

1 activity;

2 (c) promote diversification and development of the economic base within the jurisdiction of a local
3 government unit;

4 (d) attract new industry to the impact area;

5 (e) provide cash incentives for expanding the employment base of the area impacted by the
6 changes in mining activity described in subsection (2); or

7 (f) provide grants or loans to other local government jurisdictions to assist with impacts caused by
8 the changes in mining activity described in subsection (2).

9 (4) Except as provided in subsection (3)(b), money held in the account may not be considered as
10 cash balance for the purpose of reducing mill levies.

11 (5) Money in the reserve account must be invested as provided by law. Interest and income from
12 the investment of funds in the account must be credited to the account."

13

14 **Section 2.** Section 7-6-2226, MCA, is amended to read:

15 **"7-6-2226. Metal mines tax reserve account.** (1) The governing body of a county receiving tax
16 collections under 15-37-117(1)(~~h~~c) may establish a metal mines tax reserve account to be used to hold
17 the collections. The governing body may hold money in the account for any time period considered
18 appropriate by the governing body. Money held in the account may not be considered as cash balance for
19 the purpose of reducing mill levies.

20 (2) Money may be expended from the account for any purpose provided by law.

21 (3) Money in the account must be invested as provided by law. Interest and income from the
22 investment of the metal mines tax reserve account must be credited to the account."

23

24 **Section 3.** Section 7-7-2101, MCA, is amended to read:

25 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted
26 in any manner or for any purpose ~~to~~ in an amount, including existing indebtedness, in the aggregate
27 exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the
28 value provided by the department of revenue in 15-36-324(~~10~~13), as ascertained by the last assessment
29 for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be
30 incurred during fiscal year 1997, an additional 11% of the taxable value of class eight property within the

1 county for tax year 1995, for indebtedness to be incurred during fiscal year 1998, an additional 22% of
2 the taxable value of class eight property within the county for tax year 1995, and for indebtedness to be
3 incurred during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight
4 property within the county for tax year 1995, in each case of class eight property, multiplied by 23%.

5 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding
6 \$500,000 without the approval of a majority of the electors of the county voting at an election to be
7 provided by law, except as provided in 7-21-3413 and 7-21-3414.

8 (3) This section does not apply to the acquisition of conservation easements as set forth in Title
9 76, chapter 6."
10

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

12 **"7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections
13 (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding
14 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
15 total of the taxable value of the property in the county, plus the value provided by the department of
16 revenue under 15-36-324~~(10)~~(13), to be ascertained by the last assessment for state and county taxes prior
17 to the proposed issuance of bonds, plus, for general obligation bonds to be issued during fiscal year 1997,
18 an additional 11% of the taxable value of class eight property within the county for tax year 1995, for
19 general obligation bonds to be issued during fiscal year 1998, an additional 22% of the taxable value of
20 class eight property within the county for tax year 1995, and for general obligation bonds to be issued
21 during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property
22 within the county for tax year 1995, in each case of class eight property, multiplied by 11.25%.

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 value provided by the department of revenue under
26 15-36-324~~(10)~~(13), when necessary to do so, to be ascertained by the last assessment for state and
27 county taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value
28 of class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998,
29 an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for
30 bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class

1 eight property within the county for tax year 1995, in each case of class eight property, multiplied by
 2 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or
 3 acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

4 (3) In addition to the bonds allowed by subsections (1) and (2), a county may issue bonds for the
 5 construction or improvement of a jail that will not exceed 12.5% of the taxable value of the property in the
 6 county subject to taxation, plus the adjustments permitted by 7-7-2101.

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

10

11 **Section 5.** Section 7-14-2524, MCA, is amended to read:

12 **"7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise
 13 provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding
 14 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
 15 total of the taxable value of the property in the county, plus the value provided by the department of
 16 revenue under 15-36-324~~(10)~~(13). The taxable property and the amount of taxes levied on new production,
 17 production from horizontally completed wells, and incremental production must be ascertained by the last
 18 assessment for state and county taxes 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 value provided by the department of revenue under 15-36-324~~(10)~~(13) when necessary
 22 for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways that have been
 23 destroyed or damaged by an act of God or by a disaster, catastrophe, or accident.

24 (3) The value of the bonds issued and all other outstanding indebtedness of the county, except
 25 county high school bonds, may not exceed 22.5% of the total of the taxable value of the property within
 26 the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), as ascertained
 27 by the last preceding general assessment."

28

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

30 **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total

1 indebtedness of a county exceeds 22.5% of the total of the taxable value of the property ~~therein~~ in the
2 county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), and the board
3 determines that the county is unable to pay the indebtedness in full, the board may:

4 (a) negotiate with the bondholders for an agreement ~~whereby~~ under which the bondholders agree
5 to accept less than the full amount of the bonds and the accrued unpaid interest in satisfaction of the
6 bonds;

7 (b) enter into the agreement;

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

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

11 (3) The plan agreed upon between the board and the bondholders must be embodied in full in the
12 resolution providing for the issuance of the bonds."
13

14 **Section 7.** Section 7-16-2327, MCA, is amended to read:

15 **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a
16 county park board, in addition to powers and duties now given under law, may contract an indebtedness
17 in behalf of a county, upon the credit of the county, in order to carry out its powers and duties.

18 (2) (a) The total amount of indebtedness authorized to be contracted in any form, including the
19 then-existing indebtedness, may not at any time exceed 13% of the total of the taxable value of the taxable
20 property in the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13),
21 ascertained by the last assessment for state and county taxes previous to the incurring of the indebtedness.

22 (b) Money may not be borrowed on bonds issued for the purchase of lands and improving the land
23 for any purpose until the proposition has been submitted to the vote of those qualified under the provisions
24 of the state constitution to vote at the election in the affected county and a majority vote is cast in favor
25 of the bonds."
26

27 **Section 8.** Section 15-1-501, MCA, is amended to read:

28 **"15-1-501. Disposition of money from certain designated license and other taxes.** (1) The state
29 treasurer shall deposit to the credit of the state general fund in accordance with the provisions of
30 subsection (6) all money received from the collection of:

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

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

4 (c) liquor license taxes under Title 16;

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

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

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

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

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

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

13 (3) All money received from the collection of corporation license and income taxes under chapter
14 31 of this title, except as provided in 15-31-702, must, in accordance with the provisions of subsection
15 (6), be deposited as follows:

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

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

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

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

23 (5) Oil and natural gas production taxes allocated under ~~15-36-324(7)(a)~~ (8)(a) and (10)(a) must be
24 deposited in the general fund.

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

30 (7) All refunds of taxes must be attributed to the funds in which the taxes are currently being

1 recorded. All refunds of interest and penalties must be attributed to the funds in which the interest and
 2 penalties are currently being recorded."

3

4 **Section 9.** Section 15-36-304, MCA, is amended to read:

5 **"15-36-304. Production tax rates imposed on oil and natural gas.** (1) The production of oil and
 6 natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-324.

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 Interest	Nonworking Interest
10 (a) pre-1985 wells	18.55% <u>18.05%</u>	14.8% <u>14.03%</u>
11 (b) post-1985 wells		
12 (i) first 12 months of qualifying production	0.5% <u>0%</u>	14.8% <u>14.3%</u>
13 (ii) next 12 months of qualifying production	12.5% <u>12%</u>	14.8% <u>14.3%</u>
14 (iii) after 24 months	15.15% <u>14.65%</u>	14.8% <u>14.3%</u>
15 (c) stripper natural gas pre-1985 and post-1985 wells	11% <u>10.5%</u>	14.8% <u>14.3%</u>

16 (3) The reduced tax rates under subsections (2)(b)(i) and (2)(b)(ii) on production for the first 24
 17 months of natural gas production from a post-1985 well begin 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 Interest	Nonworking Interest
22 (a) primary recovery production		
23 (i) pre-1985 wells	13.9% <u>13.4%</u>	16.9% <u>16.4%</u>
24 (ii) post-1985 wells		
25 (A) first 12 months of qualifying production	0.5% <u>0%</u>	14.8% <u>14.3%</u>
26 (B) next 12 months of qualifying production	7.5% <u>7.5%</u>	14.8% <u>14.3%</u>

1	(C) after 24 months	12.5% <u>12%</u>	14.8% <u>14.3%</u>
2	(b) stripper oil production		
3	(i) pre-1985 wells	10.5% <u>10%</u>	16.9% <u>16.4%</u>
4	(ii) post-1985 wells	10.5% <u>10%</u>	14.8% <u>14.3%</u>
5	(iii) stripper exemption production		
6	(A) pre-1985 wells	6.5% <u>5%</u>	16.9% <u>16.4%</u>
7	(B) post-1985 wells	6.5% <u>5%</u>	14.8% <u>14.3%</u>
8	(c) horizontally completed well production		
9	(i) first 18 months of qualifying production	0.5% <u>0%</u>	5.5% <u>5%</u>
10	(ii) next 6 months of qualifying production	7.5% <u>7%</u>	12.5% <u>12%</u>
11	(iii) after 24 months	12.5% <u>12%</u>	12.5% <u>12%</u>
12	(d) incremental production		
13	(i) new or expanded secondary recovery production		
14	(A) pre-1985 well	8.5% <u>8%</u>	16% <u>15.5%</u>
15	(B) post-1985 well	8.5% <u>8%</u>	10.5% <u>10%</u>
16	(ii) new or expanded tertiary production		
17	(A) pre-1985 well	5.8% <u>5.3%</u>	15% <u>14.5%</u>
18	(B) post-1985 well	5.8% <u>5.3%</u>	9.5% <u>9%</u>
19	(e) horizontally recompleted well		
20	(i) first 18 months	5.5% <u>5%</u>	5.5% <u>5%</u>
21	(ii) after 18 months	12.5% <u>12%</u>	12.5% <u>12%</u>
22	(5) (a) The reduced tax rates under subsections (4)(a)(ii)(A) and (4)(a)(ii)(B) for the first 24 months		
23	of oil production from a post-1985 well begin following the last day of the calendar month immediately		
24	preceding the month in which oil is pumped or flows, provided that notification has been given to the		
25	department.		
26	(b) (i) The reduced tax rates under subsection (4)(c)(i) and (4)(c)(ii) on oil production from a		
27	horizontally completed well for the first 24 months of production begin following the last day of the		
28	calendar month immediately preceding the month in which oil is pumped or flows, provided that the well		
29	has been certified as a horizontally completed well to the department by the board.		
30	(ii) The reduced tax rate under subsection (4)(e)(i) on oil production from a horizontally recompleted		

1 well for the first 18 months of production begins following the last day of the calendar month immediately
 2 preceding the month in which oil is pumped or flows, provided that the well has been certified as a
 3 horizontally recompleted well to the department by the board.

4 (c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel
 5 of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter
 6 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
 7 determined in subsection (5)(d), incremental production is taxed at the rate imposed on primary recovery
 8 production under subsection (4)(a)(i) for production occurring in that quarter.

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

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

15

16 **Section 10.** Section 15-36-324, MCA, is amended to read:

17 "**15-36-324. Distribution of taxes -- department to revise distributions.** (1) For each calendar
 18 quarter, the department of revenue shall determine the amount of tax, late payment interest, and penalty
 19 collected under this part. For purposes of distribution of the taxes to county and school taxing units, the
 20 department shall determine the amount of oil and natural gas production taxes paid on production from
 21 pre-1985 wells, post-1985 wells, and horizontally drilled wells located in the taxing unit.

22 (2) Except as provided in subsections (3) ~~and (4)~~, through (5), oil production taxes must be
 23 distributed as follows:

24 (a) The amount equal to ~~41.6%~~ 37.2% of the oil production taxes, including late payment interest
 25 and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (8).

26 (b) The remaining ~~58.4%~~ 62.8% of the oil production taxes, plus accumulated interest earned on
 27 the amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state
 28 treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~
 29 (11).

30 (3) (a) The amount equal to 100% of the oil production taxes, including late payment interest and

1 penalty, collected from working interest owners on production from post-1985 wells occurring during the
2 first 12 months of production must be distributed as provided in subsection ~~(7)~~ (9).

3 (b) (i) The amount equal to 4.1% of the oil production taxes, including late payment interest and
4 penalty, collected from working interest owners on production from post-1985 wells occurring during the
5 next 12 months of production must be distributed as provided in subsection (9).

6 (ii) The remaining 95.9% of the oil production taxes, plus accumulated interest earned on the
7 amount allocated under this subsection (3)(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 (11).

9 (4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and
10 penalty, collected under this part on production from horizontally ~~drilled~~ completed 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)~~ (9).

13 (b) (i) The amount equal to 4.1% of the oil production taxes, including late payment interest and
14 penalty, collected from working interest owners on production from horizontally completed wells occurring
15 during the next 6 months of production must be distributed as provided in subsection (9).

16 (ii) The remaining 95.9% of the oil production taxes, plus accumulated interest earned on the
17 amount allocated under this subsection (4)(b), must be deposited in the agency fund in the state treasury
18 and transferred to the county and school taxing units for distribution as provided in subsection (11).

19 (c) The amount equal to 100% of the oil production taxes, including late payment interest and
20 penalty, collected under this part on the production from horizontally recompleted wells occurring during
21 the first 18 months of production must be distributed as provided in subsection (8).

22 (5) (a) The amount equal to 5.7% of the oil production taxes, including late payment interest and
23 penalty, collected from working interest owners on stripper exemption production from pre-1985 wells and
24 post-1985 wells must be distributed as provided in subsection (9).

25 (b) The remaining 94.3% of the oil production taxes, plus accumulated interest earned on the
26 amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state treasury
27 and transferred to the county and school taxing units for distribution as provided in subsection (11).

28 ~~(5)(6)~~ Except as provided in subsection ~~(6)~~ (7), natural gas production taxes must be allocated as
29 follows:

30 (a) The amount equal to ~~14.6%~~ 12% of the natural gas production taxes, including late payment

1 interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (10).

2 (b) The remaining ~~85.4%~~ 88% of the natural gas production taxes, plus accumulated interest
3 earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the agency fund
4 in the state treasury and transferred to the county and school taxing units for distribution as provided in
5 subsection ~~(8)~~ (11).

6 ~~(6)(7)~~ (a) The amount equal to 100% of the natural gas production taxes, including late payment
7 interest and penalty, collected from working interest owners under this part on production from post-1985
8 wells occurring during the first 12 months of production must be distributed as provided in subsection ~~(7)~~
9 (9).

10 (b) (i) The amount equal to 2.4% of the natural gas production taxes, including late payment
11 interest and penalty, collected from working interest owners on production from post-1985 wells occurring
12 during the next 12 months of production must be distributed as provided in subsection (9).

13 (ii) The remaining 97.6% of the oil production taxes, plus accumulated interest earned on the
14 amount allocated under this subsection (7)(b), must be deposited in the agency fund in the state treasury
15 and transferred to the county and school taxing units for distribution as provided in subsection (11).

16 ~~(7)(8)~~ The department shall, in accordance with the provisions of 15-1-501~~(6)~~, distribute the state
17 portion of oil ~~and natural gas~~ production taxes specified in subsections (2)(a) and (4)(c), including late
18 payment interest and penalty collected, as follows:

19 (a) ~~85%~~ 94.3% to the state general fund; and

20 (b) ~~4.3%~~ 5.7% to the state special revenue fund for the purpose of paying expenses of the board
21 as provided in 82-11-135; ~~and~~

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

23 (9) The department shall, in accordance with the provisions of 15-1-501, distribute the state
24 portion of oil and natural gas production taxes specified in subsections (3)(a), (3)(b)(i), (4)(a), (4)(b)(i),
25 (5)(a), (7)(a), and (7)(b)(i), including 100% of the late payment interest and penalty collected, to the state
26 special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135.

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

30 (a) 88.3% to the state general fund; and

1 (b) 11.7% to the state special revenue fund for the purpose of paying expenses of the board as
 2 provided in 82-11-135.

3 ~~(8)(11)~~ (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 15-36-323
 5 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during
 6 the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and
 7 natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas
 8 production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil
 9 and natural gas production taxes distributions must be calculated and distributed as follows:

10 (i) By the dates referred to in subsection ~~(9)~~ (12), the department shall calculate and distribute to
 11 each 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)~~ (11)(a), by the units of
 13 production on which oil and natural gas production taxes from pre-1985 wells were owed for the calendar
 14 quarter for 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)~~ (11)(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)(e)~~ (11)(c), the county treasurer shall distribute the money
 24 received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year
 25 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were
 26 distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a
 27 municipal taxing 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)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school

1 or high 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)(e)(i)~~ (11)(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)~~ (11)(d)(i) exceeds the total budget for a fund, the
13 trustees may 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), (3)(b), (4)(b), and (5)(b), (6)(b), and (7)(b) between county and school taxing units in
17 the relative proportions required by the levies for state, county, and school district purposes in the same
18 manner as property taxes were distributed in the preceding fiscal year.

19 (f) The allocation to the county in subsection ~~(8)(e)~~ (11)(e) must be distributed by the county
20 treasurer in the relative proportions required by the levies for county taxing units and in the same manner
21 as property taxes were distributed in the preceding fiscal year.

22 (g) The money distributed in subsection ~~(8)(e)~~ (11)(e) that is required for the county mill levies for
23 school district retirement obligations and transportation schedules must be deposited to the funds
24 established for these purposes.

25 (h) The oil and natural gas production taxes distributed under subsection ~~(8)(b)~~ (11)(b) that are
26 required for the 6-mill university levy imposed under 20-25-423 and for the county equalization levies
27 imposed under 20-9-331 and 20-9-333, as those sections read on July 1, 1989, must be remitted by the
28 county treasurer to the state treasurer.

29 (i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are
30 required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed

1 under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be
2 remitted 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)~~ (11)(h) and ~~(8)(i)~~ (11)(i) is for the exclusive use and benefit
5 of the county and school taxing units.

6 ~~(9)(12)~~ The department shall remit the amounts to be distributed in subsection ~~(9)~~ (11) to the
7 county 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)(13)~~ 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 15-36-304 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 (14) (a) In the event that the average price per barrel of oil is equal to or greater than \$30 a barrel
24 as determined in 15-36-303(21), the department shall, by rule, revise the formula under this section for the
25 distribution of oil production taxes on incremental production oil and on stripper oil as it applies to the first
26 3 barrels of production.

27 (b) In the event that the board of oil and gas conservation revises the privilege and license tax
28 pursuant to 82-11-131, the department shall, by rule, change the formula under this section for distribution
29 of taxes collected under 15-36-304. The revised formula must provide for the distribution of taxes in an
30 amount equal to the rate adopted by the board for the expenses of the board.

1 (15) Before the department adopts a rule pursuant to subsection (14), it shall present the proposed
 2 rule to the revenue oversight committee."

3

4 **Section 11.** Section 15-37-103, MCA, is amended to read:

5 "**15-37-103. Rate of tax.** (1) The annual license tax to be paid by a person engaged in or carrying
 6 on the business of working or operating any mine or mining property in this state from which gold, silver,
 7 copper, lead, or any other metal or metals or precious or semiprecious gems or stones are produced ~~shall~~
 8 ~~be~~ is an amount computed on the gross value of product ~~which~~ that may have been derived by the person
 9 from mining business, work, or operation within this state during the calendar year immediately preceding.

10 (2) Concentrate shipped to a smelter, mill, or reduction work is taxed at the following rates:

11 Gross Value	Rate of Tax
12 of Product	(percentage of gross value)
13 first \$250,000	0%
14 more than \$250,000	4.81% <u>1.53%</u> of the increment

15 (3) Gold, silver, or any platinum-group metal that is dore, bullion, or matte and that is shipped to
 16 a refinery is taxed at the following rates:

17 Gross Value	Rate of Tax
18 of Product	(percentage of gross value)
19 first \$250,000	0%
20 more than \$250,000	4.6% <u>1.35%</u> of the increment"

21

22 **Section 12.** Section 15-37-117, MCA, is amended to read:

23 "**15-37-117. (Temporary) Disposition of metalliferous mines license taxes.** (1) Metalliferous mines
 24 license taxes collected under the provisions of this part must, in accordance with the provisions of
 25 15-1-501, be allocated as follows:

26 (a) to the credit of the general fund of the state, 58% of total collections each year;

27 (b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, 1.5%
 28 of total collections each year;

29 (c) to the abandoned mines state special revenue account provided for in section 19, Chapter 584,
 30 Laws of 1995, 8.5% of total collections each year;

1 (d) to the ground water assessment account established in 85-2-905, 2.2% of total collections
2 each year;

3 (e) to the reclamation and development grants program state special revenue account, 4.8% of
4 total collections each year; and

5 (f) to the county or counties identified as experiencing fiscal and economic impacts, resulting in
6 increased employment or local government costs, under an impact plan for a large-scale mineral
7 development prepared and approved pursuant to 90-6-307, in direct proportion to the fiscal and economic
8 impacts determined in the plan, or, if an impact plan has not been prepared, to the county in which the
9 mine is located, 25% of total collections each year, to be allocated by the county commissioners as
10 follows:

11 (i) not less than 40% to the county hard-rock mine trust reserve account established in 7-6-2225;
12 and

13 (ii) all money not allocated to the account pursuant to subsection (1)(f)(i) to be further allocated as
14 follows:

15 (A) 33 1/3% is allocated to the county for planning or economic development activities;

16 (B) 33 1/3% is allocated to the elementary school districts within the county that have been
17 affected by the development or operation of the metal mine; and

18 (C) 33 1/3% is allocated to the high school districts within the county that have been affected by
19 the development or operation of the metal mine.

20 (2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307
21 identifies a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under
22 subsection (1)(f) in a manner similar to that provided for property tax sharing under Title 90, chapter 6, part
23 4.

24 (3) The department shall return to the county in which metals are produced the tax collections
25 allocated under subsection (1)(f). The allocation to the county described by subsection (1)(f) is a statutory
26 appropriation pursuant to 17-7-502. (Terminates June 30, 1997--sec. 27, Ch. 584, L. 1995.)

27 **15-37-117. (Effective July 1, 1997) Disposition of metalliferous mines license taxes.** (1)
28 Metalliferous mines license taxes collected under the provisions of this part must, in accordance with the
29 provisions of 15-1-501, be allocated as follows:

30 (a) to the credit of the general fund of the state, 58% of total collections each year;

1 (b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, 1.5%
2 of total collections each year;

3 (c) to the state resource indemnity trust fund, ~~15.5%~~ 8.5% of total collections each year;

4 (d) to the ground water assessment account established in 85-2-905, 2.2% of total collections
5 each year;

6 (e) to the reclamation and development grants program state special revenue account, 4.8% of total
7 collections each year; and

8 (f) to the county or counties identified as experiencing fiscal and economic impacts, resulting in
9 increased employment or local government costs, under an impact plan for a large-scale mineral
10 development prepared and approved pursuant to 90-6-307, in direct proportion to the fiscal and economic
11 impacts determined in the plan, or, if an impact plan has not been prepared, to the county in which the
12 mine is located, 25% of total collections each year, to be allocated by the county commissioners as
13 follows:

14 (i) not less than 40% to the county hard-rock mine trust reserve account established in 7-6-2225;
15 and

16 (ii) all money not allocated to the account pursuant to subsection (1)(f)(i) to be further allocated as
17 follows:

18 (A) 33 1/3% is allocated to the county for planning or economic development activities;

19 (B) 33 1/3% is allocated to the elementary school districts within the county that have been
20 affected by the development or operation of the metal mine; and

21 (C) 33 1/3% is allocated to the high school districts within the county that have been affected by
22 the development or operation of the metal mine.

23 (2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307
24 identifies a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under
25 subsection (1)(f) in a manner similar to that provided for property tax sharing under Title 90, chapter 6, part
26 4.

27 (3) The department shall return to the county in which metals are produced the tax collections
28 allocated under subsection (1)(f). The allocation to the county described by subsection (1)(f) is a statutory
29 appropriation pursuant to 17-7-502."
30

1 **Section 13.** Section 15-37-117, MCA, is amended to read:

2 **"15-37-117. (Temporary) Disposition of metalliferous mines license taxes.** (1) Metalliferous mines
3 license taxes collected under the provisions of this part must, in accordance with the provisions of
4 15-1-501, be allocated as follows:

5 (a) to the credit of the general fund of the state, ~~58%~~ 68.6% of total collections each year;

6 (b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, ~~4.5%~~
7 1.8% of total collections each year; and

8 ~~(c) to the abandoned mines state special revenue account provided for in section 19, Chapter 584,~~
9 ~~Laws of 1995, 8.5% of total collections each year;~~

10 ~~(d) to the ground water assessment account established in 85-2-905, 2.2% of total collections~~
11 ~~each year;~~

12 ~~(e) to the reclamation and development grants program state special revenue account, 4.8% of~~
13 ~~total collections each year; and~~

14 ~~(f)(c)~~ to the county or counties identified as experiencing fiscal and economic impacts, resulting
15 in increased employment or local government costs, under an impact plan for a large-scale mineral
16 development prepared and approved pursuant to 90-6-307, in direct proportion to the fiscal and economic
17 impacts determined in the plan, or, if an impact plan has not been prepared, to the county in which the
18 mine is located, ~~25%~~ 29.6% of total collections each year, to be allocated by the county commissioners
19 as follows:

20 (i) not less than 40% to the county hard-rock mine trust reserve account established in 7-6-2225;
21 and

22 (ii) all money not allocated to the account pursuant to subsection ~~(4)(f)(i)~~ (1)(c)(i) to be further
23 allocated as follows:

24 (A) 33 1/3% is allocated to the county for planning or economic development activities;

25 (B) 33 1/3% is allocated to the elementary school districts within the county that have been
26 affected by the development or operation of the metal mine; and

27 (C) 33 1/3% is allocated to the high school districts within the county that have been affected by
28 the development or operation of the metal mine.

29 (2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307
30 identifies a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under

1 subsection ~~(1)(f)~~ (1)(c) in a manner similar to that provided for property tax sharing under Title 90, chapter
2 6, part 4.

3 (3) The department shall return to the county in which metals are produced the tax collections
4 allocated under subsection ~~(1)(f)~~ (1)(c). The allocation to the county described by subsection ~~(1)(f)~~ (1)(c)
5 is a statutory appropriation pursuant to 17-7-502. (Terminates June 30, 1997--sec. 27, Ch. 584, L. 1995.)

6 **15-37-117. (Effective July 1, 1997) Disposition of metalliferous mines license taxes.** (1)
7 Metalliferous mines license taxes collected under the provisions of this part must, in accordance with the
8 provisions of 15-1-501, be allocated as follows:

9 (a) to the credit of the general fund of the state, ~~58%~~ 68.6% of total collections each year;

10 (b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, ~~1.5%~~
11 1.8% of total collections each year; and

12 ~~(c) to the state resource indemnity trust fund, 15.5% of total collections each year;~~

13 ~~(d) to the ground water assessment account established in 85-2-905, 2.2% of total collections~~
14 ~~each year;~~

15 ~~(e) to the reclamation and development grants program state special revenue account, 4.8% of~~
16 ~~total collections each year; and~~

17 ~~(f)(c)~~ to the county or counties identified as experiencing fiscal and economic impacts, resulting
18 in increased employment or local government costs, under an impact plan for a large-scale mineral
19 development prepared and approved pursuant to 90-6-307, in direct proportion to the fiscal and economic
20 impacts determined in the plan, or, if an impact plan has not been prepared, to the county in which the
21 mine is located, ~~25%~~ 29.6% of total collections each year, to be allocated by the county commissioners
22 as follows:

23 (i) not less than 40% to the county hard-rock mine trust reserve account established in 7-6-2225;

24 and

25 (ii) all money not allocated to the account pursuant to subsection ~~(1)(f)(i)~~ (1)(c)(i) to be further
26 allocated as follows:

27 (A) 33 1/3% is allocated to the county for planning or economic development activities;

28 (B) 33 1/3% is allocated to the elementary school districts within the county that have been
29 affected by the development or operation of the metal mine; and

30 (C) 33 1/3% is allocated to the high school districts within the county that have been affected by

1 the development or operation of the metal mine.

2 (2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307
3 identifies a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under
4 subsection ~~(1)(f)~~ (1)(c) in a manner similar to that provided for property tax sharing under Title 90, chapter
5 6, part 4.

6 (3) The department shall return to the county in which metals are produced the tax collections
7 allocated under subsection ~~(1)(f)~~ (1)(c). The allocation to the county described by subsection ~~(1)(f)~~ (1)(c)
8 is a statutory appropriation pursuant to 17-7-502."

9

10 **Section 14.** Section 15-38-103, MCA, is amended to read:

11 **"15-38-103. ~~Definitions~~ Definition.** As used in this chapter, ~~the following definitions apply:~~

12 ~~(1) "Department" means department of revenue.~~

13 ~~(2) "Gross value of product" means, except as provided in 15-38-125 through 15-38-129, the~~
14 ~~market value of any merchantable mineral extracted or produced during the taxable year.~~

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

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

20

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

22 **"15-38-202. Investment of resource indemnity trust fund -- expenditure -- minimum balance.** (1)

23 All money paid into the resource indemnity trust fund on or before January 1 of the year following the date
24 on which the fund reaches \$100 million, as certified by the governor through executive order, including
25 money payable into the fund under ~~the provisions of 15-36-324 and 15-37-117~~, must be invested at the
26 discretion of the board of investments. All the net earnings accruing to the resource indemnity trust fund
27 must annually be added to the trust fund until it has reached the sum of \$10 million. Thereafter, only the
28 net earnings may be appropriated and expended until the fund reaches \$100 million, as certified by the
29 governor through executive order. If the fund balance exceeds \$100 million on January 1 of the year
30 following the date of the executive order, the excess must remain in the fund. Thereafter, ~~all net earnings~~

1 ~~and all receipts~~ interest income must be appropriated by the legislature and expended, provided that the
 2 balance in the fund may never be less than \$100 million. If the fund balance is below \$100 million on or
 3 after January 1 of the year following the date of the executive order, interest income earned from the fund
 4 must be deposited in the fund until the fund reaches \$100 million.

5 (2) (a) At the beginning of each fiscal year, there is allocated from the interest income of the
 6 resource indemnity trust fund \$240,000, which is statutorily appropriated, as provided in 17-7-502, from
 7 the renewable resource grant and loan program state special revenue account to support the operations of
 8 the environmental science-water quality instructional programs at Montana state university-northern, to be
 9 used for support costs, for matching funds necessary to attract additional funds to further expand statewide
 10 impact, and for enhancement of the facilities related to the programs.

11 (b) At the beginning of each biennium, there is allocated from the interest income of the resource
 12 indemnity trust fund:

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

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

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

19 (iv) beginning in each fiscal year following January 1 of the year following the date that the
 20 governor certifies by executive order that the trust fund has reached \$100 million, an amount not to exceed
 21 \$1.33 million per biennium to the ground water assessment account established in 85-2-905;

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

24 and

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

27 (c) The remainder of the interest income is allocated as follows:

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

30 (ii) Eighteen 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 percent of the interest income from the resource indemnity trust fund must be allocated
3 to the reclamation and development grants account provided for in 90-2-1104.

4 (iv) Six percent of the interest income of the resource indemnity trust fund must be allocated to the
5 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
13 **Section 16.** Section 20-9-231, MCA, is amended to read:

14 **"20-9-231. Metal mines tax reserve fund.** (1) The governing body of a local school district
15 receiving tax collections under 15-37-117(1)(~~f~~)(c) may establish a metal mines tax reserve fund to be used
16 to hold the collections. The governing body may hold money in the fund for any time period considered
17 appropriate by the governing body. Money held in the fund may not be considered as fund balance for the
18 purpose of reducing mill levies.

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

20 (3) Money in the fund must be invested as provided by law. Interest and income from the
21 investment of the metal mines tax reserve fund must be credited to the fund.

22 (4) The fund must be financially administered as a nonbudgeted fund under the provisions of this
23 title."

24
25 **Section 17.** Section 85-1-604, MCA, is amended to read:

26 **"85-1-604. Renewable resource grant and loan program state special revenue account created --
27 revenue allocated -- limitations on appropriations from account.** (1) There is created a renewable resource
28 grant and loan program state special revenue account within the state special revenue fund established in
29 17-2-102.

30 (2) Except to the extent that they are required to be credited to the renewable resource loan debt

1 service fund pursuant to 85-1-603, there must be paid into the renewable resource grant and loan program
2 state special revenue account:

3 (a) all revenue of the works and other money as provided in 85-1-332;

4 (b) the interest income of the resource indemnity trust fund as provided in and subject to the
5 conditions of 15-38-202;

6 (c) the excess of the coal severance tax proceeds allocated by 85-1-603 to the renewable resource
7 loan debt service fund above debt service requirements as provided in and subject to the conditions of
8 85-1-619; and

9 (d) any fees or charges collected by the department pursuant to 85-1-616 for the servicing of
10 loans, including arrangements for obtaining security interests; ~~and~~

11 ~~(e) the resource indemnity tax proceeds as provided in 15-38-106(2)(b).~~

12 (3) Appropriations may be made from the renewable resource grant and loan program state special
13 revenue account for the following purposes and subject to the following conditions:

14 (a) The amount of resource indemnity trust fund interest earnings allocated under
15 15-38-202(2)(b)(iii) must be used for renewable resource grants.

16 (b) An amount less than or equal to that paid into the account under 85-1-332 and only that
17 amount may be appropriated for the operation and maintenance of state-owned projects and works. If the
18 amount of money available for appropriation under this subsection (3)(b) is greater than that necessary for
19 operation and maintenance expenses, the excess may be appropriated as provided in subsection (3)(c).

20 (c) An amount less than or equal to that paid into the account from the resource indemnity trust
21 account plus any excess from subsection (3)(b) and only that amount may be appropriated from the
22 account for expenditures that meet the policies and objectives of the renewable resource grant and loan
23 program. If the amount of money available for appropriation under this subsection (3)(c) is greater than that
24 necessary for operation and maintenance expenses, the excess may be appropriated as provided in
25 subsection (3)(d).

26 (d) An amount less than or equal to that paid into the account from the sources provided for in
27 subsections (2)(c) and (2)(d) and any excess from subsection (3)(c) and only that amount may be
28 appropriated from the account for loans and grants for renewable resource projects; for purchase of liens
29 and operation of property as provided in 85-1-615; for administrative expenses, including but not limited
30 to the salaries and expenses of personnel, equipment, and office space; for the servicing of loans, including

1 arrangements for obtaining security interests; and for other necessities incurred in administering the loans
2 and grants."

3
4 **Section 18.** Section 85-2-905, MCA, is amended to read:

5 **"85-2-905. Ground water assessment account.** (1) There is a ground water assessment account
6 within the state special revenue fund established in 17-2-102. The Montana bureau of mines and geology
7 is authorized to expend amounts from the account necessary to carry out the purposes of this part.

8 (2) The account may be used by the Montana bureau of mines and geology only to carry out the
9 provisions of this part.

10 (3) Subject to the direction of the ground water assessment steering committee, the Montana
11 bureau of mines and geology shall investigate opportunities for the participation and financial contribution
12 of agencies of federal and local governments to accomplish the purposes of this part.

13 (4) There must be deposited in the account:

14 (a) ~~at the beginning of each fiscal year, 14.1% of the proceeds from the resource indemnity and~~
15 ~~ground water assessment tax, as authorized by 15-38-106, and 2.2% of the proceeds from the~~
16 ~~metalliferous mines license taxes, as authorized by 15-37-117, unless at the beginning of the fiscal year~~
17 ~~the unobligated cash balance in the ground water assessment account:~~

18 ~~(i) equals or exceeds \$666,000, in which case no allocation will be made and the funds must be~~
19 ~~deposited in the resource indemnity trust fund established by 15-38-201; or~~

20 ~~(ii) is less than \$666,000, in which case an amount equal to the difference between the unobligated~~
21 ~~cash balance and \$666,000 must be allocated to the ground water assessment account and any remaining~~
22 ~~amount must be deposited in the resource indemnity trust fund established by 15-38-201 the resource~~
23 ~~indemnity trust fund interest income as provided in 15-38-202(2)(b)(iv);~~

24 (b) funds provided by federal or state government agencies and by local governments to carry out
25 the purposes of this part; and

26 (c) funds provided by any other public or private sector organization or person in the form of gifts,
27 grants, or contracts specifically designated to carry out the purposes of this part."

28
29 **Section 19.** Section 90-2-1104, MCA, is amended to read:

30 **"90-2-1104. Reclamation and development grants account.** (1) There is a reclamation and

1 development grants special revenue account within the state special revenue fund established in 17-2-102.

2 (2) There must be paid into the reclamation and development grants account money allocated from:

3 ~~(a) the interest income of the resource indemnity trust fund under the provisions of 15-38-202;~~

4 ~~(b) the resource indemnity trust tax under the provisions of 15-38-106; and~~

5 ~~(c) the metal mines license tax proceeds as provided in 15-37-117(1)(c).~~

6 (3) Appropriations may be made from the reclamation and development grants account for the
7 following purposes:

8 (a) grants for designated projects; and

9 (b) administrative expenses, including the salaries and expenses of personnel, equipment, office
10 space, and other expenses necessarily incurred in the administration of the grants program. These expenses
11 may be funded prior to funding of projects."

12

13 **NEW SECTION. Section 20. Repealer.** Sections 15-38-104, 15-38-105, 15-38-106, 15-38-107,
14 15-38-108, 15-38-110, 15-38-111, 15-38-112, 15-38-113, 15-38-121, 15-38-125, 15-38-126,
15 15-38-127, and 15-38-128, MCA, are repealed.

16

17 **NEW SECTION. Section 21. Saving clause.** [This act] does not affect rights and duties that
18 matured, penalties that were incurred, or proceedings that were begun before [the effective date of this
19 act].

20

21 **NEW SECTION. Section 22. Applicability.** (1) Taxes owed for the previous calendar year's
22 production must be paid pursuant to 15-38-106 as it read prior to [the effective date of this section].

23 (2) Taxes owed or refunds issued for production occurring in the calendar year immediately
24 preceding [the effective date of this section] must be distributed pursuant to 15-38-106 as that section read
25 prior to [the effective date of this act].

26 (3) [This act] does not affect any taxes, interest, or penalty that was incurred prior to [the effective
27 date of this section].

28 (4) The department of revenue may audit any taxpayer subject to the resource indemnity trust tax
29 prior to [the effective date of this section] and assess any tax, interest, or penalty due. The department
30 may also undertake any action to collect the tax, interest, or penalty for any tax that was incurred under

1 Title 15, chapter 38, as that law read prior to [the effective date of this section], subject only to the statute
2 of limitations under 15-38-112 as that section read prior to [the effective date of this section]. Any
3 additional taxes, interest, or penalty collected after [the effective date of this section] must be deposited
4 into the state resource indemnity trust fund.

5 (5) The department shall issue tax refunds pursuant to 15-38-111 subject only to the statute of
6 limitations provision of 15-38-112 as those sections read prior to [the effective date of this section].
7 Refunds must be paid from the state resource indemnity trust fund.

8

9 **NEW SECTION. Section 23. Effective dates.** (1) [Sections 12, 15, and 21 and this section] are
10 effective on July 1, 1997.

11 (2) [Sections 1 through 11, 13, 14, 16 through 20, and 22] are effective January 1 of the year
12 following the date that the governor by executive order certifies to the secretary of state that the resource
13 indemnity trust fund has reached \$100 million. The secretary of state shall notify the department of
14 revenue and the legislative services division of this certification.

15

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0306, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act repealing the resource indemnity trust tax when the resource indemnity trust fund reaches \$100 million; reducing and reallocating metalliferous mines license taxes; reducing and reallocating the oil and gas production taxes.

ASSUMPTIONS:

Department of Natural Resources and Conservation (DNRC)

1. The RIT trust balance will be \$97,708,991 at fiscal year end 1999.
2. The ROC estimates for RIGWA, oil, gas, and metal mines tax deposits to the trust will stay constant in fiscal year 2000 and fiscal year 2001. This means that \$1,709,461 will be deposited into the RIT trust each year, as estimated by ROC for fiscal year 1999.
3. The RIT trust will reach \$100 million in fiscal year 2001.
4. Assume, under current law, that any RIGWA, oil, gas or metal mines tax previously allocated to the RIT trust will be expended on natural resource projects after the fund balance reaches \$100 million.
5. Assume, under SB 306, that a declaration from the Governor will be issued in 2001 that the RIT trust has reached a \$100 million.
6. The RIGWA tax and portions of the oil, gas, and metal mines taxes will be repealed January 2002.
7. Earnings on the \$97,708,991 trust fund balance will return \$7,992,235 per year as estimated by ROC. This establishes a base of \$15,984,470 per biennium in interest earnings.
8. Deposits made after fiscal year 1999 will be invested and provide a rate of return of 6%, the rate of return used by ROC for new investments in the fiscal year 1999 biennium.
9. Assume that, under current law, the \$100 million RIT trust will earn \$16,259,391 per biennium.
10. Assume that, under SB 306, the \$101,435,651 RIT trust will earn \$16,431,669 per biennium.

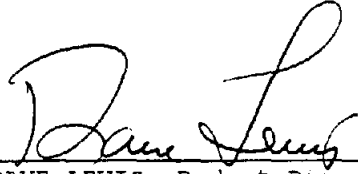
Department of Environmental Quality (DEQ):

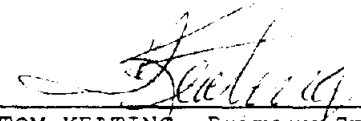
11. This bill appropriates \$1.33 million per biennium to the ground water assessment account out of the RIT trust account when this proposed bill would go into effect.
12. The DEQ receives funding out of three of the accounts that are funded through allocations from the RIGWA and oil and gas tax as well as the RIT trust account.

Department of Revenue (DOR):

13. The sections of the proposed legislation which repeal the resource indemnity trust tax and correspondingly reduce the metalliferous mines license tax and the oil and gas production tax, become effective January 1, following the year in which the Governor certifies the balance of resource indemnity trust has reached \$100 million.

(Continued)

 2-14-97
DAVE LEWIS, Budget Director Date
Office of Budget and Program Planning

 2/15/97
TOM KEATING, Primary Sponsor Date
Fiscal Note for SB0306 as introduced
SB 306

FISCAL IMPACT:Revenues:**Department of Revenue (DOR)**

After the balance of the resource indemnity trust fund reaches \$100 million, the repeal and reduction of taxes under the proposed legislation would result in an annual revenue loss of approximately \$3.5 million.

EFFECT ON COUNTY OR LOCAL REVENUES OR EXPENDITURES:

It would be hard to estimate the effects of this bill because it goes into the future.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

1. RIT-funded agencies become significantly under funded in the 2001 biennium.
2. The repeal and reduction of these taxes would result in an annual revenue loss of approximately \$3.5 million.
3. There may be a loss of federal funds because some of these state funds match federal grant monies.
4. The following impacts to special revenue accounts are projected:

	Biennium Post 2002 <u>CURRENT LAW</u>	Biennium Post 2002 <u>SB0306</u>	Differences
Ground Water Assessment	983,956	0	(983,956)
Renewable Resource Grants	511,200	0	(511,200)
Reclamation & Development Grants	2,107,776	0	(2,107,776)
Total Tax Impact			
Biennial Earnings	15,984,470	15,984,470	0
New Earnings	<u>274,921</u>	<u>447,199</u>	<u>172,278</u>
Total	16,259,391	16,431,669	172,278
Environmental Contingency Acct.	175,000	175,000	0
Oil & Gas Damage Mitigation	50,000	50,000	0
Ground Water Assessment	0	1,333,000	1,333,000
Renewable Resource Grants	2,000,000	2,000,000	0
Reclamation & Development Grants	3,000,000	3,000,000	0
Water Storage	<u>500,000</u>	<u>500,000</u>	<u>0</u>
Total	5,725,000	7,058,000	1,333,000
Amount Available for Distribution	10,534,391	9,373,669	(1,160,722)
Renewable Resource Account 36%	3,792,381	3,374,521	(417,860)
Reclamation & Development Acct 40%	4,213,756	3,749,468	(464,289)
Hazardous Waste/CERCLA 18%	1,896,190	1,687,260	(208,930)
EQPF 6%	<u>632,063</u>	<u>562,420</u>	<u>(69,643)</u>
Total Interest Earnings Impact	10,534,391	9,373,669	(1,160,722)

TECHNICAL NOTES:

1. Assuming the intent of the bill is to remove 0.5% from the tax rates in the oil and gas production tax in accordance with the repeal of the resource indemnity trust tax, then two of the proposed tax rates on oil and gas are incorrect: 1) page 7, line 14, the 14.03% tax rate for nonworking interest should read 14.3%; 2) page 8, line 2, the 7.5% tax rate for next 12 months of production should read 7.0%.
2. Sections 12 and 13 both address both the temporary disposition of metal mines license tax revenue and the disposition that takes effect on July 1, 1997. (Section 12, which itself takes effect July 1, 1997, only corrects a numerical error in the allocation that takes effect July 1, 1997.) Section 13 amends both the temporary disposition, which expires on June 30, 1997, and the succeeding disposition, which takes effect July 1, 1997. The timing raises questions. Section 23 provides that Section 13 will become effective January 1 of the year following the date that the Governor certifies that the resource indemnity trust fund has reached \$100 million. This would mean that section 13 could not take effect until January 1, 1998, at the earliest. By that time, the temporary provision will have expired.