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Sponsor *John Toth*

INTRODUCED BY *Heitel Ahner* ~~BENEDICT~~ *Bitney* *Crumore* *Smyth*  
*Curtiss* *DENN* *JORR* *Brainard* *Bookout* *Feltus*

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE DEFINITION OF "RECEIPTS RECEIVED" TO  
 INCLUDE TRANSPORTATION COSTS AS A DEDUCTION FROM THE GROSS PROCEEDS TAX ON METAL  
 MINES; AMENDING SECTION 15-23-801, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND  
 A RETROACTIVE APPLICABILITY DATE." *HARP Mercer*

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

**Section 1.** Section 15-23-801, MCA, is amended to read:

**"15-23-801. Definitions.** As used in this part, the following definitions apply:

- (1) "Agreement not at arm's length" means an agreement between parties ~~where~~ when the sales price does not represent market value.
- (2) "Department" means the department of revenue.
- (3) "Gross proceeds" or "gross metal yield" or "gross value of product" means the receipts realized from the extraction and sale of metals or concentrate containing metals.
- (4) "Merchantable value" means the receipts of all salable metals produced or extracted in a county over a 12-month period. If the extracted ores are milled, smelted, or reduced by the taxpayer, then the merchantable value in the county in which they are extracted is the receipts received for these metals after processing.
- (5) "Receipts received" means the monetary payment or refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of metal received by the metal trader, smelter, roaster, or refinery by the quoted price for the metal and then subtracting the following:
  - (a) basic treatment and refinery charges;
  - (b) costs of transporting the mineral product, including demurrage, storage, interest, and other miscellaneous costs related to transporting the mineral product, from the mine or mill to the smelter or other processor;
  - (c) quantity deductions;

1           (d) price deductions;<sup>7i</sup>

2           (e) interest;<sup>7i</sup> and

3           (f) penalty metal, impurity, and moisture deductions as specified by contract between the mining  
4 company and the receiving metal trader, smelter, roaster, or refinery. ~~Deductions are not allowed, either~~  
5 ~~directly or indirectly as an offset to payments, for the cost of transportation from the mine or mill to the~~  
6 ~~smelter, roaster, or refinery. Demurrage, storage, interest, or any other miscellaneous costs related to~~  
7 ~~transporting the mineral product are considered transportation and are not deductible."~~

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9           NEW SECTION. **Section 2. Effective date -- retroactive applicability.** [This act] is effective on  
10 passage and approval and applies retroactively, within the meaning of 1-2-109, to metal mine production  
11 occurring after December 31, 1996.

12

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0373, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act revising the definition of "receipts received" to include transportation costs as a deduction from the Gross Proceeds Tax on metal mines; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. There is approximately \$9,000,000 in transportation costs that would be deducted for tax purposes in each tax year of the biennium under the proposed legislation (MDOR).
2. The proposed amendments to 15-23-801, MCA would allow the deduction of transportation costs for the Metalliferous Mines License Tax because this section is used to establish the gross value subject to the tax.
3. The average effective Metal Mines Tax rate on transportation costs is 1.80% (MDOR).
4. The Metal Mines License Tax current law distribution for FY98 and subsequent years is as reflected in Senate Bill 7 (MDOR).
5. The annual gross proceeds of metal mines is taxed at 3% to arrive at the taxable value.
6. The average mill levy for state (101 mills), county, & schools is 380 mills for counties with metal mine production (MDOR).

FISCAL IMPACT:

Expenditures:

There is no impact to Department of Revenue expenditures under the proposed legislation.

Revenues:

Net Impact:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Metal Mines License Tax	(\$162,000)	(\$162,000)
General Fund	(93,960)	(93,960)
Hard Rock Trust	(2,430)	(2,430)
Resource Indemnity Trust	(11,518)	(11,518)
Groundwater Assess. Account	(3,548)	(3,548)
Renewable Resource Grants & Loans	(2,511)	(2,511)
Reclamation & Development Grants	(7,533)	(7,533)
<u>Local Impact Account</u>	<u>(40,500)</u>	<u>(40,500)</u>
Total	(\$162,000)	(\$162,000)


The proposal would reduce the state 101 mill levy by \$27,270 per year.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposed legislation would reduce local property taxes by \$75,330 per year.

TECHNICAL NOTES:

The title of the proposed legislation implies that the transportation cost deduction applies only to the gross proceeds tax on metals production, however, the proposed legislation would also allow transportation costs to be deducted from the computation of Metalliferous Mines License Tax liability.

 2-21-97  
 DAVE LEWIS, BUDGET DIRECTOR DATE  
 Office of Budget and Program Planning

 2/27/97  
 JOHN HERTEL, PRIMARY SPONSOR DATE