

## 1 HOUSE BILL NO. 473

2 INTRODUCED BY ROSS, VAN DYK, MCNUTT, LAMBERT, DICKENSON, HENDRICK, POMNICHOWSKI,  
3 VINCENT, BARRETT, MENDENHALL, SMALL-EASTMAN, ERICKSON, HEINERT, HANDS, ANKNEY,  
4 COHENOUR

5 BY REQUEST OF THE HOUSE NATURAL RESOURCES STANDING COMMITTEE  
6

7 A BILL FOR AN ACT ENTITLED: "AN ACT REPEALING THE WATER ADJUDICATION FEE; CLARIFYING  
8 CLAIMS EXAMINATION PRIORITIES; PROVIDING FOR COMPLETION OF EXAMINATION ON A  
9 BASIN-BY-BASIN BASIS; TRANSFERRING MONEY FROM THE GENERAL FUND TO THE WATER  
10 ADJUDICATION ACCOUNT; PROVIDING THAT AN APPROPRIATION FOR WATER ADJUDICATION MAY  
11 NOT BE PART OF THE BASE BUDGET IF THE CLAIMS EXAMINATION BENCHMARKS ARE NOT MET;  
12 PROVIDING FOR THE COLLECTION OF OUTSTANDING WATER ADJUDICATION FEES; AMENDING  
13 SECTIONS 15-1-216, 17-7-102, 85-2-270, 85-2-271, 85-2-280, AND 85-2-281, MCA; REPEALING SECTIONS  
14 85-2-272, 85-2-273, 85-2-276, 85-2-279, 85-2-283, MCA, AND SECTION 15, CHAPTER 288, LAWS OF 2005;  
15 AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE."  
16

17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
18

19 **Section 1.** Section 15-1-216, MCA, is amended to read:

20 **"15-1-216. Uniform penalty and interest assessments for violation of tax provisions -- applicability**  
21 **-- exceptions -- uniform provision for interest on overpayments.** (1) A person who fails to file a required tax  
22 return or other report with the department by the due date, including any extension of time, of the return or report  
23 must be assessed a late filing penalty of \$50 or the amount of the tax due, whichever is less.

24 (2) (a) Except as provided in subsection (2)(b), a person who fails to pay a tax when due must be  
25 assessed a late payment penalty of 1.2% a month or fraction of a month on the unpaid tax. The penalty may not  
26 exceed 12% of the tax due.

27 (b) A person who fails to pay a tax when due under chapter 30, part 2, chapter 53, chapter 65, or chapter  
28 68 must be assessed a late payment penalty of 1.5% a month or fraction of a month on the unpaid tax. The  
29 penalty may not exceed 15% of the tax due.

30 (c) The penalty imposed under subsection (2)(a) or (2)(b) accrues on the unpaid tax from the original

1 due date of the return regardless of whether the taxpayer has received an extension of time for filing a return.

2 (3) A person who purposely or knowingly, as those terms are defined in 45-2-101, fails to file a return  
3 when due or fails to file a return within 60 days after receiving written notice from the department that a return  
4 must be filed is liable for an additional penalty of not less than \$1,000 or more than \$10,000. The department may  
5 bring an action in the name of the state to recover the penalty and any delinquent taxes.

6 (4) (a) Interest on taxes not paid when due must be assessed by the department. The department shall  
7 determine the interest rates established under subsection (4)(a)(i) for each calendar year by rule subject to the  
8 conditions of this subsection (4)(a). Interest rates on taxes not paid when due for a calendar year are as follows:

9 (i) For individual income taxes not paid when due, including delinquent taxes and deficiency  
10 assessments, the interest rate is equal to the underpayment rate for individual taxpayers established by the  
11 secretary of the United States department of the treasury pursuant to section 6621 of the Internal Revenue Code,  
12 26 U.S.C. 6621, for the fourth quarter of the preceding year or 8%, whichever is greater.

13 (ii) For all taxes other than individual income taxes not paid when due, including delinquent taxes and  
14 deficiency assessments, the interest rate is 12%.

15 (b) Interest on delinquent taxes and on deficiency assessments is computed from the original due date  
16 of the return until the tax is paid. Interest accrues daily on the unpaid tax from the original due date of the return  
17 regardless of whether the taxpayer has received an extension of time for filing the return.

18 (5) (a) Except as provided in subsection (5)(b), this section applies to taxes, fees, and other assessments  
19 imposed under Titles 15 and 16 [and the former 85-2-276].

20 (b) This section does not apply to:

21 (i) property taxes; or

22 (ii) gasoline and vehicle fuel taxes collected by the department of transportation pursuant to Title 15,  
23 chapter 70.

24 (6) Any changes to interest rates apply to any current outstanding tax balance, regardless of the rate in  
25 effect at the time the tax accrued.

26 (7) Penalty and interest must be calculated and assessed commencing with the due date of the return.

27 (8) Deficiency assessments are due and payable 30 days from the date of the deficiency assessment.

28 (9) Interest allowed for the overpayment of taxes or fees is the same rate as is charged for unpaid or  
29 delinquent taxes. For the purposes of this subsection, interest charged for unpaid or delinquent taxes is the  
30 interest rate determined in subsection (4)(a)(i). (Bracketed language in subsection (5)(a) terminates June 30,

1 2020--sec. 18, Ch. 288, L. 2005.)"

2

3 **Section 2.** Section 17-7-102, MCA, is amended to read:

4 **"17-7-102. Definitions.** As used in this chapter, the following definitions apply:

5 (1) "Additional services" means different services or more of the same services.

6 (2) "Agency" means all offices, departments, boards, commissions, institutions, universities, colleges,  
7 and any other person or any other administrative unit of state government that spends or encumbers public  
8 money by virtue of an appropriation from the legislature under 17-8-101.

9 (3) "Approving authority" means:

10 (a) the governor or the governor's designated representative for executive branch agencies;

11 (b) the chief justice of the supreme court or the chief justice's designated representative for judicial  
12 branch agencies;

13 (c) the speaker for the house of representatives;

14 (d) the president for the senate;

15 (e) appropriate legislative committees or a designated representative for legislative branch agencies;

16 or

17 (f) the board of regents of higher education or its designated representative for the university system.

18 (4) (a) "Base budget" means the resources for the operation of state government that are of an ongoing  
19 and nonextraordinary nature in the current biennium. The base budget for the state general fund and state special  
20 revenue funds may not exceed that level of funding authorized by the previous legislature.

21 (b) The term does not include funding for water adjudication if the accountability benchmarks contained  
22 in 85-2-271 are not met.

23 (5) "Budget amendment" means a temporary appropriation as provided in Title 17, chapter 7, part 4.

24 (6) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and unanticipated  
25 circumstance that has occurred subsequent to the time that an agency's appropriation was made, that was clearly  
26 not within the contemplation of the legislature and the governor, and that affects one or more functions of a state  
27 agency and the agency's expenditure requirements for the performance of the function or functions.

28 (7) "Funds subject to appropriation" means those funds required to be paid out of the treasury as set  
29 forth in 17-8-101.

30 (8) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next

1 legislative session for legislative consideration.

2 (9) "New proposals" means requests to provide new nonmandated services, to change program  
3 services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present  
4 law base, the distinction between new proposals and the adjustments to the base budget to develop the present  
5 law base is to be determined by the existence of constitutional or statutory requirements for the proposed  
6 expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new  
7 proposal.

8 (10) "Present law base" means that level of funding needed under present law to maintain operations and  
9 services at the level authorized by the previous legislature, including but not limited to:

- 10 (a) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;  
11 (b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;  
12 (c) inflationary or deflationary adjustments; and  
13 (d) elimination of nonrecurring appropriations.

14 (11) "Program" means a principal organizational or budgetary unit within an agency.

15 (12) "Requesting agency" means the agency of state government that has requested a specific budget  
16 amendment.

17 (13) "University system unit" means the board of regents of higher education; office of the commissioner  
18 of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena; Montana state  
19 university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural experiment station, with  
20 central offices at Bozeman; the forest and conservation experiment station, with central offices at Missoula; the  
21 cooperative extension service, with central offices at Bozeman; the bureau of mines and geology, with central  
22 offices at Butte; the fire services training school at Great Falls; and the community colleges at Miles City,  
23 Glendive, and Kalispell."

24

25 **Section 3.** Section 85-2-270, MCA, is amended to read:

26 **"85-2-270. (Temporary) Findings -- purpose.** (1) The purpose of ~~85-2-270 through 85-2-273, 85-2-276,~~  
27 ~~and 85-2-279~~ 85-2-271, 85-2-280 through 85-2-283 85-2-282, and this section is to: ~~generate revenue to~~  
28 ~~adequately fund Montana's water adjudication program to:~~

- 29 (a) complete claims examination and the initial decree phase;  
30 (b) reexamine claims in basins that were verified and were not subject to the supreme court examination

1 rules when the water court has received a petition and issued an order pursuant to 85-2-282 or the water court  
2 has issued an order on its own initiative; and

3 (c) ensure that the product of the adjudication is enforceable decrees.

4 (2) With adequate funding, it is realistic and feasible for the department to complete claims examination  
5 and reexamination of verified basins for which the water court has received a petition and issued an order  
6 pursuant to 85-2-282 or the water court has issued an order on its own initiative by June 30, 2015. It is also  
7 realistic and feasible for the water court to issue a preliminary or temporary preliminary decree by June 30, 2020,  
8 for all basins in Montana.

9 ~~(3) It is essential to preserve the trust that the water users of Montana have placed in the legislature by~~  
10 ~~ensuring that the revenue generated by the water adjudication fee established in 85-2-276 is used only for the~~  
11 ~~purpose of adjudicating Montana's water rights. (Terminates June 30, 2020--sec. 18, Ch. 288, L. 2005.)"~~

12

13 **Section 4.** Section 85-2-271, MCA, is amended to read:

14 **"85-2-271. (Temporary) Benchmarks -- action taken if not met -- claims examination priority. (1)**

15 (a) The completion of initial claims examination is of a higher priority than reexamination of claims that were  
16 subject to the verification process unless the chief water judge issues an order making reexamination a higher  
17 priority, as provided in subsection (3)(b).

18 (b) The department shall develop a list of basins to be examined that is prioritized by year and updated  
19 annually. In order to facilitate the efficient use of department and water court resources, the department shall  
20 adhere to the basin priorities unless directed otherwise by the water court or the legislature.

21 (2) There are approximately 57,000 water right claims that were filed pursuant to 85-2-212 that must be  
22 examined. There are approximately 98,000 claims that were verified that may be reexamined using the supreme  
23 court examination rules if the water court receives a petition and issues an order as provided in 85-2-282 or the  
24 water court issues an order on its own initiative.

25 (3) (a) The water court shall prioritize basins for the purpose of claims examination and reexamination  
26 by the department.

27 (b) The chief water judge has the authority to order that reexamination be completed for a certain basin  
28 in a higher priority than claims examination. If the chief water judge issues an order requiring the department to  
29 reexamine claims rather than examining claims, the number of claims that were reexamined must be counted  
30 against the amount of claims that the department is required to examine for that period.

1 (4) (a) The cumulative benchmarks that are provided in subsection (4)(b) must be met. If the benchmarks  
 2 are not met, ~~the fee contained in 85-2-276 that is attached to a water right for the purpose of funding the~~  
 3 ~~adjudication may not be assessed the following even-numbered year~~ money for water adjudication may not be  
 4 included in the department's base budget. All claims must be examined by June 30, 2015.

5 (b) The cumulative benchmarks are as follows:

6 Date	Total Number of Claims Examined
7 December 31, 2006	8,000
8 December 31, 2008	19,000
9 December 31, 2010	31,000
10 December 31, 2012	44,000
11 June 30, 2015	57,000

12 (Terminates June 30, 2020--sec. 18, Ch. 288, L. 2005.)"

13

14 **Section 5.** Section 85-2-280, MCA, is amended to read:

15 **"85-2-280. (Temporary) Water adjudication account.** (1) There is a water adjudication account within  
 16 the state special revenue fund created in 17-2-102.

17 (2) (a) For the period beginning July 1, 2005, and ending June 30, 2015, there is allocated to the  
 18 department and the water court up to \$2.6 million, plus the approved inflation factor contained in the revenue  
 19 estimating resolution, each fiscal year from the water adjudication account for the sole purpose of funding the  
 20 water adjudication program. These funds may not be used for the purpose of updating or maintaining a computer  
 21 database.

22 (b) For the period beginning July 1, 2015, and ending June 30, 2020, there is allocated to the department  
 23 and the water court up to \$1 million, plus the approved inflation factor contained in the revenue estimating  
 24 resolution, each fiscal year from the account for the sole purpose of funding the water adjudication program.

25 (c) The allocations in subsections (2)(a) and (2)(b) are subject to appropriation by the legislature.

26 ~~(3) (a) Subject to subsection (3)(b), the total amount of revenue deposited in the water adjudication~~  
 27 ~~account from the fee provided for in 85-2-276 may not exceed \$31 million.~~

28 ~~———— (b) If federal funds are appropriated for the purposes of 85-2-270 through 85-2-273, 85-2-276, and~~  
 29 ~~85-2-279 through 85-2-283, the maximum amount that may be deposited in the account must be reduced by the~~  
 30 ~~amount of federal funds appropriated.~~

1 ~~\_\_\_\_\_ (c) Once revenue generated from the fees provided for in 85-2-276 and any federal revenue~~  
 2 ~~appropriations have reached \$31 million, the fee may no longer be assessed.~~

3 ~~(4)(3) Interest and income earnings on the water adjudication account must be deposited in the account.~~

4 ~~(5)(4) Revenue Money remaining in the water adjudication account on June 30, 2020, must be~~  
 5 ~~transferred to the water right appropriation account provided for in 85-2-318.~~

6 ~~(5) If the accountability benchmarks contained in 85-2-271 are not met, expenditures from the account~~  
 7 ~~in the previous biennium may not be included in the department's base budget, as defined in 17-7-102, for the~~  
 8 ~~current biennium. (Terminates June 30, 2020--sec. 18, Ch. 288, L. 2005.)"~~

9

10 NEW SECTION. Section 6. Funds transfer. There is transferred \$25 million from the general fund to  
 11 the water adjudication account provided for in 85-2-280 to be used for the sole purpose of completing the  
 12 statewide water adjudication by 2020. The transfer must take place on July 15, 2007.

13

14 **Section 7.** Section 85-2-281, MCA, is amended to read:

15 **"85-2-281. (Temporary) Reporting requirements.** The department and the water court shall:

16 (1) provide reports to the environmental quality council at each meeting during a legislative interim on:

17 (a) the progress of the adjudication on a basin-by-basin basis; and

18 (b) ~~the total revenue generated by the fees established in 85-2-276 and deposited in the account~~  
 19 ~~provided for in 85-2-280~~ the number of basins for which examination was completed during the reporting period;

20 (2) include a status report on the adjudication in their presentation to the applicable appropriation  
 21 subcommittees during each legislative session including the number of basins for which examination was  
 22 completed during the reporting period; and

23 (3) provide a budget that outlines how each of the entities will be funded in the next biennium, including  
 24 general fund money; and state special revenue funds, ~~and the allocated fee revenue.~~ (Terminates June 30,  
 25 2020--sec. 18, Ch. 288, L. 2005.)"

26

27 NEW SECTION. Section 8. Collection of outstanding water adjudication fees -- APPEALS. [This act]  
 28 does not affect THE DEPARTMENT'S ABILITY TO ADDRESS APPEALS FILED PURSUANT TO FORMER 85-2-276 OR the  
 29 collection of fees from a water right owner who did not pay the water adjudication fee provided for in former  
 30 85-2-276 as of [the effective date of this act]. The department of natural resources and conservation shall turn

1 over any debt to the department of revenue for collection pursuant to Title 17, chapter 4. If efforts to collect the  
2 debt are not successful, the department of revenue may file a lien against the water right in the county where the  
3 water is put to beneficial use after notifying each entity enumerated on the water right.

4  
5 **NEW SECTION. Section 9. Repealer.** Sections 85-2-272, 85-2-273, 85-2-276, 85-2-279, and 85-2-283,  
6 MCA, and section 15, Chapter 288, Laws of 2005, are repealed.

7  
8 **NEW SECTION. Section 10. Effective date.** [This act] is effective July 1, 2007.

9  
10 **NEW SECTION. Section 11. Termination.** [Sections 2 through 5 and 7] terminate June 30, 2020.

11 - END -