimum**
 27 **balance.** (1) All money paid into the resource indemnity trust fund, including money payable into the fund
 28 under the provisions of 15-37-117, must be invested at the discretion of the board of investments. All the
 29 net earnings accruing to the resource indemnity trust fund must annually be added to the trust fund until
 30 it has reached the sum of \$10 million. Thereafter, only the net earnings may be appropriated and expended

1 until the fund reaches \$100 million. Thereafter, all net earnings and all receipts must be appropriated by
2 the legislature and expended, provided that the balance in the fund may never be less than \$100 million.

3 (2) (a) At the beginning of each biennium, there is allocated from the interest income of the
4 resource indemnity trust fund:

5 (i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the
6 conditions of 75-1-1101;

7 (ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account
8 pursuant to the conditions of 82-11-161;

9 (iii) beginning in fiscal year 1995, \$240,000, which is statutorily appropriated, as provided in
10 17-7-502, from the renewable resource grant and loan program state special revenue account to support
11 the operations of the environmental science-water quality instructional programs at northern Montana
12 college to be used for support costs, for matching funds necessary to attract additional funds to further
13 expand statewide impact, and for enhancement of the facilities related to the programs;

14 (iv) \$1,025,000 to be deposited into the renewable resource grant and loan program state special
15 revenue account, created by 85-1-604, for the purpose of making grants;

16 (v) \$2,200,000 to be deposited into the reclamation and development grants state special revenue
17 account, created by 90-2-1104, for the purpose of making grants; and

18 (vi) ~~beginning in fiscal year 1994,~~ \$250,000 to be deposited into the water storage state special
19 revenue account created by 85-1-631.

20 (b) The remainder of the interest income is allocated as follows:

21 (i) Thirty-eight percent of the interest income of the resource indemnity trust fund must be
22 allocated to the renewable resource grant and loan program state special revenue account created by
23 85-1-604.

24 (ii) Fifteen percent of the interest income of the resource indemnity trust fund must be allocated
25 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

26 (iii) Forty-one and one-half percent of the interest income from the resource indemnity trust fund
27 must be allocated to the reclamation and development grants account provided for in 90-2-1104.

28 (iv) Five and one-half percent of the interest income of the resource indemnity trust fund must be
29 allocated to the environmental quality protection fund provided for in 75-10-704.

30 (3) Any formal budget document prepared by the legislature or the executive branch that proposes

1 to appropriate funds from the resource indemnity trust interest account other than as provided for by the
 2 allocations in subsection (2) must specify the amount of money from each allocation that is proposed to
 3 be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and
 4 publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the
 5 legislative appropriation process or otherwise during a legislative session.

6 **15-38-202. (Effective July 1, 1995) Investment of resource indemnity trust fund -- expenditure --**
 7 **minimum balance.** (1) All money paid into the resource indemnity trust fund, including money payable into
 8 the fund under the provisions of 15-37-117 and [section 18], must be invested at the discretion of the
 9 board of investments. All the net earnings accruing to the resource indemnity trust fund must annually be
 10 added to the trust fund until it has reached the sum of \$10 million. Thereafter, only the net earnings may
 11 be appropriated and expended until the fund reaches \$100 million. Thereafter, all net earnings and all
 12 receipts must be appropriated by the legislature and expended, provided that the balance in the fund may
 13 never be less than \$100 million.

14 (2) (a) At the beginning of each biennium, there is allocated from the interest income of the
 15 resource indemnity trust fund:

16 (i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the
 17 conditions of 75-1-1101;

18 (ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account
 19 pursuant to the conditions of 82-11-161;

20 (iii) ~~beginning in fiscal year 1995,~~ \$240,000, which is statutorily appropriated, as provided in
 21 17-7-502, from the renewable resource grant and loan program state special revenue account to support
 22 the operations of the environmental science-water quality instructional programs at northern Montana
 23 college to be used for support costs, for matching funds necessary to attract additional funds to further
 24 expand statewide impact, and for enhancement of the facilities related to the programs;

25 (iv) beginning in fiscal year 1996, \$2 million to be deposited into the renewable resource grant and
 26 loan program state special revenue account, created by 85-1-604, for the purpose of making grants;

27 (v) beginning in fiscal year 1996, \$3 million to be deposited into the reclamation and development
 28 grants state special revenue account, created by 90-2-1104, for the purpose of making grants; and

29 (vi) beginning in fiscal year 1996, \$500,000 to be deposited into the water storage state special
 30 revenue account created by 85-1-631.

1 (b) The remainder of the interest income is allocated as follows:

2 (i) Thirty-six percent of the interest income of the resource indemnity trust fund must be allocated
3 to the renewable resource grant and loan program state special revenue account created by 85-1-604.

4 (ii) Eighteen percent of the interest income of the resource indemnity trust fund must be allocated
5 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

6 (iii) Forty percent of the interest income from the resource indemnity trust fund must be allocated
7 to the reclamation and development grants account provided for in 90-2-1104.

8 (iv) Six percent of the interest income of the resource indemnity trust fund must be allocated to
9 the environmental quality protection fund provided for in 75-10-704.

10 (3) Any formal budget document prepared by the legislature or the executive branch that proposes
11 to appropriate funds from the resource indemnity trust interest account other than as provided for by the
12 allocations in subsection (2) must specify the amount of money from each allocation that is proposed to
13 be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and
14 publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the
15 legislative appropriation process or otherwise during a legislative session."
16

17 **Section 37.** Section 17-7-502, MCA, is amended to read:

18 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
19 appropriation is an appropriation made by permanent law that authorizes spending by a state agency
20 without the need for a biennial legislative appropriation or budget amendment.

21 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply
22 with both of the following provisions:

23 (a) The law containing the statutory authority must be listed in subsection (3).

24 (b) The law or portion of the law making a statutory appropriation must specifically state that a
25 statutory appropriation is made as provided in this section.

26 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;
27 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706;
28 15-25-123; 15-31-702; ~~15-36-112~~; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410;
29 16-1-411; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-704; 17-5-804; 17-6-101; 17-6-201; 17-6-409;
30 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-15-101; 19-17-301; 19-18-512; 19-18-513;

1 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-4-109; 20-8-111; 20-9-361; 20-26-1403; 20-26-1503;
2 23-2-823; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402;
3 27-12-206; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321; 39-71-2504;
4 44-12-206; 44-13-102; 50-5-232; 50-40-206; 53-6-150; 53-24-206; 60-2-220; 61-2-107; 67-3-205;
5 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-2-222; 80-4-416;
6 80-11-310; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215; 90-6-331;
7 90-7-220; 90-9-306; and 90-14-107.

8 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
9 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
10 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
11 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
12 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
13 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.
14 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
15 supplemental benefit; and pursuant to sec. 15, Ch. 534, L. 1993, the inclusion of 90-14-107 terminates
16 July 1, 1995.) "

17

18 **Section 38.** Section 20-9-104, MCA, is amended to read:

19 **"20-9-104. General fund operating reserve.** (1) At the end of each school fiscal year, the trustees
20 of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be
21 earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from
22 July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (5) and (6), the
23 amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final
24 general fund budget for the ensuing school fiscal year.

25 (2) The amount held as operating reserve may not be used for property tax reduction in the manner
26 permitted by 20-9-141(1)(b) for other receipts.

27 (3) Excess reserves as provided in subsection (5) may be appropriated to reduce the BASE budget
28 levy, the over-BASE budget levy, or the additional levy provided by 20-9-353, except that districts with
29 a balance on June 30, 1993, in the excess reserve account for Public Law 81-874 funds shall transfer the
30 June 30, 1993, balance to the impact aid fund established in 20-9-514.

1 (4) Any portion of the general fund end-of-the-year fund balance that is not reserved under
2 subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for
3 property tax reduction as provided in 20-9-141(1)(b).

4 (5) For fiscal year 1994 and subsequent fiscal years, the limitation of subsection (1) does not apply
5 when the amount in excess of the limitation is equal to or less than the unused balance of any amount
6 received:

7 (a) in settlement of tax payments protested in a prior school fiscal year;

8 (b) in taxes from a prior school fiscal year as a result of a tax audit by the department of revenue
9 or its agents; ~~and~~

10 (c) in delinquent taxes from a prior school fiscal year; and

11 (d) as a local government severance tax payment for calendar year 1995 production as provided
12 in [section 19].

13 (6) The limitation of subsection (1) does not apply when the amount earmarked as operating
14 reserve is \$10,000 or less."

15
16 **Section 39.** Section 20-9-141, MCA, is amended to read:

17 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The
18 county superintendent shall compute the levy requirement for each district's general fund on the basis of
19 the following procedure:

20 (a) Determine the funding required for the district's final general fund budget less the sum of direct
21 state aid and the special education allowable cost payment for the district by totaling:

22 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as
23 provided in 20-9-303; and

24 (ii) any general fund budget amount adopted by the trustees of the district under the provisions
25 of 20-9-308 and 20-9-353, including any additional funding for a general fund budget that exceeds the
26 maximum general fund budget.

27 (b) Determine the money available for the reduction of the property tax on the district for the
28 general fund by totaling:

29 (i) general fund balance reappropriated, as established under the provisions of 20-9-104;

30 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of

1 the following:

2 (A) tuition payments for out-of-district pupils under the provisions of 20-5-321 through 20-5-323;

3 (B) revenue from property taxes and fees imposed under 23-2-517, 23-2-803, 61-3-504(2),
4 61-3-521, 61-3-537, and 67-3-204;

5 ~~(C) net proceeds taxes for new production, production from horizontally completed wells, and~~
6 ~~incremental production, as defined in 15-23-601~~ oil and natural gas production taxes;

7 (D) interest earned by the investment of general fund cash in accordance with the provisions of
8 20-9-213(4);

9 (E) revenue from corporation license taxes collected from financial institutions under the provisions
10 of 15-31-702; and

11 (F) any other revenue received during the school fiscal year that may be used to finance the general
12 fund, excluding any guaranteed tax base aid; and

13 (iii) ~~(A) pursuant to subsection (4), anticipated revenue from local government severance taxes as~~
14 ~~provided in 15-36-112; and~~

15 ~~(B) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703.~~

16 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the
17 property tax required to finance the general fund that has been determined in subsection (1)(b) from any
18 general fund budget amount adopted by the trustees of the district, up to the BASE budget amount, to
19 determine the general fund BASE budget levy requirement.

20 (d) Subtract any amount remaining after the determination in subsection (1)(c) from any additional
21 funding requirement to be met by an over-BASE budget amount, a district levy as provided in 20-9-303,
22 and any additional financing as provided in 20-9-353 to determine any additional general fund levy
23 requirements.

24 (2) The county superintendent shall calculate the number of mills to be levied on the taxable
25 property in the district to finance the general fund levy requirement for any amount that does not exceed
26 the BASE budget amount for the district by dividing the amount determined in subsection (1)(c) by the sum
27 of:

28 (a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as
29 certified by the superintendent of public instruction; and

30 (b) the taxable valuation of the district divided by 1,000.

1 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be
 2 reported to the county commissioners on the fourth Monday of August by the county superintendent as
 3 the general fund net levy requirement for the district, and a levy must be set by the county commissioners
 4 in accordance with 20-9-142.

5 (4) For each school district, the department of revenue shall calculate and report to the county
 6 superintendent the amount of revenue anticipated for the ensuing fiscal year from ~~local government~~
 7 ~~severance taxes, as provided in 15-36-112, and from~~ revenue from coal gross proceeds under 15-23-703."
 8

9 **Section 40.** Section 20-9-161, MCA, is amended to read:

10 **"20-9-161. Definition of budget amendment for budgeting purposes.** As used in this title, unless
 11 the context clearly indicates otherwise, the term "budget amendment" for the purpose of school budgeting
 12 means an amendment to an adopted budget of the district for the following reasons:

13 (1) an increase in the enrollment of an elementary or high school district that is beyond what could
 14 reasonably have been anticipated at the time of the adoption of the budget for the current school fiscal year
 15 whenever, because of the enrollment increase, the district's budget for any or all of the regularly budgeted
 16 funds does not provide sufficient financing to properly maintain and support the district for the entire
 17 current school fiscal year;

18 (2) the destruction or impairment of any school property necessary to the maintenance of the
 19 school, by fire, flood, storm, riot, insurrection, or act of God, to an extent rendering school property unfit
 20 for its present school use;

21 (3) a judgment for damages against the district issued by a court after the adoption of the budget
 22 for the current year;

23 (4) an enactment of legislation after the adoption of the budget for the current year that imposes
 24 an additional financial obligation on the district;

25 (5) the receipt of:

26 (a) a settlement of taxes protested in a prior school fiscal year; ~~or~~

27 (b) taxes from a prior school fiscal year as the result of a tax audit by the department of revenue
 28 or its agents; ~~or~~

29 (c) delinquent taxes from a prior school fiscal year; ~~and or~~

30 (d) local government severance tax payments for calendar year 1995 production as provided in

1 [section 19(7)]; and

2 (e) a determination by the trustees that it is necessary to expend all or a portion of the taxes
3 received under subsection (5)(a), (5)(b), ~~or (5)(c)~~, or (5)(d) for a project or projects that were deferred from
4 a previous budget of the district as a result of the protested taxes; or

5 (6) any other unforeseen need of the district that cannot be postponed until the next school year
6 without dire consequences affecting the safety of the students and district employees or the educational
7 functions of the district."

8

9 **Section 41.** Section 20-9-331, MCA, is amended to read:

10 **"20-9-331. Basic county tax and other revenues for county equalization of the elementary district**
11 **BASE funding program.** (1) The county commissioners of each county shall levy an annual basic tax of 33
12 mills on the dollar of the taxable value of all taxable property within the county, except for property subject
13 to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, for the
14 purposes of local and state BASE funding program support. The revenue collected from this levy must be
15 apportioned to the support of the elementary BASE funding programs of the school districts in the county
16 and to the state special revenue fund, state equalization aid account, in the following manner:

17 (a) In order to determine the amount of revenue raised by this levy that is retained by the county,
18 the sum of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE
19 funding programs of all elementary districts of the county.

20 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is
21 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
22 to the state treasurer for deposit to the state special revenue fund, state equalization aid account,
23 immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final
24 remittance due no later than June 20 of the fiscal year for which the levy has been set.

25 (2) The revenue realized from the county's portion of the levy prescribed by this section and the
26 revenue from the following sources must be used for the equalization of the elementary BASE funding
27 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
28 by the county treasurer in accordance with 20-9-212(1):

29 (a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for
30 the common school fund under the provisions of 17-3-222;

1 (b) the portion of the federal flood control act funds distributed to a county and designated for
2 expenditure for the benefit of the county common schools under the provisions of 17-3-232;

3 (c) all money paid into the county treasury as a result of fines for violations of law, except money
4 paid to a justice's court, and the use of which is not otherwise specified by law;

5 (d) any money remaining at the end of the immediately preceding school fiscal year in the county
6 treasurer's accounts for the various sources of revenue established or referred to in this section;

7 (e) any federal or state money distributed to the county as payment in lieu of property taxation,
8 including federal forest reserve funds allocated under the provisions of 17-3-213;

9 (f) gross proceeds taxes from coal under 15-23-703;

10 (g) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
11 ~~incremental production, as defined in 15-23-601, and local government severance taxes on any other~~
12 ~~production occurring after December 31, 1988~~ oil and natural gas production taxes; and

13 (h) anticipated local government severance tax payments for calendar year 1995 production as
14 provided in [section 19]; and

15 (i) anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
16 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204."

17
18 **Section 42.** Section 20-9-333, MCA, is amended to read:

19 **"20-9-333. Basic special levy and other revenues for county equalization of high school district**
20 **BASE funding program.** (1) The county commissioners of each county shall levy an annual basic special
21 tax for high schools of 22 mills on the dollar of the taxable value of all taxable property within the county,
22 except for property subject to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537,
23 and 67-3-204, for the purposes of local and state BASE funding program support. The revenue collected
24 from this levy must be apportioned to the support of the BASE funding programs of high school districts
25 in the county and to the state special revenue fund, state equalization aid account, in the following manner:

26 (a) In order to determine the amount of revenue raised by this levy that is retained by the county,
27 the sum of the estimated revenue identified in subsection (2) must be subtracted from the sum of the
28 county's high school tuition obligation and the total of the BASE funding programs of all high school
29 districts of the county.

30 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is

1 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
 2 to the state treasurer for deposit to the state special revenue fund, state equalization aid account,
 3 immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final
 4 remittance due no later than June 20 of the fiscal year for which the levy has been set.

5 (2) The revenue realized from the county's portion of the levy prescribed in this section and the
 6 revenue from the following sources must be used for the equalization of the high school BASE funding
 7 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
 8 by the county treasurer in accordance with 20-9-212(1):

9 (a) any money remaining at the end of the immediately preceding school fiscal year in the county
 10 treasurer's accounts for the various sources of revenue established in this section;

11 (b) any federal or state money distributed to the county as payment in lieu of property taxation,
 12 including federal forest reserve funds allocated under the provisions of 17-3-213;

13 (c) gross proceeds taxes from coal under 15-23-703;

14 (d) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
 15 ~~incremental production, as defined in 15-23-601, and local government severance taxes on any other~~
 16 ~~production occurring after December 31, 1988~~ oil and natural gas production taxes; and

17 (e) anticipated local government severance tax payments for calendar year 1995 production as
 18 provided in [section 19]; and

19 ~~(f)~~ anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
 20 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204."

21
 22 **Section 43.** Section 20-9-501, MCA, is amended to read:

23 "**20-9-501. Retirement fund.** (1) The trustees of a district employing personnel who are members
 24 of the teachers' retirement system or the public employees' retirement system or who are covered by
 25 unemployment insurance or who are covered by any federal social security system requiring employer
 26 contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's
 27 contributions to the systems. The district's contribution for each employee who is a member of the
 28 teachers' retirement system must be calculated in accordance with Title 19, chapter 20, part 6. The
 29 district's contribution for each employee who is a member of the public employees' retirement system must
 30 be calculated in accordance with 19-3-316. The district's contributions for each employee covered by any

1 federal social security system must be paid in accordance with federal law and regulation. The district's
2 contribution for each employee who is covered by unemployment insurance must be paid in accordance
3 with Title 39, chapter 51, part 11.

4 (2) The trustees of a district required to make a contribution to a system referred to in subsection
5 (1) shall include in the retirement fund of the preliminary budget the estimated amount of the employer's
6 contribution. After the final retirement fund budget has been adopted, the trustees shall pay the employer
7 contributions to the systems in accordance with the financial administration provisions of this title.

8 (3) When the final retirement fund budget has been adopted, the county superintendent shall
9 establish the levy requirement by:

10 (a) determining the sum of the money available to reduce the retirement fund levy requirement by
11 adding:

12 (i) any anticipated money that may be realized in the retirement fund during the ensuing school
13 fiscal year, including anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
14 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

15 (ii) ~~not proceeds taxes and local government severance taxes on any other oil and gas production~~
16 ~~occurring after December 31, 1988~~ oil and natural gas production taxes;

17 (iii) anticipated local government severance tax payments for calendar year 1995 production as
18 provided in [section 19];

19 (iv) coal gross proceeds taxes under 15-23-703;

20 (v) any fund balance available for reappropriation as determined by subtracting the amount of
21 the end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing school
22 fiscal year by the trustees from the end-of-the-year fund balance in the retirement fund. The retirement fund
23 operating reserve may not be more than 35% of the final retirement fund budget for the ensuing school
24 fiscal year and must be used for the purpose of paying retirement fund warrants issued by the district under
25 the final retirement fund budget; and

26 (vi) any other revenue anticipated that may be realized in the retirement fund during the ensuing
27 school fiscal year, excluding any guaranteed tax base aid.

28 (b) notwithstanding the provisions of subsection (8), subtracting the money available for reduction
29 of the levy requirement, as determined in subsection (3)(a), from the budgeted amount for expenditures in
30 the final retirement fund budget.

1 (4) The county superintendent shall:

2 (a) total the net retirement fund levy requirements separately for all elementary school districts,
3 all high school districts, and all community college districts of the county, including any prorated joint
4 district or special education cooperative agreement levy requirements; and

5 (b) report each levy requirement to the county commissioners on the fourth Monday of August as
6 the respective county levy requirements for elementary district, high school district, and community college
7 district retirement funds.

8 (5) The county commissioners shall fix and set the county levy in accordance with 20-9-142.

9 (6) The net retirement fund levy requirement for a joint elementary district or a joint high school
10 district must be prorated to each county in which a part of the district is located in the same proportion as
11 the district ANB of the joint district is distributed by pupil residence in each county. The county
12 superintendents of the counties affected shall jointly determine the net retirement fund levy requirement
13 for each county as provided in 20-9-151.

14 (7) The net retirement fund levy requirement for districts that are members of special education
15 cooperative agreements must be prorated to each county in which the district is located in the same
16 proportion as the special education cooperative budget is prorated to the member school districts. The
17 county superintendents of the counties affected shall jointly determine the net retirement fund levy
18 requirement for each county in the same manner as provided in 20-9-151 and the county commissioners
19 shall fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152.

20 (8) The county superintendent shall calculate the number of mills to be levied on the taxable
21 property in the county to finance the retirement fund net levy requirement by dividing the amount
22 determined in subsection (4)(a) by the sum of:

23 (a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as
24 certified by the superintendent of public instruction; and

25 (b) the taxable valuation of the district divided by 1,000."
26

27 **Section 44.** Section 20-9-507, MCA, is amended to read:

28 **"20-9-507. Miscellaneous programs fund.** (1) The trustees of a district receiving money from
29 local, state, federal, or other sources provided in 20-5-324 other than money under the provisions of Title
30 I of Public Law 81-874 or federal money designated for deposit in a specific fund of the district shall

1 establish a miscellaneous programs fund for the deposit of the money. The money may be a reimbursement
 2 of miscellaneous program fund expenditures already realized by the district, a payment received as a local
 3 government severance tax payment for calendar year 1995 production as provided in [section 19], or may
 4 ~~be~~ a grant of money for the financing of expenditures to be realized by the district for a special, approved
 5 program to be operated by the district. When the money is a reimbursement or a local government
 6 severance tax payment, the money may be expended at the discretion of the trustees for school purposes.
 7 When the money is a grant, the money must be expended according to the conditions of the program
 8 approval by the superintendent of public instruction or any other approval agent. Within the miscellaneous
 9 programs fund, the trustees shall cause a separate accounting to be maintained for each federal grant
 10 program and for the aggregate of all reimbursement money.

11 (2) The financial administration of the miscellaneous programs fund must be in accordance with
 12 the financial administration provisions of this title for a nonbudgeted fund."

13

14 **Section 45.** Section 20-10-144, MCA, is amended to read:

15 **"20-10-144. Computation of revenue and net tax levy requirements for district transportation fund**
 16 **budget.** Before the fourth Monday of July and in accordance with 20-9-123, the county superintendent
 17 shall compute the revenue available to finance the transportation fund budget of each district. The county
 18 superintendent shall compute the revenue for each district on the following basis:

19 (1) The "schedule amount" of the preliminary budget expenditures that is derived from the rate
 20 schedules in 20-10-141 and 20-10-142 must be determined by adding the following amounts:

21 (a) the sum of the maximum reimbursable expenditures for all approved school bus routes
 22 maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate
 23 per bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus
 24 route approved by the county transportation committee and maintained by the district); plus

25 (b) the total of all individual transportation per diem reimbursement rates for the district as
 26 determined from the contracts submitted by the district multiplied by the number of pupil-instruction days
 27 scheduled for the ensuing school attendance year; plus

28 (c) any estimated costs for supervised home study or supervised correspondence study for the
 29 ensuing school fiscal year; plus

30 (d) the amount budgeted on the preliminary budget for the contingency amount permitted in

1 20-10-143, except if the amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or \$100,
2 whichever is larger, the contingency amount on the preliminary budget must be reduced to the limitation
3 amount and used in this determination of the schedule amount; plus

4 (e) any estimated costs for transporting a child out of district when the child has mandatory
5 approval to attend school in a district outside the district of residence.

6 (2) (a) The schedule amount determined in subsection (1) or the total preliminary transportation
7 fund budget, whichever is smaller, is divided by 2 and is used to determine the available state and county
8 revenue to be budgeted on the following basis:

9 (i) one-half is the budgeted state transportation reimbursement, except that the state transportation
10 reimbursement for the transportation of special education pupils under the provisions of 20-7-442 must be
11 50% of the schedule amount attributed to the transportation of special education pupils; and

12 (ii) one-half is the budgeted county transportation fund reimbursement and must be financed in the
13 manner provided in 20-10-146.

14 (b) When the district has a sufficient amount of cash for reappropriation and other sources of
15 district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero,
16 any remaining amount of district revenue and cash reappropriated must be used to reduce the county
17 financing obligation in subsection (2)(a)(ii) and, if the county financing obligations are reduced to zero, to
18 reduce the state financial obligation in subsection (2)(a)(i).

19 (c) The county revenue requirement for a joint district, after the application of any district money
20 under subsection (2)(b), must be prorated to each county incorporated by the joint district in the same
21 proportion as the ANB of the joint district is distributed by pupil residence in each county.

22 (3) The total of the money available for the reduction of property tax on the district for the
23 transportation fund must be determined by totaling:

24 (a) anticipated federal money received under the provisions of Title I of Public Law 81-874 or other
25 anticipated federal money received in lieu of that federal act;

26 (b) anticipated payments from other districts for providing school bus transportation services for
27 the district;

28 (c) anticipated payments from a parent or guardian for providing school bus transportation services
29 for a child;

30 (d) anticipated or reappropriated interest to be earned by the investment of transportation fund

1 cash in accordance with the provisions of 20-9-213(4);

2 (e) anticipated or reappropriated revenue from property taxes and fees imposed under 23-2-517,
3 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

4 (f) anticipated revenue from coal gross proceeds under 15-23-703;

5 (g) anticipated ~~net proceeds taxes for new production, production from horizontally completed~~
6 ~~wells, and incremental production, as defined in 15-23-601, and local government severance taxes on any~~
7 ~~other production occurring after December 31, 1988~~ oil and natural gas production taxes;

8 (h) anticipated local government severance tax payments for calendar year 1995 production;

9 ~~+(i)~~ (i) anticipated transportation payments for out-of-district pupils under the provisions of 20-5-320
10 through 20-5-324;

11 ~~+(j)~~ (j) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal
12 year that may be used to finance the transportation fund; and

13 ~~+(k)~~ (k) any fund balance available for reappropriation as determined by subtracting the amount of
14 the end-of-the-year fund balance earmarked as the transportation fund operating reserve for the ensuing
15 school fiscal year by the trustees from the end-of-the-year fund balance in the transportation fund. The
16 operating reserve may not be more than 20% of the final transportation fund budget for the ensuing school
17 fiscal year and is for the purpose of paying transportation fund warrants issued by the district under the
18 final transportation fund budget.

19 (4) The district levy requirement for each district's transportation fund must be computed by:

20 (a) subtracting the schedule amount calculated in subsection (1) from the total preliminary
21 transportation budget amount; and

22 (b) subtracting the amount of money available to reduce the property tax on the district, as
23 determined in subsection (3), from the amount determined in subsection (4)(a).

24 (5) The transportation fund levy requirements determined in subsection (4) for each district must
25 be reported to the county commissioners on the fourth Monday of August by the county superintendent
26 as the transportation fund levy requirements for the district, and the levy must be made by the county
27 commissioners in accordance with 20-9-142."

28

29 **Section 46.** Section 20-10-146, MCA, is amended to read:

30 "20-10-146. **County transportation reimbursement.** (1) The apportionment of the county

1 transportation reimbursement by the county superintendent for school bus transportation or individual
 2 transportation that is actually rendered by a district in accordance with this title, board of public education
 3 transportation policy, and the transportation rules of the superintendent of public instruction must be the
 4 same as the state transportation reimbursement payment, except that:

5 (a) if any cash was used to reduce the budgeted county transportation reimbursement under the
 6 provisions of 20-10-144(2)(b), the annual apportionment is limited to the budget amount;

7 (b) when the county transportation reimbursement for a school bus has been prorated between two
 8 or more counties because the school bus is conveying pupils of more than one district located in the
 9 counties, the apportionment of the county transportation reimbursement must be adjusted to pay the
 10 amount computed under the proration; and

11 (c) when county transportation reimbursement is required under the mandatory attendance
 12 agreement provisions of 20-5-321.

13 (2) The county transportation net levy requirement for the financing of the county transportation
 14 fund reimbursements to districts is computed by:

15 (a) totaling the net requirement for all districts of the county, including reimbursements to a special
 16 education cooperative or prorated reimbursements to joint districts or reimbursements under the mandatory
 17 attendance agreement provisions of 20-5-321;

18 (b) determining the sum of the money available to reduce the county transportation net levy
 19 requirement by adding:

20 (i) anticipated money that may be realized in the county transportation fund during the ensuing
 21 school fiscal year, including anticipated revenue from property taxes and fees imposed under 23-2-517,
 22 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

23 ~~(ii) net proceeds taxes and local government severance taxes on other oil and gas production~~
 24 ~~occurring after December 31, 1988~~ oil and natural gas production taxes;

25 (iii) anticipated local government severance tax payments for calendar year 1995 production;

26 ~~(iii)~~ (iv) coal gross proceeds taxes under 15-23-703;

27 ~~(iv)~~ (v) any fund balance available for reappropriation from the end-of-the-year fund balance in the
 28 county transportation fund;

29 ~~(v)~~ (vi) federal forest reserve funds allocated under the provisions of 17-3-213; and

30 ~~(v)~~ (vii) other revenue anticipated that may be realized in the county transportation fund during the

1 ensuing school fiscal year; and

2 (c) subtracting the money available as determined in subsection (2)(b) to reduce the levy
3 requirement from the county transportation net levy requirement.

4 (3) The net levy requirement determined in subsection (2)(c) must be reported to the county
5 commissioners on the fourth Monday of August by the county superintendent and a levy must be set by
6 the county commissioners in accordance with 20-9-142.

7 (4) The county superintendent shall apportion the county transportation reimbursement from the
8 proceeds of the county transportation fund. The county superintendent shall order the county treasurer to
9 make the apportionments in accordance with 20-9-212(2) and after the receipt of the semiannual state
10 transportation reimbursement payments."

11

12 **Section 47.** Section 82-11-118, MCA, is amended to read:

13 **"82-11-118. Fees for processing applications.** (1) The board shall establish a fee schedule to
14 defray the expenses incurred for processing an application from an operator or producer of oil seeking
15 approval of a new or expanded enhanced recovery project, as defined in ~~15-23-601 or 15-36-104~~ [section
16 3]. The fee must be paid by the owner or operator seeking approval of the project.

17 (2) The board shall, by rule, determine the amount of the fee based on the complexity of
18 processing the application."

19

20 **Section 48.** Section 82-11-135, MCA, is amended to read:

21 **"82-11-135. Money earmarked for board expenses.** ~~All The state treasurer shall deposit all~~ money
22 collected under this chapter and under [section 18(7)(b)] shall be deposited in the state special revenue fund
23 ~~by the state treasurer and shall.~~ The money must be used for the purpose of paying all expenses of the
24 board and for no other purpose. ~~All these moneys shall be used by the board~~ The board shall use the
25 money subject to biennial appropriations by the legislature. Income and interest from investment of the
26 board's moneys in the state special revenue fund ~~shall~~ must be credited to the board."

27

28 **NEW SECTION. Section 49. Repealer.** Sections 15-23-601, 15-23-602, 15-23-603, 15-23-605,
29 15-23-606, 15-23-607, 15-23-608, 15-23-609, 15-23-610, 15-23-611, 15-23-612, 15-23-613,
30 15-23-614, 15-23-621, 15-23-631, 15-36-101, 15-36-102, 15-36-103, 15-36-104, 15-36-105,

1 15-36-106, 15-36-107, 15-36-108, 15-36-109, 15-36-110, 15-36-112, 15-36-113, 15-36-114,
2 15-36-120, 15-36-121, 15-36-122, 15-36-126, 82-11-131, 82-11-132, and 82-11-133, MCA, are
3 repealed.

4
5 NEW SECTION. Section 50. Codification instruction. [Sections 1 through 20] are intended to be
6 codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 1 through 20].
7

8 NEW SECTION. Section 51. Saving clause. [This act] does not affect rights and duties that
9 matured, penalties that were incurred, or proceedings that were begun before [the effective date of this
10 act].
11

12 NEW SECTION. Section 52. Severability. If a part of [this act] is invalid, all valid parts that are
13 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
14 applications, the part remains in effect in all valid applications that are severable from the invalid
15 applications.
16

17 NEW SECTION. Section 53. Effective dates -- rulemaking. (1) Except for the purposes of
18 subsection (2), [this act] is effective January 1, 1996.

19 (2) For the purposes of promulgating administrative rules, [section 16 and this section] are effective
20 on passage and approval.
21

22 NEW SECTION. Section 54. Applicability. (1) [This act] applies to oil and natural gas produced and
23 sold on or after January 1, 1996.

24 (2)(a) [Sections 21 through 26] apply to county fiscal years beginning after June 30, 1996.

25 (b) [Sections 38 through 46] apply to school fiscal years beginning after June 30, 1996.

26 (3)(a) An operator is subject to provisions of Title 15, chapter 23, parts 1 and 6; Title 15, chapter
27 36; Title 15, chapter 38; and Title 82, chapter 11, part 1, as those laws read on December 31, 1995, for
28 all oil and natural gas produced and sold by the operator before January 1, 1996.

29 (b) Except as provided in subsection (3)(c), the payment, collection, and distribution of taxes on
30 oil and natural gas production occurring before January 1, 1996, must be made according to the provisions

1 of the laws referred to in subsection (3)(a) governing the tax in effect on the last day of the tax period in
2 which the activity, enterprise, or product being taxed was engaged in, took place, or was produced and
3 sold.

4 (c) [Section 19] applies to the payment, collection, and distribution of the local government for oil
5 and natural gas produced and sold after December 31, 1994, and before January 1, 1996.

6 (d) All taxes collected pursuant to audit or collected after the date the tax is payable under the laws
7 referred to in subsection (3)(a) must be distributed according to the statute governing allocation of the tax
8 in effect on the date when the tax liability was incurred.

9 -END-

STATE OF MONTANA - FISCAL NOTE

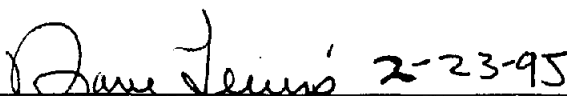
Fiscal Note for SB0412, as introduced


DESCRIPTION OF PROPOSED LEGISLATION: An act generally revising the taxation of oil and natural gas; eliminating the oil and natural gas net proceeds tax, the local government severance tax; the state oil and gas severance tax, and the oil and gas privilege and license tax; imposing oil and natural gas production taxes based on the type of well and type of production; providing for the distribution of oil and natural gas production taxes; providing a disbursement to school districts and local governments to replace net proceeds and local government severance tax revenue; exempting oil and natural gas production from the resource indemnity trust tax; providing an allocation of oil and natural gas production tax revenue for purposes of the Montana resource indemnity trust and ground water assessment act; providing for the accelerated payment of local government severance taxes for production year 1995; authorizing counties to establish an oil and natural gas accelerated tax fund; allowing school districts to use accelerated local government severance tax payments for any budget purpose; and providing effective dates and applicability dates.

ASSUMPTIONS:

1. Taxable value of pre-7/1/85 natural gas production is \$49,248,000 in CY95, \$50,853,000 in CY96 and \$52,349,000 in CY97 (LFA).
2. Taxable value of post-7/1/85 natural gas production is \$32,103,000 in CY95, \$34,226,000 in CY96 and \$36,460,000 in CY97 (LFA).
3. Taxable value of pre-7/1/85 oil production is \$161,540,000 in CY95, \$152,830,000 in CY96 and \$150,435,000 in CY97 (LFA).
4. Taxable value of post-7/1/85 oil production is \$49,629,000 in CY95, \$56,906,000 in CY96 and \$67,272,000 in CY97 (LFA).
5. Natural gas and oil production by type, location, and relative value is distributed between levy districts in CY95, CY96, and CY97 as it was during CY93 (MDOR).
6. Local share of pre-7/1/85 taxes are distributed on 1988 unit value and FY90 mills (MDOR).
7. Local share of post-7/1/85 taxes are distributed on liability and FY94 mills (MDOR).
8. All revenues from liabilities attributable to a fiscal year and received within 60 days after the close of the fiscal year are accrued back to that fiscal year (MDOR).
9. Total production for current law state severance taxes is equal to total production of the Local Government Severance Tax, plus taxable and exempt production from the Net Proceeds Tax (MDOR).
10. All production year 1995 accelerated local government severance tax payments will be received prior to June 30, 1996 (MDOR).
11. All production year 1995 accelerated local government severance tax payments will be discounted by 6.0% (MDOR).
12. School districts will elect to allocate their accelerated revenue to non-GTB supported accounts.

(Continued)


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


LORENTS GROSFIELD, PRIMARY SPONSOR DATE
Fiscal Note for SB-412, as introduced.

SB 412

FISCAL IMPACT:

Expenditures:

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

Revenues:

The following revenue impacts to locally-distributed accounts are associated with the acceleration of the CY95 Local Government Severance Tax liabilities:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
University System (6-mill account)	\$594,000	\$0
Foundation Program (45 mills)	4,459,000	0
County Governments	5,939,000	0
Miscellaneous Districts	205,000	0
County Educ. Trans. & Retire.	1,881,000	0
Elementary Districts	2,745,000	0
<u>High School Districts</u>	<u>\$2,704,000</u>	<u>0</u>
Total	\$18,526,000	\$0

The following revenue impacts to state and locally-distributed accounts are associated with the implementation of the consolidated quarterly collected production tax on oil and natural gas. There is a one-time revenue acceleration of approximately \$735,000 which occurs when the Resource Indemnity and Groundwater Assessment Tax is moved from an annually paid tax, to an allocation from the quarterly collected consolidated oil and gas production tax.

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
General Fund	\$24,000	\$34,000
Board of Oil and Gas Conservation	1,000	2,000
Groundwater Assessment Account	104,000	5,000
Renewable Resource Grants	74,000	3,000
Reclamation & Development Grants	221,000	10,000
Resource Indemnity Trust Fund	337,000	15,000
University System (6-mill account)	(2,000)	(4,000)
Foundation Program (45 mills)	31,000	78,000
County Governments	(11,000)	(10,000)
Miscellaneous Districts	2,000	4,000
County Education (Ret. & Trans)	(11,000)	(19,000)
Local Elem. School Districts	1,000	8,000
<u>Local High School Districts</u>	<u>1,000</u>	<u>10,000</u>
Total	\$771,000	\$68,000

(Continued)

Net Impact:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
General Fund	\$24,000	\$34,000
Board of Oil and Gas Conservation	1,000	2,000
Groundwater Assessment Account	104,000	5,000
Renewable Resource Grants	74,000	3,000
Reclamation & Development Grants	221,000	10,000
Resource Indemnity Trust Fund	337,000	15,000
University System (6-mill account)	592,000	(4,000)
Foundation Program (45 mills)	4,490,000	78,000
County Governments	5,928,000	(10,000)
Miscellaneous Districts	207,000	4,000
County Education (Ret. & Trans)	1,870,000	(19,000)
Local Elem. School Districts	2,746,000	8,000
<u>Local High School Districts</u>	<u>2,705,000</u>	<u>10,000</u>
Total	\$19,308,000	\$68,000

STATE OF MONTANA - FISCAL NOTE

Revised Fiscal Note for SB 412, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act generally revising the taxation of oil and natural gas; eliminating the oil and natural gas net proceeds tax, the local government severance tax; the state oil and gas severance tax, and the oil and gas privilege and license tax; imposing oil and natural gas production taxes based on the type of well and type of production; providing for the distribution of oil and natural gas production taxes; providing a disbursement to school districts and local governments to replace net proceeds and local government severance tax revenue; exempting oil and natural gas production from the resource indemnity trust tax; providing an allocation of oil and natural gas production tax revenue for purposes of the Montana resource indemnity trust and ground water assessment act; providing for the accelerated payment of local government severance taxes for production year 1995; authorizing counties to establish an oil and natural gas accelerated tax fund; allowing school districts to use accelerated local government severance tax payments for any budget purpose; and providing effective dates and applicability dates.

ASSUMPTIONS:

1. Taxable value of pre-7/1/85 natural gas production is \$49,248,000 in CY95, \$50,853,000 in CY96 and \$52,349,000 in CY97 (LFA).
2. Taxable value of post-7/1/85 natural gas production is \$32,103,000 in CY95, \$34,226,000 in CY96 and \$36,460,000 in CY97 (LFA).
3. Taxable value of pre-7/1/85 oil production is \$161,540,000 in CY95, \$152,830,000 in CY96 and \$150,435,000 in CY97 (LFA).
4. Taxable value of post-7/1/85 oil production is \$49,629,000 in CY95, \$56,906,000 in CY96 and \$67,272,000 in CY97 (LFA).
5. Natural gas and oil production by type, location, and relative value is distributed between levy districts in CY95, CY96, and CY97 as it was during CY93 (MDOR).
6. Local share of pre-7/1/85 taxes are distributed on 1988 unit value and FY90 mills (MDOR).
7. Local share of post-7/1/85 taxes are distributed on liability and FY94 mills (MDOR).
8. All revenues from liabilities attributable to a fiscal year and received within 60 days after the close of the fiscal year are accrued back to that fiscal year (MDOR).
9. Total production for current law state severance taxes is equal to total production of the Local Government Severance Tax, plus taxable and exempt production from the Net Proceeds Tax (MDOR).
10. All production year 1995 accelerated local government severance tax payments will be received prior to June 30, 1996 (MDOR).
11. All production year 1995 accelerated local government severance tax payments will be discounted by 6.0% (MDOR).

David Lewis 3-9-95

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

Lorents Grosfield 3-11-95

LORENTS GROSFIELD, PRIMARY SPONSOR DATE
Revised Fiscal Note for SB-412, as introduced.

SB 412-#2

(continued)

FISCAL IMPACT:

Expenditures:

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

Revenues:

The following revenue impacts to locally-distributed accounts are associated with the acceleration of the CY95 Local Government Severance Tax liabilities:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
University System (6-mill account)	\$594,000	\$0
Foundation Program (45 mills)	4,459,000	0
County Governments	5,939,000	0
Miscellaneous Districts	205,000	0
County Educ. Trans. & Retire.	1,881,000	0
Elementary Districts	2,745,000	0
<u>High School Districts</u>	<u>\$2,704,000</u>	<u>0</u>
Total	\$18,527,000	\$0

The following revenue impacts to state and locally-distributed accounts are associated with the implementation of the consolidated production tax on oil and natural gas. There is a one-time revenue acceleration of approximately \$735,000 which occurs when the Resource Indemnity and Groundwater Assessment Tax is moved from an annually paid tax, to an allocation from the quarterly collected consolidated oil and gas production tax.

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
General Fund	\$24,000	\$34,000
Board of Oil and Gas Conservation	1,000	2,000
Groundwater Assessment Account	104,000	5,000
Renewable Resource Grants	74,000	3,000
Reclamation & Development Grants	221,000	10,000
Resource Indemnity Trust Fund	337,000	15,000
University System (6-mill account)	(2,000)	(4,000)
Foundation Program (45 mills)	31,000	78,000
County Governments	(11,000)	(10,000)
Miscellaneous Districts	2,000	4,000
County Education (Ret. & Trans)	(11,000)	(19,000)
Local Elem. School Districts	1,000	8,000
<u>Local High School Districts</u>	<u>1,000</u>	<u>10,000</u>
Total	\$772,000	\$136,000

Net Impact:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
General Fund	\$24,000	\$34,000
Board of Oil and Gas Conservation	1,000	2,000
Groundwater Assessment Account	104,000	5,000
Renewable Resource Grants	74,000	3,000
Reclamation & Development Grants	221,000	10,000
Resource Indemnity Trust Fund	337,000	15,000
University System (6-mill account)	592,000	(4,000)
Foundation Program (45 mills)	4,490,000	78,000
County Governments	5,928,000	(10,000)
Miscellaneous Districts	207,000	4,000
County Education (Ret. & Trans)	1,870,000	(19,000)
Local Elem. School Districts	2,746,000	8,000
<u>Local High School Districts</u>	<u>2,705,000</u>	<u>10,000</u>
Total	\$19,299,000	\$136,000

1 STATEMENT OF INTENT

2 (1) A statement of intent is required for this bill because [section 16] grants the department of
3 revenue authority to adopt rules for the implementation and administration of the new production taxes
4 imposed on oil and natural gas.

5 (2) The legislature contemplates that rules adopted by the department should, at a minimum,
6 address the following:

7 (a) the forms and other documents required for the reporting and payment of the oil and natural
8 gas production tax;

9 (b) the definition and clarification of the categories of oil and natural gas subject to taxation;

10 (c) the requirements for the maintenance of records and other documents required to ensure proper
11 payment of oil and natural gas production taxes;

12 (d) the process for the estimation and collection of delinquent or unpaid taxes; and

13 (e) the procedures for the efficient collection of the oil and natural gas production tax.

14 (3) [This act] takes effect before taxes on the oil and gas net proceeds tax, the local government
15 severance tax, the state oil and gas severance tax, the resource indemnity and ground water assessment
16 tax, and the oil and gas privilege and license tax for certain production periods will have been paid. The
17 legislature intends that the department establish procedures to ensure that all tax liabilities for production
18 occurring before January 1, 1996, are satisfied. The legislature also intends that the department establish
19 procedures for the proper distribution of this tax revenue to all affected governmental entities and funds.

20
21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

22
23 NEW SECTION. Section 1. Short title. [Sections 1 through 20] may be cited as the "Montana Oil
24 and Natural Gas Production Tax Act".

25
26 NEW SECTION. Section 2. Legislative findings and declaration of purpose. (1) (a) The legislature
27 finds that the extraction taxes imposed on the production of oil and natural gas have been exceedingly
28 complex and confusing. Oil and natural gas producers have been required to file several tax forms and to
29 pay taxes at different times on the same production.

30 (b) The legislature further finds that it is in the best interest of the state and in the best interest

1 of oil and gas producers to simplify the taxation of oil and natural gas production.

2 (2) The legislature declares that the purposes of [sections 1 through 20] are:

3 (a) to replace all net proceeds taxes, severance taxes, privilege and license taxes, and other
4 extraction taxes on oil and natural gas production with a single production tax based on the type of well
5 and type of production;

6 (b) to ensure that the distribution of tax revenue to the state, counties, and school districts from
7 the new production taxes is consistent with the distribution of tax revenue from the former extraction
8 taxes;

9 (c) to simplify the procedures for compliance with and the administration of the taxation of oil and
10 natural gas production;

11 (d) to provide an incentive for oil and natural gas producers to pay 1995 local government
12 severance taxes on an accelerated basis; and

13 (e) to provide discretionary authority to counties and school districts for the use of the accelerated
14 payments of the local government severance tax.

15
16 **NEW SECTION. Section 3. Definitions.** As used in [sections 1 through 20], the following
17 definitions apply:

18 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

19 (2) "Department" means department of revenue provided for in 2-15-1301;

20 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the
21 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or
22 biological process.

23 (4) "Existing enhanced recovery project" means an enhanced recovery project that began
24 development before January 1, 1994.

25 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells
26 or production wells, the recompletion of existing wells as horizontally completed wells, the change of an
27 injection pattern, or other operating changes to an existing enhanced recovery project that will result in the
28 recovery of oil that would not otherwise be recovered. The project must be developed after December 31,
29 1993, and before January 1, 2002.

30 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax,

1 means the gross value of the product as determined in [section 5].

2 (7) "Horizontal drain hole" means that portion of a well bore with 70 degrees to 110 degrees
3 deviation from the vertical and a horizontal projection within the common source of supply, as that term
4 is defined by the board, that exceeds 100 feet.

5 (8) "Horizontally completed well" means:

6 (a) a well with one or more horizontal drain holes; and

7 (b) any other well classified by the board as a horizontally completed well.

8 (9) "Incremental production" means:

9 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery
10 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume
11 of production is in excess of the production decline rate established under the conditions existing before:

12 (i) the commencement of the recompletion of a well as a horizontally completed well;

13 (ii) expansion of the existing enhanced recovery project; or

14 (iii) commencing a new enhanced recovery project; or

15 (b) in the case of any project that had no taxable production prior to commencing the enhanced
16 recovery project, all production of oil from the enhanced recovery project.

17 (10) "Natural gas" or "gas" means natural gas and other fluid hydrocarbons, other than oil,
18 produced at the wellhead.

19 (11) "New enhanced recovery project" means an enhanced recovery project that began
20 development after December 31, 1993, and before January 1, 2002.

21 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,
22 development, and operation costs of the lease or unit, except for production taxes.

23 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that
24 are produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves
25 the wellhead.

26 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or
27 who owns, controls, manages, leases, or operates within this state any well or wells from which any
28 marketable oil or natural gas is extracted or produced.

29 (15) "Post-1985 well" means an oil or natural gas well drilled after June 30, 1985, other than
30 horizontally completed or recompleted oil wells drilled after December 31, 1993, that produces oil or natural

1 gas or a well that has not produced oil or natural gas during the 5 years immediately preceding the first
2 month of qualifying as a post-1985 well.

3 (16) "Pre-1985 well" means an oil or natural gas well that was drilled before July 1, 1985.

4 (17) "Primary recovery" means the displacement of oil from the earth into the well bore by means
5 of the natural pressure of the oil reservoir and includes artificial lift.

6 (18) "Production decline rate" means the projected rate of future oil production, extrapolated by
7 a method approved by the board, that must be determined for a project area prior to commencing a new
8 or expanded enhanced recovery project or the recompletion of a well as a horizontally completed well. The
9 approved production decline rate must be certified in writing to the department by the board. In that
10 certification, the board shall identify the project area and shall specify the projected rate of future oil
11 production by calendar year and by calendar quarter within each year. The certified rate of future oil
12 production must be used to determine the volume of incremental production that qualifies for the tax rate
13 imposed under [section 4(4)(d)].

14 (19) "Secondary recovery project" means an enhanced recovery project, other than a tertiary
15 recovery project, that commenced or was expanded after December 31, 1993, and before January 1, 2002,
16 and meets each of the following requirements:

17 (a) The project must be certified as a secondary recovery project to the department by the board.
18 The certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

19 (b) The property to be affected by the project must be adequately delineated according to the
20 specifications required by the board.

21 (c) The project must involve the application of secondary recovery methods that can reasonably
22 be expected to result in an increase, determined by the board to be significant in light of all the facts and
23 circumstances, in the amount of oil that may potentially be recovered. For purposes of [sections 1 through
24 20], secondary recovery methods include but are not limited to:

25 (i) the injection of water into the producing formation for the purposes of maintaining pressure in
26 that formation or for the purpose of increasing the flow of oil from the producing formation to a producing
27 well bore; or

28 (ii) any other method approved by the board as a secondary recovery method.

29 (20) "Stripper natural gas" means the natural gas produced from any well that produces less than
30 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.

1 Production must be determined by dividing the amount of production from a lease or unitized area for the
2 year immediately preceding the current calendar year by the number of producing wells in the lease or
3 unitized area and by dividing the resulting quotient by 365.

4 (21) "Stripper oil" means the oil produced from any well that produces less than 10 barrels a day
5 for the calendar year immediately preceding the current year. Production must be determined by dividing
6 the amount of production from a lease or unitized area for the year immediately preceding the current
7 calendar year by the number of producing wells in the lease or unitized area and by dividing the resulting
8 quotient by 365.

9 (22) "Tertiary recovery project" means an enhanced recovery project, other than a secondary
10 recovery project, using a tertiary recovery method that meets the following requirements:

11 (a) The project must be certified as a tertiary recovery project to the department by the board. The
12 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

13 (b) The property to be affected by the project must be adequately delineated in the certification
14 according to the specifications required by the board.

15 (c) The project must involve the application of one or more tertiary recovery methods that can
16 reasonably be expected to result in an increase, determined by the board to be significant in light of all the
17 facts and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of
18 [sections 1 through 20], tertiary recovery methods include but are not limited to:

19 (i) miscible fluid displacement;

20 (ii) steam drive injection;

21 (iii) micellar/emulsion flooding;

22 (iv) in situ combustion;

23 (v) polymer augmented water flooding;

24 (vi) cyclic steam injection;

25 (vii) alkaline or caustic flooding;

26 (viii) carbon dioxide water flooding;

27 (ix) immiscible carbon dioxide displacement; or

28 (x) any other method approved by the board as a tertiary recovery method.

29 (23) "Well" or "wells" means a single well or a group of wells in one field or production unit and
30 under the control of one operator or producer.

(24) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells who bears any portion of the exploration, development, and operating costs of the well or wells.

NEW SECTION. Section 4. Production tax rates imposed on oil and natural gas. (1) The production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in [section 18].

(2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) pre-1985 wells	18.75%	15%
(b) post-1985 wells		
(i) first 12 months of qualifying production	3.35%	15%
(ii) after 12 months	15.35%	15%
(c) stripper natural gas pre-1985 and post-1985 wells	11.2%	15%

(3) The reduced tax rate under subsection (2)(b)(i) on natural gas production for the first 12 months of natural gas production from a post-1985 well begins following the last day of the calendar month immediately preceding the month in which natural gas is placed in a natural gas distribution system, provided that notification has been given to the department.

(4) Oil is taxed on the gross taxable value of production based on the type of well and type of production according to the following schedule for working interest and nonworking interest owners:

	Working Interest	Nonworking Interest
(a) primary recovery production		
(i) pre-1985 wells	14.1%	16.5%
(ii) post-1985 wells		
(A) first 12 months of		

1	qualifying production	5.7%	16.5%
2	(B) after 12 months	12.7%	16.5%
3	(b) stripper oil production		
4	pre-1985 and post-1985 wells	11%	16.5%
5	(c) horizontally completed well production		
6	(i) first 18 months of		
7	qualifying production	5.7%	5.7%
8	(ii) after 18 months	12.7%	12.7%
9	(d) incremental production		
10	(i) new or expanded secondary recovery production		
11	(A) pre-1985 well	8.7%	16.2%
12	(B) post-1985 well	8.7%	10.7%
13	(ii) new or expanded tertiary production		
14	(A) pre-1985 well	6%	15.2%
15	(B) post-1985 well	6%	9.7%
16	(e) horizontally recompleted well		
17	(i) first 18 months	5.7%	5.7%
18	(ii) after 18 months	12.7%	12.7%

19 (5) (a) The reduced tax rate under subsection (4)(a)(ii)(A) on oil production for the first 12 months
20 of oil production from a post-1985 well begins following the last day of the calendar month immediately
21 preceding the month in which oil is pumped or flows, provided that notification has been given to the
22 department.

23 (b) The reduced tax rate under subsection (4)(c)(i) on oil production from a horizontally completed
24 well and the reduced tax rate under subsection (4)(e)(i) on oil production from a horizontally recompleted
25 well for the first 18 months of production begins following the last day of the calendar month immediately
26 preceding the month in which oil is pumped or flows, provided that the well has been certified as a
27 horizontally completed well or as a horizontally recompleted well to the department by the board.

28 (c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel
29 of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter
30 is less than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter as

1 determined in subsection (5)(d), incremental production is taxed at the rate imposed on primary recovery
2 production under subsection (4)(a)(i) for production occurring in that quarter.

3 (d) For the purposes of subsection (5)(c), the average price per barrel must be computed by
4 dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall Street
5 Journal for the calendar quarter by the number of days on which the price was reported in the quarter.

6
7 **NEW SECTION. Section 5. Determination of gross value of product.** The total gross value of all
8 oil or natural gas produced and sold each quarter must be determined by taking the total number of barrels
9 or cubic feet of oil or natural gas produced and sold each month at the average value at the mouth of the
10 well during the month that the oil or natural gas is produced and sold, as determined by the department.
11 However, in computing the total number of barrels of oil or cubic feet of gas produced and sold, there must
12 be deducted the amount of oil or gas used by the person in connection with the operation of the well from
13 which the oil or gas is produced or for pumping the oil or gas from the well to a tank or pipeline.

14
15 **NEW SECTION. Section 6. Certain royalties exempt.** Exempt from taxation are royalties received
16 by:

- 17 (1) an Indian tribe with respect to on-reservation oil and gas production pursuant to a lease entered
18 into under the Indian Mineral Leasing Act of 1938, 25 U.S.C. 396a-396g;
19 (2) the United States as trustee for individual Indians; and
20 (3) the United States, the state of Montana, or a county or municipal government in Montana.

21
22 **NEW SECTION. Section 7. Operator responsible for payment -- deduction of taxes from royalty**
23 **payments.** (1) Each operator required to pay the oil and natural gas production tax under [sections 1
24 through 20] shall pay the tax in full for the operator's own account and for the account of each of the other
25 owners of the gross value of product or in kind of all the marketable oil or natural gas produced and sold.
26 Other owners include an owner or owners of working interest, royalty interest, overriding royalty interest,
27 carried working interest, production payments, and all other interest or interests owned or carved out of
28 the total gross value of product or in kind of the extracted marketable oil or natural gas.

29 (2) Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or
30 owners must be deducted from any settlements under the lease or leases or division of proceeds orders or

1 other contracts.

2

3 **NEW SECTION. Section 8. Quarterly payment of tax -- statement -- failure to pay penalty.** (1)

4 The oil and natural gas production tax must be paid in quarterly installments for the quarterly periods
5 ending, respectively, March 31, June 30, September 30, and December 31 of each year, and the amount
6 of the tax for each quarterly period must be paid to the department within 60 days after the end of each
7 quarterly period.

8 (2) The operator shall complete on forms prescribed by the department a statement showing the
9 total number of barrels of merchantable or marketable oil or cubic feet of natural gas produced and sold by
10 the person in the state during each month of the quarter and during the whole quarter, the average value
11 of the production sold during each month, and the total value of the production sold for the whole quarter,
12 together with the total amount due as taxes for the quarter. The statement must be filed within the time
13 provided in subsection (1). The statement must be accompanied by the tax due. The statement must be
14 signed by the individual or the president, vice president, treasurer, assistant treasurer, or authorized agent
15 of the association, corporation, joint-stock company, or syndicate making the statement. A person engaged
16 in carrying on business at more than one place in this state or owning, leasing, controlling, or operating
17 more than one oil or gas well in this state may include all operations in one statement.

18 (3) If the tax is not paid on or before the due date, there must be assessed a penalty of 10% of
19 the amount of the tax not paid. If the tax is not paid when due, interest also must be added at the rate of
20 1% a month or fraction of a month, computed on the total amount of the tax from the due date until paid.
21 The department may waive the 10% penalty if reasonable cause for the failure to pay is provided to the
22 department.

23

24 **NEW SECTION. Section 9. Record of product -- carriers to furnish data -- penalty.** (1) Each
25 person who purchases oil or natural gas shall keep a record of all oil or natural gas purchased by the
26 person in this state. The records are subject to inspection by the department on reasonable notice at any
27 time during normal business hours.

28 (2) Each railroad, pipeline, purchasing, and transportation company that carries or purchases oil
29 or natural gas shall furnish to the department, whenever requested to do so, all data related to the shipment
30 of oil or natural gas that may be required to properly enforce the provisions of [sections 1 through 20]. A

1 railroad, pipeline, purchasing, or transportation company that fails to comply with the provisions of this
2 section is subject to a penalty of \$100 for each day that it fails to furnish the statement.

3
4 **NEW SECTION. Section 10. Procedure to compute tax in absence of statement -- estimation of tax**
5 **-- failure to file penalty and interest.** (1) If the operator fails to file any statement required by [section 8]
6 within the time required, the department shall, immediately after the time has expired, ascertain the number
7 of barrels of oil or cubic feet of gas produced and sold by the person in this state during the quarter and
8 during each month of the quarter. The department also shall determine the average value of the barrels
9 of oil produced and sold during each month or the average value of cubic feet of gas produced and sold
10 during each month and fix the amount of the taxes due from the person for the quarter.

11 (2) The department shall impose a penalty of 10% of the tax due plus interest at the rate of 1%
12 a month or fraction of a month, computed on the total amount of the tax. Interest must be computed from
13 the date on which the oil and natural gas production taxes were due to the date of payment. The
14 department shall mail to the taxpayer a notice, pursuant to 15-1-211, of the tax, penalty, and interest
15 proposed to be assessed. The taxpayer may seek review of the determination pursuant to 15-1-211. The
16 notice must contain a statement that if payment is not made, a warrant for distraint may be filed. The
17 department may waive the 10% penalty if reasonable cause for the failure to file the statement required
18 by [section 8] is provided to the department.

19
20 **NEW SECTION. Section 11. Deficiency assessment -- review -- interest.** (1) When the
21 department determines that the amount of the tax due is greater than the amount disclosed by a return,
22 it shall mail to the taxpayer a notice, pursuant to 15-1-211, of the additional tax proposed to be assessed.
23 The notice must contain a statement that if payment is not made, a warrant for distraint may be filed. The
24 taxpayer may seek review of the determination pursuant to 15-1-211.

25 (2) A deficiency assessment must bear interest until paid at the rate of 1% a month or fraction of
26 a month, computed from the original due date of the return.

27
28 **NEW SECTION. Section 12. Credit for overpayment -- interest on overpayment.** (1) If the
29 department determines that the amount of tax, penalty, or interest due for any taxable period is less than
30 the amount paid, the amount of the overpayment must be credited against any tax, penalty, or interest then

1 due from the taxpayer and the balance refunded to the taxpayer or its successor through reorganization,
2 merger, or consolidation or to its shareholders upon dissolution.

3 (2) Except as provided in subsection (3), interest must be allowed on overpayments at the same
4 rate as is charged on deficiency assessments provided in [section 11] beginning from the due date of the
5 return or from the date of overpayment, whichever date is later, to the date on which the department
6 approves refunding or crediting of the overpayment.

7 (3) (a) Interest may not accrue during any period in which the processing of a claim for refund is
8 delayed more than 30 days by reason of failure of the taxpayer to furnish information requested by the
9 department for the purpose of verifying the amount of the overpayment.

10 (b) Interest is not allowed:

11 (i) if the overpayment is refunded within 6 months from the date on which the return is due or from
12 the date on which the return is filed, whichever is later; or

13 (ii) if the amount of interest is less than \$1.

14
15 **NEW SECTION. Section 13. Warrant for distraint.** If all or part of the tax imposed by [sections
16 1 through 20] is not paid when due, the department may issue a warrant for distraint as provided in Title
17 15, chapter 1, part 7. The resulting lien has precedence over any other claim, lien, or demand filed and
18 recorded after the warrant is issued.

19
20 **NEW SECTION. Section 14. Exemption from resource indemnity and ground water assessment**
21 **tax.** A person who has paid the tax on oil and natural gas under the provisions of [sections 1 through 20]
22 is exempt from the resource indemnity and ground water assessment tax.

23
24 **NEW SECTION. Section 15. Statute of limitations.** (1) Except as otherwise provided in this
25 section, a deficiency may not be assessed with respect to the year for which a return is filed unless the
26 notice of additional tax proposed to be assessed is mailed within 5 years from the date on which the return
27 was filed. For the purposes of this section, a return filed before the last day prescribed for filing is
28 considered as filed on the last day. If the taxpayer, before the expiration of the period prescribed for
29 assessment of the tax, consents in writing to an assessment after that time, the tax may be assessed at
30 any time prior to the expiration of the period agreed upon.

1 (2) A refund or credit may not be allowed or paid with respect to the year for which a return is filed
2 after 5 years from the last day prescribed for filing the return or after 1 year from the date of the
3 overpayment, whichever period is later, unless before the expiration of the period, the taxpayer files a claim
4 or the department of revenue has determined the existence of the overpayment and has approved the
5 refund or credit. If the taxpayer has agreed in writing under the provisions of subsection (1) to extend the
6 time within which the department may propose an additional assessment, the period within which a claim
7 for refund or credit may be filed or a credit or refund allowed if a claim is not filed is automatically
8 extended.

9 (3) If a return is required to be filed and the taxpayer fails to file the return, the tax may be
10 assessed or an action to collect the tax may be brought at any time. If a return is required to be filed and
11 the taxpayer files a fraudulent return, the 5-year period provided for in subsection (1) does not begin until
12 discovery of the fraud by the department.

13
14 NEW SECTION. **Section 16. Rulemaking authority.** The department shall adopt rules that are
15 necessary to implement and administer [sections 1 through 20].

16
17 NEW SECTION. **Section 17. Calculation of unit value.** For the purposes of distribution of oil and
18 natural gas production taxes to county and school taxing units for production from pre-1985 wells, the
19 department shall determine the unit value of oil and natural gas for each taxing unit as follows:

20 (1) The unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds
21 taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels
22 of oil produced in that taxing unit during 1988, excluding post-1985 wells.

23 (2) The unit value for natural gas is the quotient obtained by dividing the net proceeds taxes
24 calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of
25 cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

26
27 NEW SECTION. **Section 18. Distribution of taxes.** (1) For each calendar quarter, the department
28 of revenue shall determine the amount of tax, late payment interest, and penalty collected under [sections
29 1 through 20]. For purposes of distribution of the taxes to county and school taxing units, the department
30 shall determine the amount of oil and natural gas production taxes paid on production from pre-1985 wells,

1 post-1985 wells, and horizontally drilled wells located in the taxing unit.

2 (2) Except as provided in subsections (3) and (4), oil production taxes must be distributed as
3 follows:

4 (a) The amount equal to 41.6% of the oil production taxes, including late payment interest and
5 penalty, collected under [sections 1 through 20] must be distributed as provided in subsection (7).

6 (b) The remaining 58.4% of the oil production taxes, plus accumulated interest earned on the
7 amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state treasury
8 and transferred to the county and school taxing units for distribution as provided in subsection (8).

9 (3) The amount equal to 100% of the oil production taxes, including late payment interest and
10 penalty, collected from working interest owners on production from post-1985 wells occurring during the
11 first 12 months of production must be distributed as provided in subsection (7).

12 (4) The amount equal to 100% of the oil production taxes, including late payment interest and
13 penalty, collected under [sections 1 through 20] on production from horizontally drilled wells and on the
14 incremental production from horizontally recompleted wells occurring during the first 18 months of
15 production must be distributed as provided in subsection (7).

16 (5) Except as provided in subsection (6), natural gas production taxes must be allocated as follows:

17 (a) The amount equal to 14.6% of the natural gas production taxes, including late payment interest
18 and penalty, collected under [sections 1 through 20] must be distributed as provided in subsection (7).

19 (b) The remaining 85.4% of the natural gas production taxes, plus accumulated interest earned on
20 the amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state
21 treasury and transferred to the county and school taxing units for distribution as provided in subsection (8).

22 (6) The amount equal to 100% of the natural gas production taxes, including late payment interest
23 and penalty, collected from working interest owners under [sections 1 through 20] on production from
24 post-1985 wells occurring during the first 12 months of production must be distributed as provided in
25 subsection (7).

26 (7) The department shall, in accordance with the provisions of 15-1-501(6), distribute the state
27 portion of oil and natural gas production taxes, including late payment interest and penalty collected, as
28 follows:

29 (a) 85% to the state general fund;

30 (b) 4.3% to the state special revenue fund for the purpose of paying expenses of the board as

1 provided in 82-11-135; and

2 (c) 10.7% to be distributed as provided by 15-38-106(2).

3 (8) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985
4 wells, the department shall each calendar quarter adjust the unit value determined under ~~this subsection~~
5 ~~(8)~~ [SECTION 17] according to the ratio that the oil and natural gas production taxes from pre-1985 wells
6 collected during the calendar quarter for which the distribution occurs plus penalties and interest on
7 delinquent oil and natural gas production taxes from pre-1985 wells bears to the total liability for the oil and
8 natural gas production taxes from pre-1985 wells for the quarter for which the distribution occurs. The
9 amount of oil and production taxes distributions must be calculated and distributed as follows:

10 (i) By the dates referred to in subsection (9), the department shall calculate and distribute to each
11 eligible county the amount of oil and natural gas production taxes from pre-1985 wells for the quarter,
12 determined by multiplying the unit value, as adjusted in this subsection (8)(a), by the units of production
13 on which oil and natural gas production taxes from pre-1985 wells were owed for the calendar quarter for
14 which the distribution occurs.

15 (ii) Any amount by which the total tax liability exceeds or is less than the total distributions
16 determined in subsection (8)(a) must be calculated and distributed in the following manner:

17 (A) The excess amount or shortage must be divided by the total distribution determined for that
18 period to obtain an excess or shortage percentage.

19 (B) The excess percentage must be multiplied by the distribution to each taxing unit, and this
20 amount must be added to the distribution to each respective taxing unit.

21 (C) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
22 amount must be subtracted from the distribution to each respective taxing unit.

23 (b) Except as provided in subsection (8)(c), the county treasurer shall distribute the money received
24 under subsection (9) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against
25 calendar year 1988 production in the same manner that all other property tax proceeds were distributed
26 during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing
27 unit.

28 (c) The board of county commissioners of a county may direct the county treasurer to reallocate
29 the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as
30 provided in subsection (8)(b), to another taxing unit or taxing units, other than an elementary school or high

1 school, within the county under the following conditions:

2 (i) The county treasurer shall first allocate the oil and natural gas production taxes to the taxing
3 units within the county in the same proportion that all other property tax proceeds were distributed in the
4 county in fiscal year 1990.

5 (ii) If the allocation in subsection (8)(c)(i) exceeds the total budget for a taxing unit, the
6 commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

7 (d) The board of trustees of an elementary or high school district may reallocate the oil and natural
8 gas production taxes distributed to the district by the county treasurer under the following conditions:

9 (i) The district shall first allocate the oil and natural gas production taxes to the budgeted funds
10 of the district in the same proportion that all other property tax proceeds were distributed in the district in
11 fiscal year 1990.

12 (ii) If the allocation under subsection (8)(d)(i) exceeds the total budget for a fund, the trustees may
13 allocate the excess to any budgeted fund of the school district.

14 (e) For all production from post-1985 wells and horizontally drilled wells completed after December
15 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under
16 subsections (2)(b) and (5)(b) between county and school taxing units in the relative proportions required
17 by the levies for state, county, and school district purposes in the same manner as property taxes were
18 distributed in the preceding fiscal year.

19 (f) The allocation to the county in subsection (8)(e) must be distributed by the county treasurer in
20 the relative proportions required by the levies for county taxing units and in the same manner as property
21 taxes were distributed in the preceding fiscal year.

22 (g) The money distributed in subsection (8)(e) that is required for the county mill levies for school
23 district retirement obligations and transportation schedules must be deposited to the funds established for
24 these purposes.

25 (h) The oil and natural gas production taxes distributed under subsection (8)(b) that are required
26 for the 6-mill university levy imposed under 20-25-423 and for the county equalization levies imposed under
27 20-9-331 and 20-9-333, as those sections read on July 1, 1989, must be remitted by the county treasurer
28 to the state treasurer.

29 (i) The oil and natural gas production taxes distributed under subsection (8)(e) that are required for
30 the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under

1 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted
2 by the county treasurer to the state treasurer.

3 (j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted
4 the amounts determined in subsections (8)(h) and (8)(i) is for the exclusive use and benefit of the county
5 and school taxing units.

6 (9) The department shall remit the amounts to be distributed in subsection (8) to the county
7 treasurer by the following dates:

8 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and
9 natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

10 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil
11 and natural gas production tax payments received for the calendar quarter ending June 30 of the current
12 year.

13 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
14 natural gas production tax payments received for the calendar quarter ending September 30 of the previous
15 year.

16 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and
17 natural gas production tax payments received for the calendar quarter ending December 31 of the previous
18 calendar year.

19 (10) The department shall provide to each county by May 31 of each year the amount of gross
20 taxable value represented by all types of production taxed under [section 4] for the previous calendar year
21 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes
22 and for county bonding purposes.

23
24 **NEW SECTION. Section 19. Local government severance tax payments for calendar year 1995**
25 **production -- distribution of payments -- not subject to I-105 limitations.** (1) The local government
26 severance tax imposed under 15-36-101, as that section read before [the effective date of this act], for
27 calendar year 1995 production is due as follows:

28 (a) for oil and natural gas production occurring in the first calendar quarter of 1995, the tax is due
29 May 31, 1996;

30 (b) for oil and natural gas production occurring in the second calendar quarter of 1995, the tax is

1 due May 31, 1997;

2 (c) for oil and natural gas production occurring in the third calendar quarter of 1995, the tax is due
3 May 31, 1998; and

4 (d) for oil and natural gas production occurring in the fourth calendar quarter of 1995, the tax is
5 due May 31, 1999.

6 (2) (a) If the taxpayer pays the entire local government severance tax liability for calendar year
7 1995 on or before June 30, 1996, the taxpayer must receive a 6% reduction in the total local government
8 severance tax liability.

9 (b) Any payment of local government severance taxes for calendar year 1995 made on or before
10 June 30, 1997, does not accrue interest. Any payment of local government severance taxes for calendar
11 year 1995 made after June 30, 1997, must accrue interest at the rate of 1% a month or fraction of a
12 month from July 1, 1997, to the date of payment. Any payment for the third quarter of 1995 received after
13 May 31, 1998, and any payment for the fourth quarter of 1995 received after May 31, 1999, is subject
14 to the late payment penalty provisions in [section 8].

15 (c) In the case of the dissolution of the operator or a change in the operator of any lease or unit,
16 any unpaid local government severance tax for calendar year 1995 becomes due on the date of dissolution
17 or on the date of the change in operator. The operator is subject to the provisions of subsection (2)(a)
18 regarding the 6% tax liability reduction or the provisions of subsection (2)(b) regarding interest and
19 penalties.

20 (3) The department shall determine the amount of tax collected under subsections (1) and (2) from
21 within each taxing unit.

22 (4) For purposes of the distribution of local government severance taxes collected under this
23 section, the department shall use the unit value of oil and gas for each taxing unit as determined in [section
24 17].

25 (5) The local government severance tax must be deposited in the agency fund in the state treasury
26 and transferred to the county for distribution as provided in subsection (6).

27 (6) For the purpose of the distribution of the local government severance tax for calendar year
28 1995 production, the department shall adjust the unit value determined under this section according to the
29 ratio that the local government severance taxes collected during the quarters for which the distribution
30 occurs plus penalties and interest on delinquent local government severance taxes bears to the total liability

1 for local government severance taxes for the quarters for which the distribution occurs. The taxes must
2 be calculated and distributed as follows:

3 (a) By July 31 of each of the years 1996, 1997, 1998, and 1999, the department shall calculate
4 and distribute to each eligible county the amount of local government severance tax for calendar year 1995
5 production, determined by multiplying the unit value, as adjusted in this subsection (6), by the units of
6 production on which the local government severance tax was owed during calendar year 1995 production.

7 (b) Any amount by which the total tax liability exceeds or is less than the total distributions
8 determined in subsection (6)(a) must be calculated and distributed in the following manner:

9 (i) The excess amount or shortage must be divided by the total distribution determined for that
10 period to obtain an excess or shortage percentage.

11 (ii) The excess percentage must be multiplied by the distribution to each taxing unit, and this
12 amount must be added to the distribution to each respective taxing unit.

13 (iii) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
14 amount must be subtracted from the distribution to each respective taxing unit.

15 (7) (a) The county treasurer shall distribute the money received under subsection (6) between the
16 county and school taxing units. The distribution between county and school taxing units is the ratio of the
17 number of mills levied for fiscal year 1990 against 1988 production in each taxing unit for the county and
18 schools, including the county equalization levies that were in effect under 20-9-331 and 20-9-333 as those
19 sections read on July 1, 1989, and the university 6-mill levy imposed under 20-25-423, except that a
20 distribution may not be made to a municipal taxing unit or the state equalization aid levy imposed under
21 20-9-360. Distribution of money for the county equalization levies and the university levy must be remitted
22 to the state by the county treasurer. The amounts distributed under subsections (7)(b) and (7)(c) are for
23 the exclusive use of county and school taxing units.

24 (b) The county treasurer shall deposit the money from subsection (7)(a) allocated to county levies
25 to the oil and gas tax accelerated fund.

26 (c) The trustees of a school district may allocate any payment received under subsection (7)(a) to
27 any budget fund of the district or to the miscellaneous programs fund established in 20-9-507. The
28 trustees shall direct the county treasurer to deposit the local government severance tax payments under
29 this section to the funds of the district in accordance with the allocations determined by the trustees.

30 (8) Local government severance tax payments to ~~county taxing units~~ A COUNTY pursuant to this

1 section are not subject to the limitations of Title 15, chapter 10, part 4. Payments of local government
 2 severance tax pursuant to this section may not be used for county classification purposes under 7-1-2111
 3 and may not be considered in the determination of bonding limits under 7-7-2101, 7-7-2203, 7-14-2524,
 4 and 7-16-2327.

5
 6 **NEW SECTION. Section 20. Oil and natural gas accelerated tax fund.** (1) The county
 7 commissioners of a county that receives tax distributions under [section 19] shall establish an oil and
 8 natural gas accelerated tax fund for the deposit of the distributions. The county commissioners may retain
 9 the money in the fund for any time period considered appropriate by the commissioners. Money retained
 10 in the fund may not be considered as fund balance for the purpose of reducing mill levies.

11 (2) Money may be expended from the fund for any purpose allowed by law.

12 (3) Money in the fund must be invested as provided by law. Interest and income earned on the
 13 investment of money in the fund must be credited to the fund.

14 (4) The oil and natural gas accelerated tax fund must be financially administered as a nonbudgeted
 15 fund under the provisions of Title 7, chapter 6, part 23.

16

17 **Section 21.** Section 7-1-2111, MCA, is amended to read:

18 **"7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and
 19 salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds,
 20 the counties of this state must be classified according to ~~that percentage of the true and full~~ the taxable
 21 valuation of the property in the counties upon which the tax levy is made, except for vehicles subject to
 22 taxation under 61-3-504(2), as follows:

23 (a) first class--all counties having a taxable valuation of \$50 million or over;

24 (b) second class--all counties having a taxable valuation of more than \$30 million and less than \$50
 25 million;

26 (c) third class--all counties having a taxable valuation of more than \$20 million and less than \$30
 27 million;

28 (d) fourth class--all counties having a taxable valuation of more than \$15 million and less than \$20
 29 million;

30 (e) fifth class--all counties having a taxable valuation of more than \$10 million and less than \$15

1 million;

2 (f) sixth class--all counties having a taxable valuation of more than \$5 million and less than \$10
3 million;

4 (g) seventh class--all counties having a taxable valuation of less than \$5 million.

5 (2) As used in this section, taxable valuation means the taxable value of taxable property in the
6 county as of the time of determination plus:

7 (a) that portion of the taxable value of the county on December 31, 1981, attributable to
8 automobiles and trucks having a rated capacity of three-quarters of a ton or less;

9 (b) that portion of the taxable value of the county on December 31, 1989, attributable to
10 automobiles and trucks having a rated capacity of more than three-quarters of a ton but less than or equal
11 to 1 ton;

12 ~~(c) the amount of taxes levied on new production, production from horizontally completed wells,~~
13 ~~and incremental production, as provided in 15-23-607, divided by the appropriate tax rates described in~~
14 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%~~ the value provided by the department of revenue
15 under [section 18(10)]; and

16 ~~(d) the amount of value represented by new production or production from horizontally completed~~
17 ~~wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other~~
18 ~~production occurring after December 31, 1988, multiplied by 60%; and~~

19 ~~(e) 6% of the taxable value of the county on January 1 of each tax year."~~

20

21 **Section 22.** Section 7-7-2101, MCA, is amended to read:

22 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted
23 in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding
24 23% of the total of the taxable value of the property in the county subject to taxation, plus the amount of
25 ~~taxes levied on new production, production from horizontally completed wells, and incremental production~~
26 ~~divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%,~~
27 ~~plus the amount of value represented by new production and production from horizontally completed wells~~
28 ~~exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production~~
29 ~~occurring after December 31, 1988, multiplied by 60%~~ value provided by the department of revenue in
30 [section 18(10)], as ascertained by the last assessment for state and county taxes previous to the incurring

1 of the indebtedness.

2 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding
3 \$500,000 without the approval of a majority of the electors of the county voting at an election to be
4 provided by law, except as provided in 7-21-3413 and 7-21-3414.

5 (3) This section does not apply to the acquisition of conservation easements as set forth in Title
6 76, chapter 6."

7

8 **Section 23.** Section 7-7-2203, MCA, is amended to read:

9 **"7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections
10 (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding
11 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
12 total of the taxable value of the property in the county, plus the ~~amount of taxes levied on new production,~~
13 ~~production from horizontally completed wells, and incremental production divided by the appropriate tax~~
14 ~~rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value~~
15 ~~represented by new production and production from horizontally completed wells exempted from tax as~~
16 ~~provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December~~
17 ~~31, 1988, multiplied by 60%~~ value provided by the department of revenue under [section 18(10)], to be
18 ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

19 (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all
20 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property
21 in the county subject to taxation, plus the ~~amount of taxes levied on new production, production from~~
22 ~~horizontally completed wells, and incremental production divided by the appropriate tax rates described in~~
23 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new~~
24 ~~production and production from horizontally completed wells exempted from tax as provided in 15-23-612~~
25 ~~multiplied by 60%~~ value provided by the department of revenue under [section 18(10)], when necessary
26 to do so, ~~plus the value of any other production occurring after December 31, 1988, multiplied by 60%~~ for
27 the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring
28 buildings on the site and furnishing and equipping the buildings for county high school purposes.

29 (3) In addition to the bonds allowed by subsections (1) and (2), a county may issue bonds for the
30 construction or improvement of a jail that will not exceed 12.5% of the taxable value of the property in the

1 county subject to taxation.

2 (4) The limitation in subsection (1) does not apply to refunding bonds issued for the purpose of
3 paying or retiring county bonds lawfully issued prior to January 1, 1932, or to bonds issued for the
4 repayment of tax protests lost by the county."

5

6 **Section 24.** Section 7-14-2524, MCA, is amended to read:

7 **"7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise
8 provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding
9 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
10 total of the taxable value of the property in the county, plus the ~~amount of taxes levied on new production,~~
11 ~~production from horizontally completed wells, and incremental production divided by the appropriate tax~~
12 ~~rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value~~
13 ~~represented by new production and production from horizontally completed wells exempted from tax as~~
14 ~~provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December~~
15 ~~31, 1988, multiplied by 60%~~ value provided by the department of revenue under [section 18(10)]. The
16 taxable property and the amount of taxes levied on new production, production from horizontally completed
17 wells, and incremental production must be ascertained by the last assessment for state and county taxes
18 prior to the issuance of the bonds.

19 (2) A county may issue bonds that, with all outstanding bonds and warrants except county high
20 school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of the
21 property, plus the ~~amount of taxes levied on new production, production from horizontally completed wells,~~
22 ~~and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or~~
23 ~~(2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from~~
24 ~~horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value~~
25 ~~of any other production occurring after December 31, 1988, multiplied by 60%~~ value provided by the
26 department of revenue under [section 18(10)] when necessary for the purpose of replacing, rebuilding, or
27 repairing county buildings, bridges, or highways that have been destroyed or damaged by an act of God
28 or by a disaster, catastrophe, or accident.

29 (3) The value of the bonds issued and all other outstanding indebtedness of the county, except
30 county high school bonds, may not exceed 22.5% of the total of the taxable value of the property within

1 the county, plus the amount of taxes levied on new production, production from horizontally completed
 2 wells, and incremental production divided by the appropriate tax rates described in ~~15-23-607(2)(a), (2)(b),~~
 3 ~~or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production~~
 4 ~~from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus~~
 5 ~~the value of any other production occurring after December 31, 1988, multiplied by 60% value provided~~
 6 ~~by the department of revenue under [section 18(10)], as ascertained by the last preceding general~~
 7 ~~assessment."~~

8
 9 **Section 25.** Section 7-14-2525, MCA, is amended to read:

10 **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total
 11 indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus the
 12 ~~amount of taxes levied on new production, production from horizontally completed wells, and incremental~~
 13 ~~production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied~~
 14 ~~by 60%, plus the amount of value represented by new production and production from horizontally~~
 15 ~~completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any~~
 16 ~~other production occurring after December 31, 1988, multiplied by 60% value provided by the department~~
 17 ~~of revenue under [section 18(10)], and the board determines that the county is unable to pay the~~
 18 ~~indebtedness in full, the board may:~~

19 (a) negotiate with the bondholders for an agreement whereby the bondholders agree to accept less
 20 than the full amount of the bonds and the accrued unpaid interest in satisfaction of the bonds;

21 (b) enter into the agreement;

22 (c) issue refunding bonds for the amount agreed upon.

23 (2) These bonds may be issued in more than one series, and each series may be either amortization
 24 or serial bonds.

25 (3) The plan agreed upon between the board and the bondholders must be embodied in full in the
 26 resolution providing for the issuance of the bonds."

27
 28 **Section 26.** Section 7-16-2327, MCA, is amended to read:

29 **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a
 30 county park board, in addition to powers and duties now given under law, has the power and duty to

1 contract an indebtedness in behalf of a county, upon the credit of the county, for the purposes of
2 7-16-2321(1) and (2).

3 (2) (a) The total amount of indebtedness authorized to be contracted in any form, including the
4 then-existing indebtedness, may not at any time exceed 13% of the total of the taxable value of the taxable
5 property in the county, plus the ~~amount of taxes levied on new production, production from horizontally~~
6 ~~completed wells, and incremental production divided by the appropriate tax rates described in~~
7 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new~~
8 ~~production and production from horizontally completed wells exempted from tax as provided in 15-23-612,~~
9 ~~plus the value of any other production occurring after December 31, 1988, multiplied by 60% value~~
10 provided by the department of revenue under [section 18(10)], ascertained by the last assessment for state
11 and county taxes previous to the incurring of the indebtedness.

12 (b) Money may not be borrowed on bonds issued for the purchase of lands and improving the land
13 for any purpose until the proposition has been submitted to the vote of those qualified under the provisions
14 of the state constitution to vote at the election in the affected county and a majority vote is cast in favor
15 of the bonds."
16

17 **Section 27.** Section 15-1-501, MCA, is amended to read:

18 "**15-1-501. Disposition of money from certain designated license and other taxes.** (1) The state
19 treasurer shall deposit to the credit of the state general fund in accordance with the provisions of
20 subsection (6) all money received from the collection of:

21 (a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as
22 provided in 61-5-121;

23 (b) electrical energy producer's license taxes under chapter 51;

24 ~~(c) severance taxes allocated to the general fund under chapter 36;~~

25 ~~(d)(c)~~ liquor license taxes under Title 16;

26 ~~(e)(d)~~ telephone company license taxes under chapter 53; and

27 ~~(f)(e)~~ inheritance and estate taxes under Title 72, chapter 16.

28 (2) All money received from the collection of income taxes under chapter 30 of this title must, in
29 accordance with the provisions of subsection (6), be deposited as follows:

30 (a) 91.3% of the taxes to the credit of the state general fund;

1 (b) 8.7% of the taxes to the credit of the debt service account for long-range building program
2 bonds as described in 17-5-408; and

3 (c) all interest and penalties to the credit of the state general fund.

4 (3) All money received from the collection of corporation license and income taxes under chapter
5 31 of this title, except as provided in 15-31-702, must, in accordance with the provisions of subsection
6 (6), be deposited as follows:

7 (a) 89.5% of the taxes to the credit of the state general fund;

8 (b) 10.5% of the taxes to the credit of the debt service account for long-range building program
9 bonds as described in 17-5-408; and

10 (c) all interest and penalties to the credit of the state general fund.

11 (4) The department of revenue shall also deposit to the credit of the state general fund all money
12 received from the collection of license taxes, fees, and all net revenues and receipts from all other sources
13 under the operation of the Montana Alcoholic Beverage Code.

14 (5) ~~After the distribution provided for in 15-36-112, the remainder of the oil severance tax~~
15 ~~collections~~ Oil and natural gas production taxes allocated under [section 18(7)(a)] must be deposited in the
16 general fund.

17 (6) Notwithstanding any other provision of law, the distribution of tax revenue must be made
18 according to the provisions of the law governing allocation of the tax that were in effect for the period in
19 which the tax revenue was recorded for accounting purposes. Tax revenue must be recorded as prescribed
20 by the department of administration, pursuant to 17-1-102(2) and (5), in accordance with generally
21 accepted accounting principles.

22 (7) All refunds of taxes must be attributed to the funds in which the taxes are currently being
23 recorded. All refunds of interest and penalties must be attributed to the funds in which the interest and
24 penalties are currently being recorded."

25

26 **Section 28.** Section 15-6-208, MCA, is amended to read:

27 "**15-6-208. Mineral exemptions.** (1) One-half of the contract sales price of coal sold by a coal
28 producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation.

29 (2) Metal mines producing less than 20,000 tons of ore in a taxable year are exempt from property
30 taxation on one-half of the merchantable value.

1 ~~(3) (a) New production, as defined in 15-23-601, is exempt from taxation for the first 12 months~~
 2 ~~of production as provided in 15-23-612.~~

3 ~~(b) Production from horizontally completed wells, as defined in 15-23-601, is exempt from taxation~~
 4 ~~for the first 18 months of production as provided in 15-23-612.~~

5 ~~(4)(3)~~ The first 1,000 tons of travertine and building stone extracted from a mine in a tax year are
 6 exempt from property taxation."

7
 8 **Section 29.** Section 15-16-102, MCA, is amended to read:

9 **"15-16-102. Time for payment -- penalty for delinquency.** Except as provided in 15-16-802 and
 10 15-16-803 and unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes
 11 levied and assessed in the state of Montana, except assessments made for special improvements in cities
 12 and towns payable under 15-16-103 and ~~assessments made on interim production and new production as~~
 13 ~~provided in Title 15, chapter 23, part 6, and payable under 15-16-121, shall be~~ are payable as follows:

14 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within
 15 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.
 16 on May 31 of each year.

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

21 (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year ~~shall be~~ are delinquent
 22 and ~~shall~~ draw interest at the rate of 5/6 of 1% per a month from and after the delinquency until paid and
 23 2% ~~shall~~ must be added to the delinquent taxes as a penalty.

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

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

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

4
5 **Section 30.** Section 15-23-103, MCA, is amended to read:

6 **"15-23-103. Due date of reports and returns -- extensions.** (1) Except as provided in subsection
7 (2) and ~~15-23-602~~, each report or return described in 15-23-301, 15-23-402, 15-23-502, 15-23-701, or
8 15-23-517 must be delivered to the department on or before March 31 each year.

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

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

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

15
16 **Section 31.** Section 15-23-104, MCA, is amended to read:

17 **"15-23-104. Failure to file -- estimate by department -- penalty.** (1) If any person fails to file a
18 report or return within the time established in 15-23-103 or by a later date approved by the department,
19 the department shall estimate the value of the property that should have been reported on the basis of the
20 best available information. In estimating the value of the net proceeds of mines, the department shall
21 proceed under 15-23-506, and in estimating the value of the gross proceeds of coal mines, the department
22 shall proceed under 15-35-107. In estimating the value of all other property subject to assessment under
23 parts 2 through 4 of this chapter, the department shall proceed under 15-1-303. In estimating value under
24 this section, the department may subpoena a person or the person's agent as specified in 15-1-302. An
25 assessment pursuant to parts ~~5, through 7, and~~ 7, and 8 of this chapter based on estimated value or imputed
26 value is subject to review under 15-1-211. For each month or part of a month that a report is delinquent,
27 the department shall impose and collect a \$25 penalty, with the total not to exceed \$200, and shall deposit
28 the penalty to the credit of the general fund. The department shall assess a penalty of 1% of the tax due
29 for each month or part of a month that the report is delinquent. The department shall notify the county
30 treasurer of each affected county of the amount of the penalty, and the treasurer shall collect the penalty

1 in the same manner as the taxes to which the penalty applies.

2 (2) For a delinquency in reporting under 15-23-212, the department shall assess a penalty of 1%
3 of the tax due for each month or part of a month that the report is delinquent."

4

5 **Section 32.** 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 each
7 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, and 15-23-517, ~~15-23-603,~~
18 ~~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 33.** 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, ~~15-23-602,~~ 15-23-701, or 15-23-802 and if an
26 additional tax is due, there must be added to the tax until paid in full interest at the rate of 1% a month or
27 fraction of a month from the date the original tax was due and payable. A taxpayer subject to imposition
28 of interest pursuant to this section is not subject to the penalty and interest provisions contained in
29 15-16-102."

30

1 **Section 34.** Section 15-38-105, MCA, is amended to read:

2 "**15-38-105. Report of gross yield from mines.** A person who engages in or carries on the business
3 of mining, extracting, or producing a mineral from any quartz vein or lode, placer claim, dump or tailings,
4 or other place or source shall file an annual statement of gross yield of the mineral from each mine owned
5 or worked by that person during the calendar year. This statement must be in the form prescribed by the
6 department and ~~shall~~ must be signed by the person or the manager, superintendent, agent, president, or
7 vice-president of the corporation, association, or partnership, if any. Metal producers shall deliver the
8 statement to the department on or before March 31 following the end of the calendar year. Mineral
9 producers, ~~including oil and gas producers,~~ shall deliver the statement to the department on or before the
10 60th day following the end of the calendar year. The statement ~~shall~~ must show the following:

11 (1) the name and address of the owner or lessee or operator of the mine;

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

13 (3) the quantity of minerals extracted, produced, and treated or sold from the mine during the
14 period covered by the statement;

15 (4) the amount and character of the mineral and the total yield of the mineral from the mine in
16 constituents of commercial value; that is to say, the number of ounces of gold or silver, pounds of copper
17 or lead, tons of coal, ~~barrels of petroleum or other crude or mineral oil, cubic feet of natural gas,~~ or other
18 commercially valuable constituents of the ores or mineral products or deposits yielded to the person
19 engaged in mining measured by standard units of measurement;

20 (5) the gross yield or value in dollars and cents."

21

22 **Section 35.** Section 15-38-121, MCA, is amended to read:

23 "**15-38-121. Certain royalties exempt.** Exempt from taxation are royalties received by:

24 (1) an Indian tribe with respect to ~~on-reservation oil and gas~~ mineral production pursuant to a lease
25 entered into under the Indian Mineral Leasing Act of 1938 (~~25 U.S.C. 396a-396g (1983)~~);

26 (2) the United States as trustee for individual Indians; and

27 (3) the United States, the state of Montana, or a county or municipal government."

28

29 **Section 36.** Section 15-38-202, MCA, is amended to read:

30 "**15-38-202. (Temporary) Investment of resource indemnity trust fund -- expenditure -- minimum**

1 **balance.** (1) All money paid into the resource indemnity trust fund, including money payable into the fund
2 under the provisions of 15-37-117, must be invested at the discretion of the board of investments. All the
3 net earnings accruing to the resource indemnity trust fund must annually be added to the trust fund until
4 it has reached the sum of \$10 million. Thereafter, only the net earnings may be appropriated and expended
5 until the fund reaches \$100 million. Thereafter, all net earnings and all receipts must be appropriated by
6 the legislature and expended, provided that the balance in the fund may never be less than \$100 million.

7 (2) (a) At the beginning of each biennium, there is allocated from the interest income of the
8 resource indemnity trust fund:

9 (i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the
10 conditions of 75-1-1101;

11 (ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account
12 pursuant to the conditions of 82-11-161;

13 (iii) beginning in fiscal year 1995, \$240,000, which is statutorily appropriated, as provided in
14 17-7-502, from the renewable resource grant and loan program state special revenue account to support
15 the operations of the environmental science-water quality instructional programs at northern Montana
16 college to be used for support costs, for matching funds necessary to attract additional funds to further
17 expand statewide impact, and for enhancement of the facilities related to the programs;

18 (iv) \$1,025,000 to be deposited into the renewable resource grant and loan program state special
19 revenue account, created by 85-1-604, for the purpose of making grants;

20 (v) \$2,200,000 to be deposited into the reclamation and development grants state special revenue
21 account, created by 90-2-1104, for the purpose of making grants; and

22 (vi) ~~beginning in fiscal year 1994,~~ \$250,000 to be deposited into the water storage state special
23 revenue account created by 85-1-631.

24 (b) The remainder of the interest income is allocated as follows:

25 (i) Thirty-eight percent of the interest income of the resource indemnity trust fund must be
26 allocated to the renewable resource grant and loan program state special revenue account created by
27 85-1-604.

28 (ii) Fifteen percent of the interest income of the resource indemnity trust fund must be allocated
29 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

30 (iii) Forty-one and one-half percent of the interest income from the resource indemnity trust fund

1 must be allocated to the reclamation and development grants account provided for in 90-2-1104.

2 (iv) Five and one-half percent of the interest income of the resource indemnity trust fund must be
3 allocated to the environmental quality protection fund provided for in 75-10-704.

4 (3) Any formal budget document prepared by the legislature or the executive branch that proposes
5 to appropriate funds from the resource indemnity trust interest account other than as provided for by the
6 allocations in subsection (2) must specify the amount of money from each allocation that is proposed to
7 be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and
8 publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the
9 legislative appropriation process or otherwise during a legislative session.

10 **15-38-202. (Effective July 1, 1995) Investment of resource indemnity trust fund -- expenditure --**
11 **minimum balance.** (1) All money paid into the resource indemnity trust fund, including money payable into
12 the fund under the provisions of 15-37-117 and [section 18], must be invested at the discretion of the
13 board of investments. All the net earnings accruing to the resource indemnity trust fund must annually be
14 added to the trust fund until it has reached the sum of \$10 million. Thereafter, only the net earnings may
15 be appropriated and expended until the fund reaches \$100 million. Thereafter, all net earnings and all
16 receipts must be appropriated by the legislature and expended, provided that the balance in the fund may
17 never be less than \$100 million.

18 (2) (a) At the beginning of each biennium, there is allocated from the interest income of the
19 resource indemnity trust fund:

20 (i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the
21 conditions of 75-1-1101;

22 (ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account
23 pursuant to the conditions of 82-11-161;

24 (iii) ~~beginning in fiscal year 1995,~~ \$240,000, which is statutorily appropriated, as provided in
25 17-7-502, from the renewable resource grant and loan program state special revenue account to support
26 the operations of the environmental science-water quality instructional programs at northern Montana
27 college to be used for support costs, for matching funds necessary to attract additional funds to further
28 expand statewide impact, and for enhancement of the facilities related to the programs;

29 (iv) beginning in fiscal year 1996, \$2 million to be deposited into the renewable resource grant and
30 loan program state special revenue account, created by 85-1-604, for the purpose of making grants;

1 (v) beginning in fiscal year 1996, \$3 million to be deposited into the reclamation and development
2 grants state special revenue account, created by 90-2-1104, for the purpose of making grants; and

3 (vi) beginning in fiscal year 1996, \$500,000 to be deposited into the water storage state special
4 revenue account created by 85-1-631.

5 (b) The remainder of the interest income is allocated as follows:

6 (i) Thirty-six percent of the interest income of the resource indemnity trust fund must be allocated
7 to the renewable resource grant and loan program state special revenue account created by 85-1-604.

8 (ii) Eighteen percent of the interest income of the resource indemnity trust fund must be allocated
9 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

10 (iii) Forty percent of the interest income from the resource indemnity trust fund must be allocated
11 to the reclamation and development grants account provided for in 90-2-1104.

12 (iv) Six percent of the interest income of the resource indemnity trust fund must be allocated to
13 the environmental quality protection fund provided for in 75-10-704.

14 (3) Any formal budget document prepared by the legislature or the executive branch that proposes
15 to appropriate funds from the resource indemnity trust interest account other than as provided for by the
16 allocations in subsection (2) must specify the amount of money from each allocation that is proposed to
17 be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and
18 publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the
19 legislative appropriation process or otherwise during a legislative session."
20

21 **Section 37.** Section 17-7-502, MCA, is amended to read:

22 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
23 appropriation is an appropriation made by permanent law that authorizes spending by a state agency
24 without the need for a biennial legislative appropriation or budget amendment.

25 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply
26 with both of the following provisions:

27 (a) The law containing the statutory authority must be listed in subsection (3).

28 (b) The law or portion of the law making a statutory appropriation must specifically state that a
29 statutory appropriation is made as provided in this section.

30 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;

1 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706;
 2 15-25-123; 15-31-702; ~~15-36-112~~; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410;
 3 16-1-411; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-704; 17-5-804; 17-6-101; 17-6-201; 17-6-409;
 4 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-15-101; 19-17-301; 19-18-512; 19-18-513;
 5 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-4-109; 20-8-111; 20-9-361; 20-26-1403; 20-26-1503;
 6 23-2-823; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402;
 7 27-12-206; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321; 39-71-2504;
 8 44-12-206; 44-13-102; 50-5-232; 50-40-206; 53-6-150; 53-24-206; 60-2-220; 61-2-107; 67-3-205;
 9 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-2-222; 80-4-416;
 10 80-11-310; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215; 90-6-331;
 11 90-7-220; 90-9-306; and 90-14-107.

12 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 13 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 14 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
 15 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
 16 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
 17 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.
 18 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
 19 supplemental benefit; and pursuant to sec. 15, Ch. 534, L. 1993, the inclusion of 90-14-107 terminates
 20 July 1, 1995.) "

21
 22 **Section 38.** Section 20-9-104, MCA, is amended to read:
 23 **"20-9-104. General fund operating reserve.** (1) At the end of each school fiscal year, the trustees
 24 of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be
 25 earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from
 26 July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (5) and (6), the
 27 amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final
 28 general fund budget for the ensuing school fiscal year.

29 (2) The amount held as operating reserve may not be used for property tax reduction in the manner
 30 permitted by 20-9-141(1)(b) for other receipts.

1 (3) Excess reserves as provided in subsection (5) may be appropriated to reduce the BASE budget
 2 levy, the over-BASE budget levy, or the additional levy provided by 20-9-353, except that districts with
 3 a balance on June 30, 1993, in the excess reserve account for Public Law 81-874 funds shall transfer the
 4 June 30, 1993, balance to the impact aid fund established in 20-9-514.

5 (4) Any portion of the general fund end-of-the-year fund balance that is not reserved under
 6 subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for
 7 property tax reduction as provided in 20-9-141(1)(b).

8 (5) For fiscal year 1994 and subsequent fiscal years, the limitation of subsection (1) does not apply
 9 when the amount in excess of the limitation is equal to or less than the unused balance of any amount
 10 received:

11 (a) in settlement of tax payments protested in a prior school fiscal year;

12 (b) in taxes from a prior school fiscal year as a result of a tax audit by the department of revenue
 13 or its agents; ~~and~~

14 (c) in delinquent taxes from a prior school fiscal year; and

15 (d) as a local government severance tax payment for calendar year 1995 production as provided
 16 in [section 19].

17 (6) The limitation of subsection (1) does not apply when the amount earmarked as operating
 18 reserve is \$10,000 or less."

19
 20 **Section 39.** Section 20-9-141, MCA, is amended to read:

21 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The
 22 county superintendent shall compute the levy requirement for each district's general fund on the basis of
 23 the following procedure:

24 (a) Determine the funding required for the district's final general fund budget less the sum of direct
 25 state aid and the special education allowable cost payment for the district by totaling:

26 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as
 27 provided in 20-9-303; and

28 (ii) any general fund budget amount adopted by the trustees of the district under the provisions
 29 of 20-9-308 and 20-9-353, including any additional funding for a general fund budget that exceeds the
 30 maximum general fund budget.

1 (b) Determine the money available for the reduction of the property tax on the district for the
2 general fund by totaling:

3 (i) general fund balance reappropriated, as established under the provisions of 20-9-104;

4 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of
5 the following:

6 (A) tuition payments for out-of-district pupils under the provisions of 20-5-321 through 20-5-323;

7 (B) revenue from property taxes and fees imposed under 23-2-517, 23-2-803, 61-3-504(2),
8 61-3-521, 61-3-537, and 67-3-204;

9 (C) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
10 ~~incremental production, as defined in 15-23-604~~ oil and natural gas production taxes;

11 (D) interest earned by the investment of general fund cash in accordance with the provisions of
12 20-9-213(4);

13 (E) revenue from corporation license taxes collected from financial institutions under the provisions
14 of 15-31-702; and

15 (F) any other revenue received during the school fiscal year that may be used to finance the general
16 fund, excluding any guaranteed tax base aid; and

17 (iii) ~~(A) pursuant to subsection (4), anticipated revenue from local government severance taxes as~~
18 ~~provided in 15-36-112; and~~

19 ~~(B) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703.~~

20 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the
21 property tax required to finance the general fund that has been determined in subsection (1)(b) from any
22 general fund budget amount adopted by the trustees of the district, up to the BASE budget amount, to
23 determine the general fund BASE budget levy requirement.

24 (d) Subtract any amount remaining after the determination in subsection (1)(c) from any additional
25 funding requirement to be met by an over-BASE budget amount, a district levy as provided in 20-9-303,
26 and any additional financing as provided in 20-9-353 to determine any additional general fund levy
27 requirements.

28 (2) The county superintendent shall calculate the number of mills to be levied on the taxable
29 property in the district to finance the general fund levy requirement for any amount that does not exceed
30 the BASE budget amount for the district by dividing the amount determined in subsection (1)(c) by the sum

1 of:

2 (a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as
3 certified by the superintendent of public instruction; and

4 (b) the taxable valuation of the district divided by 1,000.

5 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be
6 reported to the county commissioners on the fourth Monday of August by the county superintendent as
7 the general fund net levy requirement for the district, and a levy must be set by the county commissioners
8 in accordance with 20-9-142.

9 (4) For each school district, the department of revenue shall calculate and report to the county
10 superintendent the amount of revenue anticipated for the ensuing fiscal year from ~~local government~~
11 ~~severance taxes, as provided in 15-36-112, and from revenue from coal gross proceeds under 15-23-703.~~"

12
13 **Section 40.** Section 20-9-161, MCA, is amended to read:

14 **"20-9-161. Definition of budget amendment for budgeting purposes.** As used in this title, unless
15 the context clearly indicates otherwise, the term "budget amendment" for the purpose of school budgeting
16 means an amendment to an adopted budget of the district for the following reasons:

17 (1) an increase in the enrollment of an elementary or high school district that is beyond what could
18 reasonably have been anticipated at the time of the adoption of the budget for the current school fiscal year
19 whenever, because of the enrollment increase, the district's budget for any or all of the regularly budgeted
20 funds does not provide sufficient financing to properly maintain and support the district for the entire
21 current school fiscal year;

22 (2) the destruction or impairment of any school property necessary to the maintenance of the
23 school, by fire, flood, storm, riot, insurrection, or act of God, to an extent rendering school property unfit
24 for its present school use;

25 (3) a judgment for damages against the district issued by a court after the adoption of the budget
26 for the current year;

27 (4) an enactment of legislation after the adoption of the budget for the current year that imposes
28 an additional financial obligation on the district;

29 (5) the receipt of:

30 (a) a settlement of taxes protested in a prior school fiscal year; ~~or~~

1 (b) taxes from a prior school fiscal year as the result of a tax audit by the department of revenue
2 or its agents; ~~or~~

3 (c) delinquent taxes from a prior school fiscal year; ~~and~~ or

4 (d) local government severance tax payments for calendar year 1995 production as provided in
5 [section 19(7)]; and

6 (e) a determination by the trustees that it is necessary to expend all or a portion of the taxes
7 received under subsection (5)(a), (5)(b), ~~or~~ (5)(c) or (5)(d) for a project or projects that were deferred from
8 a previous budget of the district as a result of the protested taxes; or

9 (6) any other unforeseen need of the district that cannot be postponed until the next school year
10 without dire consequences affecting the safety of the students and district employees or the educational
11 functions of the district."

12

13 **Section 41.** Section 20-9-331, MCA, is amended to read:

14 **"20-9-331. Basic county tax and other revenues for county equalization of the elementary district**

15 **BASE funding program.** (1) The county commissioners of each county shall levy an annual basic tax of 33
16 mills on the dollar of the taxable value of all taxable property within the county, except for property subject
17 to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, for the
18 purposes of local and state BASE funding program support. The revenue collected from this levy must be
19 apportioned to the support of the elementary BASE funding programs of the school districts in the county
20 and to the state special revenue fund, state equalization aid account, in the following manner:

21 (a) In order to determine the amount of revenue raised by this levy that is retained by the county,
22 the sum of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE
23 funding programs of all elementary districts of the county.

24 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is
25 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
26 to the state treasurer for deposit to the state special revenue fund, state equalization aid account,
27 immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final
28 remittance due no later than June 20 of the fiscal year for which the levy has been set.

29 (2) The revenue realized from the county's portion of the levy prescribed by this section and the
30 revenue from the following sources must be used for the equalization of the elementary BASE funding

1 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
2 by the county treasurer in accordance with 20-9-212(1):

3 (a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for
4 the common school fund under the provisions of 17-3-222;

5 (b) the portion of the federal flood control act funds distributed to a county and designated for
6 expenditure for the benefit of the county common schools under the provisions of 17-3-232;

7 (c) all money paid into the county treasury as a result of fines for violations of law, except money
8 paid to a justice's court, and the use of which is not otherwise specified by law;

9 (d) any money remaining at the end of the immediately preceding school fiscal year in the county
10 treasurer's accounts for the various sources of revenue established or referred to in this section;

11 (e) any federal or state money distributed to the county as payment in lieu of property taxation,
12 including federal forest reserve funds allocated under the provisions of 17-3-213;

13 (f) gross proceeds taxes from coal under 15-23-703;

14 (g) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
15 ~~incremental production, as defined in 15-23-601, and local government severance taxes on any other~~
16 ~~production occurring after December 31, 1988~~ oil and natural gas production taxes; and

17 (h) anticipated local government severance tax payments for calendar year 1995 production as
18 provided in [section 19]; and

19 (i) anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
20 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204."

21
22 **Section 42.** Section 20-9-333, MCA, is amended to read:

23 **"20-9-333. Basic special levy and other revenues for county equalization of high school district**
24 **BASE funding program.** (1) The county commissioners of each county shall levy an annual basic special
25 tax for high schools of 22 mills on the dollar of the taxable value of all taxable property within the county,
26 except for property subject to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537,
27 and 67-3-204, for the purposes of local and state BASE funding program support. The revenue collected
28 from this levy must be apportioned to the support of the BASE funding programs of high school districts
29 in the county and to the state special revenue fund, state equalization aid account, in the following manner:

30 (a) In order to determine the amount of revenue raised by this levy that is retained by the county,

1 the sum of the estimated revenue identified in subsection (2) must be subtracted from the sum of the
 2 county's high school tuition obligation and the total of the BASE funding programs of all high school
 3 districts of the county.

4 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is
 5 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
 6 to the state treasurer for deposit to the state special revenue fund, state equalization aid account,
 7 immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final
 8 remittance due no later than June 20 of the fiscal year for which the levy has been set.

9 (2) The revenue realized from the county's portion of the levy prescribed in this section and the
 10 revenue from the following sources must be used for the equalization of the high school BASE funding
 11 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
 12 by the county treasurer in accordance with 20-9-212(1):

13 (a) any money remaining at the end of the immediately preceding school fiscal year in the county
 14 treasurer's accounts for the various sources of revenue established in this section;

15 (b) any federal or state money distributed to the county as payment in lieu of property taxation,
 16 including federal forest reserve funds allocated under the provisions of 17-3-213;

17 (c) gross proceeds taxes from coal under 15-23-703;

18 (d) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
 19 ~~incremental production, as defined in 15-23-601, and local government severance taxes on any other~~
 20 ~~production occurring after December 31, 1988~~ oil and natural gas production taxes; and

21 (e) anticipated local government severance tax payments for calendar year 1995 production as
 22 provided in [section 19]; and

23 ~~(f)~~ anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
 24 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204."

25

26 **Section 43.** Section 20-9-501, MCA, is amended to read:

27 **"20-9-501. Retirement fund.** (1) The trustees of a district employing personnel who are members
 28 of the teachers' retirement system or the public employees' retirement system or who are covered by
 29 unemployment insurance or who are covered by any federal social security system requiring employer
 30 contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's

1 contributions to the systems. The district's contribution for each employee who is a member of the
 2 teachers' retirement system must be calculated in accordance with Title 19, chapter 20, part 6. The
 3 district's contribution for each employee who is a member of the public employees' retirement system must
 4 be calculated in accordance with 19-3-316. The district's contributions for each employee covered by any
 5 federal social security system must be paid in accordance with federal law and regulation. The district's
 6 contribution for each employee who is covered by unemployment insurance must be paid in accordance
 7 with Title 39, chapter 51, part 11.

8 (2) The trustees of a district required to make a contribution to a system referred to in subsection
 9 (1) shall include in the retirement fund of the preliminary budget the estimated amount of the employer's
 10 contribution. After the final retirement fund budget has been adopted, the trustees shall pay the employer
 11 contributions to the systems in accordance with the financial administration provisions of this title.

12 (3) When the final retirement fund budget has been adopted, the county superintendent shall
 13 establish the levy requirement by:

14 (a) determining the sum of the money available to reduce the retirement fund levy requirement by
 15 adding:

16 (i) any anticipated money that may be realized in the retirement fund during the ensuing school
 17 fiscal year, including anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
 18 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

19 (ii) ~~net proceeds taxes and local government severance taxes on any other oil and gas production~~
 20 ~~occurring after December 31, 1988~~ oil and natural gas production taxes;

21 (iii) anticipated local government severance tax payments for calendar year 1995 production as
 22 provided in [section 19];

23 (iv) coal gross proceeds taxes under 15-23-703;

24 ~~(v)~~ (v) any fund balance available for reappropriation as determined by subtracting the amount of
 25 the end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing school
 26 fiscal year by the trustees from the end-of-the-year fund balance in the retirement fund. The retirement fund
 27 operating reserve may not be more than 35% of the final retirement fund budget for the ensuing school
 28 fiscal year and must be used for the purpose of paying retirement fund warrants issued by the district under
 29 the final retirement fund budget; and

30 ~~(vi)~~ (vi) any other revenue anticipated that may be realized in the retirement fund during the ensuing

1 school fiscal year, excluding any guaranteed tax base aid.

2 (b) notwithstanding the provisions of subsection (8), subtracting the money available for reduction
3 of the levy requirement, as determined in subsection (3)(a), from the budgeted amount for expenditures in
4 the final retirement fund budget.

5 (4) The county superintendent shall:

6 (a) total the net retirement fund levy requirements separately for all elementary school districts,
7 all high school districts, and all community college districts of the county, including any prorated joint
8 district or special education cooperative agreement levy requirements; and

9 (b) report each levy requirement to the county commissioners on the fourth Monday of August as
10 the respective county levy requirements for elementary district, high school district, and community college
11 district retirement funds.

12 (5) The county commissioners shall fix and set the county levy in accordance with 20-9-142.

13 (6) The net retirement fund levy requirement for a joint elementary district or a joint high school
14 district must be prorated to each county in which a part of the district is located in the same proportion as
15 the district ANB of the joint district is distributed by pupil residence in each county. The county
16 superintendents of the counties affected shall jointly determine the net retirement fund levy requirement
17 for each county as provided in 20-9-151.

18 (7) The net retirement fund levy requirement for districts that are members of special education
19 cooperative agreements must be prorated to each county in which the district is located in the same
20 proportion as the special education cooperative budget is prorated to the member school districts. The
21 county superintendents of the counties affected shall jointly determine the net retirement fund levy
22 requirement for each county in the same manner as provided in 20-9-151 and the county commissioners
23 shall fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152.

24 (8) The county superintendent shall calculate the number of mills to be levied on the taxable
25 property in the county to finance the retirement fund net levy requirement by dividing the amount
26 determined in subsection (4)(a) by the sum of:

27 (a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as
28 certified by the superintendent of public instruction; and

29 (b) the taxable valuation of the district divided by 1,000."
30

1 **Section 44.** Section 20-9-507, MCA, is amended to read:

2 **"20-9-507. Miscellaneous programs fund.** (1) The trustees of a district receiving money from
3 local, state, federal, or other sources provided in 20-5-324 other than money under the provisions of Title
4 I of Public Law 81-874 or federal money designated for deposit in a specific fund of the district shall
5 establish a miscellaneous programs fund for the deposit of the money. The money may be a reimbursement
6 of miscellaneous program fund expenditures already realized by the district, a payment received as a local
7 government severance tax payment for calendar year 1995 production as provided in [section 19], or may
8 ~~be~~ a grant of money for the financing of expenditures to be realized by the district for a special, approved
9 program to be operated by the district. When the money is a reimbursement or a local government
10 severance tax payment, the money may be expended at the discretion of the trustees for school purposes.
11 When the money is a grant, the money must be expended according to the conditions of the program
12 approval by the superintendent of public instruction or any other approval agent. Within the miscellaneous
13 programs fund, the trustees shall cause a separate accounting to be maintained for each federal grant
14 program and for the aggregate of all reimbursement money.

15 (2) The financial administration of the miscellaneous programs fund must be in accordance with
16 the financial administration provisions of this title for a nonbudgeted fund."

17

18 **Section 45.** Section 20-10-144, MCA, is amended to read:

19 **"20-10-144. Computation of revenue and net tax levy requirements for district transportation fund**
20 **budget.** Before the fourth Monday of July and in accordance with 20-9-123, the county superintendent
21 shall compute the revenue available to finance the transportation fund budget of each district. The county
22 superintendent shall compute the revenue for each district on the following basis:

23 (1) The "schedule amount" of the preliminary budget expenditures that is derived from the rate
24 schedules in 20-10-141 and 20-10-142 must be determined by adding the following amounts:

25 (a) the sum of the maximum reimbursable expenditures for all approved school bus routes
26 maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate
27 per bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus
28 route approved by the county transportation committee and maintained by the district); plus

29 (b) the total of all individual transportation per diem reimbursement rates for the district as
30 determined from the contracts submitted by the district multiplied by the number of pupil-instruction days

1 scheduled for the ensuing school attendance year; plus

2 (c) any estimated costs for supervised home study or supervised correspondence study for the
3 ensuing school fiscal year; plus

4 (d) the amount budgeted on the preliminary budget for the contingency amount permitted in
5 20-10-143, except if the amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or \$100,
6 whichever is larger, the contingency amount on the preliminary budget must be reduced to the limitation
7 amount and used in this determination of the schedule amount; plus

8 (e) any estimated costs for transporting a child out of district when the child has mandatory
9 approval to attend school in a district outside the district of residence.

10 (2) (a) The schedule amount determined in subsection (1) or the total preliminary transportation
11 fund budget, whichever is smaller, is divided by 2 and is used to determine the available state and county
12 revenue to be budgeted on the following basis:

13 (i) one-half is the budgeted state transportation reimbursement, except that the state transportation
14 reimbursement for the transportation of special education pupils under the provisions of 20-7-442 must be
15 50% of the schedule amount attributed to the transportation of special education pupils; and

16 (ii) one-half is the budgeted county transportation fund reimbursement and must be financed in the
17 manner provided in 20-10-146.

18 (b) When the district has a sufficient amount of cash for reappropriation and other sources of
19 district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero,
20 any remaining amount of district revenue and cash reappropriated must be used to reduce the county
21 financing obligation in subsection (2)(a)(ii) and, if the county financing obligations are reduced to zero, to
22 reduce the state financial obligation in subsection (2)(a)(i).

23 (c) The county revenue requirement for a joint district, after the application of any district money
24 under subsection (2)(b), must be prorated to each county incorporated by the joint district in the same
25 proportion as the ANB of the joint district is distributed by pupil residence in each county.

26 (3) The total of the money available for the reduction of property tax on the district for the
27 transportation fund must be determined by totaling:

28 (a) anticipated federal money received under the provisions of Title I of Public Law 81-874 or other
29 anticipated federal money received in lieu of that federal act;

30 (b) anticipated payments from other districts for providing school bus transportation services for

1 the district;

2 (c) anticipated payments from a parent or guardian for providing school bus transportation services
3 for a child;

4 (d) anticipated or reappropriated interest to be earned by the investment of transportation fund
5 cash in accordance with the provisions of 20-9-213(4);

6 (e) anticipated or reappropriated revenue from property taxes and fees imposed under 23-2-517,
7 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

8 (f) anticipated revenue from coal gross proceeds under 15-23-703;

9 (g) anticipated ~~net proceeds taxes for new production, production from horizontally completed~~
10 ~~wells, and incremental production, as defined in 15-23-601, and local government severance taxes on any~~
11 ~~other production occurring after December 31, 1988~~ oil and natural gas production taxes;

12 (h) anticipated local government severance tax payments for calendar year 1995 production;

13 ~~(h)(i)~~ (i) anticipated transportation payments for out-of-district pupils under the provisions of 20-5-320
14 through 20-5-324;

15 ~~(i)(j)~~ (j) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal
16 year that may be used to finance the transportation fund; and

17 ~~(i)(k)~~ (k) any fund balance available for reappropriation as determined by subtracting the amount of
18 the end-of-the-year fund balance earmarked as the transportation fund operating reserve for the ensuing
19 school fiscal year by the trustees from the end-of-the-year fund balance in the transportation fund. The
20 operating reserve may not be more than 20% of the final transportation fund budget for the ensuing school
21 fiscal year and is for the purpose of paying transportation fund warrants issued by the district under the
22 final transportation fund budget.

23 (4) The district levy requirement for each district's transportation fund must be computed by:

24 (a) subtracting the schedule amount calculated in subsection (1) from the total preliminary
25 transportation budget amount; and

26 (b) subtracting the amount of money available to reduce the property tax on the district, as
27 determined in subsection (3), from the amount determined in subsection (4)(a).

28 (5) The transportation fund levy requirements determined in subsection (4) for each district must
29 be reported to the county commissioners on the fourth Monday of August by the county superintendent
30 as the transportation fund levy requirements for the district, and the levy must be made by the county

1 commissioners in accordance with 20-9-142."

2

3 **Section 46.** Section 20-10-146, MCA, is amended to read:

4 **"20-10-146. County transportation reimbursement.** (1) The apportionment of the county
5 transportation reimbursement by the county superintendent for school bus transportation or individual
6 transportation that is actually rendered by a district in accordance with this title, board of public education
7 transportation policy, and the transportation rules of the superintendent of public instruction must be the
8 same as the state transportation reimbursement payment, except that:

9 (a) if any cash was used to reduce the budgeted county transportation reimbursement under the
10 provisions of 20-10-144(2)(b), the annual apportionment is limited to the budget amount;

11 (b) when the county transportation reimbursement for a school bus has been prorated between two
12 or more counties because the school bus is conveying pupils of more than one district located in the
13 counties, the apportionment of the county transportation reimbursement must be adjusted to pay the
14 amount computed under the proration; and

15 (c) when county transportation reimbursement is required under the mandatory attendance
16 agreement provisions of 20-5-321.

17 (2) The county transportation net levy requirement for the financing of the county transportation
18 fund reimbursements to districts is computed by:

19 (a) totaling the net requirement for all districts of the county, including reimbursements to a special
20 education cooperative or prorated reimbursements to joint districts or reimbursements under the mandatory
21 attendance agreement provisions of 20-5-321;

22 (b) determining the sum of the money available to reduce the county transportation net levy
23 requirement by adding:

24 (i) anticipated money that may be realized in the county transportation fund during the ensuing
25 school fiscal year, including anticipated revenue from property taxes and fees imposed under 23-2-517,
26 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

27 ~~(ii) net proceeds taxes and local government severance taxes on other oil and gas production~~
28 ~~occurring after December 31, 1988~~ oil and natural gas production taxes;

29 (iii) anticipated local government severance tax payments for calendar year 1995 production;

30 ~~(iiii)~~ (iv) coal gross proceeds taxes under 15-23-703;

1 ~~(iv)~~(v) any fund balance available for reappropriation from the end-of-the-year fund balance in the
2 county transportation fund;

3 ~~(v)~~(vi) federal forest reserve funds allocated under the provisions of 17-3-213; and

4 ~~(vi)~~(vii) other revenue anticipated that may be realized in the county transportation fund during the
5 ensuing school fiscal year; and

6 (c) subtracting the money available as determined in subsection (2)(b) to reduce the levy
7 requirement from the county transportation net levy requirement.

8 (3) The net levy requirement determined in subsection (2)(c) must be reported to the county
9 commissioners on the fourth Monday of August by the county superintendent and a levy must be set by
10 the county commissioners in accordance with 20-9-142.

11 (4) The county superintendent shall apportion the county transportation reimbursement from the
12 proceeds of the county transportation fund. The county superintendent shall order the county treasurer to
13 make the apportionments in accordance with 20-9-212(2) and after the receipt of the semiannual state
14 transportation reimbursement payments."

15
16 **Section 47.** Section 82-11-118, MCA, is amended to read:

17 "**82-11-118. Fees for processing applications.** (1) The board shall establish a fee schedule to
18 defray the expenses incurred for processing an application from an operator or producer of oil seeking
19 approval of a new or expanded enhanced recovery project, as defined in ~~15-23-601 or 15-36-101~~ [section
20 3]. The fee must be paid by the owner or operator seeking approval of the project.

21 (2) The board shall, by rule, determine the amount of the fee based on the complexity of
22 processing the application."

23
24 **Section 48.** Section 82-11-135, MCA, is amended to read:

25 "**82-11-135. Money earmarked for board expenses.** ~~All~~ The state treasurer shall deposit all money
26 collected under this chapter and under [section 18(7)(b)] shall be deposited in the state special revenue fund
27 ~~by the state treasurer and shall.~~ The money must be used for the purpose of paying all expenses of the
28 board and for no other purpose. ~~All these moneys shall be used by the board~~ The board shall use the
29 money subject to biennial appropriations by the legislature. Income and interest from investment of the
30 board's moneys in the state special revenue fund ~~shall~~ must be credited to the board."

1 **SECTION 49. SECTION 82-11-162, MCA, IS AMENDED TO READ:**

2 "82-11-162. Release of producing oil or gas well from drilling bond -- fee. Upon receipt of
3 notification by the owner on a form prescribed by the board, payment by the owner of \$125, and proof
4 from the owner that a well completed after June 30, 1989, is producing oil or gas in commercial quantities
5 and is subject to the tax under ~~15-38-104~~ [sections 1 through 20], the board shall release ~~and absolve~~ the
6 owner of the well from the bond required under 82-11-123."

7

8 **NEW SECTION. Section 50. Repealer.** Sections 15-23-601, 15-23-602, 15-23-603, 15-23-605,
9 15-23-606, 15-23-607, 15-23-608, 15-23-609, 15-23-610, 15-23-611, 15-23-612, 15-23-613,
10 15-23-614, 15-23-621, 15-23-631, 15-36-101, 15-36-102, 15-36-103, 15-36-104, 15-36-105,
11 15-36-106, 15-36-107, 15-36-108, 15-36-109, 15-36-110, 15-36-112, 15-36-113, 15-36-114,
12 15-36-120, 15-36-121, 15-36-122, 15-36-126, 82-11-131, 82-11-132, and 82-11-133, MCA, are
13 repealed.

14

15 **NEW SECTION. Section 51. Codification instruction.** [Sections 1 through 20] are intended to be
16 codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 1 through 20].

17

18 **NEW SECTION. Section 52. Saving clause.** [This act] does not affect rights and duties that
19 matured, penalties that were incurred, or proceedings that were begun before [the effective date of this
20 act].

21

22 **NEW SECTION. Section 53. Severability.** If a part of [this act] is invalid, all valid parts that are
23 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
24 applications, the part remains in effect in all valid applications that are severable from the invalid
25 applications.

26

27 **NEW SECTION. Section 54. Effective dates -- rulemaking.** (1) Except for the purposes of
28 subsection (2), [this act] is effective January 1, 1996.

29 (2) For the purposes of promulgating administrative rules, [section 16 and this section] are effective
30 on passage and approval.

1 SENATE BILL NO. 412

2 INTRODUCED BY GROSFIELD, HARP, FELAND, PECK, ROSE, HALLIGAN, COLE, ELLIOTT, STANG,
3 TVEIT, L. NELSON, SCHWINDEN, MERCER, SWANSON, FOSTER, BOHLINGER, BROWN, M. HANSON,
4 J. JOHNSON, T. NELSON, HIBBARD, DEVLIN
5 BY REQUEST OF THE DEPARTMENT OF REVENUE
6

7 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE TAXATION OF OIL AND NATURAL
8 GAS; ELIMINATING THE OIL AND NATURAL GAS NET PROCEEDS TAX, THE LOCAL GOVERNMENT
9 SEVERANCE TAX, THE STATE OIL AND GAS SEVERANCE TAX, AND THE OIL AND GAS PRIVILEGE AND
10 LICENSE TAX; IMPOSING OIL AND NATURAL GAS PRODUCTION TAXES BASED ON THE TYPE OF WELL
11 AND TYPE OF PRODUCTION; PROVIDING FOR THE DISTRIBUTION OF OIL AND NATURAL GAS
12 PRODUCTION TAXES; PROVIDING A DISBURSEMENT TO SCHOOL DISTRICTS AND LOCAL
13 GOVERNMENTS TO REPLACE NET PROCEEDS AND LOCAL GOVERNMENT SEVERANCE TAX REVENUE;
14 EXEMPTING OIL AND NATURAL GAS PRODUCTION FROM THE RESOURCE INDEMNITY TRUST TAX;
15 PROVIDING AN ALLOCATION OF OIL AND NATURAL GAS PRODUCTION TAX REVENUE FOR THE
16 PURPOSES OF THE MONTANA RESOURCE INDEMNITY TRUST AND GROUND WATER ASSESSMENT ACT;
17 PROVIDING FOR THE ACCELERATED PAYMENT OF LOCAL GOVERNMENT SEVERANCE TAXES FOR
18 PRODUCTION YEAR 1995; AUTHORIZING COUNTIES TO ESTABLISH AN OIL AND NATURAL GAS
19 ACCELERATED TAX FUND; ALLOWING SCHOOL DISTRICTS TO USE ACCELERATED LOCAL
20 GOVERNMENT SEVERANCE TAX PAYMENTS FOR ANY BUDGET PURPOSE; AMENDING SECTIONS
21 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-6-208, 15-16-102,
22 15-23-103, 15-23-104, 15-23-106, 15-23-115, 15-38-105, 15-38-121, 15-38-202, 17-7-502, 20-9-104,
23 20-9-141, 20-9-161, 20-9-331, 20-9-333, 20-9-501, 20-9-507, 20-10-144, 20-10-146, 82-11-118, AND
24 82-11-135, AND 82-11-162, MCA; REPEALING SECTIONS 15-16-121, 15-23-601, 15-23-602, 15-23-603,
25 15-23-605, 15-23-606, 15-23-607, 15-23-608, 15-23-609, 15-23-610, 15-23-611, 15-23-612,
26 15-23-613, 15-23-614, 15-23-621, 15-23-631, 15-36-101, 15-36-102, 15-36-103, 15-36-104,
27 15-36-105, 15-36-106, 15-36-107, 15-36-108, 15-36-109, 15-36-110, 15-36-112, 15-36-113,
28 15-36-114, 15-36-120, 15-36-121, 15-36-122, 15-36-126, 82-11-131, 82-11-132, AND 82-11-133,
29 MCA, AND CHAPTER 33, LAWS OF 1995; AND PROVIDING EFFECTIVE DATES AND APPLICABILITY
30 PROVISIONS."

STATEMENT OF INTENT

(1) A statement of intent is required for this bill because [section 16] grants the department of revenue authority to adopt rules for the implementation and administration of the new production taxes imposed on oil and natural gas.

(2) The legislature contemplates that rules adopted by the department should, at a minimum, address the following:

(a) the forms and other documents required for the reporting and payment of the oil and natural gas production tax;

(b) the definition and clarification of the categories of oil and natural gas subject to taxation;

(c) the requirements for the maintenance of records and other documents required to ensure proper payment of oil and natural gas production taxes;

(d) the process for the estimation and collection of delinquent or unpaid taxes; and

(e) the procedures for the efficient collection of the oil and natural gas production tax.

(3) [This act] takes effect before taxes on the oil and gas net proceeds tax, the local government severance tax, the state oil and gas severance tax, the resource indemnity and ground water assessment tax, and the oil and gas privilege and license tax for certain production periods will have been paid. The legislature intends that the department establish procedures to ensure that all tax liabilities for production occurring before January 1, 1996, are satisfied. The legislature also intends that the department establish procedures for the proper distribution of this tax revenue to all affected governmental entities and funds.

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

NEW SECTION. Section 1. Short title. [Sections 1 through 20] may be cited as the "Montana Oil and Natural Gas Production Tax Act".

NEW SECTION. Section 2. Legislative findings and declaration of purpose. (1) (a) The legislature finds that the extraction taxes imposed on the production of oil and natural gas have been exceedingly complex and confusing. Oil and natural gas producers have been required to file several tax forms and to pay taxes at different times on the same production.

(b) The legislature further finds that it is in the best interest of the state and in the best interest

1 of oil and gas producers to simplify the taxation of oil and natural gas production.

2 (2) The legislature declares that the purposes of [sections 1 through 20] are:

3 (a) to replace all net proceeds taxes, severance taxes, privilege and license taxes, and other
4 extraction taxes on oil and natural gas production with a single production tax based on the type of well
5 and type of production;

6 (b) to ensure that the distribution of tax revenue to the state, counties, and school districts from
7 the new production taxes is consistent with the distribution of tax revenue from the former extraction
8 taxes;

9 (c) to simplify the procedures for compliance with and the administration of the taxation of oil and
10 natural gas production;

11 (d) to provide an incentive for oil and natural gas producers to pay 1995 local government
12 severance taxes on an accelerated basis; and

13 (e) to provide discretionary authority to counties and school districts for the use of the accelerated
14 payments of the local government severance tax.

15

16 **NEW SECTION. Section 3. Definitions.** As used in [sections 1 through 20], the following
17 definitions apply:

18 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

19 (2) "Department" means department of revenue provided for in 2-15-1301;

20 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the
21 earth other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or
22 biological process.

23 (4) "Existing enhanced recovery project" means an enhanced recovery project that began
24 development before January 1, 1994.

25 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells
26 or production wells, the recompletion of existing wells as horizontally completed wells, the change of an
27 injection pattern, or other operating changes to an existing enhanced recovery project that will result in the
28 recovery of oil that would not otherwise be recovered. The project must be developed after December 31,
29 1993, and before January 1, 2002.

30 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax,

1 means the gross value of the product as determined in [section 5].

2 (7) "Horizontal drain hole" means that portion of a well bore with 70 degrees to 110 degrees
3 deviation from the vertical and a horizontal projection within the common source of supply, as that term
4 is defined by the board, that exceeds 100 feet.

5 (8) "Horizontally completed well" means:

- 6 (a) a well with one or more horizontal drain holes; and
- 7 (b) any other well classified by the board as a horizontally completed well.

8 (9) "Incremental production" means:

9 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery
10 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume
11 of production is in excess of the production decline rate established under the conditions existing before:

- 12 (i) the commencement of the recompletion of a well as a horizontally completed well;
- 13 (ii) expansion of the existing enhanced recovery project; or
- 14 (iii) commencing a new enhanced recovery project; or

15 (b) in the case of any project that had no taxable production prior to commencing the enhanced
16 recovery project, all production of oil from the enhanced recovery project.

17 (10) "Natural gas" or "gas" means natural gas and other fluid hydrocarbons, other than oil,
18 produced at the wellhead.

19 (11) "New enhanced recovery project" means an enhanced recovery project that began
20 development after December 31, 1993, and before January 1, 2002.

21 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,
22 development, and operation costs of the lease or unit, except for production taxes.

23 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that
24 are produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves
25 the wellhead.

26 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or
27 who owns, controls, manages, leases, or operates within this state any well or wells from which any
28 marketable oil or natural gas is extracted or produced.

29 (15) "Post-1985 well" means an oil or natural gas well drilled after June 30, 1985, other than
30 horizontally completed or recompleted oil wells drilled after December 31, 1993, that produces oil or natural

1 gas or a well that has not produced oil or natural gas during the 5 years immediately preceding the first
2 month of qualifying as a post-1985 well.

3 (16) "Pre-1985 well" means an oil or natural gas well that was drilled before July 1, 1985.

4 (17) "Primary recovery" means the displacement of oil from the earth into the well bore by means
5 of the natural pressure of the oil reservoir and includes artificial lift.

6 (18) "Production decline rate" means the projected rate of future oil production, extrapolated by
7 a method approved by the board, that must be determined for a project area prior to commencing a new
8 or expanded enhanced recovery project or the recompletion of a well as a horizontally completed well. The
9 approved production decline rate must be certified in writing to the department by the board. In that
10 certification, the board shall identify the project area and shall specify the projected rate of future oil
11 production by calendar year and by calendar quarter within each year. The certified rate of future oil
12 production must be used to determine the volume of incremental production that qualifies for the tax rate
13 imposed under [section 4(4)(d)].

14 (19) "Secondary recovery project" means an enhanced recovery project, other than a tertiary
15 recovery project, that commenced or was expanded after December 31, 1993, and before January 1, 2002,
16 and meets each of the following requirements:

17 (a) The project must be certified as a secondary recovery project to the department by the board.
18 The certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

19 (b) The property to be affected by the project must be adequately delineated according to the
20 specifications required by the board.

21 (c) The project must involve the application of secondary recovery methods that can reasonably
22 be expected to result in an increase, determined by the board to be significant in light of all the facts and
23 circumstances, in the amount of oil that may potentially be recovered. For purposes of [sections 1 through
24 20], secondary recovery methods include but are not limited to:

25 (i) the injection of water into the producing formation for the purposes of maintaining pressure in
26 that formation or for the purpose of increasing the flow of oil from the producing formation to a producing
27 well bore; or

28 (ii) any other method approved by the board as a secondary recovery method.

29 (20) "Stripper natural gas" means the natural gas produced from any well that produces less than
30 60,000 cubic feet of natural gas a day during the calendar year immediately preceding the current year.

1 Production must be determined by dividing the amount of production from a lease or unitized area for the
2 year immediately preceding the current calendar year by the number of producing wells in the lease or
3 unitized area and by dividing the resulting quotient by 365.

4 (21) "Stripper oil" means the oil produced from any well that produces less than 10 barrels a day
5 for the calendar year immediately preceding the current year. Production must be determined by dividing
6 the amount of production from a lease or unitized area for the year immediately preceding the current
7 calendar year by the number of producing wells in the lease or unitized area and by dividing the resulting
8 quotient by 365.

9 (22) "Tertiary recovery project" means an enhanced recovery project, other than a secondary
10 recovery project, using a tertiary recovery method that meets the following requirements:

11 (a) The project must be certified as a tertiary recovery project to the department by the board. The
12 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

13 (b) The property to be affected by the project must be adequately delineated in the certification
14 according to the specifications required by the board.

15 (c) The project must involve the application of one or more tertiary recovery methods that can
16 reasonably be expected to result in an increase, determined by the board to be significant in light of all the
17 facts and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of
18 [sections 1 through 20], tertiary recovery methods include but are not limited to:

19 (i) miscible fluid displacement;

20 (ii) steam drive injection;

21 (iii) micellar/emulsion flooding;

22 (iv) in situ combustion;

23 (v) polymer augmented water flooding;

24 (vi) cyclic steam injection;

25 (vii) alkaline or caustic flooding;

26 (viii) carbon dioxide water flooding;

27 (ix) immiscible carbon dioxide displacement; or

28 (x) any other method approved by the board as a tertiary recovery method.

29 (23) "Well" or "wells" means a single well or a group of wells in one field or production unit and
30 under the control of one operator or producer.

1 (24) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells
 2 who bears any portion of the exploration, development, and operating costs of the well or wells.

3

4 NEW SECTION. **Section 4. Production tax rates imposed on oil and natural gas.** (1) The
 5 production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in
 6 [section 18].

7 (2) Natural gas is taxed on the gross taxable value of production based on the type of well and
 8 type of production according to the following schedule for working interest and nonworking interest
 9 owners:

	Working	Nonworking
	Interest	Interest
12 (a) pre-1985 wells	18.75%	15%
13 (b) post-1985 wells		
14 (i) first 12 months		
15 of qualifying production	3.35%	15%
16 (ii) after 12 months	15.35%	15%
17 (c) stripper natural gas		
18 pre-1985 and post-1985 wells	11.2%	15%

19 (3) The reduced tax rate under subsection (2)(b)(i) on natural gas production for the first 12 months
 20 of natural gas production from a post-1985 well begins following the last day of the calendar month
 21 immediately preceding the month in which natural gas is placed in a natural gas distribution system,
 22 provided that notification has been given to the department.

23 (4) Oil is taxed on the gross taxable value of production based on the type of well and type of
 24 production according to the following schedule for working interest and nonworking interest owners:

	Working	Nonworking
	Interest	Interest
27 (a) primary recovery production		
28 (i) pre-1985 wells	14.1%	16.5% <u>17.1%</u>
29 (ii) post-1985 wells		

30

1	(A) first 12 months of		
2	qualifying production	5.7%	16.5%
3			<u>15%</u>
4	(B) after 12 months	12.7%	16.5%
5			<u>15%</u>
6	(b) stripper oil production		
7	(I) pre-1985 and post-1985 wells	11%	16.5%
8		<u>10.7%</u>	<u>17.1%</u>
9	(II) <u>POST-1985 WELLS</u>	<u>10.7%</u>	<u>15%</u>
10	(c) horizontally completed well production		
11	(i) first 18 months of		
12	qualifying production	5.7%	5.7%
13	(ii) after 18 months	12.7%	12.7%
14	(d) incremental production		
15	(i) new or expanded secondary recovery production		
16	(A) pre-1985 well	8.7%	16.2%
17	(B) post-1985 well	8.7%	10.7%
18	(ii) new or expanded tertiary production		
19	(A) pre-1985 well	6%	15.2%
20	(B) post-1985 well	6%	9.7%
21	(e) horizontally recompleted well		
22	(i) first 18 months	5.7%	5.7%
23	(ii) after 18 months	12.7%	12.7%

24 (5) (a) The reduced tax rate under subsection (4)(a)(iii)(A) on oil production for the first 12 months
 25 of oil production from a post-1985 well begins following the last day of the calendar month immediately
 26 preceding the month in which oil is pumped or flows, provided that notification has been given to the
 27 department.

28 (b) The reduced tax rate under subsection (4)(c)(i) on oil production from a horizontally completed
 29 well and the reduced tax rate under subsection (4)(e)(i) on oil production from a horizontally recompleted
 30 well for the first 18 months of production begins following the last day of the calendar month immediately

1 preceding the month in which oil is pumped or flows, provided that the well has been certified as a
2 horizontally completed well or as a horizontally recompleted well to the department by the board.

3 (c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel
4 of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter
5 is less than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter as
6 determined in subsection (5)(d), incremental production is taxed at the rate imposed on primary recovery
7 production under subsection (4)(a)(i) for production occurring in that quarter.

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

11
12 **NEW SECTION. Section 5. Determination of gross value of product.** The total gross value of all
13 oil or natural gas produced and sold each quarter must be determined by taking the total number of barrels
14 or cubic feet of oil or natural gas produced and sold each month at the average value at the mouth of the
15 well during the month that the oil or natural gas is produced and sold, as determined by the department.
16 However, in computing the total number of barrels of oil or cubic feet of gas produced and sold, there must
17 be deducted the amount of oil or gas used by the person in connection with the operation of the well from
18 which the oil or gas is produced or for pumping the oil or gas from the well to a tank or pipeline.

19
20 **NEW SECTION. Section 6. Certain royalties exempt.** Exempt from taxation are royalties received
21 by:

22 (1) an Indian tribe with respect to on-reservation oil and gas production pursuant to a lease entered
23 into under the Indian Mineral Leasing Act of 1938, 25 U.S.C. 396a-396g;

24 (2) the United States as trustee for individual Indians; and

25 (3) the United States, the state of Montana, or a county or municipal government in Montana.

26
27 **NEW SECTION. Section 7. Operator responsible for payment -- deduction of taxes from royalty**
28 **payments.** (1) Each operator required to pay the oil and natural gas production tax under [sections 1
29 through 20] shall pay the tax in full for the operator's own account and for the account of each of the other
30 owners of the gross value of product or in kind of all the marketable oil or natural gas produced and sold.

1 Other owners include an owner or owners of working interest, royalty interest, overriding royalty interest,
2 carried working interest, production payments, and all other interest or interests owned or carved out of
3 the total gross value of product or in kind of the extracted marketable oil or natural gas.

4 (2) Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or
5 owners must be deducted from any settlements under the lease or leases or division of proceeds orders or
6 other contracts.

7
8 **NEW SECTION. Section 8. Quarterly payment of tax -- statement -- failure to pay penalty.** (1)

9 The oil and natural gas production tax must be paid in quarterly installments for the quarterly periods
10 ending, respectively, March 31, June 30, September 30, and December 31 of each year, and the amount
11 of the tax for each quarterly period must be paid to the department within 60 days after the end of each
12 quarterly period.

13 (2) The operator shall complete on forms prescribed by the department a statement showing the
14 total number of barrels of merchantable or marketable oil or cubic feet of natural gas produced and sold by
15 the person in the state during each month of the quarter and during the whole quarter, the average value
16 of the production sold during each month, and the total value of the production sold for the whole quarter,
17 together with the total amount due as taxes for the quarter. The statement must be filed within the time
18 provided in subsection (1). The statement must be accompanied by the tax due. The statement must be
19 signed by the individual or the president, vice president, treasurer, assistant treasurer, or authorized agent
20 of the association, corporation, joint-stock company, or syndicate making the statement. A person engaged
21 in carrying on business at more than one place in this state or owning, leasing, controlling, or operating
22 more than one oil or gas well in this state may include all operations in one statement.

23 (3) If the tax is not paid on or before the due date, there must be assessed a penalty of 10% of
24 the amount of the tax not paid. If the tax is not paid when due, interest also must be added at the rate of
25 1% a month or fraction of a month, computed on the total amount of the tax from the due date until paid.
26 The department may waive the 10% penalty if reasonable cause for the failure to pay is provided to the
27 department.

28
29 **NEW SECTION. Section 9. Record of product -- carriers to furnish data -- penalty.** (1) Each

30 person who purchases oil or natural gas shall keep a record of all oil or natural gas purchased by the

1 person in this state. The records are subject to inspection by the department on reasonable notice at any
2 time during normal business hours.

3 (2) Each railroad, pipeline, purchasing, and transportation company that carries or purchases oil
4 or natural gas shall furnish to the department, whenever requested to do so, all data related to the shipment
5 of oil or natural gas that may be required to properly enforce the provisions of [sections 1 through 20]. A
6 railroad, pipeline, purchasing, or transportation company that fails to comply with the provisions of this
7 section is subject to a penalty of \$100 for each day that it fails to furnish the statement.

8

9 **NEW SECTION. Section 10. Procedure to compute tax in absence of statement -- estimation of tax**
10 **-- failure to file penalty and interest.** (1) If the operator fails to file any statement required by [section 8]
11 within the time required, the department shall, immediately after the time has expired, ascertain the number
12 of barrels of oil or cubic feet of gas produced and sold by the person in this state during the quarter and
13 during each month of the quarter. The department also shall determine the average value of the barrels
14 of oil produced and sold during each month or the average value of cubic feet of gas produced and sold
15 during each month and fix the amount of the taxes due from the person for the quarter.

16 (2) The department shall impose a penalty of 10% of the tax due plus interest at the rate of 1%
17 a month or fraction of a month, computed on the total amount of the tax. Interest must be computed from
18 the date on which the oil and natural gas production taxes were due to the date of payment. The
19 department shall mail to the taxpayer a notice, pursuant to 15-1-211, of the tax, penalty, and interest
20 proposed to be assessed. The taxpayer may seek review of the determination pursuant to 15-1-211. The
21 notice must contain a statement that if payment is not made, a warrant for distraint may be filed. The
22 department may waive the 10% penalty if reasonable cause for the failure to file the statement required
23 by [section 8] is provided to the department.

24

25 **NEW SECTION. Section 11. Deficiency assessment -- review -- interest.** (1) When the
26 department determines that the amount of the tax due is greater than the amount disclosed by a return,
27 it shall mail to the taxpayer a notice, pursuant to 15-1-211, of the additional tax proposed to be assessed.
28 The notice must contain a statement that if payment is not made, a warrant for distraint may be filed. The
29 taxpayer may seek review of the determination pursuant to 15-1-211.

30 (2) A deficiency assessment must bear interest until paid at the rate of 1% a month or fraction of

1 a month, computed from the original due date of the return.

2

3 **NEW SECTION. Section 12. Credit for overpayment -- interest on overpayment.** (1) If the
4 department determines that the amount of tax, penalty, or interest due for any taxable period is less than
5 the amount paid, the amount of the overpayment must be credited against any tax, penalty, or interest then
6 due from the taxpayer and the balance refunded to the taxpayer or its successor through reorganization,
7 merger, or consolidation or to its shareholders upon dissolution.

8 (2) Except as provided in subsection (3), interest must be allowed on overpayments at the same
9 rate as is charged on deficiency assessments provided in [section 11] beginning from the due date of the
10 return or from the date of overpayment, whichever date is later, to the date on which the department
11 approves refunding or crediting of the overpayment.

12 (3) (a) Interest may not accrue during any period in which the processing of a claim for refund is
13 delayed more than 30 days by reason of failure of the taxpayer to furnish information requested by the
14 department for the purpose of verifying the amount of the overpayment.

15 (b) Interest is not allowed:

16 (i) if the overpayment is refunded within 6 months from the date on which the return is due or from
17 the date on which the return is filed, whichever is later; or

18 (ii) if the amount of interest is less than \$1.

19

20 **NEW SECTION. Section 13. Warrant for distraint.** If all or part of the tax imposed by [sections
21 1 through 20] is not paid when due, the department may issue a warrant for distraint as provided in Title
22 15, chapter 1, part 7. The resulting lien has precedence over any other claim, lien, or demand filed and
23 recorded after the warrant is issued.

24

25 **NEW SECTION. Section 14. Exemption from resource indemnity and ground water assessment**
26 **tax.** A person who has paid the tax on oil and natural gas under the provisions of [sections 1 through 20]
27 is exempt from the resource indemnity and ground water assessment tax.

28

29 **NEW SECTION. Section 15. Statute of limitations.** (1) Except as otherwise provided in this
30 section, a deficiency may not be assessed with respect to the year for which a return is filed unless the

1 notice of additional tax proposed to be assessed is mailed within 5 years from the date on which the return
2 was filed. For the purposes of this section, a return filed before the last day prescribed for filing is
3 considered as filed on the last day. If the taxpayer, before the expiration of the period prescribed for
4 assessment of the tax, consents in writing to an assessment after that time, the tax may be assessed at
5 any time prior to the expiration of the period agreed upon.

6 (2) A refund or credit may not be allowed or paid with respect to the year for which a return is filed
7 after 5 years from the last day prescribed for filing the return or after 1 year from the date of the
8 overpayment, whichever period is later, unless before the expiration of the period, the taxpayer files a claim
9 or the department of revenue has determined the existence of the overpayment and has approved the
10 refund or credit. If the taxpayer has agreed in writing under the provisions of subsection (1) to extend the
11 time within which the department may propose an additional assessment, the period within which a claim
12 for refund or credit may be filed or a credit or refund allowed if a claim is not filed is automatically
13 extended.

14 (3) If a return is required to be filed and the taxpayer fails to file the return, the tax may be
15 assessed or an action to collect the tax may be brought at any time. If a return is required to be filed and
16 the taxpayer files a fraudulent return, the 5-year period provided for in subsection (1) does not begin until
17 discovery of the fraud by the department.

18
19 **NEW SECTION. Section 16. Rulemaking authority.** The department shall adopt rules that are
20 necessary to implement and administer [sections 1 through 20].

21
22 **NEW SECTION. Section 17. Calculation of unit value.** For the purposes of distribution of oil and
23 natural gas production taxes to county and school taxing units for production from pre-1985 wells, the
24 department shall determine the unit value of oil and natural gas for each taxing unit as follows:

25 (1) The unit value for oil for each taxing unit is the quotient obtained by dividing the net proceeds
26 taxes calculated on oil produced and sold in that taxing unit in calendar year 1988 by the number of barrels
27 of oil produced in that taxing unit during 1988, excluding post-1985 wells.

28 (2) The unit value for natural gas is the quotient obtained by dividing the net proceeds taxes
29 calculated on natural gas produced and sold in that taxing unit in calendar year 1988 by the number of
30 cubic feet of natural gas produced in that taxing unit during 1988, excluding post-1985 wells.

1 **NEW SECTION. Section 18. Distribution of taxes.** (1) For each calendar quarter, the department
2 of revenue shall determine the amount of tax, late payment interest, and penalty collected under [sections
3 1 through 20]. For purposes of distribution of the taxes to county and school taxing units, the department
4 shall determine the amount of oil and natural gas production taxes paid on production from pre-1985 wells,
5 post-1985 wells, and horizontally drilled wells located in the taxing unit.

6 (2) Except as provided in subsections (3) and (4), oil production taxes must be distributed as
7 follows:

8 (a) The amount equal to 41.6% of the oil production taxes, including late payment interest and
9 penalty, collected under [sections 1 through 20] must be distributed as provided in subsection (7).

10 (b) The remaining 58.4% of the oil production taxes, plus accumulated interest earned on the
11 amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state treasury
12 and transferred to the county and school taxing units for distribution as provided in subsection (8).

13 (3) The amount equal to 100% of the oil production taxes, including late payment interest and
14 penalty, collected from working interest owners on production from post-1985 wells occurring during the
15 first 12 months of production must be distributed as provided in subsection (7).

16 (4) The amount equal to 100% of the oil production taxes, including late payment interest and
17 penalty, collected under [sections 1 through 20] on production from horizontally drilled wells and on the
18 incremental production from horizontally recompleted wells occurring during the first 18 months of
19 production must be distributed as provided in subsection (7).

20 (5) Except as provided in subsection (6), natural gas production taxes must be allocated as follows:

21 (a) The amount equal to 14.6% of the natural gas production taxes, including late payment interest
22 and penalty, collected under [sections 1 through 20] must be distributed as provided in subsection (7).

23 (b) The remaining 85.4% of the natural gas production taxes, plus accumulated interest earned on
24 the amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state
25 treasury and transferred to the county and school taxing units for distribution as provided in subsection (8).

26 (6) The amount equal to 100% of the natural gas production taxes, including late payment interest
27 and penalty, collected from working interest owners under [sections 1 through 20] on production from
28 post-1985 wells occurring during the first 12 months of production must be distributed as provided in
29 subsection (7).

30 (7) The department shall, in accordance with the provisions of 15-1-501(6), distribute the state

1 portion of oil and natural gas production taxes, including late payment interest and penalty collected, as
 2 follows:

3 (a) 85% to the state general fund;

4 (b) 4.3% to the state special revenue fund for the purpose of paying expenses of the board as
 5 provided in 82-11-135; and

6 (c) 10.7% to be distributed as provided by 15-38-106(2).

7 (8) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985
 8 wells, the department shall each calendar quarter adjust the unit value determined under ~~this subsection~~
 9 ~~(8)~~ [SECTION 17] according to the ratio that the oil and natural gas production taxes from pre-1985 wells
 10 collected during the calendar quarter for which the distribution occurs plus penalties and interest on
 11 delinquent oil and natural gas production taxes from pre-1985 wells bears to the total liability for the oil and
 12 natural gas production taxes from pre-1985 wells for the quarter for which the distribution occurs. The
 13 amount of oil and production taxes distributions must be calculated and distributed as follows:

14 (i) By the dates referred to in subsection (9), the department shall calculate and distribute to each
 15 eligible county the amount of oil and natural gas production taxes from pre-1985 wells for the quarter,
 16 determined by multiplying the unit value, as adjusted in this subsection (8)(a), by the units of production
 17 on which oil and natural gas production taxes from pre-1985 wells were owed for the calendar quarter for
 18 which the distribution occurs.

19 (ii) Any amount by which the total tax liability exceeds or is less than the total distributions
 20 determined in subsection (8)(a) must be calculated and distributed in the following manner:

21 (A) The excess amount or shortage must be divided by the total distribution determined for that
 22 period to obtain an excess or shortage percentage.

23 (B) The excess percentage must be multiplied by the distribution to each taxing unit, and this
 24 amount must be added to the distribution to each respective taxing unit.

25 (C) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
 26 amount must be subtracted from the distribution to each respective taxing unit.

27 (b) Except as provided in subsection (8)(c), the county treasurer shall distribute the money received
 28 under subsection (9) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against
 29 calendar year 1988 production in the same manner that all other property tax proceeds were distributed
 30 during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing

1 unit.

2 (c) The board of county commissioners of a county may direct the county treasurer to reallocate
3 the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as
4 provided in subsection (8)(b), to another taxing unit or taxing units, other than an elementary school or high
5 school, within the county under the following conditions:

6 (i) The county treasurer shall first allocate the oil and natural gas production taxes to the taxing
7 units within the county in the same proportion that all other property tax proceeds were distributed in the
8 county in fiscal year 1990.

9 (ii) If the allocation in subsection (8)(c)(i) exceeds the total budget for a taxing unit, the
10 commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

11 (d) The board of trustees of an elementary or high school district may reallocate the oil and natural
12 gas production taxes distributed to the district by the county treasurer under the following conditions:

13 (i) The district shall first allocate the oil and natural gas production taxes to the budgeted funds
14 of the district in the same proportion that all other property tax proceeds were distributed in the district in
15 fiscal year 1990.

16 (ii) If the allocation under subsection (8)(d)(i) exceeds the total budget for a fund, the trustees may
17 allocate the excess to any budgeted fund of the school district.

18 (e) For all production from post-1985 wells and horizontally drilled wells completed after December
19 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under
20 subsections (2)(b) and (5)(b) between county and school taxing units in the relative proportions required
21 by the levies for state, county, and school district purposes in the same manner as property taxes were
22 distributed in the preceding fiscal year.

23 (f) The allocation to the county in subsection (8)(e) must be distributed by the county treasurer in
24 the relative proportions required by the levies for county taxing units and in the same manner as property
25 taxes were distributed in the preceding fiscal year.

26 (g) The money distributed in subsection (8)(e) that is required for the county mill levies for school
27 district retirement obligations and transportation schedules must be deposited to the funds established for
28 these purposes.

29 (h) The oil and natural gas production taxes distributed under subsection (8)(b) that are required
30 for the 6-mill university levy imposed under 20-25-423 and for the county equalization levies imposed under

1 20-9-331 and 20-9-333, as those sections read on July 1, 1989, must be remitted by the county treasurer
2 to the state treasurer.

3 (i) The oil and natural gas production taxes distributed under subsection (8)(e) that are required for
4 the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under
5 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted
6 by the county treasurer to the state treasurer.

7 (j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted
8 the amounts determined in subsections (8)(h) and (8)(i) is for the exclusive use and benefit of the county
9 and school taxing units.

10 (9) The department shall remit the amounts to be distributed in subsection (8) to the county
11 treasurer by the following dates:

12 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and
13 natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

14 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil
15 and natural gas production tax payments received for the calendar quarter ending June 30 of the current
16 year.

17 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
18 natural gas production tax payments received for the calendar quarter ending September 30 of the previous
19 year.

20 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and
21 natural gas production tax payments received for the calendar quarter ending December 31 of the previous
22 calendar year.

23 (10) The department shall provide to each county by May 31 of each year the amount of gross
24 taxable value represented by all types of production taxed under [section 4] for the previous calendar year
25 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes
26 and for county bonding purposes.

27
28 **NEW SECTION. Section 19. Local government severance tax payments for calendar year 1995**
29 **production -- distribution of payments -- not subject to I-105 limitations.** (1) The local government
30 severance tax imposed under 15-36-101, as that section read before [the effective date of this act], for

1 calendar year 1995 production is due as follows:

2 (a) for oil and natural gas production occurring in the first calendar quarter of 1995, the tax is due
3 May 31, 1996;

4 (b) for oil and natural gas production occurring in the second calendar quarter of 1995, the tax is
5 due May 31, 1997;

6 (c) for oil and natural gas production occurring in the third calendar quarter of 1995, the tax is due
7 May 31, 1998; and

8 (d) for oil and natural gas production occurring in the fourth calendar quarter of 1995, the tax is
9 due May 31, 1999.

10 (2) (a) If the taxpayer pays the entire local government severance tax liability for calendar year
11 1995 on or before June 30, 1996, the taxpayer must receive a 6% reduction in the total local government
12 severance tax liability.

13 (b) Any payment of local government severance taxes for calendar year 1995 made on or before
14 June 30, 1997, does not accrue interest. Any payment of local government severance taxes for calendar
15 year 1995 made after June 30, 1997, must accrue interest at the rate of 1% a month or fraction of a
16 month from July 1, 1997, to the date of payment. Any payment for the third quarter of 1995 received after
17 May 31, 1998, and any payment for the fourth quarter of 1995 received after May 31, 1999, is subject
18 to the late payment penalty provisions in [section 8].

19 (c) In the case of the dissolution of the operator or a change in the operator of any lease or unit,
20 any unpaid local government severance tax for calendar year 1995 becomes due on the date of dissolution
21 or on the date of the change in operator. The operator is subject to the provisions of subsection (2)(a)
22 regarding the 6% tax liability reduction or the provisions of subsection (2)(b) regarding interest and
23 penalties.

24 (3) The department shall determine the amount of tax collected under subsections (1) and (2) from
25 within each taxing unit.

26 (4) For purposes of the distribution of local government severance taxes collected under this
27 section, the department shall use the unit value of oil and gas for each taxing unit as determined in [section
28 17].

29 (5) The local government severance tax must be deposited in the agency fund in the state treasury
30 and transferred to the county for distribution as provided in subsection (6).

1 (6) For the purpose of the distribution of the local government severance tax for calendar year
2 1995 production, the department shall adjust the unit value determined under this section according to the
3 ratio that the local government severance taxes collected during the quarters for which the distribution
4 occurs plus penalties and interest on delinquent local government severance taxes bears to the total liability
5 for local government severance taxes for the quarters for which the distribution occurs. The taxes must
6 be calculated and distributed as follows:

7 (a) By July 31 of each of the years 1996, 1997, 1998, and 1999, the department shall calculate
8 and distribute to each eligible county the amount of local government severance tax for calendar year 1995
9 production, determined by multiplying the unit value, as adjusted in this subsection (6), by the units of
10 production on which the local government severance tax was owed during calendar year 1995 production.

11 (b) Any amount by which the total tax liability exceeds or is less than the total distributions
12 determined in subsection (6)(a) must be calculated and distributed in the following manner:

13 (i) The excess amount or shortage must be divided by the total distribution determined for that
14 period to obtain an excess or shortage percentage.

15 (ii) The excess percentage must be multiplied by the distribution to each taxing unit, and this
16 amount must be added to the distribution to each respective taxing unit.

17 (iii) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
18 amount must be subtracted from the distribution to each respective taxing unit.

19 (7) (a) The county treasurer shall distribute the money received under subsection (6) between the
20 county and school taxing units. The distribution between county and school taxing units is the ratio of the
21 number of mills levied for fiscal year 1990 against 1988 production in each taxing unit for the county and
22 schools, including the county equalization levies that were in effect under 20-9-331 and 20-9-333 as those
23 sections read on July 1, 1989, and the university 6-mill levy imposed under 20-25-423, except that a
24 distribution may not be made to a municipal taxing unit or the state equalization aid levy imposed under
25 20-9-360. Distribution of money for the county equalization levies and the university levy must be remitted
26 to the state by the county treasurer. The amounts distributed under subsections (7)(b) and (7)(c) are for
27 the exclusive use of county and school taxing units.

28 (b) The county treasurer shall deposit the money from subsection (7)(a) allocated to county levies
29 to the oil and gas tax accelerated fund.

30 (c) The trustees of a school district may allocate any payment received under subsection (7)(a) to

1 any budget fund of the district or to the miscellaneous programs fund established in 20-9-507. The
 2 trustees shall direct the county treasurer to deposit the local government severance tax payments under
 3 this section to the funds of the district in accordance with the allocations determined by the trustees.

4 (8) Local government severance tax payments to ~~county taxing units~~ A COUNTY pursuant to this
 5 section are not subject to the limitations of Title 15, chapter 10, part 4. Payments of local government
 6 severance tax pursuant to this section may not be used for county classification purposes under 7-1-2111
 7 and may not be considered in the determination of bonding limits under 7-7-2101, 7-7-2203, 7-14-2524,
 8 and 7-16-2327.

9
 10 **NEW SECTION.** **Section 20. Oil and natural gas accelerated tax fund.** (1) The county
 11 commissioners of a county that receives tax distributions under [section 19] shall establish an oil and
 12 natural gas accelerated tax fund for the deposit of the distributions. The county commissioners may retain
 13 the money in the fund for any time period considered appropriate by the commissioners. Money retained
 14 in the fund may not be considered as fund balance for the purpose of reducing mill levies.

15 (2) Money may be expended from the fund for any purpose allowed by law.

16 (3) Money in the fund must be invested as provided by law. Interest and income earned on the
 17 investment of money in the fund must be credited to the fund.

18 (4) The oil and natural gas accelerated tax fund must be financially administered as a nonbudgeted
 19 fund under the provisions of Title 7, chapter 6, part 23.

20
 21 **Section 21.** Section 7-1-2111, MCA, is amended to read:

22 **"7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and
 23 salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds,
 24 the counties of this state must be classified according to ~~that percentage of the true and full~~ the taxable
 25 valuation of the property in the counties upon which the tax levy is made, except for vehicles subject to
 26 taxation under 61-3-504(2), as follows:

27 (a) first class--all counties having a taxable valuation of \$50 million or over;

28 (b) second class--all counties having a taxable valuation of more than \$30 million and less than \$50
 29 million;

30 (c) third class--all counties having a taxable valuation of more than \$20 million and less than \$30

1 million;

2 (d) fourth class--all counties having a taxable valuation of more than \$15 million and less than \$20
3 million;

4 (e) fifth class--all counties having a taxable valuation of more than \$10 million and less than \$15
5 million;

6 (f) sixth class--all counties having a taxable valuation of more than \$5 million and less than \$10
7 million;

8 (g) seventh class--all counties having a taxable valuation of less than \$5 million.

9 (2) As used in this section, taxable valuation means the taxable value of taxable property in the
10 county as of the time of determination plus:

11 (a) that portion of the taxable value of the county on December 31, 1981, attributable to
12 automobiles and trucks having a rated capacity of three-quarters of a ton or less;

13 (b) that portion of the taxable value of the county on December 31, 1989, attributable to
14 automobiles and trucks having a rated capacity of more than three-quarters of a ton but less than or equal
15 to 1 ton;

16 (c) ~~the amount of taxes levied on new production, production from horizontally completed wells,~~
17 ~~and incremental production, as provided in 15-23-607, divided by the appropriate tax rates described in~~
18 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%~~ the value provided by the department of revenue
19 under [section 18(10)]; and

20 (d) ~~the amount of value represented by new production or production from horizontally completed~~
21 ~~wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other~~
22 ~~production occurring after December 31, 1988, multiplied by 60%; and~~

23 (e) 6% of the taxable value of the county on January 1 of each tax year."

24

25 **Section 22.** Section 7-7-2101, MCA, is amended to read:

26 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted
27 in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding
28 23% of the total of the taxable value of the property in the county subject to taxation, plus the amount of
29 ~~taxes levied on new production, production from horizontally completed wells, and incremental production~~
30 ~~divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%,~~

1 ~~plus the amount of value represented by new production and production from horizontally completed wells~~
 2 ~~exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production~~
 3 ~~occurring after December 31, 1988, multiplied by 60%~~ value provided by the department of revenue in
 4 [section 18(10)], as ascertained by the last assessment for state and county taxes previous to the incurring
 5 of the indebtedness.

6 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding
 7 \$500,000 without the approval of a majority of the electors of the county voting at an election to be
 8 provided by law, except as provided in 7-21-3413 and 7-21-3414.

9 (3) This section does not apply to the acquisition of conservation easements as set forth in Title
 10 76, chapter 6."

11

12 **Section 23.** Section 7-7-2203, MCA, is amended to read:

13 **"7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections
 14 (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding
 15 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
 16 total of the taxable value of the property in the county, plus the ~~amount of taxes levied on new production,~~
 17 ~~production from horizontally completed wells, and incremental production divided by the appropriate tax~~
 18 ~~rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value~~
 19 ~~represented by new production and production from horizontally completed wells exempted from tax as~~
 20 ~~provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December~~
 21 ~~31, 1988, multiplied by 60%~~ value provided by the department of revenue under [section 18(10)], to be
 22 ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

23 (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all
 24 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property
 25 in the county subject to taxation, plus the ~~amount of taxes levied on new production, production from~~
 26 ~~horizontally completed wells, and incremental production divided by the appropriate tax rates described in~~
 27 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new~~
 28 ~~production and production from horizontally completed wells exempted from tax as provided in 15-23-612~~
 29 ~~multiplied by 60%~~ value provided by the department of revenue under [section 18(10)], when necessary
 30 to do so, ~~plus the value of any other production occurring after December 31, 1988, multiplied by 60% for~~

1 the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring
2 buildings on the site and furnishing and equipping the buildings for county high school purposes.

3 (3) In addition to the bonds allowed by subsections (1) and (2), a county may issue bonds for the
4 construction or improvement of a jail that will not exceed 12.5% of the taxable value of the property in the
5 county subject to taxation.

6 (4) The limitation in subsection (1) does not apply to refunding bonds issued for the purpose of
7 paying or retiring county bonds lawfully issued prior to January 1, 1932, or to bonds issued for the
8 repayment of tax protests lost by the county."

9
10 **Section 24.** Section 7-14-2524, MCA, is amended to read:

11 **"7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise
12 provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding
13 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
14 total of the taxable value of the property in the county, plus the amount of taxes levied on new production,
15 ~~production from horizontally completed wells, and incremental production divided by the appropriate tax~~
16 ~~rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value~~
17 ~~represented by new production and production from horizontally completed wells exempted from tax as~~
18 ~~provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December~~
19 ~~31, 1988, multiplied by 60%~~ value provided by the department of revenue under [section 18(10)]. The
20 taxable property and the amount of taxes levied on new production, production from horizontally completed
21 wells, and incremental production must be ascertained by the last assessment for state and county taxes
22 prior to the issuance of the bonds.

23 (2) A county may issue bonds that, with all outstanding bonds and warrants except county high
24 school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of the
25 property, plus the amount of taxes levied on new production, ~~production from horizontally completed wells,~~
26 ~~and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or~~
27 ~~(2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from~~
28 ~~horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value~~
29 ~~of any other production occurring after December 31, 1988, multiplied by 60%~~ value provided by the
30 department of revenue under [section 18(10)] when necessary for the purpose of replacing, rebuilding, or

1 repairing county buildings, bridges, or highways that have been destroyed or damaged by an act of God
2 or by a disaster, catastrophe, or accident.

3 (3) The value of the bonds issued and all other outstanding indebtedness of the county, except
4 county high school bonds, may not exceed 22.5% of the total of the taxable value of the property within
5 the county, plus the ~~amount of taxes levied on new production, production from horizontally completed~~
6 ~~wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b),~~
7 ~~or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production~~
8 ~~from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus~~
9 ~~the value of any other production occurring after December 31, 1988, multiplied by 60%~~ value provided
10 by the department of revenue under [section 18(10)], as ascertained by the last preceding general
11 assessment."

12
13 **Section 25.** Section 7-14-2525, MCA, is amended to read:

14 **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total
15 indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus the
16 ~~amount of taxes levied on new production, production from horizontally completed wells, and incremental~~
17 ~~production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied~~
18 ~~by 60%, plus the amount of value represented by new production and production from horizontally~~
19 ~~completed wells exempted from tax as provided in 15-23-612 multiplied by 60%; plus the value of any~~
20 ~~other production occurring after December 31, 1988, multiplied by 60%~~ value provided by the department
21 of revenue under [section 18(10)], and the board determines that the county is unable to pay the
22 indebtedness in full, the board may:

23 (a) negotiate with the bondholders for an agreement whereby the bondholders agree to accept less
24 than the full amount of the bonds and the accrued unpaid interest in satisfaction of the bonds;

25 (b) enter into the agreement;

26 (c) issue refunding bonds for the amount agreed upon.

27 (2) These bonds may be issued in more than one series, and each series may be either amortization
28 or serial bonds.

29 (3) The plan agreed upon between the board and the bondholders must be embodied in full in the
30 resolution providing for the issuance of the bonds."

1 **Section 26.** Section 7-16-2327, MCA, is amended to read:

2 **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a
3 county park board, in addition to powers and duties now given under law, has the power and duty to
4 contract an indebtedness in behalf of a county, upon the credit of the county, for the purposes of
5 7-16-2321(1) and (2).

6 (2) (a) The total amount of indebtedness authorized to be contracted in any form, including the
7 then-existing indebtedness, may not at any time exceed 13% of the total of the taxable value of the taxable
8 property in the county, plus the ~~amount of taxes levied on new production, production from horizontally~~
9 ~~completed wells, and incremental production divided by the appropriate tax rates described in~~
10 ~~15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new~~
11 ~~production and production from horizontally completed wells exempted from tax as provided in 15-23-612,~~
12 ~~plus the value of any other production occurring after December 31, 1988, multiplied by 60% value~~
13 provided by the department of revenue under [section 18(10)], ascertained by the last assessment for state
14 and county taxes previous to the incurring of the indebtedness.

15 (b) Money may not be borrowed on bonds issued for the purchase of lands and improving the land
16 for any purpose until the proposition has been submitted to the vote of those qualified under the provisions
17 of the state constitution to vote at the election in the affected county and a majority vote is cast in favor
18 of the bonds."

19

20 **Section 27.** Section 15-1-501, MCA, is amended to read:

21 **"15-1-501. Disposition of money from certain designated license and other taxes.** (1) The state
22 treasurer shall deposit to the credit of the state general fund in accordance with the provisions of
23 subsection (6) all money received from the collection of:

24 (a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as
25 provided in 61-5-121;

26 (b) electrical energy producer's license taxes under chapter 51;

27 ~~(c) severance taxes allocated to the general fund under chapter 36;~~

28 ~~(c)~~ (c) liquor license taxes under Title 16;

29 ~~(d)~~ (d) telephone company license taxes under chapter 53; and

30 ~~(e)~~ (e) inheritance and estate taxes under Title 72, chapter 16.

1 (2) All money received from the collection of income taxes under chapter 30 of this title must, in
2 accordance with the provisions of subsection (6), be deposited as follows:

3 (a) 91.3% of the taxes to the credit of the state general fund;

4 (b) 8.7% of the taxes to the credit of the debt service account for long-range building program
5 bonds as described in 17-5-408; and

6 (c) all interest and penalties to the credit of the state general fund.

7 (3) All money received from the collection of corporation license and income taxes under chapter
8 31 of this title, except as provided in 15-31-702, must, in accordance with the provisions of subsection
9 (6), be deposited as follows:

10 (a) 89.5% of the taxes to the credit of the state general fund;

11 (b) 10.5% of the taxes to the credit of the debt service account for long-range building program
12 bonds as described in 17-5-408; and

13 (c) all interest and penalties to the credit of the state general fund.

14 (4) The department of revenue shall also deposit to the credit of the state general fund all money
15 received from the collection of license taxes, fees, and all net revenues and receipts from all other sources
16 under the operation of the Montana Alcoholic Beverage Code.

17 ~~(5) After the distribution provided for in 15-36-112, the remainder of the oil severance tax~~
18 ~~collections~~ Oil and natural gas production taxes allocated under [section 18(7)(a)] must be deposited in the
19 general fund.

20 (6) Notwithstanding any other provision of law, the distribution of tax revenue must be made
21 according to the provisions of the law governing allocation of the tax that were in effect for the period in
22 which the tax revenue was recorded for accounting purposes. Tax revenue must be recorded as prescribed
23 by the department of administration, pursuant to 17-1-102(2) and (5), in accordance with generally
24 accepted accounting principles.

25 (7) All refunds of taxes must be attributed to the funds in which the taxes are currently being
26 recorded. All refunds of interest and penalties must be attributed to the funds in which the interest and
27 penalties are currently being recorded."

28
29 **Section 28.** Section 15-6-208, MCA, is amended to read:

30 "**15-6-208. Mineral exemptions.** (1) One-half of the contract sales price of coal sold by a coal

1 producer who extracts less than 50,000 tons of coal in a calendar year is exempt from taxation.

2 (2) Metal mines producing less than 20,000 tons of ore in a taxable year are exempt from property
3 taxation on one-half of the merchantable value.

4 ~~(3) (a) New production, as defined in 15-23-601, is exempt from taxation for the first 12 months
5 of production as provided in 15-23-612.~~

6 ~~(b) Production from horizontally completed wells, as defined in 15-23-601, is exempt from taxation
7 for the first 18 months of production as provided in 15-23-612.~~

8 ~~(4)(3)~~ The first 1,000 tons of travertine and building stone extracted from a mine in a tax year are
9 exempt from property taxation."

10

11 **Section 29.** Section 15-16-102, MCA, is amended to read:

12 **"15-16-102. Time for payment -- penalty for delinquency.** Except as provided in 15-16-802 and
13 15-16-803 and unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes
14 levied and assessed in the state of Montana, except assessments made for special improvements in cities
15 and towns payable under 15-16-103 ~~and assessments made on interim production and new production as
16 provided in Title 15, chapter 23, part 6, and payable under 15-16-124, shall be~~ are payable as follows:

17 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within
18 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.
19 on May 31 of each year.

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

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

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

29 (5) A taxpayer may pay his current year taxes without paying delinquent taxes. The county
30 treasurer ~~must~~ shall accept a partial payment equal to the delinquent taxes, including penalty and interest,

1 for one or more full taxable years, provided both halves of the current tax year have been paid. Payment
 2 of taxes for delinquent taxes must be applied to the taxes that have been delinquent the longest. The
 3 payment of the current tax year is not a redemption of the property tax lien for any delinquent tax year.

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

7
 8 **Section 30.** Section 15-23-103, MCA, is amended to read:

9 **"15-23-103. Due date of reports and returns -- extensions.** (1) Except as provided in subsection
 10 (2) ~~and 15-23-602~~, each report or return described in 15-23-301, 15-23-402, 15-23-502, 15-23-701, or
 11 15-23-517 must be delivered to the department on or before March 31 each year.

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

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

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

18
 19 **Section 31.** Section 15-23-104, MCA, is amended to read:

20 **"15-23-104. Failure to file -- estimate by department -- penalty.** (1) If any person fails to file a
 21 report or return within the time established in 15-23-103 or by a later date approved by the department,
 22 the department shall estimate the value of the property that should have been reported on the basis of the
 23 best available information. In estimating the value of the net proceeds of mines, the department shall
 24 proceed under 15-23-506, and in estimating the value of the gross proceeds of coal mines, the department
 25 shall proceed under 15-35-107. In estimating the value of all other property subject to assessment under
 26 parts 2 through 4 of this chapter, the department shall proceed under 15-1-303. In estimating value under
 27 this section, the department may subpoena a person or the person's agent as specified in 15-1-302. An
 28 assessment pursuant to parts 5, ~~through 7,~~ and 8 of this chapter based on estimated value or imputed
 29 value is subject to review under 15-1-211. For each month or part of a month that a report is delinquent,
 30 the department shall impose and collect a \$25 penalty, with the total not to exceed \$200, and shall deposit

1 the penalty to the credit of the general fund. The department shall assess a penalty of 1% of the tax due
2 for each month or part of a month that the report is delinquent. The department shall notify the county
3 treasurer of each affected county of the amount of the penalty, and the treasurer shall collect the penalty
4 in the same manner as the taxes to which the penalty applies.

5 (2) For a delinquency in reporting under 15-23-212, the department shall assess a penalty of 1%
6 of the tax due for each month or part of a month that the report is delinquent."
7

8 **Section 32.** Section 15-23-106, MCA, is amended to read:

9 "15-23-106. **Report to the counties.** (1) On or before July 1, the department shall prepare for each
10 county a statement listing:

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

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

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

19 (d) the assessed value of the net proceeds and royalties from mines ~~and oil and gas wells~~ in the
20 county, as determined under 15-23-503, 15-23-505, 15-23-515, 15-23-516, and 15-23-517, ~~15-23-603,~~
21 ~~and 15-23-605~~; and

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

23 (2) The department shall enter the reported assessed values in the property tax record for the
24 county."
25

26 **Section 33.** Section 15-23-115, MCA, is amended to read:

27 "15-23-115. **Interest.** If the department determines that a taxpayer has incorrectly reported a value
28 under 15-23-502, 15-23-515, 15-23-516, 15-23-517, ~~15-23-602~~, 15-23-701, or 15-23-802 and if an
29 additional tax is due, there must be added to the tax until paid in full interest at the rate of 1% a month or
30 fraction of a month from the date the original tax was due and payable. A taxpayer subject to imposition

1 of interest pursuant to this section is not subject to the penalty and interest provisions contained in
 2 15-16-102."

3

4 **Section 34.** Section 15-38-105, MCA, is amended to read:

5 **"15-38-105. Report of gross yield from mines.** A person who engages in or carries on the business
 6 of mining, extracting, or producing a mineral from any quartz vein or lode, placer claim, dump or tailings,
 7 or other place or source shall file an annual statement of gross yield of the mineral from each mine owned
 8 or worked by that person during the calendar year. This statement must be in the form prescribed by the
 9 department and ~~shall~~ must be signed by the person or the manager, superintendent, agent, president, or
 10 vice-president of the corporation, association, or partnership, if any. Metal producers shall deliver the
 11 statement to the department on or before March 31 following the end of the calendar year. Mineral
 12 producers, ~~including oil and gas producers,~~ shall deliver the statement to the department on or before the
 13 60th day following the end of the calendar year. The statement ~~shall~~ must show the following:

- 14 (1) the name and address of the owner or lessee or operator of the mine;
 15 (2) the description and location of the mine;
 16 (3) the quantity of minerals extracted, produced, and treated or sold from the mine during the
 17 period covered by the statement;
 18 (4) the amount and character of the mineral and the total yield of the mineral from the mine in
 19 constituents of commercial value; that is to say, the number of ounces of gold or silver, pounds of copper
 20 or lead, tons of coal, ~~barrels of petroleum or other crude or mineral oil, cubic feet of natural gas,~~ or other
 21 commercially valuable constituents of the ores or mineral products or deposits yielded to the person
 22 engaged in mining measured by standard units of measurement;
 23 (5) the gross yield or value in dollars and cents."

24

25 **Section 35.** Section 15-38-121, MCA, is amended to read:

26 **"15-38-121. Certain royalties exempt.** Exempt from taxation are royalties received by:

- 27 (1) an Indian tribe with respect to ~~on reservation oil and gas mineral~~ production pursuant to a lease
 28 entered into under the Indian Mineral Leasing Act of 1938 (25 U.S.C. 396a-396g ~~(1983)~~);
 29 (2) the United States as trustee for individual Indians; and
 30 (3) the United States, the state of Montana, or a county or municipal government."

1 **Section 36.** Section 15-38-202, MCA, is amended to read:

2 **"15-38-202. (Temporary) Investment of resource indemnity trust fund -- expenditure -- minimum**
3 **balance.** (1) All money paid into the resource indemnity trust fund, including money payable into the fund
4 under the provisions of 15-37-117, must be invested at the discretion of the board of investments. All the
5 net earnings accruing to the resource indemnity trust fund must annually be added to the trust fund until
6 it has reached the sum of \$10 million. Thereafter, only the net earnings may be appropriated and expended
7 until the fund reaches \$100 million. Thereafter, all net earnings and all receipts must be appropriated by
8 the legislature and expended, provided that the balance in the fund may never be less than \$100 million.

9 (2) (a) At the beginning of each biennium, there is allocated from the interest income of the
10 resource indemnity trust fund:

11 (i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the
12 conditions of 75-1-1101;

13 (ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account
14 pursuant to the conditions of 82-11-161;

15 (iii) beginning in fiscal year 1995, \$240,000, which is statutorily appropriated, as provided in
16 17-7-502, from the renewable resource grant and loan program state special revenue account to support
17 the operations of the environmental science-water quality instructional programs at northern Montana
18 college to be used for support costs, for matching funds necessary to attract additional funds to further
19 expand statewide impact, and for enhancement of the facilities related to the programs;

20 (iv) \$1,025,000 to be deposited into the renewable resource grant and loan program state special
21 revenue account, created by 85-1-604, for the purpose of making grants;

22 (v) \$2,200,000 to be deposited into the reclamation and development grants state special revenue
23 account, created by 90-2-1104, for the purpose of making grants; and

24 (vi) ~~beginning in fiscal year 1994,~~ \$250,000 to be deposited into the water storage state special
25 revenue account created by 85-1-631.

26 (b) The remainder of the interest income is allocated as follows:

27 (i) Thirty-eight percent of the interest income of the resource indemnity trust fund must be
28 allocated to the renewable resource grant and loan program state special revenue account created by
29 85-1-604.

30 (ii) Fifteen percent of the interest income of the resource indemnity trust fund must be allocated

1 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

2 (iii) Forty-one and one-half percent of the interest income from the resource indemnity trust fund
3 must be allocated to the reclamation and development grants account provided for in 90-2-1104.

4 (iv) Five and one-half percent of the interest income of the resource indemnity trust fund must be
5 allocated to the environmental quality protection fund provided for in 75-10-704.

6 (3) Any formal budget document prepared by the legislature or the executive branch that proposes
7 to appropriate funds from the resource indemnity trust interest account other than as provided for by the
8 allocations in subsection (2) must specify the amount of money from each allocation that is proposed to
9 be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and
10 publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the
11 legislative appropriation process or otherwise during a legislative session.

12 **15-38-202. (Effective July 1, 1995) Investment of resource indemnity trust fund -- expenditure --**
13 **minimum balance.** (1) All money paid into the resource indemnity trust fund, including money payable into
14 the fund under the provisions of 15-37-117 and [section 18], must be invested at the discretion of the
15 board of investments. All the net earnings accruing to the resource indemnity trust fund must annually be
16 added to the trust fund until it has reached the sum of \$10 million. Thereafter, only the net earnings may
17 be appropriated and expended until the fund reaches \$100 million. Thereafter, all net earnings and all
18 receipts must be appropriated by the legislature and expended, provided that the balance in the fund may
19 never be less than \$100 million.

20 (2) (a) At the beginning of each biennium, there is allocated from the interest income of the
21 resource indemnity trust fund:

22 (i) an amount not to exceed \$175,000 to the environmental contingency account pursuant to the
23 conditions of 75-1-1101;

24 (ii) an amount not to exceed \$50,000 to the oil and gas production damage mitigation account
25 pursuant to the conditions of 82-11-161;

26 (iii) ~~beginning in fiscal year 1995,~~ \$240,000, which is statutorily appropriated, as provided in
27 17-7-502, from the renewable resource grant and loan program state special revenue account to support
28 the operations of the environmental science-water quality instructional programs at northern Montana
29 college to be used for support costs, for matching funds necessary to attract additional funds to further
30 expand statewide impact, and for enhancement of the facilities related to the programs;

1 (iv) beginning in fiscal year 1996, \$2 million to be deposited into the renewable resource grant and
2 loan program state special revenue account, created by 85-1-604, for the purpose of making grants;

3 (v) beginning in fiscal year 1996, \$3 million to be deposited into the reclamation and development
4 grants state special revenue account, created by 90-2-1104, for the purpose of making grants; and

5 (vi) beginning in fiscal year 1996, \$500,000 to be deposited into the water storage state special
6 revenue account created by 85-1-631.

7 (b) The remainder of the interest income is allocated as follows:

8 (i) Thirty-six percent of the interest income of the resource indemnity trust fund must be allocated
9 to the renewable resource grant and loan program state special revenue account created by 85-1-604.

10 (ii) Eighteen percent of the interest income of the resource indemnity trust fund must be allocated
11 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

12 (iii) Forty percent of the interest income from the resource indemnity trust fund must be allocated
13 to the reclamation and development grants account provided for in 90-2-1104.

14 (iv) Six percent of the interest income of the resource indemnity trust fund must be allocated to
15 the environmental quality protection fund provided for in 75-10-704.

16 (3) Any formal budget document prepared by the legislature or the executive branch that proposes
17 to appropriate funds from the resource indemnity trust interest account other than as provided for by the
18 allocations in subsection (2) must specify the amount of money from each allocation that is proposed to
19 be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and
20 publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the
21 legislative appropriation process or otherwise during a legislative session."
22

23 **Section 37.** Section 17-7-502, MCA, is amended to read:

24 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
25 appropriation is an appropriation made by permanent law that authorizes spending by a state agency
26 without the need for a biennial legislative appropriation or budget amendment.

27 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply
28 with both of the following provisions:

29 (a) The law containing the statutory authority must be listed in subsection (3).

30 (b) The law or portion of the law making a statutory appropriation must specifically state that a

1 statutory appropriation is made as provided in this section.

2 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;
 3 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706;
 4 15-25-123; 15-31-702; ~~15-36-112~~; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410;
 5 16-1-411; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-704; 17-5-804; 17-6-101; 17-6-201; 17-6-409;
 6 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-15-101; 19-17-301; 19-18-512; 19-18-513;
 7 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-4-109; 20-8-111; 20-9-361; 20-26-1403; 20-26-1503;
 8 23-2-823; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402;
 9 27-12-206; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321; 39-71-2504;
 10 44-12-206; 44-13-102; 50-5-232; 50-40-206; 53-6-150; 53-24-206; 60-2-220; 61-2-107; 67-3-205;
 11 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-2-222; 80-4-416;
 12 80-11-310; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215; 90-6-331;
 13 90-7-220; 90-9-306; and 90-14-107.

14 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 15 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 16 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
 17 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
 18 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
 19 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.
 20 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
 21 supplemental benefit; and pursuant to sec. 15, Ch. 534, L. 1993, the inclusion of 90-14-107 terminates
 22 July 1, 1995.) "

23

24 **Section 38.** Section 20-9-104, MCA, is amended to read:

25 **"20-9-104. General fund operating reserve.** (1) At the end of each school fiscal year, the trustees
 26 of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be
 27 earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from
 28 July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (5) and (6), the
 29 amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final
 30 general fund budget for the ensuing school fiscal year.

1 (2) The amount held as operating reserve may not be used for property tax reduction in the manner
2 permitted by 20-9-141(1)(b) for other receipts.

3 (3) Excess reserves as provided in subsection (5) may be appropriated to reduce the BASE budget
4 levy, the over-BASE budget levy, or the additional levy provided by 20-9-353, except that districts with
5 a balance on June 30, 1993, in the excess reserve account for Public Law 81-874 funds shall transfer the
6 June 30, 1993, balance to the impact aid fund established in 20-9-514.

7 (4) Any portion of the general fund end-of-the-year fund balance that is not reserved under
8 subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for
9 property tax reduction as provided in 20-9-141(1)(b).

10 (5) For fiscal year 1994 and subsequent fiscal years, the limitation of subsection (1) does not apply
11 when the amount in excess of the limitation is equal to or less than the unused balance of any amount
12 received:

13 (a) in settlement of tax payments protested in a prior school fiscal year;

14 (b) in taxes from a prior school fiscal year as a result of a tax audit by the department of revenue
15 or its agents; ~~and~~

16 (c) in delinquent taxes from a prior school fiscal year; and

17 (d) as a local government severance tax payment for calendar year 1995 production as provided
18 in [section 19].

19 (6) The limitation of subsection (1) does not apply when the amount earmarked as operating
20 reserve is \$10,000 or less."

21
22 **Section 39.** Section 20-9-141, MCA, is amended to read:

23 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The
24 county superintendent shall compute the levy requirement for each district's general fund on the basis of
25 the following procedure:

26 (a) Determine the funding required for the district's final general fund budget less the sum of direct
27 state aid and the special education allowable cost payment for the district by totaling:

28 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as
29 provided in 20-9-303; and

30 (ii) any general fund budget amount adopted by the trustees of the district under the provisions

1 of 20-9-308 and 20-9-353, including any additional funding for a general fund budget that exceeds the
2 maximum general fund budget.

3 (b) Determine the money available for the reduction of the property tax on the district for the
4 general fund by totaling:

5 (i) general fund balance reappropriated, as established under the provisions of 20-9-104;

6 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of
7 the following:

8 (A) tuition payments for out-of-district pupils under the provisions of 20-5-321 through 20-5-323;

9 (B) revenue from property taxes and fees imposed under 23-2-517, 23-2-803, 61-3-504(2),
10 61-3-521, 61-3-537, and 67-3-204;

11 (C) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
12 ~~incremental production, as defined in 15-23-601~~ oil and natural gas production taxes;

13 (D) interest earned by the investment of general fund cash in accordance with the provisions of
14 20-9-213(4);

15 (E) revenue from corporation license taxes collected from financial institutions under the provisions
16 of 15-31-702; and

17 (F) any other revenue received during the school fiscal year that may be used to finance the general
18 fund, excluding any guaranteed tax base aid; and

19 (iii) ~~(A) pursuant to subsection (4), anticipated revenue from local government severance taxes as~~
20 ~~provided in 15-36-112; and~~

21 ~~(B)~~ pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703.

22 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the
23 property tax required to finance the general fund that has been determined in subsection (1)(b) from any
24 general fund budget amount adopted by the trustees of the district, up to the BASE budget amount, to
25 determine the general fund BASE budget levy requirement.

26 (d) Subtract any amount remaining after the determination in subsection (1)(c) from any additional
27 funding requirement to be met by an over-BASE budget amount, a district levy as provided in 20-9-303,
28 and any additional financing as provided in 20-9-353 to determine any additional general fund levy
29 requirements.

30 (2) The county superintendent shall calculate the number of mills to be levied on the taxable

1 property in the district to finance the general fund levy requirement for any amount that does not exceed
2 the BASE budget amount for the district by dividing the amount determined in subsection (1)(c) by the sum
3 of:

4 (a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as
5 certified by the superintendent of public instruction; and

6 (b) the taxable valuation of the district divided by 1,000.

7 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be
8 reported to the county commissioners on the fourth Monday of August by the county superintendent as
9 the general fund net levy requirement for the district, and a levy must be set by the county commissioners
10 in accordance with 20-9-142.

11 (4) For each school district, the department of revenue shall calculate and report to the county
12 superintendent the amount of revenue anticipated for the ensuing fiscal year from ~~local government~~
13 ~~severance taxes, as provided in 15-36-112, and from revenue from coal gross proceeds under 15-23-703.~~"

14

15 **Section 40.** Section 20-9-161, MCA, is amended to read:

16 **"20-9-161. Definition of budget amendment for budgeting purposes.** As used in this title, unless
17 the context clearly indicates otherwise, the term "budget amendment" for the purpose of school budgeting
18 means an amendment to an adopted budget of the district for the following reasons:

19 (1) an increase in the enrollment of an elementary or high school district that is beyond what could
20 reasonably have been anticipated at the time of the adoption of the budget for the current school fiscal year
21 whenever, because of the enrollment increase, the district's budget for any or all of the regularly budgeted
22 funds does not provide sufficient financing to properly maintain and support the district for the entire
23 current school fiscal year;

24 (2) the destruction or impairment of any school property necessary to the maintenance of the
25 school, by fire, flood, storm, riot, insurrection, or act of God, to an extent rendering school property unfit
26 for its present school use;

27 (3) a judgment for damages against the district issued by a court after the adoption of the budget
28 for the current year;

29 (4) an enactment of legislation after the adoption of the budget for the current year that imposes
30 an additional financial obligation on the district;

- 1 (5) the receipt of:
- 2 (a) a settlement of taxes protested in a prior school fiscal year; ~~or~~
- 3 (b) taxes from a prior school fiscal year as the result of a tax audit by the department of revenue
- 4 or its agents; ~~or~~
- 5 (c) delinquent taxes from a prior school fiscal year; ~~and~~ or
- 6 (d) local government severance tax payments for calendar year 1995 production as provided in
- 7 [section 19(7)]; and
- 8 (e) a determination by the trustees that it is necessary to expend all or a portion of the taxes
- 9 received under subsection (5)(a), (5)(b), ~~or~~ (5)(c) or (5)(d) for a project or projects that were deferred from
- 10 a previous budget of the district as a result of the protested taxes; or
- 11 (6) any other unforeseen need of the district that cannot be postponed until the next school year
- 12 without dire consequences affecting the safety of the students and district employees or the educational
- 13 functions of the district."

14

15 **Section 41.** Section 20-9-331, MCA, is amended to read:

16 **"20-9-331. Basic county tax and other revenues for county equalization of the elementary district**

17 **BASE funding program.** (1) The county commissioners of each county shall levy an annual basic tax of 33

18 mills on the dollar of the taxable value of all taxable property within the county, except for property subject

19 to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, for the

20 purposes of local and state BASE funding program support. The revenue collected from this levy must be

21 apportioned to the support of the elementary BASE funding programs of the school districts in the county

22 and to the state special revenue fund, state equalization aid account, in the following manner:

23 (a) In order to determine the amount of revenue raised by this levy that is retained by the county,

24 the sum of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE

25 funding programs of all elementary districts of the county.

26 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is

27 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds

28 to the state treasurer for deposit to the state special revenue fund, state equalization aid account,

29 immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final

30 remittance due no later than June 20 of the fiscal year for which the levy has been set.

1 (2) The revenue realized from the county's portion of the levy prescribed by this section and the
 2 revenue from the following sources must be used for the equalization of the elementary BASE funding
 3 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
 4 by the county treasurer in accordance with 20-9-212(1):

5 (a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for
 6 the common school fund under the provisions of 17-3-222;

7 (b) the portion of the federal flood control act funds distributed to a county and designated for
 8 expenditure for the benefit of the county common schools under the provisions of 17-3-232;

9 (c) all money paid into the county treasury as a result of fines for violations of law, except money
 10 paid to a justice's court, and the use of which is not otherwise specified by law;

11 (d) any money remaining at the end of the immediately preceding school fiscal year in the county
 12 treasurer's accounts for the various sources of revenue established or referred to in this section;

13 (e) any federal or state money distributed to the county as payment in lieu of property taxation,
 14 including federal forest reserve funds allocated under the provisions of 17-3-213;

15 (f) gross proceeds taxes from coal under 15-23-703;

16 (g) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
 17 ~~incremental production, as defined in 15-23-601, and local government severance taxes on any other~~
 18 ~~production occurring after December 31, 1988~~ oil and natural gas production taxes; and

19 (h) anticipated local government severance tax payments for calendar year 1995 production as
 20 provided in [section 19]; and

21 (i) anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
 22 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204."

23
 24 **Section 42.** Section 20-9-333, MCA, is amended to read:

25 **"20-9-333. Basic special levy and other revenues for county equalization of high school district**
 26 **BASE funding program.** (1) The county commissioners of each county shall levy an annual basic special
 27 tax for high schools of 22 mills on the dollar of the taxable value of all taxable property within the county,
 28 except for property subject to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537,
 29 and 67-3-204, for the purposes of local and state BASE funding program support. The revenue collected
 30 from this levy must be apportioned to the support of the BASE funding programs of high school districts

1 in the county and to the state special revenue fund, state equalization aid account, in the following manner:

2 (a) In order to determine the amount of revenue raised by this levy that is retained by the county,
3 the sum of the estimated revenue identified in subsection (2) must be subtracted from the sum of the
4 county's high school tuition obligation and the total of the BASE funding programs of all high school
5 districts of the county.

6 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is
7 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
8 to the state treasurer for deposit to the state special revenue fund, state equalization aid account,
9 immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final
10 remittance due no later than June 20 of the fiscal year for which the levy has been set.

11 (2) The revenue realized from the county's portion of the levy prescribed in this section and the
12 revenue from the following sources must be used for the equalization of the high school BASE funding
13 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
14 by the county treasurer in accordance with 20-9-212(1):

15 (a) any money remaining at the end of the immediately preceding school fiscal year in the county
16 treasurer's accounts for the various sources of revenue established in this section;

17 (b) any federal or state money distributed to the county as payment in lieu of property taxation,
18 including federal forest reserve funds allocated under the provisions of 17-3-213;

19 (c) gross proceeds taxes from coal under 15-23-703;

20 (d) ~~net proceeds taxes for new production, production from horizontally completed wells, and~~
21 ~~incremental production, as defined in 15-23-601, and local government severance taxes on any other~~
22 ~~production occurring after December 31, 1988~~ oil and natural gas production taxes; and

23 (e) anticipated local government severance tax payments for calendar year 1995 production as
24 provided in [section 19]; and

25 (e)(f) anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
26 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204."

27
28 **Section 43.** Section 20-9-501, MCA, is amended to read:

29 "**20-9-501. Retirement fund.** (1) The trustees of a district employing personnel who are members
30 of the teachers' retirement system or the public employees' retirement system or who are covered by

1 unemployment insurance or who are covered by any federal social security system requiring employer
 2 contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's
 3 contributions to the systems. The district's contribution for each employee who is a member of the
 4 teachers' retirement system must be calculated in accordance with Title 19, chapter 20, part 6. The
 5 district's contribution for each employee who is a member of the public employees' retirement system must
 6 be calculated in accordance with 19-3-316. The district's contributions for each employee covered by any
 7 federal social security system must be paid in accordance with federal law and regulation. The district's
 8 contribution for each employee who is covered by unemployment insurance must be paid in accordance
 9 with Title 39, chapter 51, part 11.

10 (2) The trustees of a district required to make a contribution to a system referred to in subsection
 11 (1) shall include in the retirement fund of the preliminary budget the estimated amount of the employer's
 12 contribution. After the final retirement fund budget has been adopted, the trustees shall pay the employer
 13 contributions to the systems in accordance with the financial administration provisions of this title.

14 (3) When the final retirement fund budget has been adopted, the county superintendent shall
 15 establish the levy requirement by:

16 (a) determining the sum of the money available to reduce the retirement fund levy requirement by
 17 adding:

18 (i) any anticipated money that may be realized in the retirement fund during the ensuing school
 19 fiscal year, including anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
 20 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

21 (ii) ~~not proceeds taxes and local government severance taxes on any other oil and gas production~~
 22 ~~occurring after December 31, 1988~~ oil and natural gas production taxes;

23 (iii) anticipated local government severance tax payments for calendar year 1995 production as
 24 provided in [section 19];

25 (iv) coal gross proceeds taxes under 15-23-703;

26 ~~(iv)~~(v) any fund balance available for reappropriation as determined by subtracting the amount of
 27 the end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing school
 28 fiscal year by the trustees from the end-of-the-year fund balance in the retirement fund. The retirement fund
 29 operating reserve may not be more than 35% of the final retirement fund budget for the ensuing school
 30 fiscal year and must be used for the purpose of paying retirement fund warrants issued by the district under

1 the final retirement fund budget; and

2 ~~(v)~~(vi) any other revenue anticipated that may be realized in the retirement fund during the ensuing
3 school fiscal year, excluding any guaranteed tax base aid.

4 (b) notwithstanding the provisions of subsection (8), subtracting the money available for reduction
5 of the levy requirement, as determined in subsection (3)(a), from the budgeted amount for expenditures in
6 the final retirement fund budget.

7 (4) The county superintendent shall:

8 (a) total the net retirement fund levy requirements separately for all elementary school districts,
9 all high school districts, and all community college districts of the county, including any prorated joint
10 district or special education cooperative agreement levy requirements; and

11 (b) report each levy requirement to the county commissioners on the fourth Monday of August as
12 the respective county levy requirements for elementary district, high school district, and community college
13 district retirement funds.

14 (5) The county commissioners shall fix and set the county levy in accordance with 20-9-142.

15 (6) The net retirement fund levy requirement for a joint elementary district or a joint high school
16 district must be prorated to each county in which a part of the district is located in the same proportion as
17 the district ANB of the joint district is distributed by pupil residence in each county. The county
18 superintendents of the counties affected shall jointly determine the net retirement fund levy requirement
19 for each county as provided in 20-9-151.

20 (7) The net retirement fund levy requirement for districts that are members of special education
21 cooperative agreements must be prorated to each county in which the district is located in the same
22 proportion as the special education cooperative budget is prorated to the member school districts. The
23 county superintendents of the counties affected shall jointly determine the net retirement fund levy
24 requirement for each county in the same manner as provided in 20-9-151 and the county commissioners
25 shall fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152.

26 (8) The county superintendent shall calculate the number of mills to be levied on the taxable
27 property in the county to finance the retirement fund net levy requirement by dividing the amount
28 determined in subsection (4)(a) by the sum of:

29 (a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as
30 certified by the superintendent of public instruction; and

1 (b) the taxable valuation of the district divided by 1,000."

2
3 **Section 44.** Section 20-9-507, MCA, is amended to read:

4 **"20-9-507. Miscellaneous programs fund.** (1) The trustees of a district receiving money from
5 local, state, federal, or other sources provided in 20-5-324 other than money under the provisions of Title
6 I of Public Law 81-874 or federal money designated for deposit in a specific fund of the district shall
7 establish a miscellaneous programs fund for the deposit of the money. The money may be a reimbursement
8 of miscellaneous program fund expenditures already realized by the district, a payment received as a local
9 government severance tax payment for calendar year 1995 production as provided in [section 19], or may
10 be a grant of money for the financing of expenditures to be realized by the district for a special, approved
11 program to be operated by the district. When the money is a reimbursement or a local government
12 severance tax payment, the money may be expended at the discretion of the trustees for school purposes.
13 When the money is a grant, the money must be expended according to the conditions of the program
14 approval by the superintendent of public instruction or any other approval agent. Within the miscellaneous
15 programs fund, the trustees shall cause a separate accounting to be maintained for each federal grant
16 program and for the aggregate of all reimbursement money.

17 (2) The financial administration of the miscellaneous programs fund must be in accordance with
18 the financial administration provisions of this title for a nonbudgeted fund."

19
20 **Section 45.** Section 20-10-144, MCA, is amended to read:

21 **"20-10-144. Computation of revenue and net tax levy requirements for district transportation fund**
22 **budget.** Before the fourth Monday of July and in accordance with 20-9-123, the county superintendent
23 shall compute the revenue available to finance the transportation fund budget of each district. The county
24 superintendent shall compute the revenue for each district on the following basis:

25 (1) The "schedule amount" of the preliminary budget expenditures that is derived from the rate
26 schedules in 20-10-141 and 20-10-142 must be determined by adding the following amounts:

27 (a) the sum of the maximum reimbursable expenditures for all approved school bus routes
28 maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate
29 per bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus
30 route approved by the county transportation committee and maintained by the district); plus

1 (b) the total of all individual transportation per diem reimbursement rates for the district as
2 determined from the contracts submitted by the district multiplied by the number of pupil-instruction days
3 scheduled for the ensuing school attendance year; plus

4 (c) any estimated costs for supervised home study or supervised correspondence study for the
5 ensuing school fiscal year; plus

6 (d) the amount budgeted on the preliminary budget for the contingency amount permitted in
7 20-10-143, except if the amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or \$100,
8 whichever is larger, the contingency amount on the preliminary budget must be reduced to the limitation
9 amount and used in this determination of the schedule amount; plus

10 (e) any estimated costs for transporting a child out of district when the child has mandatory
11 approval to attend school in a district outside the district of residence.

12 (2) (a) The schedule amount determined in subsection (1) or the total preliminary transportation
13 fund budget, whichever is smaller, is divided by 2 and is used to determine the available state and county
14 revenue to be budgeted on the following basis:

15 (i) one-half is the budgeted state transportation reimbursement, except that the state transportation
16 reimbursement for the transportation of special education pupils under the provisions of 20-7-442 must be
17 50% of the schedule amount attributed to the transportation of special education pupils; and

18 (ii) one-half is the budgeted county transportation fund reimbursement and must be financed in the
19 manner provided in 20-10-146.

20 (b) When the district has a sufficient amount of cash for reappropriation and other sources of
21 district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero,
22 any remaining amount of district revenue and cash reappropriated must be used to reduce the county
23 financing obligation in subsection (2)(a)(ii) and, if the county financing obligations are reduced to zero, to
24 reduce the state financial obligation in subsection (2)(a)(i).

25 (c) The county revenue requirement for a joint district, after the application of any district money
26 under subsection (2)(b), must be prorated to each county incorporated by the joint district in the same
27 proportion as the ANB of the joint district is distributed by pupil residence in each county.

28 (3) The total of the money available for the reduction of property tax on the district for the
29 transportation fund must be determined by totaling:

30 (a) anticipated federal money received under the provisions of Title I of Public Law 81-874 or other

1 anticipated federal money received in lieu of that federal act;

2 (b) anticipated payments from other districts for providing school bus transportation services for
3 the district;

4 (c) anticipated payments from a parent or guardian for providing school bus transportation services
5 for a child;

6 (d) anticipated or reappropriated interest to be earned by the investment of transportation fund
7 cash in accordance with the provisions of 20-9-213(4);

8 (e) anticipated or reappropriated revenue from property taxes and fees imposed under 23-2-517,
9 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

10 (f) anticipated revenue from coal gross proceeds under 15-23-703;

11 (g) anticipated ~~net proceeds taxes for new production, production from horizontally completed~~
12 ~~wells, and incremental production, as defined in 15-23-601, and local government severance taxes on any~~
13 ~~other production occurring after December 31, 1988~~ oil and natural gas production taxes;

14 (h) anticipated local government severance tax payments for calendar year 1995 production;

15 ~~(i)~~ (i) anticipated transportation payments for out-of-district pupils under the provisions of 20-5-320
16 through 20-5-324;

17 ~~(j)~~ (j) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal
18 year that may be used to finance the transportation fund; and

19 ~~(k)~~ (k) any fund balance available for reappropriation as determined by subtracting the amount of
20 the end-of-the-year fund balance earmarked as the transportation fund operating reserve for the ensuing
21 school fiscal year by the trustees from the end-of-the-year fund balance in the transportation fund. The
22 operating reserve may not be more than 20% of the final transportation fund budget for the ensuing school
23 fiscal year and is for the purpose of paying transportation fund warrants issued by the district under the
24 final transportation fund budget.

25 (4) The district levy requirement for each district's transportation fund must be computed by:

26 (a) subtracting the schedule amount calculated in subsection (1) from the total preliminary
27 transportation budget amount; and

28 (b) subtracting the amount of money available to reduce the property tax on the district, as
29 determined in subsection (3), from the amount determined in subsection (4)(a).

30 (5) The transportation fund levy requirements determined in subsection (4) for each district must

1 be reported to the county commissioners on the fourth Monday of August by the county superintendent
 2 as the transportation fund levy requirements for the district, and the levy must be made by the county
 3 commissioners in accordance with 20-9-142."

4
 5 **Section 46.** Section 20-10-146, MCA, is amended to read:

6 **"20-10-146. County transportation reimbursement.** (1) The apportionment of the county
 7 transportation reimbursement by the county superintendent for school bus transportation or individual
 8 transportation that is actually rendered by a district in accordance with this title, board of public education
 9 transportation policy, and the transportation rules of the superintendent of public instruction must be the
 10 same as the state transportation reimbursement payment, except that:

11 (a) if any cash was used to reduce the budgeted county transportation reimbursement under the
 12 provisions of 20-10-144(2)(b), the annual apportionment is limited to the budget amount;

13 (b) when the county transportation reimbursement for a school bus has been prorated between two
 14 or more counties because the school bus is conveying pupils of more than one district located in the
 15 counties, the apportionment of the county transportation reimbursement must be adjusted to pay the
 16 amount computed under the proration; and

17 (c) when county transportation reimbursement is required under the mandatory attendance
 18 agreement provisions of 20-5-321.

19 (2) The county transportation net levy requirement for the financing of the county transportation
 20 fund reimbursements to districts is computed by:

21 (a) totaling the net requirement for all districts of the county, including reimbursements to a special
 22 education cooperative or prorated reimbursements to joint districts or reimbursements under the mandatory
 23 attendance agreement provisions of 20-5-321;

24 (b) determining the sum of the money available to reduce the county transportation net levy
 25 requirement by adding:

26 (i) anticipated money that may be realized in the county transportation fund during the ensuing
 27 school fiscal year, including anticipated revenue from property taxes and fees imposed under 23-2-517,
 28 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204;

29 (ii) ~~not proceeds taxes and local government severance taxes on other oil and gas production~~
 30 ~~occurring after December 31, 1988~~ oil and natural gas production taxes;

1 (iii) anticipated local government severance tax payments for calendar year 1995 production;

2 ~~###(iv)~~ coal gross proceeds taxes under 15-23-703;

3 ~~(iv)(v)~~ any fund balance available for reappropriation from the end-of-the-year fund balance in the
4 county transportation fund;

5 ~~(v)(vi)~~ federal forest reserve funds allocated under the provisions of 17-3-213; and

6 ~~(v)(vii)~~ other revenue anticipated that may be realized in the county transportation fund during the
7 ensuing school fiscal year; and

8 (c) subtracting the money available as determined in subsection (2)(b) to reduce the levy
9 requirement from the county transportation net levy requirement.

10 (3) The net levy requirement determined in subsection (2)(c) must be reported to the county
11 commissioners on the fourth Monday of August by the county superintendent and a levy must be set by
12 the county commissioners in accordance with 20-9-142.

13 (4) The county superintendent shall apportion the county transportation reimbursement from the
14 proceeds of the county transportation fund. The county superintendent shall order the county treasurer to
15 make the apportionments in accordance with 20-9-212(2) and after the receipt of the semiannual state
16 transportation reimbursement payments."

17
18 **Section 47.** Section 82-11-118, MCA, is amended to read:

19 **"82-11-118. Fees for processing applications.** (1) The board shall establish a fee schedule to
20 defray the expenses incurred for processing an application from an operator or producer of oil seeking
21 approval of a new or expanded enhanced recovery project, as defined in ~~15-23-601 or 15-36-104~~ [section
22 3]. The fee must be paid by the owner or operator seeking approval of the project.

23 (2) The board shall, by rule, determine the amount of the fee based on the complexity of
24 processing the application."

25
26 **Section 48.** Section 82-11-135, MCA, is amended to read:

27 **"82-11-135. Money earmarked for board expenses.** ~~All~~ The state treasurer shall deposit all money
28 collected under this chapter and under [section 18(7)(b)] shall be deposited in the state special revenue fund
29 ~~by the state treasurer and shall.~~ The money must be used for the purpose of paying all expenses of the
30 board and for no other purpose. ~~All these moneys shall be used by the board~~ The board shall use the

1 money subject to biennial appropriations by the legislature. Income and interest from investment of the
2 board's moneys in the state special revenue fund ~~shall~~ must be credited to the board."

3
4 **SECTION 49. SECTION 82-11-162, MCA, IS AMENDED TO READ:**

5 "82-11-162. **Release of producing oil or gas well from drilling bond -- fee.** Upon receipt of
6 notification by the owner on a form prescribed by the board, payment by the owner of \$125, and proof
7 from the owner that a well completed after June 30, 1989, is producing oil or gas in commercial quantities
8 and is subject to the tax under ~~15-38-104~~ [sections 1 through 20], the board shall release ~~and absolve~~ the
9 owner of the well from the bond required under 82-11-123."

10
11 **NEW SECTION. Section 50. Repealer.** Sections 15-16-121, 15-23-601, 15-23-602, 15-23-603,
12 15-23-605, 15-23-606, 15-23-607, 15-23-608, 15-23-609, 15-23-610, 15-23-611, 15-23-612,
13 15-23-613, 15-23-614, 15-23-621, 15-23-631, 15-36-101, 15-36-102, 15-36-103, 15-36-104,
14 15-36-105, 15-36-106, 15-36-107, 15-36-108, 15-36-109, 15-36-110, 15-36-112, 15-36-113,
15 15-36-114, 15-36-120, 15-36-121, 15-36-122, 15-36-126, 82-11-131, 82-11-132, and 82-11-133, MCA,
16 AND CHAPTER 33, LAWS OF 1995, are repealed.

17
18 **NEW SECTION. Section 51. Codification instruction.** [Sections 1 through 20] are intended to be
19 codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 1 through 20].

20
21 **NEW SECTION. Section 52. Saving clause.** [This act] does not affect rights and duties that
22 matured, penalties that were incurred, or proceedings that were begun before [the effective date of this
23 act].

24
25 **NEW SECTION. Section 53. Severability.** If a part of [this act] is invalid, all valid parts that are
26 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
27 applications, the part remains in effect in all valid applications that are severable from the invalid
28 applications.

29
30 **NEW SECTION. Section 54. Effective dates -- rulemaking.** (1) Except for the purposes of

1 subsection (2), [this act] is effective January 1, 1996.

2 (2) For the purposes of promulgating administrative rules, [section 16 and this section] are effective
3 on passage and approval.

4

5 **NEW SECTION. Section 55. Applicability.** (1) [This act] applies to oil and natural gas produced and
6 sold on or after January 1, 1996.

7 (2)(a) [Sections 21 through 26] apply to county fiscal years beginning after June 30, 1996.

8 (b) [Sections 38 through 46] apply to school fiscal years beginning after June 30, 1996.

9 (3)(a) An operator is subject to provisions of Title 15, chapter 23, parts 1 and 6; Title 15, chapter
10 36; Title 15, chapter 38; and Title 82, chapter 11, part 1, as those laws read on December 31, 1995, for
11 all oil and natural gas produced and sold by the operator before January 1, 1996.

12 (b) Except as provided in subsection (3)(c), the payment, collection, and distribution of taxes on
13 oil and natural gas production occurring before January 1, 1996, must be made according to the provisions
14 of the laws referred to in subsection (3)(a) governing the tax in effect on the last day of the tax period in
15 which the activity, enterprise, or product being taxed was engaged in, took place, or was produced and
16 sold.

17 (c) [Section 19] applies to the payment, collection, and distribution of the local government
18 **SEVERANCE TAX** for oil and natural gas produced and sold after December 31, 1994, and before January
19 1, 1996.

20 (d) All taxes collected pursuant to audit or collected after the date the tax is payable under the laws
21 referred to in subsection (3)(a) must be distributed according to the statute governing allocation of the tax
22 in effect on the date when the tax liability was incurred.

23 -END-

SENATE BILL NO. 412

INTRODUCED BY GROSFIELD, HARP, FELAND, PECK, ROSE, HALLIGAN, COLE, ELLIOTT, STANG,
 TVEIT, L. NELSON, SCHWINDEN, MERCER, SWANSON, FOSTER, BOHLINGER, BROWN, M. HANSON,
 J. JOHNSON, T. NELSON, HIBBARD, DEVLIN
 BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE TAXATION OF OIL AND NATURAL
 GAS; ELIMINATING THE OIL AND NATURAL GAS NET PROCEEDS TAX, THE LOCAL GOVERNMENT
 SEVERANCE TAX, THE STATE OIL AND GAS SEVERANCE TAX, AND THE OIL AND GAS PRIVILEGE AND
 LICENSE TAX; IMPOSING OIL AND NATURAL GAS PRODUCTION TAXES BASED ON THE TYPE OF WELL
 AND TYPE OF PRODUCTION; PROVIDING FOR THE DISTRIBUTION OF OIL AND NATURAL GAS
 PRODUCTION TAXES; PROVIDING A DISBURSEMENT TO SCHOOL DISTRICTS AND LOCAL
 GOVERNMENTS TO REPLACE NET PROCEEDS AND LOCAL GOVERNMENT SEVERANCE TAX REVENUE;
 EXEMPTING OIL AND NATURAL GAS PRODUCTION FROM THE RESOURCE INDEMNITY TRUST TAX;
 PROVIDING AN ALLOCATION OF OIL AND NATURAL GAS PRODUCTION TAX REVENUE FOR THE
 PURPOSES OF THE MONTANA RESOURCE INDEMNITY TRUST AND GROUND WATER ASSESSMENT ACT;

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