Metalliferous Mines Tax

Revenue Description
The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. The first $250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.

Statutory Reference
Tax Rate – 15-37-103, MCA
Tax Distribution – 15-37-117, MCA; 17-2-124(2), MCA
Date Due – August 15th for the period January through June, March 31st for the period July through December (15-37-105, MCA)

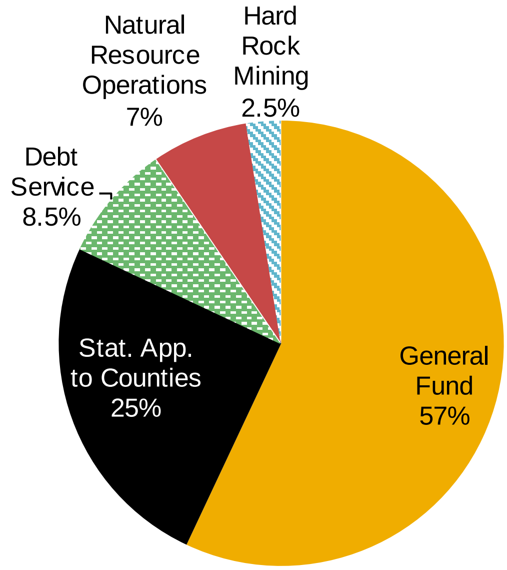
Applicable Tax Rates
There are two tax rates which depend on the extraction type:

- 1.60% for dore, bullion or matte that is sent to a refinery
- 1.81% for concentrate sent to a smelter, mill or reduction work

The appropriate tax rate is applied to the gross value less allowable deductions and the $250,000 exemption.

Collection Frequency: Biannually

Distribution



Comparison of Legislative and Executive Forecasts

The difference between the legislative and executive forecasts is primarily due to the difference in commodity price estimates.

Metalliferous Mines Tax ($ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	$8.130	$8.550	$8.570	$25.250
Legislative Forecast	8.004	8.015	7.491	23.510
Difference	$0.126	$0.535	$1.079	$1.740
% Difference	1.6%	6.7%	14.4%	7.4%

Forecast Risks

- Commodity prices
- Changes to production outlook
- Environmental regulations

Revenue Estimate Methodology

Data

The estimate for this source is based on surveys from Montana mining companies regarding anticipated production, historical prices from the U.S. Geological Survey, historical revenue collections from SABHRS, and historical price and production data from the Department of Revenue (DOR). Forecast prices are based on historical average prices.

Analysis

As reported on the surveys, future metals production for each company is summed by commodity. Amounts may be adjusted to fit with historical trends or if major changes are expected from historical production. The estimated production amount for each metal for all companies is summed and multiplied by the estimated price for that metal, with the resulting gross value for each metal being summed to produce a total gross value.

Total taxable value is obtained by reducing the total gross value by a time trended value of refining and other costs. The calendar year estimate is obtained by multiplying the total taxable value by the effective tax rate. Since a company's taxable value could be subject to two tax rates—1.81% for concentrates shipped to a smelter, mill or reduction work and 1.6% for dore, bullion, or matte that is shipped to a refinery—an effective tax rate is used to capture both these rates. Calendar year estimates are converted to fiscal year estimates by an equal allocation.

Revenue Estimate Assumptions

	FY	Total Tax $ Millions	GF Tax $ Millions	Tax Value CY $ Millions	Effective CY Rate
A	2002	$5.740	$3.329	$303.045	2.2%
A	2003	7.056	4.586	347.630	1.4%
A	2004	5.572	3.232	473.985	1.5%
A	2005	9.076	5.264	703.353	1.6%
A	2006	12.435	7.028	881.571	1.6%
A	2007	15.774	8.991	1,088.728	1.8%
A	2008	18.902	10.774	977.417	1.3%
A	2009	10.514	5.993	637.349	1.6%
A	2010	11.476	6.541	793.676	1.5%
A	2011	14.204	8.097	1,062.381	1.6%
A	2012	17.562	10.010	1,115.637	1.8%
A	2013	17.630	10.049	871.112	1.6%
A	2014	13.943	7.948	847.939	1.6%
F	2015	14.041	8.004	883.216	1.6%
F	2016	14.062	8.015	850.524	1.6%
F	2017	13.142	7.491	769.766	1.6%

Revenue Projection