Senate BILL NO. 386

INTRODUCED BY [illegible]

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES TO CONFORM WITH THE NEW OIL AND NATURAL GAS TAX LAWS ENACTED DURING THE 1995 LEGISLATIVE SESSION; ALLOWING THE DEPARTMENT TO REVISE, BY RULE, THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES UNDER CERTAIN CONDITIONS; CLARIFYING THE TAX RATE IMPOSED ON INCREMENTAL PRODUCTION FROM POST-1985 WELLS WHEN THE PRICE OF OIL IS EQUAL TO OR GREATER THAN $30 A BARREL; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-36-304, 15-36-324, AND 82-11-135, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

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

(a) first class--all counties having a taxable valuation of $50 million or ~~over~~ <u>more</u>;

(b) second class--all counties having a taxable valuation of ~~more than~~ $30 million <u>or more</u> and less than $50 million;

(c) third class--all counties having a taxable valuation of ~~more than~~ $20 million <u>or more</u> and less than $30 million;

(d) fourth class--all counties having a taxable valuation of ~~more than~~ $15 million <u>or more</u> and less than $20 million;

(e) fifth class--all counties having a taxable valuation of ~~more than~~ $10 million <u>or more</u> and less than $15 million;

(f) sixth class--all counties having a taxable valuation of ~~more than~~ $5 million <u>or more</u> and less than

$10 million;

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

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

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

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

(c) the value provided by the department of revenue under 15-36-324~~(10)~~(13); and

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

Section 2. Section 7-7-2101, MCA, is amended to read:

"**7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted in any manner or for any purpose ~~to~~ in an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the value provided by the department of revenue in 15-36-324~~(10)~~(13), as ascertained by the last assessment for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax year 1995, for indebtedness to be incurred during fiscal year 1998, an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for indebtedness to be incurred during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property within the county for tax year 1995, in each case of class eight property, multiplied by 23%.

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

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

Section 3. Section 7-7-2203, MCA, is amended to read:

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

(2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property in the county subject to taxation, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), when necessary to do so, to be ascertained by the last assessment for state and county taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998, an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property within the county for tax year 1995, in each case of class eight property, multiplied by 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

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

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

Section 4. Section 7-14-2524, MCA, is amended to read:

"7-14-2524. **Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property in the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13). The taxable property and the amount of taxes levied on new production, production from horizontally completed wells, and incremental production must be ascertained by the last assessment for state and county taxes prior to the issuance of the bonds.

(2) A county may issue bonds that, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of the property, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13) when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways that have been destroyed or damaged by an act of God or by a disaster, catastrophe, or accident.

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

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

"**7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property ~~therein~~ in the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), and the board determines that the county is unable to pay the indebtedness in full, the board may:

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

(b) enter into the agreement;

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

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

(3) The plan agreed upon between the board and the bondholders must be embodied in full in the

resolution providing for the issuance of the bonds."

Section 6. Section 7-16-2327, MCA, is amended to read:

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

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

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

Section 7. Section 15-1-501, MCA, is amended to read:

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

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

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

(c) liquor license taxes under Title 16;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 8. Section 15-36-304, MCA, is amended to read:

"**15-36-304. 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 15-36-324.

(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	18.55%	14.8%
(b) post-1985 wells		
(i) first 12 months of qualifying production	0.5%	14.8%
(ii) next 12 months of qualifying production	12.5%	14.8%
(iii) after 24 months	15.15%	14.8%
(c) stripper natural gas pre-1985 and post-1985 wells	11%	14.8%

(3) The reduced tax rates under subsections (2)(b)(i) and (2)(b)(ii) on production for the first 24 months of natural gas production from a post-1985 well begin 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	13.9%	16.9%
(ii) post-1985 wells		
(A) first 12 months of qualifying production	0.5%	14.8%
(B) next 12 months of qualifying production	7.5%	14.8%
(C) after 24 months	12.5%	14.8%
(b) stripper oil production		
(i) pre-1985 wells	10.5%	16.9%
(ii) post-1985 wells	10.5%	14.8%
(iii) stripper exemption production		
(A) pre-1985 wells	5.5%	16.9%

(B) post-1985 wells	5.5%	14.8%
(c) horizontally completed well production		
(i) first 18 months of qualifying production	0.5%	5.5%
(ii) next 6 months of qualifying production	7.5%	12.5%
(iii) after 24 months	12.5%	12.5%
(d) incremental production		
(i) new or expanded secondary recovery production		
(A) pre-1985 ~~well~~ wells	8.5%	16%
(B) post-1985 ~~well~~ wells	8.5%	10.5%
(ii) new or expanded tertiary production		
(A) pre-1985 ~~well~~ wells	5.8%	15%
(B) post-1985 ~~well~~ wells	5.8%	9.5%
(e) horizontally recompleted well		
(i) first 18 months	5.5%	5.5%
(ii) after 18 months	12.5%	12.5%

(5) (a) The reduced tax rates under subsections (4)(a)(ii)(A) and (4)(a)(ii)(B) for the first 24 months of oil production from a post-1985 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped or flows, provided that notification has been given to the department.

(b) (i) The reduced tax rates under ~~subsection~~ subsections (4)(c)(i) and (4)(c)(ii) on oil production from a horizontally completed well for the first 24 months of production begin following the last day of the calendar month immediately preceding the month in which oil is pumped or flows, provided that the well has been certified as a horizontally completed well to the department by the board.

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

(c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter 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 determined in subsection (5)(d), then incremental production from pre-1985 wells and from post-1985 wells is taxed at the rate imposed on primary recovery production under ~~subsection~~ subsections (4)(a)(i) and (4)(a)(ii)(C), respectively, for production occurring in that quarter.

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

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

Section 9. Section 15-36-324, MCA, is amended to read:

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

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

(a) The amount equal to ~~41.6%~~ 39.3% of the oil production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (8).

(b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (3)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

(4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and penalty, collected under this part on production from horizontally ~~drilled~~ completed wells ~~and on the incremental production from horizontally recompleted wells~~ occurring during the first 18 months of production must be distributed as provided in subsection ~~(7)~~ (9).

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from horizontally completed wells occurring during the next 6 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (4)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(5) (a) The amount equal to 13.8% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on stripper exemption production from pre-1985 wells and post-1985 wells must be distributed as provided in subsection (9).

(b) The remaining 86.2% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) The amount equal to ~~14.6%~~ 14% of the natural gas production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (10).

(b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 6.25% of the natural gas production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 93.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (7)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) ~~85%~~ 86.21% to the state general fund;

(b) ~~4.3%~~ 5.17% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) ~~10.7%~~ 8.62% to be distributed as provided by 15-38-106(2).

(9) The department shall distribute the state portion of oil and natural gas production taxes specified in subsections (3)(a), (3)(b)(i), (4)(a), (4)(b)(i), (5)(a), (7)(a), and (7)(b)(i), including late payment interest and penalty collected, as follows:

(a) 37.5% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(b) 62.5% to be distributed as provided by 15-38-106(2).

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

(a) 76.8% to the state general fund;

(b) 8.7% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) 14.5% to be distributed as provided by 15-38-106(2).

~~(8)~~(11) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil and natural gas production taxes distributions must be calculated and distributed as follows:

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

(ii) Any amount by which the total tax liability exceeds or is less than the total distributions determined in this subsection ~~(8)(a)~~ (11)(a) must be calculated and distributed in the following manner:

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

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

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

(b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing unit.

(c) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as provided in subsection ~~(8)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school or high school, within the county under the following conditions:

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

(ii) If the allocation in subsection ~~(8)(c)(i)~~ (11)(c)(i) exceeds the total budget for a taxing unit, the commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

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

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

(ii) If the allocation under subsection ~~(8)(d)(i)~~ (11)(d)(i) exceeds the total budget for a fund, the trustees may allocate the excess to any budgeted fund of the school district.

(e) For all production from post-1985 wells and horizontally drilled wells completed after December 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under subsections (2)(b), (3)(b)(ii), (4)(b)(ii), ~~and~~ (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing units in the relative proportions required by the levies for state, county, and school district purposes in the same manner as property taxes were distributed in the preceding fiscal year.

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

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

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

(i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted by the county treasurer to the state treasurer.

(j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted the amounts determined in subsections ~~(8)(h)~~ (11)(h) and ~~(8)(i)~~ (11)(i) is for the exclusive use and benefit of the county and school taxing units.

~~(9)~~(12) The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the county treasurer by the following dates:

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

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

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

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

~~(10)~~(13) The department shall provide to each county by May 31 of each year the amount of gross taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes and for county bonding purposes.

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

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

Section 10. Section 82-11-135, MCA, is amended to read:

"**82-11-135. Money earmarked for board expenses.** The state treasurer shall deposit all money collected under 15-36-324~~(7)(b)~~(8)(b), (9), (10)(b), and under this chapter in the state special revenue fund. The money must be used for the purpose of paying all expenses of the board and for no other purpose. The board shall use the money subject to biennial appropriations by the legislature. Income and interest from investment of the board's moneys in the state special revenue fund must be credited to the board."

NEW SECTION. **Section 11. Effective date.** [This act] is effective on passage and approval.

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STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0386, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act clarifying the distribution of oil and natural gas production taxes to conform with the new oil and natural gas tax laws enacted during the 1995 legislative session; allowing the Department to revise, by rule, the distribution of oil and natural gas production taxes under certain conditions; clarifying the tax rate imposed on incremental production from post-1985 wells when the price of oil is equal to or greater than $30 a barrel; and providing an immediate effective date.

FISCAL IMPACT:
There is no impact to state revenues or expenditures under the proposed legislation. The proposed legislation correctly combines distribution instructions from several oil and natural gas bills from the last legislative session to reflect current practice.

Dave Lewis 3-4-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Gage 3/4/97
DELWYN GAGE, PRIMARY SPONSOR DATE

SB 386

APPROVED BY COM
ON TAXATION

Senate BILL NO. 386

INTRODUCED BY Gage

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES TO CONFORM WITH THE NEW OIL AND NATURAL GAS TAX LAWS ENACTED DURING THE 1995 LEGISLATIVE SESSION; ALLOWING THE DEPARTMENT TO REVISE, BY RULE, THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES UNDER CERTAIN CONDITIONS; CLARIFYING THE TAX RATE IMPOSED ON INCREMENTAL PRODUCTION FROM POST-1985 WELLS WHEN THE PRICE OF OIL IS EQUAL TO OR GREATER THAN $30 A BARREL; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-36-304, 15-36-324, AND 82-11-135, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

Senate BILL NO. 386

INTRODUCED BY [signature]

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES TO CONFORM WITH THE NEW OIL AND NATURAL GAS TAX LAWS ENACTED DURING THE 1995 LEGISLATIVE SESSION; ALLOWING THE DEPARTMENT TO REVISE, BY RULE, THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES UNDER CERTAIN CONDITIONS; CLARIFYING THE TAX RATE IMPOSED ON INCREMENTAL PRODUCTION FROM POST-1985 WELLS WHEN THE PRICE OF OIL IS EQUAL TO OR GREATER THAN $30 A BARREL; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-36-304, 15-36-324, AND 82-11-135, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

APPROVED BY COM ON TAXATION

SENATE BILL NO. 386

INTRODUCED BY GAGE

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES TO CONFORM WITH THE NEW OIL AND NATURAL GAS TAX LAWS ENACTED DURING THE 1995 LEGISLATIVE SESSION; ALLOWING THE DEPARTMENT TO REVISE, BY RULE, THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES UNDER CERTAIN CONDITIONS; CLARIFYING THE TAX RATE IMPOSED ON INCREMENTAL PRODUCTION FROM POST-1985 WELLS WHEN THE PRICE OF OIL IS EQUAL TO OR GREATER THAN $30 A BARREL; PROVIDING STATUTORY APPROPRIATIONS; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-36-304, 15-36-324, 15-36-325, 17-7-502, AND 82-11-135, MCA; AND PROVIDING ~~AN IMMEDIATE~~ EFFECTIVE ~~DATE~~ DATES AND A TERMINATION DATE."

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) the value provided by the department of revenue under 15-36-324~~(10)~~(13); and

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

Section 2. Section 7-7-2101, MCA, is amended to read:

"**7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted in any manner or for any purpose ~~to~~ in an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the value provided by the department of revenue in 15-36-324~~(10)~~(13), as ascertained by the last assessment for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax year 1995, for indebtedness to be incurred during fiscal year 1998, an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for indebtedness to be incurred during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property within the county for tax year 1995, in each case of class eight property, multiplied by 23%.

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

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

Section 3. Section 7-7-2203, MCA, is amended to read:

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

(2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property in the county subject to taxation, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), when necessary to do so, to be ascertained by the last assessment for state and county taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998, an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property within the county for tax year 1995, in each case of class eight property, multiplied by 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

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

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

Section 4. Section 7-14-2524, MCA, is amended to read:

"**7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property in the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13). The taxable property and the amount of taxes levied on new production, production from horizontally completed wells, and incremental production must be ascertained by the last assessment for state and county taxes prior to the issuance of the bonds.

(2) A county may issue bonds that, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of the property, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13) when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways that have been destroyed or damaged by an act of God or by a disaster, catastrophe, or accident.

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

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

"**7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property ~~therein~~ in the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), and the board determines that the county is unable to pay the indebtedness in full, the board may:

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

(b) enter into the agreement;

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

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

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

Section 6. Section 7-16-2327, MCA, is amended to read:

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

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

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

Section 7. Section 15-1-501, MCA, is amended to read:

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

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

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

(c) liquor license taxes under Title 16;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 8. Section 15-36-304, MCA, is amended to read:

"**15-36-304. 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 15-36-324.

(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 Nonworking

	Interest	Interest
(a) pre-1985 wells	18.55%	14.8%
(b) post-1985 wells		
(i) first 12 months of qualifying production	0.5%	14.8%
(ii) next 12 months of qualifying production	12.5%	14.8%
(iii) after 24 months	15.15%	14.8%
(c) stripper natural gas pre-1985 and post-1985 wells	11%	14.8%

(3) The reduced tax rates under subsections (2)(b)(i) and (2)(b)(ii) on production for the first 24 months of natural gas production from a post-1985 well begin 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	13.9%	16.9%
(ii) post-1985 wells		
(A) first 12 months of qualifying production	0.5%	14.8%
(B) next 12 months of qualifying production	7.5%	14.8%
(C) after 24 months	12.5%	14.8%
(b) stripper oil production		
(i) pre-1985 wells	10.5%	16.9%
(ii) post-1985 wells	10.5%	14.8%
(iii) stripper exemption production		

(A) pre-1985 wells	5.5%	16.9%
(B) post-1985 wells	5.5%	14.8%
(c) horizontally completed well production		
(i) first 18 months of qualifying production	0.5%	5.5%
(ii) next 6 months of qualifying production	7.5%	12.5%
(iii) after 24 months	12.5%	12.5%
(d) incremental production		
(i) new or expanded secondary recovery production		
(A) pre-1985 ~~well~~ wells	8.5%	16%
(B) post-1985 ~~well~~ wells	8.5%	10.5%
(ii) new or expanded tertiary production		
(A) pre-1985 ~~well~~ wells	5.8%	15%
(B) post-1985 ~~well~~ wells	5.8%	9.5%
(e) horizontally recompleted well		
(i) first 18 months	5.5%	5.5%
(ii) after 18 months	12.5%	12.5%

(5) (a) The reduced tax rates under subsections (4)(a)(ii)(A) and (4)(a)(ii)(B) for the first 24 months of oil production from a post-1985 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped or flows, provided that notification has been given to the department.

(b) (i) The reduced tax rates under ~~subsection~~ subsections (4)(c)(i) and (4)(c)(ii) on oil production from a horizontally completed well for the first 24 months of production begin following the last day of the calendar month immediately preceding the month in which oil is pumped or flows, provided that the well has been certified as a horizontally completed well to the department by the board.

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

(c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter 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 determined in subsection (5)(d), then incremental production from pre-1985 wells and from post-1985 wells is taxed at the rate imposed on primary recovery production under ~~subsection~~ subsections (4)(a)(i) and (4)(a)(ii)(C), respectively, for production occurring in that quarter.

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

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

Section 9. Section 15-36-324, MCA, is amended to read:

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

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

(a) The amount equal to ~~41.6%~~ 39.3% of the oil production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (8).

(b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (3)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

(4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and penalty, collected under this part on production from horizontally ~~drilled~~ completed wells ~~and on the incremental production from horizontally recompleted wells~~ occurring during the first 18 months of production must be distributed as provided in subsection ~~(7)~~ (9).

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from horizontally completed wells occurring during the next 6 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (4)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(5) (a) The amount equal to 13.8% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on stripper exemption production from pre-1985 wells and post-1985 wells must be distributed as provided in subsection (9).

(b) The remaining 86.2% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) The amount equal to ~~14.6%~~ 14% of the natural gas production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (10).

(b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 6.25% of the natural gas production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 93.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (7)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) ~~85%~~ 86.21% to the state general fund;

(b) ~~4.3%~~ 5.17% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) ~~10.7%~~ 8.62% to be distributed as provided by 15-38-106(2).

(9) The department shall distribute the state portion of oil and natural gas production taxes specified in subsections (3)(a), (3)(b)(i), (4)(a), (4)(b)(i), (5)(a), (7)(a), and (7)(b)(i), including late payment interest and penalty collected, as follows:

(a) 37.5% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(b) 62.5% to be distributed as provided by 15-38-106(2).

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

(a) 76.8% to the state general fund;

(b) 8.7% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) 14.5% to be distributed as provided by 15-38-106(2).

~~(8)~~(11) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil and natural gas production taxes distributions must be calculated and distributed as follows:

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

(ii) Any amount by which the total tax liability exceeds or is less than the total distributions determined in this subsection ~~(8)(a)~~ (11)(a) must be calculated and distributed in the following manner:

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

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

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

(b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing unit.

(c) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as provided in subsection ~~(8)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school or high school, within the county under the following conditions:

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

(ii) If the allocation in subsection ~~(8)(c)(i)~~ (11)(c)(i) exceeds the total budget for a taxing unit, the commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

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

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

(ii) If the allocation under subsection ~~(8)(d)(i)~~ (11)(d)(i) exceeds the total budget for a fund, the trustees may allocate the excess to any budgeted fund of the school district.

(e) For all production from post-1985 wells and horizontally drilled wells completed after December 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under subsections (2)(b), (3)(b)(ii), (4)(b)(ii), ~~and~~ (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing units in the relative proportions required by the levies for state, county, and school district purposes in the same manner as property taxes were distributed in the preceding fiscal year.

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

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

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

(i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted by the county treasurer to the state treasurer.

(j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted the amounts determined in subsections ~~(8)(h)~~ (11)(h) and ~~(8)(i)~~ (11)(i) is for the exclusive use and benefit of the county and school taxing units.

~~(9)~~(12) The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the county treasurer by the following dates:

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

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

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

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

~~(10)~~(13) The department shall provide to each county by May 31 of each year the amount of gross taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes and for county bonding purposes.

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

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

SECTION 10. SECTION 15-36-324, MCA, IS AMENDED TO READ:

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

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

(a) The amount equal to ~~41.6%~~ 39.3% of the oil production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (8).

(b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (2)(b), must be deposited in the ~~agency~~ state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (3)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

(4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and penalty, collected under this part on production from horizontally ~~drilled~~ completed wells ~~and on the incremental production from horizontally recompleted wells~~ occurring during the first 18 months of production must be distributed as provided in subsection ~~(7)~~ (9).

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from horizontally completed wells occurring during the next 6 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (4)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(5) (a) The amount equal to 13.8% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on stripper exemption production from pre-1985 wells and post-1985 wells must be distributed as provided in subsection (9).

(b) The remaining 86.2% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (5)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) The amount equal to ~~14.6%~~ 14% of the natural gas production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (10).

(b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the ~~agency~~ state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 6.25% of the natural gas production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 93.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (7)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) ~~85%~~ 86.21% to the state general fund;

(b) ~~4.3%~~ 5.17% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) ~~10.7%~~ 8.62% to be distributed as provided by 15-38-106(2).

(9) The department shall distribute the state portion of oil and natural gas production taxes specified in subsections (3)(a), (3)(b)(i), (4)(a), (4)(b)(i), (5)(a), (7)(a), and (7)(b)(i), including late payment interest and penalty collected, as follows:

(a) 37.5% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(b) 62.5% to be distributed as provided by 15-38-106(2).

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

(a) 76.8% to the state general fund;

(b) 8.7% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) 14.5% to be distributed as provided by 15-38-106(2).

~~(8)~~(11) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil and natural gas production taxes distributions must be calculated and distributed as follows:

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

(ii) Any amount by which the total tax liability exceeds or is less than the total distributions determined in this subsection ~~(8)(a)~~ (11)(a) must be calculated and distributed in the following manner:

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

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

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

(b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing unit.

(c) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as provided in subsection ~~(8)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school or high school, within the county under the following conditions:

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

(ii) If the allocation in subsection ~~(8)(c)(i)~~ (11)(c)(i) exceeds the total budget for a taxing unit, the commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

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

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

(ii) If the allocation under subsection ~~(8)(d)(i)~~ (11)(d)(i) exceeds the total budget for a fund, the trustees may allocate the excess to any budgeted fund of the school district.

(e) For all production from post-1985 wells and horizontally drilled wells completed after December 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under subsections (2)(b), (3)(b)(ii), (4)(b)(ii), ~~and~~ (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing units in the relative proportions required by the levies for state, county, and school district purposes in the same manner as property taxes were distributed in the preceding fiscal year.

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

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

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

(i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted by the county treasurer to the state treasurer.

(j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted the amounts determined in subsections ~~(8)(h)~~ (11)(h) and ~~(8)(i)~~ (11)(i) is for the exclusive use and benefit of the county and school taxing units.

~~(9)~~(12) The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the county treasurer by the following dates:

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

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

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

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

~~(10)~~(13) The department shall provide to each county by May 31 of each year the amount of gross taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes and for county bonding purposes.

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

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

(15) The distribution to taxing units under this section is statutorily appropriated as provided in 17-7-502."

SECTION 11. SECTION 15-36-325, MCA, IS AMENDED TO READ:

"**15-36-325. Local government severance tax payments for calendar year 1995 production -- distribution of payments -- not subject to I-105 limitations.** (1) The local government severance tax imposed under 15-36-101, as that section read before January 1, 1996, for calendar year 1995 production is due as follows:

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

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

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

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

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

(b) Any payment of local government severance taxes for calendar year 1995 made on or before June 30, 1997, does not accrue interest. Any payment of local government severance taxes for calendar year 1995 made after June 30, 1997, must accrue interest at the rate of 1% a month or fraction of a month from July 1, 1997, to the date of payment. Any payment for the third quarter of 1995 received after May 31, 1998, and any payment for the fourth quarter of 1995 received after May 31, 1999, is subject to the late payment penalty provisions in 15-36-311.

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

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

(4) For purposes of the distribution of local government severance taxes collected under this section, the department shall use the unit value of oil and gas for each taxing unit as determined in 15-36-323.

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

(6) For the purpose of the distribution of the local government severance tax for calendar year 1995 production, the department shall adjust the unit value determined under this section according to the ratio that the local government severance taxes collected during the quarters for which the distribution

occurs plus penalties and interest on delinquent local government severance taxes bears to the total liability for local government severance taxes for the quarters for which the distribution occurs. The taxes must be calculated and distributed as follows:

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

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

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

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

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

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

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

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

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

<u>(9) The distribution to taxing units under this section is statutorily appropriated as provided in 17-7-502.</u>"

<u>**SECTION 12.** SECTION 17-7-502, MCA, IS AMENDED TO READ:</u>

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

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

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

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

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706; 15-30-195; 15-31-702; <u>15-36-324; 15-36-325;</u> 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411; 16-11-308; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-804; 17-6-101; 17-6-201; 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-17-301; 19-18-512; 19-18-513; 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-8-107; 20-8-111; 20-9-361; 20-26-1503; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321; 39-71-2504; 44-12-206; 44-13-102; 50-4-623; 50-5-232; 50-40-206; 53-6-150; 53-6-703; 53-24-206; 60-2-220; 67-3-205; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 76-12-123; 80-2-103; 80-2-222; 80-4-416; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215; 90-6-331; 90-7-220; 90-7-221; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of

Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for supplemental benefit; and pursuant to sec. 7(2), Ch. 29, L. 1995, the inclusion of 15-30-195 terminates July 1, 2001.)"

Section 13. Section 82-11-135, MCA, is amended to read:

"**82-11-135. Money earmarked for board expenses.** The state treasurer shall deposit all money collected under 15-36-324~~(7)(b)~~(8)(b), (9), (10)(b), and under this chapter in the state special revenue fund. The money must be used for the purpose of paying all expenses of the board and for no other purpose. The board shall use the money subject to biennial appropriations by the legislature. Income and interest from investment of the board's moneys in the state special revenue fund must be credited to the board."

NEW SECTION. **Section 14. Effective ~~date~~ DATES -- TERMINATION.** (1) ~~[This act] is~~ SECTIONS 1 THROUGH 9, 13, AND THIS SECTION] ARE effective on passage and approval.

(2) [SECTIONS 10, 11, AND 12] ARE EFFECTIVE JULY 1, 1997.

(3) [SECTION 9] TERMINATES JUNE 30, 1997.

-END-

SENATE BILL NO. 386

INTRODUCED BY GAGE

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES TO CONFORM WITH THE NEW OIL AND NATURAL GAS TAX LAWS ENACTED DURING THE 1995 LEGISLATIVE SESSION; ALLOWING THE DEPARTMENT TO REVISE, BY RULE, THE DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES UNDER CERTAIN CONDITIONS; CLARIFYING THE TAX RATE IMPOSED ON INCREMENTAL PRODUCTION FROM POST-1985 WELLS WHEN THE PRICE OF OIL IS EQUAL TO OR GREATER THAN $30 A BARREL; PROVIDING STATUTORY APPROPRIATIONS; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-1-501, 15-36-304, 15-36-324, 15-36-325, 17-7-502, AND 82-11-135, MCA; AND PROVIDING ~~AN IMMEDIATE~~ EFFECTIVE ~~DATE~~ DATES AND A TERMINATION DATE."

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

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

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

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

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

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

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

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

REFERENCE BILL AS AMENDED

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

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

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

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

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

(c) the value provided by the department of revenue under 15-36-324~~(10)~~(13); and

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

Section 2. Section 7-7-2101, MCA, is amended to read:

"**7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted in any manner or for any purpose ~~to~~ in an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the value provided by the department of revenue in 15-36-324~~(10)~~(13), as ascertained by the last assessment for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax year 1995, for indebtedness to be incurred during fiscal year 1998, an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for indebtedness to be incurred during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property within the county for tax year 1995, in each case of class eight property, multiplied by 23%.

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

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

Section 3. Section 7-7-2203, MCA, is amended to read:

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

(2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property in the county subject to taxation, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), when necessary to do so, to be ascertained by the last assessment for state and county taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998, an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property within the county for tax year 1995, in each case of class eight property, multiplied by 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

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

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

Section 4. Section 7-14-2524, MCA, is amended to read:

"**7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property in the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13). The taxable property and the amount of taxes levied on new production, production from horizontally completed wells, and incremental production must be ascertained by the last assessment for state and county taxes prior to the issuance of the bonds.

(2) A county may issue bonds that, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of the property, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13) when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways that have been destroyed or damaged by an act of God or by a disaster, catastrophe, or accident.

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

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

"**7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property ~~therein~~ in the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), and the board determines that the county is unable to pay the indebtedness in full, the board may:

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

(b) enter into the agreement;

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

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

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

Section 6. Section 7-16-2327, MCA, is amended to read:

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

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

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

Section 7. Section 15-1-501, MCA, is amended to read:

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

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

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

(c) liquor license taxes under Title 16;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 8. Section 15-36-304, MCA, is amended to read:

"**15-36-304. 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 15-36-324.

(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	Nonworking

	Interest	Interest
(a) pre-1985 wells	18.55%	14.8%
(b) post-1985 wells		
(i) first 12 months of qualifying production	0.5%	14.8%
(ii) next 12 months of qualifying production	12.5%	14.8%
(iii) after 24 months	15.15%	14.8%
(c) stripper natural gas pre-1985 and post-1985 wells	11%	14.8%

(3) The reduced tax rates under subsections (2)(b)(i) and (2)(b)(ii) on production for the first 24 months of natural gas production from a post-1985 well begin 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	13.9%	16.9%
(ii) post-1985 wells		
(A) first 12 months of qualifying production	0.5%	14.8%
(B) next 12 months of qualifying production	7.5%	14.8%
(C) after 24 months	12.5%	14.8%
(b) stripper oil production		
(i) pre-1985 wells	10.5%	16.9%
(ii) post-1985 wells	10.5%	14.8%
(iii) stripper exemption production		

(A) pre-1985 wells	5.5%	16.9%
(B) post-1985 wells	5.5%	14.8%
(c) horizontally completed well production		
(i) first 18 months of qualifying production	0.5%	5.5%
(ii) next 6 months of qualifying production	7.5%	12.5%
(iii) after 24 months	12.5%	12.5%
(d) incremental production		
(i) new or expanded secondary recovery production		
(A) pre-1985 ~~well~~ wells	8.5%	16%
(B) post-1985 ~~well~~ wells	8.5%	10.5%
(ii) new or expanded tertiary production		
(A) pre-1985 ~~well~~ wells	5.8%	15%
(B) post-1985 ~~well~~ wells	5.8%	9.5%
(e) horizontally recompleted well		
(i) first 18 months	5.5%	5.5%
(ii) after 18 months	12.5%	12.5%

(5) (a) The reduced tax rates under subsections (4)(a)(ii)(A) and (4)(a)(ii)(B) for the first 24 months of oil production from a post-1985 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped or flows, provided that notification has been given to the department.

(b) (i) The reduced tax rates under ~~subsection~~ subsections (4)(c)(i) and (4)(c)(ii) on oil production from a horizontally completed well for the first 24 months of production begin following the last day of the calendar month immediately preceding the month in which oil is pumped or flows, provided that the well has been certified as a horizontally completed well to the department by the board.

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

(c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter 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 determined in subsection (5)(d), then incremental production from pre-1985 wells and from post-1985 wells is taxed at the rate imposed on primary recovery production under ~~subsection~~ subsections (4)(a)(i) and (4)(a)(ii)(C), respectively, for production occurring in that quarter.

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

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

Section 9. Section 15-36-324, MCA, is amended to read:

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

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

(a) The amount equal to ~~41.6%~~ 39.3% of the oil production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (8).

(b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (3)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

(4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and penalty, collected under this part on production from horizontally ~~drilled~~ completed wells ~~and on the incremental production from horizontally recompleted wells~~ occurring during the first 18 months of production must be distributed as provided in subsection ~~(7)~~ (9).

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from horizontally completed wells occurring during the next 6 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (4)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(5) (a) The amount equal to 13.8% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on stripper exemption production from pre-1985 wells and post-1985 wells must be distributed as provided in subsection (9).

(b) The remaining 86.2% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) The amount equal to ~~14.6%~~ 14% of the natural gas production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (10).

(b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 6.25% of the natural gas production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 93.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (7)(b), must be deposited in the agency fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) ~~85%~~ 86.21% to the state general fund;

(b) ~~4.3%~~ 5.17% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) ~~10.7%~~ 8.62% to be distributed as provided by 15-38-106(2).

(9) The department shall distribute the state portion of oil and natural gas production taxes specified in subsections (3)(a), (3)(b)(i), (4)(a), (4)(b)(i), (5)(a), (7)(a), and (7)(b)(i), including late payment interest and penalty collected, as follows:

(a) 37.5% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(b) 62.5% to be distributed as provided by 15-38-106(2).

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

(a) 76.8% to the state general fund;

(b) 8.7% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) 14.5% to be distributed as provided by 15-38-106(2).

~~(8)~~(11) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil and natural gas production taxes distributions must be calculated and distributed as follows:

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

(ii) Any amount by which the total tax liability exceeds or is less than the total distributions determined in this subsection ~~(8)(a)~~ (11)(a) must be calculated and distributed in the following manner:

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

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

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

(b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing unit.

(c) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as provided in subsection ~~(8)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school or high school, within the county under the following conditions:

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

(ii) If the allocation in subsection ~~(8)(c)(i)~~ (11)(c)(i) exceeds the total budget for a taxing unit, the commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

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

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

(ii) If the allocation under subsection ~~(8)(d)(i)~~ (11)(d)(i) exceeds the total budget for a fund, the trustees may allocate the excess to any budgeted fund of the school district.

(e) For all production from post-1985 wells and horizontally drilled wells completed after December 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under subsections (2)(b), (3)(b)(ii), (4)(b)(ii), ~~and~~ (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing units in the relative proportions required by the levies for state, county, and school district purposes in the same manner as property taxes were distributed in the preceding fiscal year.

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

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

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

(i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted by the county treasurer to the state treasurer.

(j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted the amounts determined in subsections ~~(8)(h)~~ (11)(h) and ~~(8)(i)~~ (11)(i) is for the exclusive use and benefit of the county and school taxing units.

~~(9)~~(12) The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the county treasurer by the following dates:

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

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

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

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

~~(10)~~(13) The department shall provide to each county by May 31 of each year the amount of gross taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes and for county bonding purposes.

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

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

SECTION 10. SECTION 15-36-324, MCA, IS AMENDED TO READ:

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

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

(a) The amount equal to ~~41.6%~~ 39.3% of the oil production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (8).

(b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (2)(b), must be deposited in the ~~agency~~ state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (3)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

(4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and penalty, collected under this part on production from horizontally ~~drilled~~ completed wells ~~and on the incremental production from horizontally recompleted wells~~ occurring during the first 18 months of production must be distributed as provided in subsection ~~(7)~~ (9).

(b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on production from horizontally completed wells occurring during the next 6 months of production must be distributed as provided in subsection (9).

(ii) The remaining 89.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (4)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(5) (a) The amount equal to 13.8% of the oil production taxes, including late payment interest and penalty, collected from working interest owners on stripper exemption production from pre-1985 wells and post-1985 wells must be distributed as provided in subsection (9).

(b) The remaining 86.2% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (5)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) The amount equal to ~~14.6%~~ 14% of the natural gas production taxes, including late payment interest and penalty, collected under this part must be distributed as provided in subsection ~~(7)~~ (10).

(b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the ~~agency~~ state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~ (11).

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

(b) (i) The amount equal to 6.25% of the natural gas production taxes, including late payment interest and penalty, collected from working interest owners on production from post-1985 wells occurring during the next 12 months of production must be distributed as provided in subsection (9).

(ii) The remaining 93.75% of the oil production taxes, plus accumulated interest earned on the amount allocated under this subsection (7)(b), must be deposited in the state special revenue fund in the state treasury and transferred to the county and school taxing units for distribution as provided in subsection (11).

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

(a) ~~85%~~ 86.21% to the state general fund;

(b) ~~4.3%~~ 5.17% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) ~~10.7%~~ 8.62% to be distributed as provided by 15-38-106(2).

(9) The department shall distribute the state portion of oil and natural gas production taxes specified in subsections (3)(a), (3)(b)(i), (4)(a), (4)(b)(i), (5)(a), (7)(a), and (7)(b)(i), including late payment interest and penalty collected, as follows:

(a) 37.5% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(b) 62.5% to be distributed as provided by 15-38-106(2).

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

(a) 76.8% to the state general fund;

(b) 8.7% to the state special revenue fund for the purpose of paying expenses of the board as provided in 82-11-135; and

(c) 14.5% to be distributed as provided by 15-38-106(2).

~~(8)~~(11) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil and natural gas production taxes distributions must be calculated and distributed as follows:

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

(ii) Any amount by which the total tax liability exceeds or is less than the total distributions determined in this subsection ~~(8)(a)~~ (11)(a) must be calculated and distributed in the following manner:

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

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

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

(b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a municipal taxing unit.

(c) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as provided in subsection ~~(8)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school or high school, within the county under the following conditions:

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

(ii) If the allocation in subsection ~~(8)(c)(i)~~ (11)(c)(i) exceeds the total budget for a taxing unit, the commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

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

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

(ii) If the allocation under subsection ~~(8)(d)(i)~~ (11)(d)(i) exceeds the total budget for a fund, the trustees may allocate the excess to any budgeted fund of the school district.

(e) For all production from post-1985 wells and horizontally drilled wells completed after December 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under subsections (2)(b), (3)(b)(ii), (4)(b)(ii), ~~and~~ (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing units in the relative proportions required by the levies for state, county, and school district purposes in the same manner as property taxes were distributed in the preceding fiscal year.

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

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

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

(i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted by the county treasurer to the state treasurer.

(j) The amount of oil and natural gas production taxes remaining after the treasurer has remitted the amounts determined in subsections ~~(8)(h)~~ (11)(h) and ~~(8)(i)~~ (11)(i) is for the exclusive use and benefit of the county and school taxing units.

~~(9)~~(12) The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the county treasurer by the following dates:

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

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

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

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

~~(10)~~(13) The department shall provide to each county by May 31 of each year the amount of gross taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes and for county bonding purposes.

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

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

(15) The distribution to taxing units under this section is statutorily appropriated as provided in 17-7-502."

SECTION 11. SECTION 15-36-325, MCA, IS AMENDED TO READ:

"**15-36-325. Local government severance tax payments for calendar year 1995 production -- distribution of payments -- not subject to I-105 limitations.** (1) The local government severance tax imposed under 15-36-101, as that section read before January 1, 1996, for calendar year 1995 production is due as follows:

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

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

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

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

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

(b) Any payment of local government severance taxes for calendar year 1995 made on or before June 30, 1997, does not accrue interest. Any payment of local government severance taxes for calendar year 1995 made after June 30, 1997, must accrue interest at the rate of 1% a month or fraction of a month from July 1, 1997, to the date of payment. Any payment for the third quarter of 1995 received after May 31, 1998, and any payment for the fourth quarter of 1995 received after May 31, 1999, is subject to the late payment penalty provisions in 15-36-311.

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

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

(4) For purposes of the distribution of local government severance taxes collected under this section, the department shall use the unit value of oil and gas for each taxing unit as determined in 15-36-323.

(5) The local government severance tax must be deposited in the ~~agency~~ <u>state special revenue</u> fund in the state treasury and transferred to the county for distribution as provided in subsection (6).

(6) For the purpose of the distribution of the local government severance tax for calendar year 1995 production, the department shall adjust the unit value determined under this section according to the ratio that the local government severance taxes collected during the quarters for which the distribution

occurs plus penalties and interest on delinquent local government severance taxes bears to the total liability for local government severance taxes for the quarters for which the distribution occurs. The taxes must be calculated and distributed as follows:

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

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

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

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

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

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

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

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

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

<u>(9) The distribution to taxing units under this section is statutorily appropriated as provided in 17-7-502.</u>"

<u>**SECTION 12.** SECTION 17-7-502, MCA, IS AMENDED TO READ:</u>

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

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

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

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

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706; 15-30-195; 15-31-702; <u>15-36-324; 15-36-325;</u> 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411; 16-11-308; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-804; 17-6-101; 17-6-201; 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-17-301; 19-18-512; 19-18-513; 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-8-107; 20-8-111; 20-9-361; 20-26-1503; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321; 39-71-2504; 44-12-206; 44-13-102; 50-4-623; 50-5-232; 50-40-206; 53-6-150; 53-6-703; 53-24-206; 60-2-220; 67-3-205; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 76-12-123; 80-2-103; 80-2-222; 80-4-416; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215; 90-6-331; 90-7-220; 90-7-221; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of

Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for supplemental benefit; and pursuant to sec. 7(2), Ch. 29, L. 1995, the inclusion of 15-30-195 terminates July 1, 2001.)"

Section 13. Section 82-11-135, MCA, is amended to read:

"**82-11-135. Money earmarked for board expenses.** The state treasurer shall deposit all money collected under 15-36-324~~(7)(b)~~(8)(b), (9), (10)(b), and under this chapter in the state special revenue fund. The money must be used for the purpose of paying all expenses of the board and for no other purpose. The board shall use the money subject to biennial appropriations by the legislature. Income and interest from investment of the board's moneys in the state special revenue fund must be credited to the board."

NEW SECTION. **Section 14. Effective ~~date~~ DATES -- TERMINATION.** (1) [~~This act] is~~ SECTIONS 1 THROUGH 9, 13, AND THIS SECTION] ARE effective on passage and approval.

(2) [SECTIONS 10, 11, AND 12] ARE EFFECTIVE JULY 1, 1997.

(3) [SECTION 9] TERMINATES JUNE 30, 1997.

-END-