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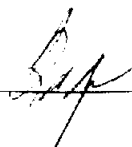
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INTRODUCED BY


Senate BILL NO. 386

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

1 \$10 million;

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

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

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

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

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

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

12

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

14 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted  
15 in any manner or for any purpose ~~to~~ in an amount, including existing indebtedness, in the aggregate  
16 exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the  
17 value provided by the department of revenue in 15-36-324~~(10)~~(13), as ascertained by the last assessment  
18 for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be  
19 incurred during fiscal year 1997, an additional 11% of the taxable value of class eight property within the  
20 county for tax year 1995, for indebtedness to be incurred during fiscal year 1998, an additional 22% of  
21 the taxable value of class eight property within the county for tax year 1995, and for indebtedness to be  
22 incurred during fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight  
23 property within the county for tax year 1995, in each case of class eight property, multiplied by 23%.

24 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding  
25 \$500,000 without the approval of a majority of the electors of the county voting at an election to be  
26 provided by law, except as provided in 7-21-3413 and 7-21-3414.

27 (3) This section does not apply to the acquisition of conservation easements as set forth in Title  
28 76, chapter 6."

29

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

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

12           (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all  
13 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property  
14 in the county subject to taxation, plus the value provided by the department of revenue under  
15 ~~15-36-324(10)~~(13), when necessary to do so, to be ascertained by the last assessment for state and  
16 county taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value  
17 of class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998,  
18 an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for  
19 bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class  
20 eight property within the county for tax year 1995, in each case of class eight property, multiplied by  
21 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or  
22 acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

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

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

29  
30           **Section 4.** Section 7-14-2524, MCA, is amended to read:

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

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

13           (3) The value of the bonds issued and all other outstanding indebtedness of the county, except  
14 county high school bonds, may not exceed 22.5% of the total of the taxable value of the property within  
15 the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), as ascertained  
16 by the last preceding general assessment."  
17

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

19           **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total  
20 indebtedness of a county exceeds 22.5% of the total of the taxable value of the property ~~therein in the~~  
21 county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), and the board  
22 determines that the county is unable to pay the indebtedness in full, the board may:

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

26           (b) enter into the agreement;

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

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

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

1 resolution providing for the issuance of the bonds."  
2

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

4 **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a  
5 county park board, in addition to powers and duties now given under law, may contract an indebtedness  
6 in behalf of a county, upon the credit of the county, in order to carry out its powers and duties.

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

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

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

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

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

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

23 (c) liquor license taxes under Title 16;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 **"15-36-304. Production tax rates imposed on oil and natural gas.** (1) The production of oil and  
25 natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-324.

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

29	Working	Nonworking
30	Interest	Interest

1	(a) pre-1985 wells	18.55%	14.8%
2	(b) post-1985 wells		
3	(i) first 12 months of qualifying		
4	production	0.5%	14.8%
5	(ii) next 12 months of qualifying		
6	production	12.5%	14.8%
7	(iii) after 24 months	15.15%	14.8%
8	(c) stripper natural gas pre-1985		
9	and post-1985 wells	11%	14.8%

10 (3) The reduced tax rates under subsections (2)(b)(i) and (2)(b)(ii) on production for the first 24  
 11 months of natural gas production from a post-1985 well begin following the last day of the calendar month  
 12 immediately preceding the month in which natural gas is placed in a natural gas distribution system,  
 13 provided that notification has been given to the department.

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

16		Working	Nonworking
17		Interest	Interest
18	(a) primary recovery production		
19	(i) pre-1985 wells	13.9%	16.9%
20	(ii) post-1985 wells		
21	(A) first 12 months of qualifying		
22	production	0.5%	14.8%
23	(B) next 12 months of qualifying		
24	production	7.5%	14.8%
25	(C) after 24 months	12.5%	14.8%
26	(b) stripper oil production		
27	(i) pre-1985 wells	10.5%	16.9%
28	(ii) post-1985 wells	10.5%	14.8%
29	(iii) stripper exemption production		
30	(A) pre-1985 wells	5.5%	16.9%

1	(B) post-1985 wells	5.5%	14.8%
2	(c) horizontally completed well production		
3	(i) first 18 months of qualifying		
4	production	0.5%	5.5%
5	(ii) next 6 months of qualifying		
6	production	7.5%	12.5%
7	(iii) after 24 months	12.5%	12.5%
8	(d) incremental production		
9	(i) new or expanded secondary recovery production		
10	(A) pre-1985 <del>well</del> <u>wells</u>	8.5%	16%
11	(B) post-1985 <del>well</del> <u>wells</u>	8.5%	10.5%
12	(ii) new or expanded tertiary production		
13	(A) pre-1985 <del>well</del> <u>wells</u>	5.8%	15%
14	(B) post-1985 <del>well</del> <u>wells</u>	5.8%	9.5%
15	(e) horizontally recompleted well		
16	(i) first 18 months	5.5%	5.5%
17	(ii) after 18 months	12.5%	12.5%

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

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

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

30 (c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel



1 of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter  
 2 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  
 3 determined in subsection (5)(d), then incremental production from pre-1985 wells and from post-1985 wells  
 4 is taxed at the rate imposed on primary recovery production under ~~subsection~~ subsections (4)(a)(i) and  
 5 (4)(a)(ii)(C), respectively, for production occurring in that quarter.

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

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

12

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

14 "**15-36-324. Distribution of taxes -- rules.** (1) For each calendar quarter, the department of  
 15 revenue shall determine the amount of tax, late payment interest, and penalty collected under this part. For  
 16 purposes of distribution of the taxes to county and school taxing units, the department shall determine the  
 17 amount of oil and natural gas production taxes paid on production from pre-1985 wells, post-1985 wells,  
 18 and horizontally drilled wells located in the taxing unit.

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

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

23 (b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on  
 24 the amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state  
 25 treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~  
 26 (11).

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

30 (b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and

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

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

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

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

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

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

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

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

25 ~~(6)~~(6) Except as provided in subsection ~~(6)~~ (7), natural gas production taxes must be allocated as  
 26 follows:

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

29 (b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest  
 30 earned on the amount allocated under this subsection ~~(6)(a)~~ (6)(b), must be deposited in the agency fund

1 in the state treasury and transferred to the county and school taxing units for distribution as provided in  
2 subsection ~~(8)~~ (11).

3 ~~(6)~~(7) (a) The amount equal to 100% of the natural gas production taxes, including late payment  
4 interest and penalty, collected from working interest owners under this part on production from post-1985  
5 wells occurring during the first 12 months of production must be distributed as provided in subsection ~~(7)~~  
6 (9).

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

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

13 ~~(7)~~(8) The department shall, in accordance with the provisions of 15-1-501~~(6)~~, distribute the state  
14 portion of oil ~~and natural gas~~ production taxes specified in subsections (2)(a) and (4)(c), including late  
15 payment interest and penalty collected, as follows:

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

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

19 (c) ~~40.7%~~ 8.62% to be distributed as provided by 15-38-106(2).

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

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

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

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

29 (a) 76.8% to the state general fund;

30 (b) 8.7% to the state special revenue fund for the purpose of paying expenses of the board as

1 provided in 82-11-135; and

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

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

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

15 (ii) Any amount by which the total tax liability exceeds or is less than the total distributions  
16 determined in this subsection ~~(9)(a)~~ (11)(a) must be calculated and distributed in the following manner:

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

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

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

23 (b) Except as provided in subsection ~~(9)(e)~~ (11)(c), the county treasurer shall distribute the money  
24 received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year  
25 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were  
26 distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a  
27 municipal taxing unit.

28 (c) The board of county commissioners of a county may direct the county treasurer to reallocate  
29 the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as  
30 provided in subsection ~~(9)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school

1 or high school, within the county under the following conditions:

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

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

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

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

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

14 (e) For all production from post-1985 wells and horizontally drilled wells completed after December  
15 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under  
16 subsections (2)(b), (3)(b)(ii), (4)(b)(ii), and (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing  
17 units in the relative proportions required by the levies for state, county, and school district purposes in the  
18 same manner as property taxes were distributed in the preceding fiscal year.

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

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

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

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

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

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

6 ~~(9)(12)~~ The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the  
7 county treasurer by the following dates:

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

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

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

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

19 ~~(10)(13)~~ The department shall provide to each county by May 31 of each year the amount of gross  
20 taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year  
21 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes  
22 and for county bonding purposes.

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

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

29

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



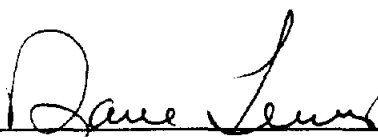
STATE OF MONTANA - FISCAL NOTE


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.

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

 3/4/97  
DELWYN GAGE      PRIMARY SPONSOR      DATE  
Fiscal Note for SB0386, as introduced  
**SB 386**



Senate BILL NO. 386

1  
2 INTRODUCED BY [Signature]

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DISTRIBUTION OF OIL AND NATURAL GAS  
5 PRODUCTION TAXES TO CONFORM WITH THE NEW OIL AND NATURAL GAS TAX LAWS ENACTED  
6 DURING THE 1995 LEGISLATIVE SESSION; ALLOWING THE DEPARTMENT TO REVISE, BY RULE, THE  
7 DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES UNDER CERTAIN CONDITIONS;  
8 CLARIFYING THE TAX RATE IMPOSED ON INCREMENTAL PRODUCTION FROM POST-1985 WELLS WHEN  
9 THE PRICE OF OIL IS EQUAL TO OR GREATER THAN \$30 A BARREL; AMENDING SECTIONS 7-1-2111,  
10 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  
11 82-11-135, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

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INTRODUCED BY

*[Signature]*

Senate BILL NO. 386

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.**

## 1 SENATE BILL NO. 386

2 INTRODUCED BY GAGE

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DISTRIBUTION OF OIL AND NATURAL GAS  
5 PRODUCTION TAXES TO CONFORM WITH THE NEW OIL AND NATURAL GAS TAX LAWS ENACTED  
6 DURING THE 1995 LEGISLATIVE SESSION; ALLOWING THE DEPARTMENT TO REVISE, BY RULE, THE  
7 DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES UNDER CERTAIN CONDITIONS;  
8 CLARIFYING THE TAX RATE IMPOSED ON INCREMENTAL PRODUCTION FROM POST-1985 WELLS WHEN  
9 THE PRICE OF OIL IS EQUAL TO OR GREATER THAN \$30 A BARREL; PROVIDING STATUTORY  
10 APPROPRIATIONS; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525,  
11 7-16-2327, 15-1-501, 15-36-304, 15-36-324, 15-36-325, 17-7-502, AND 82-11-135, MCA; AND  
12 PROVIDING AN IMMEDIATE EFFECTIVE DATE DATES AND A TERMINATION DATE."

13

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

15

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

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

22 (a) first class--all counties having a taxable valuation of \$50 million or ~~over~~ more;23 (b) second class--all counties having a taxable valuation of ~~more than~~ \$30 million or more and less  
24 than \$50 million;25 (c) third class--all counties having a taxable valuation of ~~more than~~ \$20 million or more and less  
26 than \$30 million;27 (d) fourth class--all counties having a taxable valuation of ~~more than~~ \$15 million or more and less  
28 than \$20 million;29 (e) fifth class--all counties having a taxable valuation of ~~more than~~ \$10 million or more and less  
30 than \$15 million;

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

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

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

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

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

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

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

13

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

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

25 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding  
26 \$500,000 without the approval of a majority of the electors of the county voting at an election to be  
27 provided by law, except as provided in 7-21-3413 and 7-21-3414.

28 (3) This section does not apply to the acquisition of conservation easements as set forth in Title  
29 76, chapter 6."

30

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

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

13           (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all  
14 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property  
15 in the county subject to taxation, plus the value provided by the department of revenue under  
16 ~~15-36-324(10)~~(13), when necessary to do so, to be ascertained by the last assessment for state and  
17 county taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value  
18 of class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998,  
19 an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for  
20 bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class  
21 eight property within the county for tax year 1995, in each case of class eight property, multiplied by  
22 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or  
23 acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

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

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

30

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

2           **"7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise  
3 provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding  
4 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the  
5 total of the taxable value of the property in the county, plus the value provided by the department of  
6 revenue under 15-36-324~~(10)~~(13). The taxable property and the amount of taxes levied on new production,  
7 production from horizontally completed wells, and incremental production must be ascertained by the last  
8 assessment for state and county taxes prior to the issuance of the bonds.

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

14           (3) The value of the bonds issued and all other outstanding indebtedness of the county, except  
15 county high school bonds, may not exceed 22.5% of the total of the taxable value of the property within  
16 the county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), as ascertained  
17 by the last preceding general assessment."  
18

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

20           **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total  
21 indebtedness of a county exceeds 22.5% of the total of the taxable value of the property ~~therein in the~~  
22 county, plus the value provided by the department of revenue under 15-36-324~~(10)~~(13), and the board  
23 determines that the county is unable to pay the indebtedness in full, the board may:

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

27           (b) enter into the agreement;

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

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

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

3

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

5 **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a  
6 county park board, in addition to powers and duties now given under law, may contract an indebtedness  
7 in behalf of a county, upon the credit of the county, in order to carry out its powers and duties.

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

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

16

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

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

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

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

24 (c) liquor license taxes under Title 16;

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

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

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

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

30 (b) 8.7% of the taxes to the credit of the debt service account for long-range building program

1 bonds as described in 17-5-408; and

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

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

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

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

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

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

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

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

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

23

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

25 **"15-36-304. Production tax rates imposed on oil and natural gas.** (1) The production of oil and  
26 natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-324.

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

30

Working

Nonworking



	Interest	Interest	
1			
2	(a) pre-1985 wells	18.55%	14.8%
3	(b) post-1985 wells		
4	(i) first 12 months of qualifying		
5	production	0.5%	14.8%
6	(ii) next 12 months of qualifying		
7	production	12.5%	14.8%
8	(iii) after 24 months	15.15%	14.8%
9	(c) stripper natural gas pre-1985		
10	and post-1985 wells	11%	14.8%

11 (3) The reduced tax rates under subsections (2)(b)(i) and (2)(b)(ii) on production for the first 24  
 12 months of natural gas production from a post-1985 well begin following the last day of the calendar month  
 13 immediately preceding the month in which natural gas is placed in a natural gas distribution system,  
 14 provided that notification has been given to the department.

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

	Working	Nonworking	
	Interest	Interest	
17			
18			
19	(a) primary recovery production		
20	(i) pre-1985 wells	13.9%	16.9%
21	(ii) post-1985 wells		
22	(A) first 12 months of qualifying		
23	production	0.5%	14.8%
24	(B) next 12 months of qualifying		
25	production	7.5%	14.8%
26	(C) after 24 months	12.5%	14.8%
27	(b) stripper oil production		
28	(i) pre-1985 wells	10.5%	16.9%
29	(ii) post-1985 wells	10.5%	14.8%
30	(iii) stripper exemption production		

1	(A) pre-1985 wells	5.5%	16.9%
2	(B) post-1985 wells	5.5%	14.8%
3	(c) horizontally completed well production		
4	(i) first 18 months of qualifying		
5	production	0.5%	5.5%
6	(ii) next 6 months of qualifying		
7	production	7.5%	12.5%
8	(iii) after 24 months	12.5%	12.5%
9	(d) incremental production		
10	(i) new or expanded secondary recovery production		
11	(A) pre-1985 <del>well</del> <u>wells</u>	8.5%	16%
12	(B) post-1985 <del>well</del> <u>wells</u>	8.5%	10.5%
13	(ii) new or expanded tertiary production		
14	(A) pre-1985 <del>well</del> <u>wells</u>	5.8%	15%
15	(B) post-1985 <del>well</del> <u>wells</u>	5.8%	9.5%
16	(e) horizontally recompleted well		
17	(i) first 18 months	5.5%	5.5%
18	(ii) after 18 months	12.5%	12.5%

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

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

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

1 (c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel  
 2 of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter  
 3 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  
 4 determined in subsection (5)(d), then incremental production from pre-1985 wells and from post-1985 wells  
 5 is taxed at the rate imposed on primary recovery production under ~~subsection~~ subsections (4)(a)(i) and  
 6 (4)(a)(ii)(C), respectively, for production occurring in that quarter.

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

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

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

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

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

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

24 (b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on  
 25 the amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state  
 26 treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~  
 27 (11).

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

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

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

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

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

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

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

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

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

26           **~~(6)(6)~~ Except as provided in subsection ~~(6)~~ (7), natural gas production taxes must be allocated as**  
 27 **follows:**

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

30           **(b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest**

1 earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the agency fund  
 2 in the state treasury and transferred to the county and school taxing units for distribution as provided in  
 3 subsection ~~(8)~~ (11).

4 ~~(6)(7)~~ (a) The amount equal to 100% of the natural gas production taxes, including late payment  
 5 interest and penalty, collected from working interest owners under this part on production from post-1985  
 6 wells occurring during the first 12 months of production must be distributed as provided in subsection ~~(7)~~  
 7 (9).

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

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

14 ~~(7)(8)~~ The department shall, in accordance with the provisions of 15-1-501~~(6)~~, distribute the state  
 15 portion of oil ~~and natural gas~~ production taxes specified in subsections (2)(a) and (4)(c), including late  
 16 payment interest and penalty collected, as follows:

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

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

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

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

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

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

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

30 (a) 76.8% to the state general fund;

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

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

4 ~~(8)(11)~~ (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985  
 5 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323  
 6 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during  
 7 the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and  
 8 natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas  
 9 production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil  
 10 and natural gas production taxes distributions must be calculated and distributed as follows:

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

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

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

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

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

24 (b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money  
 25 received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year  
 26 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were  
 27 distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a  
 28 municipal taxing unit.

29 (c) The board of county commissioners of a county may direct the county treasurer to reallocate  
 30 the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as

1 provided in subsection ~~(8)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school  
2 or high school, within the county under the following conditions:

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

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

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

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

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

15 (e) For all production from post-1985 wells and horizontally drilled wells completed after December  
16 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under  
17 subsections (2)(b), (3)(b)(ii), (4)(b)(ii), and (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing  
18 units in the relative proportions required by the levies for state, county, and school district purposes in the  
19 same manner as property taxes were distributed in the preceding fiscal year.

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

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

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

30 (i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are

1 required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed  
 2 under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be  
 3 remitted by the county treasurer to the state treasurer.

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

7 ~~(9)(12)~~ The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the  
 8 county treasurer by the following dates:

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

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

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

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

20 ~~(10)(13)~~ The department shall provide to each county by May 31 of each year the amount of gross  
 21 taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year  
 22 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes  
 23 and for county bonding purposes.

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

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

30



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

2           **"15-36-324. Distribution of taxes -- rules.** (1) For each calendar quarter, the department of revenue  
3 shall determine the amount of tax, late payment interest, and penalty collected under this part. For purposes  
4 of distribution of the taxes to county and school taxing units, the department shall determine the amount  
5 of oil and natural gas production taxes paid on production from pre-1985 wells, post-1985 wells, and  
6 horizontally drilled wells located in the taxing unit.

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

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

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

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

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

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

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

29           (b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and  
30 penalty, collected from working interest owners on production from horizontally completed wells occurring

1 during the next 6 months of production must be distributed as provided in subsection (9).

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

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

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

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

16 ~~(5)(6)~~ Except as provided in subsection ~~(6)~~ (7), natural gas production taxes must be allocated as  
 17 follows:

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

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

24 ~~(6)(7)~~ (a) The amount equal to 100% of the natural gas production taxes, including late payment  
 25 interest and penalty, collected from working interest owners under this part on production from post-1985  
 26 wells occurring during the first 12 months of production must be distributed as provided in subsection ~~(7)~~  
 27 (9).

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

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

5 ~~(7)(8)~~ The department shall, in accordance with the provisions of 15-1-501~~(6)~~, distribute the state  
 6 portion of oil and natural gas production taxes specified in subsections (2)(a) and (4)(c), including late  
 7 payment interest and penalty collected, as follows:

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

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

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

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

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

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

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

21 (a) 76.8% to the state general fund;

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

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

25 ~~(8)(11)~~ (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985  
 26 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323  
 27 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during  
 28 the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and  
 29 natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas  
 30 production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil

1 and natural gas production taxes distributions must be calculated and distributed as follows:

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

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

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

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

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

15 (b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money  
16 received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year  
17 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were  
18 distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a  
19 municipal taxing unit.

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

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

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

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

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

4 (ii) If the allocation under subsection ~~(9)(d)(i)~~ (11)(d)(i) exceeds the total budget for a fund, the  
5 trustees may allocate the excess to any budgeted fund of the school district.

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

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

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

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

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

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

28 ~~(9)(12)~~ The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the  
29 county treasurer by the following dates:

30 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and

1 natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

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

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

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

11 ~~(10)~~(13) The department shall provide to each county by May 31 of each year the amount of gross  
12 taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year  
13 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes  
14 and for county bonding purposes.

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

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

21 (15) The distribution to taxing units under this section is statutorily appropriated as provided in  
22 17-7-502."

23

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

25 **"15-36-325. Local government severance tax payments for calendar year 1995 production --**  
26 **distribution of payments -- not subject to I-105 limitations. (1) The local government severance tax imposed**  
27 **under 15-36-101, as that section read before January 1, 1996, for calendar year 1995 production is due**  
28 **as follows:**

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

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

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

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

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

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

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

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

23 (4) For purposes of the distribution of local government severance taxes collected under this  
24 section, the department shall use the unit value of oil and gas for each taxing unit as determined in  
25 15-36-323.

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

28 (6) For the purpose of the distribution of the local government severance tax for calendar year  
29 1995 production, the department shall adjust the unit value determined under this section according to the  
30 ratio that the local government severance taxes collected during the quarters for which the distribution

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

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

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

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

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

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

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

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

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



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

5 (9) The distribution to taxing units under this section is statutorily appropriated as provided in  
 6 17-7-502."

7  
 8 **SECTION 12. SECTION 17-7-502, MCA, IS AMENDED TO READ:**

9 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory  
 10 appropriation is an appropriation made by permanent law that authorizes spending by a state agency  
 11 without the need for a biennial legislative appropriation or budget amendment.

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

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

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

17 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;  
 18 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;  
 19 15-30-195; 15-31-702; 15-36-324; 15-36-325; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404;  
 20 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;  
 21 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;  
 22 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 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;  
 24 37-51-501; 39-71-503; 39-71-907; 39-71-2321; 39-71-2504; 44-12-206; 44-13-102; 50-4-623;  
 25 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;  
 26 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;  
 27 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.

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

1 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as  
 2 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the  
 3 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.  
 4 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for  
 5 supplemental benefit; and pursuant to sec. 7(2), Ch. 29, L. 1995, the inclusion of 15-30-195 terminates  
 6 July 1, 2001.)"

7

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

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

14

15 **NEW SECTION. Section 14. Effective date DATES -- TERMINATION.** (1) ~~[This act] is~~ **SECTIONS**  
 16 **1 THROUGH 9, 13, AND THIS SECTION] ARE** effective on passage and approval.

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

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

19

-END-

## 1 SENATE BILL NO. 386

2 INTRODUCED BY GAGE

3

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

13

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

15

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

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

22 (a) first class--all counties having a taxable valuation of \$50 million or ~~over~~ more;23 (b) second class--all counties having a taxable valuation of ~~more than~~ \$30 million or more and less  
24 than \$50 million;25 (c) third class--all counties having a taxable valuation of ~~more than~~ \$20 million or more and less  
26 than \$30 million;27 (d) fourth class--all counties having a taxable valuation of ~~more than~~ \$15 million or more and less  
28 than \$20 million;29 (e) fifth class--all counties having a taxable valuation of ~~more than~~ \$10 million or more and less  
30 than \$15 million;

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

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

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

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

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

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

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

13  
14 **Section 2.** Section 7-7-2101, MCA, is amended to read:

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

25 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding  
26 \$500,000 without the approval of a majority of the electors of the county voting at an election to be  
27 provided by law, except as provided in 7-21-3413 and 7-21-3414.

28 (3) This section does not apply to the acquisition of conservation easements as set forth in Title  
29 76, chapter 6."  
30

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

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

13           (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all  
14 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property  
15 in the county subject to taxation, plus the value provided by the department of revenue under  
16 ~~15-36-324(10)~~(13), when necessary to do so, to be ascertained by the last assessment for state and  
17 county taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value  
18 of class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998,  
19 an additional 22% of the taxable value of class eight property within the county for tax year 1995, and for  
20 bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class  
21 eight property within the county for tax year 1995, in each case of class eight property, multiplied by  
22 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or  
23 acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

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

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

30

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

2           **"7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise  
3 provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding  
4 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the  
5 total of the taxable value of the property in the county, plus the value provided by the department of  
6 revenue under 15-36-324(10)(13). The taxable property and the amount of taxes levied on new production,  
7 production from horizontally completed wells, and incremental production must be ascertained by the last  
8 assessment for state and county taxes prior to the issuance of the bonds.

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

14           (3) The value of the bonds issued and all other outstanding indebtedness of the county, except  
15 county high school bonds, may not exceed 22.5% of the total of the taxable value of the property within  
16 the county, plus the value provided by the department of revenue under 15-36-324(10)(13), as ascertained  
17 by the last preceding general assessment."  
18

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

20           **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total  
21 indebtedness of a county exceeds 22.5% of the total of the taxable value of the property ~~therein~~ in the  
22 county, plus the value provided by the department of revenue under 15-36-324(10)(13), and the board  
23 determines that the county is unable to pay the indebtedness in full, the board may:

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

27           (b) enter into the agreement;

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

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

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

3  
4           **Section 6.** Section 7-16-2327, MCA, is amended to read:

5           **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a  
6 county park board, in addition to powers and duties now given under law, may contract an indebtedness  
7 in behalf of a county, upon the credit of the county, in order to carry out its powers and duties.

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

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

16  
17           **Section 7.** Section 15-1-501, MCA, is amended to read:

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

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

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

24           (c) liquor license taxes under Title 16;

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

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

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

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

30           (b) 8.7% of the taxes to the credit of the debt service account for long-range building program

1 bonds as described in 17-5-408; and

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

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

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

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

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

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

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

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

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

23

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

25 **"15-36-304. Production tax rates imposed on oil and natural gas.** (1) The production of oil and  
26 natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-324.

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

30

Working

Nonworking



1		Interest	Interest
2	(a) pre-1985 wells	18.55%	14.8%
3	(b) post-1985 wells		
4	(i) first 12 months of qualifying		
5	production	0.5%	14.8%
6	(ii) next 12 months of qualifying		
7	production	12.5%	14.8%
8	(iii) after 24 months	15.15%	14.8%
9	(c) stripper natural gas pre-1985		
10	and post-1985 wells	11%	14.8%

11 (3) The reduced tax rates under subsections (2)(b)(i) and (2)(b)(ii) on production for the first 24  
 12 months of natural gas production from a post-1985 well begin following the last day of the calendar month  
 13 immediately preceding the month in which natural gas is placed in a natural gas distribution system,  
 14 provided that notification has been given to the department.

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

17		Working	Nonworking
18		Interest	Interest
19	(a) primary recovery production		
20	(i) pre-1985 wells	13.9%	16.9%
21	(ii) post-1985 wells		
22	(A) first 12 months of qualifying		
23	production	0.5%	14.8%
24	(B) next 12 months of qualifying		
25	production	7.5%	14.8%
26	(C) after 24 months	12.5%	14.8%
27	(b) stripper oil production		
28	(i) pre-1985 wells	10.5%	16.9%
29	(ii) post-1985 wells	10.5%	14.8%
30	(iii) stripper exemption production		

1	(A) pre-1985 wells	5.5%	16.9%
2	(B) post-1985 wells	5.5%	14.8%
3	(c) horizontally completed well production		
4	(i) first 18 months of qualifying		
5	production	0.5%	5.5%
6	(ii) next 6 months of qualifying		
7	production	7.5%	12.5%
8	(iii) after 24 months	12.5%	12.5%
9	(d) incremental production		
10	(i) new or expanded secondary recovery production		
11	(A) pre-1985 <del>well</del> <u>wells</u>	8.5%	16%
12	(B) post-1985 <del>well</del> <u>wells</u>	8.5%	10.5%
13	(ii) new or expanded tertiary production		
14	(A) pre-1985 <del>well</del> <u>wells</u>	5.8%	15%
15	(B) post-1985 <del>well</del> <u>wells</u>	5.8%	9.5%
16	(e) horizontally recompleted well		
17	(i) first 18 months	5.5%	5.5%
18	(ii) after 18 months	12.5%	12.5%

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

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

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

1 (c) Incremental production is taxed as provided in subsection (4)(d) if the average price per barrel  
 2 of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter  
 3 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  
 4 determined in subsection (5)(d), then incremental production from pre-1985 wells and from post-1985 wells  
 5 is taxed at the rate imposed on primary recovery production under ~~subsection~~ subsections (4)(a)(i) and  
 6 (4)(a)(ii)(C), respectively, for production occurring in that quarter.

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

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

13  
 14 **Section 9.** Section 15-36-324, MCA, is amended to read:

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

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

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

24 (b) The remaining ~~58.4%~~ 60.7% of the oil production taxes, plus accumulated interest earned on  
 25 the amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state  
 26 treasury and transferred to the county and school taxing units for distribution as provided in subsection ~~(8)~~  
 27 (11).

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

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

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

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

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

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

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

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

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

26 ~~(6)(6)~~ Except as provided in subsection ~~(6)~~ (7), natural gas production taxes must be allocated as  
 27 follows:

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

30 (b) The remaining ~~85.4%~~ 86% of the natural gas production taxes, plus accumulated interest

1 earned on the amount allocated under this subsection ~~(5)(b)~~ (6)(b), must be deposited in the agency fund  
 2 in the state treasury and transferred to the county and school taxing units for distribution as provided in  
 3 subsection ~~(8)~~ (11).

4 ~~(6)(7)~~ (a) The amount equal to 100% of the natural gas production taxes, including late payment  
 5 interest and penalty, collected from working interest owners under this part on production from post-1985  
 6 wells occurring during the first 12 months of production must be distributed as provided in subsection ~~(7)~~  
 7 (9).

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

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

14 ~~(7)(8)~~ The department shall, in accordance with the provisions of 15-1-501~~(6)~~, distribute the state  
 15 portion of oil ~~and natural gas~~ production taxes specified in subsections (2)(a) and (4)(c), including late  
 16 payment interest and penalty collected, as follows:

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

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

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

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

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

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

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

30 (a) 76.8% to the state general fund;

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

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

4 ~~(8)(11)~~ (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985  
 5 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323  
 6 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during  
 7 the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and  
 8 natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas  
 9 production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil  
 10 and natural gas production taxes distributions must be calculated and distributed as follows:

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

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

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

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

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

24 (b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money  
 25 received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year  
 26 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were  
 27 distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a  
 28 municipal taxing unit.

29 (c) The board of county commissioners of a county may direct the county treasurer to reallocate  
 30 the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as

1 provided in subsection ~~(9)(b)~~ (11)(b), to another taxing unit or taxing units, other than an elementary school  
2 or high school, within the county under the following conditions:

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

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

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

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

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

15 (e) For all production from post-1985 wells and horizontally drilled wells completed after December  
16 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under  
17 subsections (2)(b), (3)(b)(ii), (4)(b)(ii), and (5)(b), (6)(b), and (7)(b)(ii) between county and school taxing  
18 units in the relative proportions required by the levies for state, county, and school district purposes in the  
19 same manner as property taxes were distributed in the preceding fiscal year.

20 (f) The allocation to the county in subsection ~~(9)(e)~~ (11)(e) must be distributed by the county  
21 treasurer in the relative proportions required by the levies for county taxing units and in the same manner  
22 as property taxes were distributed in the preceding fiscal year.

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

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

30 (i) The oil and natural gas production taxes distributed under subsection ~~(8)(e)~~ (11)(e) that are

1 required for the 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed  
 2 under 20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be  
 3 remitted by the county treasurer to the state treasurer.

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

7 ~~(9)(12)~~ The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the  
 8 county treasurer by the following dates:

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

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

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

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

20 ~~(10)(13)~~ The department shall provide to each county by May 31 of each year the amount of gross  
 21 taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year  
 22 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes  
 23 and for county bonding purposes.

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

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

30



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

2           "**15-36-324. Distribution of taxes -- rules.** (1) For each calendar quarter, the department of revenue  
3 shall determine the amount of tax, late payment interest, and penalty collected under this part. For purposes  
4 of distribution of the taxes to county and school taxing units, the department shall determine the amount  
5 of oil and natural gas production taxes paid on production from pre-1985 wells, post-1985 wells, and  
6 horizontally drilled wells located in the taxing unit.

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

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

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

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

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

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

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

29           (b) (i) The amount equal to 10.25% of the oil production taxes, including late payment interest and  
30 penalty, collected from working interest owners on production from horizontally completed wells occurring

1 during the next 6 months of production must be distributed as provided in subsection (9).

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

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

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

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

16 ~~(5)(6)~~ Except as provided in subsection ~~(6)~~ (7), natural gas production taxes must be allocated as  
 17 follows:

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

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

24 ~~(6)(7)~~ (a) The amount equal to 100% of the natural gas production taxes, including late payment  
 25 interest and penalty, collected from working interest owners under this part on production from post-1985  
 26 wells occurring during the first 12 months of production must be distributed as provided in subsection ~~(7)~~  
 27 (9).

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

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

5 ~~(7)(8)~~ The department shall, in accordance with the provisions of 15-1-501~~(6)~~, distribute the state  
 6 portion of oil and natural gas production taxes specified in subsections (2)(a) and (4)(c), including late  
 7 payment interest and penalty collected, as follows:

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

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

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

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

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

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

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

21 (a) 76.8% to the state general fund;

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

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

25 ~~(8)(11)~~ (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985  
 26 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323  
 27 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during  
 28 the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and  
 29 natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas  
 30 production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil

1 and natural gas production taxes distributions must be calculated and distributed as follows:

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

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

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

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

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

15 (b) Except as provided in subsection ~~(8)(c)~~ (11)(c), the county treasurer shall distribute the money  
16 received under subsection ~~(9)~~ (12) from pre-1985 wells to the taxing units that levied mills in fiscal year  
17 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were  
18 distributed during fiscal year 1990 in the taxing unit, except that a distribution may not be made to a  
19 municipal taxing unit.

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

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

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

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

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

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

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

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

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

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

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

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

28 ~~(9)(12)~~ The department shall remit the amounts to be distributed in subsection ~~(8)~~ (11) to the  
 29 county treasurer by the following dates:

30 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and

1 natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

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

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

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

11 ~~(10)(13)~~ The department shall provide to each county by May 31 of each year the amount of gross  
12 taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year  
13 multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes  
14 and for county bonding purposes.

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

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

21 (15) The distribution to taxing units under this section is statutorily appropriated as provided in  
22 17-7-502."

23  
24 **SECTION 11. SECTION 15-36-325, MCA, IS AMENDED TO READ:**

25 "15-36-325. Local government severance tax payments for calendar year 1995 production --  
26 distribution of payments -- not subject to I-105 limitations. (1) The local government severance tax imposed  
27 under 15-36-101, as that section read before January 1, 1996, for calendar year 1995 production is due  
28 as follows:

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

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

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

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

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

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

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

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

23 (4) For purposes of the distribution of local government severance taxes collected under this  
24 section, the department shall use the unit value of oil and gas for each taxing unit as determined in  
25 15-36-323.

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

28 (6) For the purpose of the distribution of the local government severance tax for calendar year  
29 1995 production, the department shall adjust the unit value determined under this section according to the  
30 ratio that the local government severance taxes collected during the quarters for which the distribution

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

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

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

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

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

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

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

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

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



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

5 (9) The distribution to taxing units under this section is statutorily appropriated as provided in  
 6 17-7-502."

7  
 8 **SECTION 12. SECTION 17-7-502, MCA, IS AMENDED TO READ:**

9 "17-7-502. **Statutory appropriations -- definition -- requisites for validity.** (1) A statutory  
 10 appropriation is an appropriation made by permanent law that authorizes spending by a state agency  
 11 without the need for a biennial legislative appropriation or budget amendment.

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

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

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

17 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;  
 18 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;  
 19 15-30-195; 15-31-702; 15-36-324; 15-36-325; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404;  
 20 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;  
 21 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;  
 22 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 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;  
 24 37-51-501; 39-71-503; 39-71-907; 39-71-2321; 39-71-2504; 44-12-206; 44-13-102; 50-4-623;  
 25 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;  
 26 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;  
 27 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.

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

1 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as  
 2 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the  
 3 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.  
 4 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for  
 5 supplemental benefit; and pursuant to sec. 7(2), Ch. 29, L. 1995, the inclusion of 15-30-195 terminates  
 6 July 1, 2001.)"

7

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

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

14

15 **NEW SECTION. Section 14. Effective date DATES -- TERMINATION. (1) [This act] is SECTIONS**  
 16 **1 THROUGH 9, 13, AND THIS SECTION] ARE effective on passage and approval.**

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

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

19

-END-