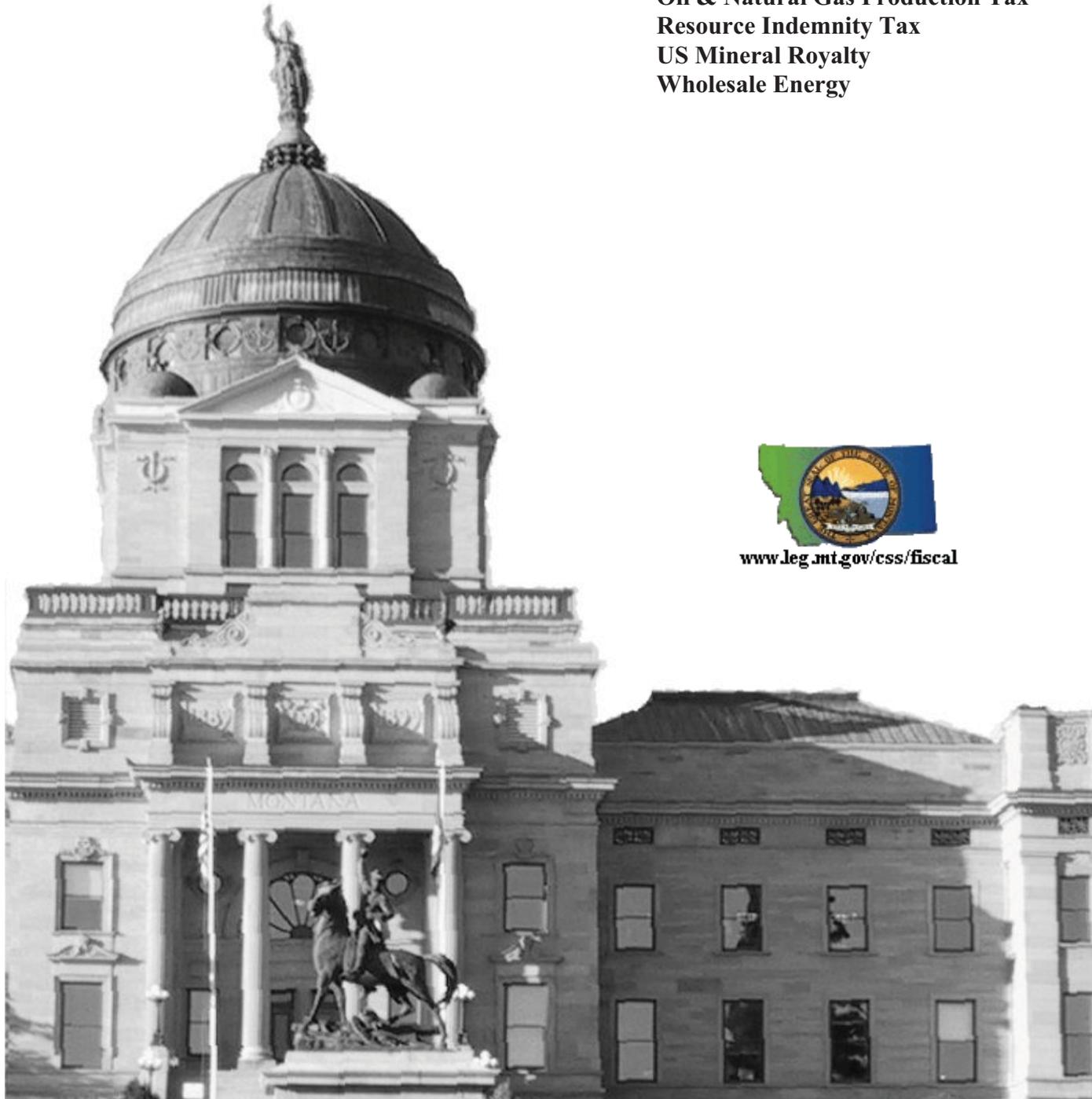


# Natural Resource Taxes

**Coal Severance Tax**  
**Electrical Energy Tax**  
**Federal Forest Receipts**  
**Metalliferous Mines Tax**  
**Oil & Natural Gas Production Tax**  
**Resource Indemnity Tax**  
**US Mineral Royalty**  
**Wholesale Energy**



[www.leg.mt.gov/css/fiscal](http://www.leg.mt.gov/css/fiscal)

# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

**Revenue Description:** For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.

**Statutory Reference:**

Tax Rate (MCA) – 15-35-103

Tax Distribution (MCA) – Montana Constitution, Article IX, Section 5; 15-35-108; 17-5-703

Date Due – the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

**Applicable Tax Rate(s):**

- 10.0% - on the value of surfaced mined coal with a heating quality < 7,000 BTU
- 15.0% - on the value surfaced mined coal with a heating quality ≥ 7,000 BTU
- 3.0% - on the value underground mined coal with a heating quality < 7,000 BTU
- 4.0% - on the value underground mined coal with a heating quality ≥ 7,000 BTU
- 3.75% - on the value of auger mined coal with a heating quality < 7,000 BTU
- 5.0 % - on the value of auger mined coal with a heating quality ≥ 7,000 BTU

**Distribution:** (Percentage)

Account Name	Fiscal 1998 - 1999	Fiscal 2000 - 2002	Fiscal 2003	Fiscal 2004 - 2005	Fiscal 2006 - 2007	Fiscal 2008 - 2013*
Permanent Trust	25.000	0.000	0.000	12.500	0.000	0.000
Treasure State Endowment	25.000	37.500	37.500	25.000	25.000	25.000
TSEP Regional Water	0.000	12.500	12.500	12.500	12.500	12.500
Big Sky Economic Development	0.000	0.000	0.000	0.000	12.500	12.500
LRBP-Cash Account	12.000	12.000	10.000	12.000	12.000	12.000
Coal Natural Resource *	0.000	0.000	0.000	0.000	2.900	5.80*
Shared Account **	8.360	8.360	6.010	7.750	5.460	5.460
Park Acquisition Trust	1.270	1.270	0.000	1.270	1.270	1.270
Water Development	0.950	0.950	0.950	0.950	0.950	0.950
Cultural Trust	0.000	0.630	0.000	0.630	0.630	0.630
Coal & Uranium	0.000	0.000	0.000	0.000	0.000	\$250,000
LRBP-Debt Service	1.300	0.000	0.000	0.000	0.000	0.000
Cultural & Aesthetic Projects	0.870	0.000	0.000	0.000	0.000	0.000
General Fund	25.250	26.790	33.040	27.400	26.790	Remainder

} 50

\* Allocation reduced to 2.90% after September 30, 2013

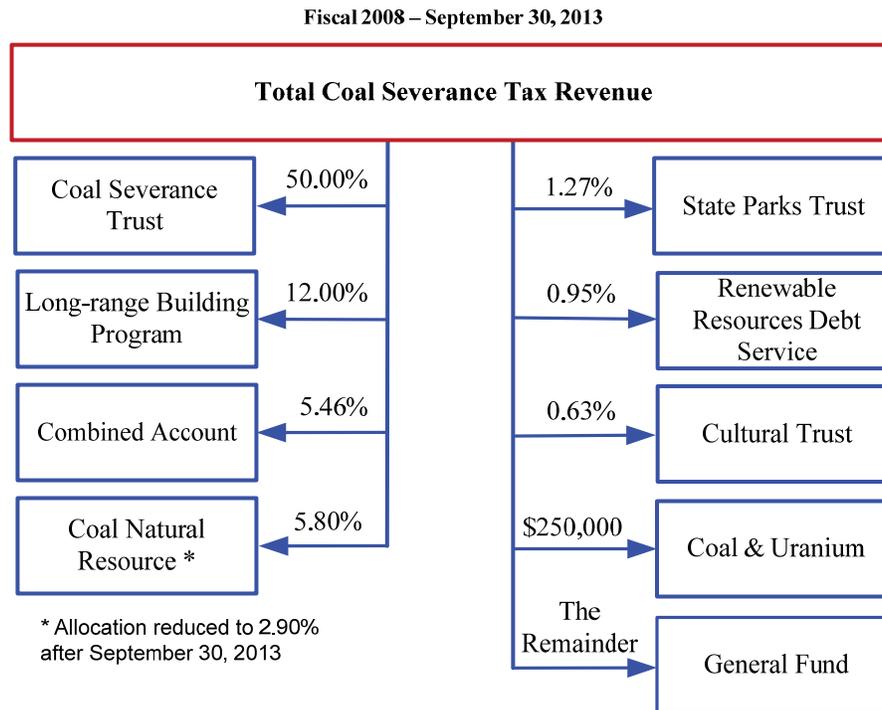
\*\* Used for Growth Through Agriculture, State Library, Conservation Districts, Coal Board (before FY 2006), and County Land Planning (before FY 2004)

# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

#### Distribution Chart:



**Summary of Legislative Action:** The 62<sup>nd</sup> Legislature did not enact legislation that impacted this general fund revenue source.

#### % of Total General Fund Revenue:

FY 2004 – 0.63%	FY 2007 – 0.59%	FY 2010 – 0.63%
FY 2005 – 0.67%	FY 2008 – 0.61%	
FY 2006 – 0.56%	FY 2009 – 0.72%	

#### Revenue Estimate Methodology:

The coal severance tax is applied to the value of coal produced. The coal severance tax estimate is developed by estimating the annual contract sales price and production for each producing coal company and any company anticipated to be producing within the 3-year period in question. From these estimates, taxable value can be determined to which the tax rate is applied. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

#### Data

Major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. Data from quarterly reports produced by DOR provide a history of production and prices for individual coal companies. These companies are:

Decker Coal Company  
Spring Creek Coal Company  
Western Energy Company  
Westmoreland Savage Corporation  
Signal Peak (Bull Mountain)

# Legislative Fiscal Division

## Revenue Estimate Profile

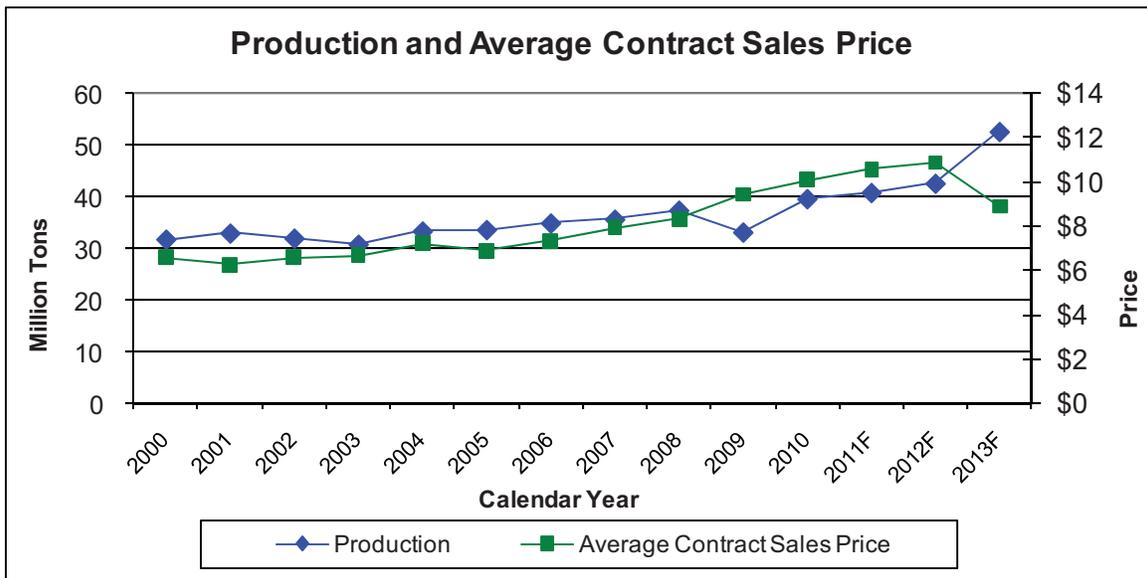
### Coal Severance Tax

#### Analysis

The taxable value of coal is determined in a three-step process:

1. The future coal production for each company, as reported on the survey, is reduced by the exempt amount of 20,000 tons to get taxable tons.
2. To determine the future price for each company's coal, the company's average contract sales price for the last year increased by 1.7%, the average price increase in FY 2010. The average contract sales price for all companies is shown in the figure below.
3. The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.

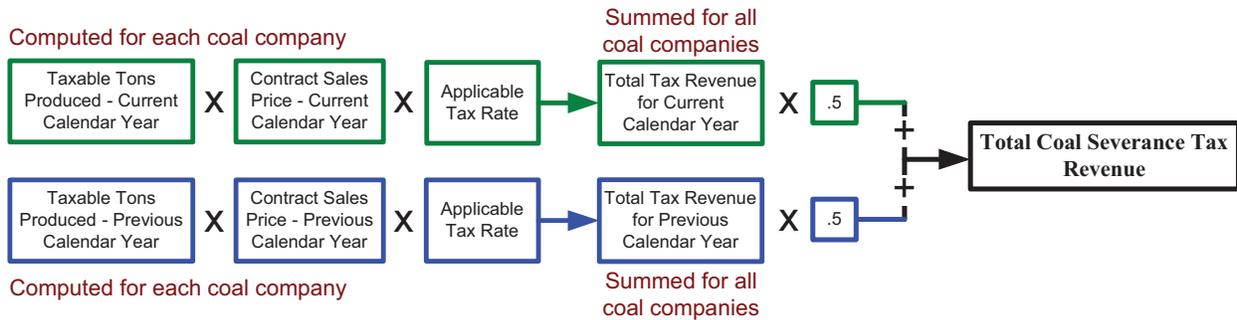
The taxable value is multiplied by the applicable tax rate (3, 3.75, 4, 5, 10 or 15%) to determine total coal severance tax revenue. At this point the total represents estimates for calendar years. To convert the estimates to a fiscal year basis, half the previous calendar year's estimate is added to the half of the current calendar year's estimate.



#### Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentages are applied.

#### Forecast Methodology:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>GF Allocation</u>	<u>Tons (FY)</u>	<u>CSP (FY)</u>	<u>Fiscal</u>	<u>Coal/</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Millions</u>	<u>Dollars</u>	<u>Effective</u>	<u>Uranium</u>
							<u>Rate</u>	<u>Millions</u>
Actual	2000	35.469791	9.502357	0.267900	33.592584	6.748571	0.156460	
Actual	2001	32.337172	8.663128	0.267900	32.318260	6.230669	0.160590	
Actual	2002	31.614047	8.469404	0.267900	33.148533	6.379990	0.149484	
Actual	2003	29.423547	9.721540	0.330400	30.245710	6.486913	0.149966	
Actual	2004	31.544681	8.643243	0.274000	31.834417	7.218346	0.137275	
Actual	2005	37.634511	10.311856	0.274000	34.191373	6.993260	0.157395	
Actual	2006	35.821524	9.596586	0.267900	34.107005	7.005267	0.149926	
Actual	2007	40.758738	10.919266	0.267900	34.611396	7.551943	0.155935	0.000000
Actual	2008	45.331871	11.894408	0.262385	37.404304	8.133265	0.145303	0.250000
Actual	2009	49.564119	13.028228	0.262856	35.262859	8.844122	0.147414	0.250000
Actual	2010	44.177434	10.321853	0.233645	36.381879	9.783929	0.138094	0.250000
Forecast	2011	52.231000	12.494000	0.238900	40.209814	10.322817	0.124992	0.250000
Forecast	2012	52.350000	12.257000	0.238900	41.700063	10.720199	0.117106	0.250000
Forecast	2013	53.223000	12.465000	0.238900	42.188513	11.028411	0.114391	0.250000

	<u>t</u>	<u>Tons (CY)</u>	<u>CSP (CY)</u>	<u>Tax</u>	<u>Tax</u>	<u>Calendar</u>	<u>Calendar</u>
	<u>Cal</u>	<u>Millions</u>	<u>Dollars</u>	<u>Rate</u>	<u>Rate</u>	<u>Tax</u>	<u>Effective</u>
							<u>Rate</u>
Actual	2000	31.784308	6.588243	0.150000	0.100000	31.253448	0.149250
Actual	2001	32.961265	6.266994	0.150000	0.100000	30.883924	0.149510
Actual	2002	31.980880	6.583257	0.150000	0.100000	31.441574	0.149339
Actual	2003	30.802151	6.680719	0.150000	0.100000	30.701209	0.149194
Actual	2004	33.365039	7.233763	0.150000	0.100000	36.030034	0.149282
Actual	2005	33.632110	6.888637	0.150000	0.100000	34.552929	0.149141
Actual	2006	34.903622	7.339225	0.150000	0.100000	37.918860	0.148025
Actual	2007	35.637659	7.949056	0.150000	0.100000	42.153050	0.148800
Actual	2008	37.373123	8.326279	0.150000	0.100000	46.254843	0.148644
Actual	2009	33.152594	9.427889	0.150000	0.100000	45.692934	0.146190
Actual	2010	39.611164	10.081918	0.150000	0.100000	52.618587	0.131758
Forecast	2011	40.808463	10.556647	0.150000	0.100000	51.144232	0.118719
Forecast	2012	42.591663	10.876904	0.150000	0.100000	53.556434	0.115606
Forecast	2013	41.785363	11.182841	0.150000	0.100000	52.889431	0.113186

$$\text{Total Tax} = \text{Tons(FY)} \times \text{CSP(FY)} \times \text{Fiscal Effective}$$

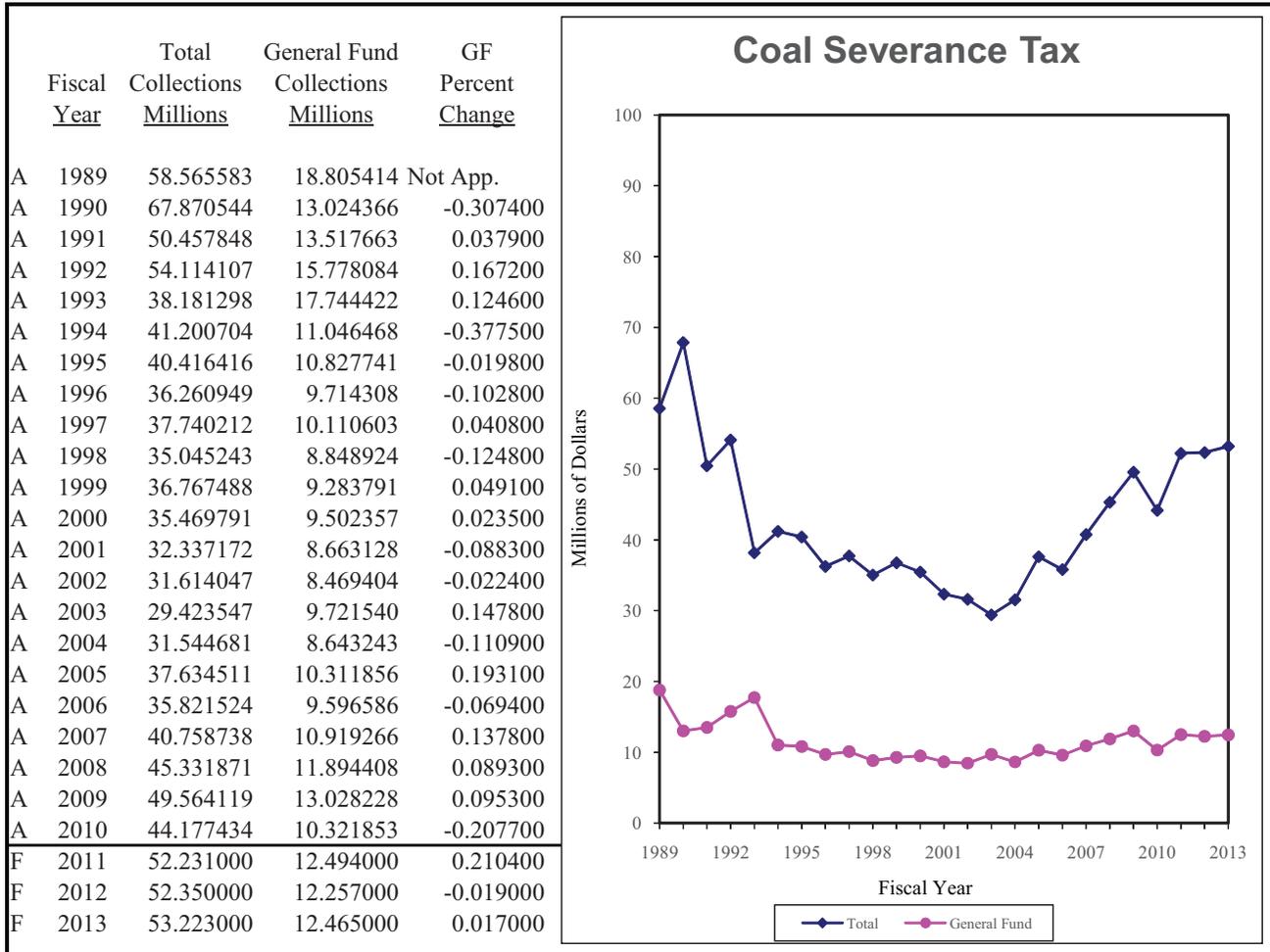
$$\text{GF Tax} = (\text{Tons(FY)} \times \text{CSP(FY)} \times \text{Fiscal Effective} - \text{Coal/Uranium}) \times \text{GF Allocation}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

#### Revenue Projection:



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Electrical Energy Tax

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**Revenue Description:** The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).

**Statutory Reference:**

Tax Rate MCA – 15-51-101

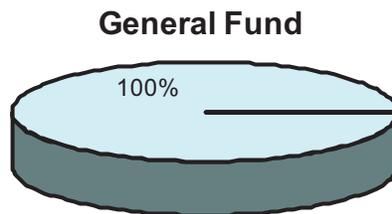
Tax Distribution (MCA) – 17-2-124(2), 15-51-103

Date Due – 30 days after the calendar quarter (15-51-101, 15-51-102)

**Applicable Tax Rate(s):** The tax of \$0.0002 per kilowatt-hour (or \$0.20 per megawatt-hour) is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy.

**Distribution:** All proceeds are deposited into the general fund.

Distribution Chart:



**Summary of Legislative Action:** The 62nd Legislature did not enact legislation that impacted this general fund revenue source.

**Revenue Estimate Methodology:**

The electrical energy tax is applied to the number of kilowatt hours of electricity produced. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours produced by each company and any company anticipated to be producing within the 3-year period in question. From these production estimates, the tax rate is applied.

Data

All electrical energy producing companies were surveyed for anticipated kilowatt hours produced, anticipated new production, and anticipated downtime or reduced production. Although the accuracy in the results of the survey was questionable, the raw data were used to develop growth rates. Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company.

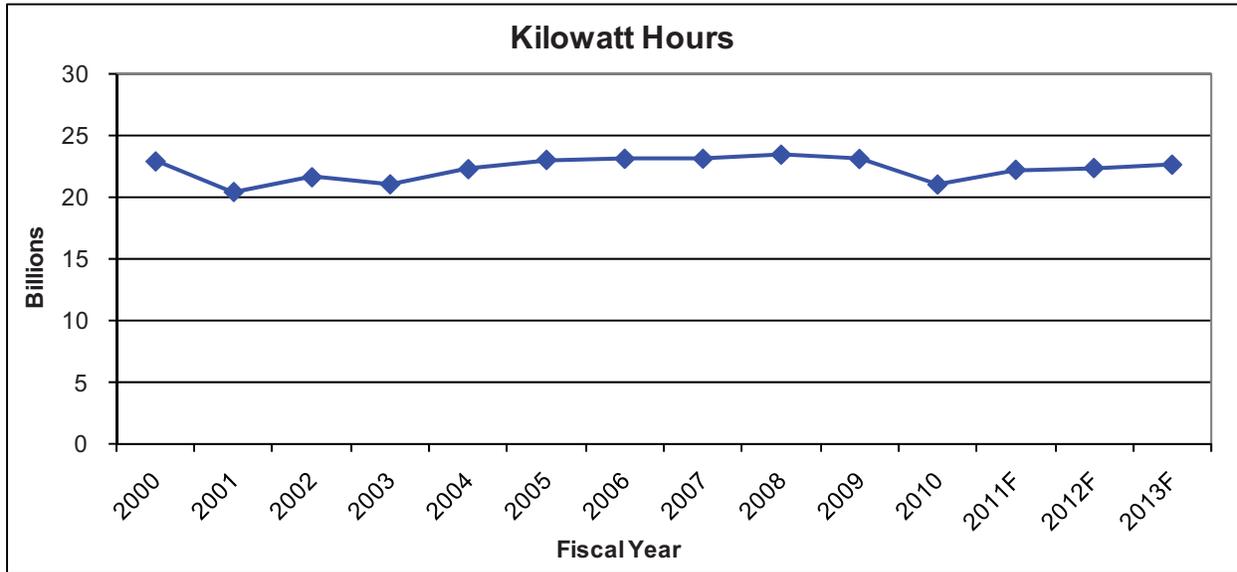
Analysis

A growth rate based on the change in total yearly production from the actual/estimated year to the amount provided by the surveys was applied to the previous production amount. Taxable kilowatt hours are then multiplied by the tax rate to derive total revenue from this source.

# Legislative Fiscal Division

## Revenue Estimate Profile

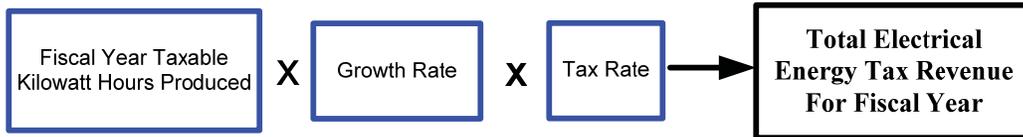
### Electrical Energy Tax



#### Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100% to the general fund, is applied.

#### Forecast Methodology:



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Electrical Energy Tax

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#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>KWH Fiscal</u>	<u>Credits</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	4.829002	4.829002	22937.761931	0.000189	0.000200
Actual	2001	4.057952	4.057952	20444.170990	0.000000	0.000200
Actual	2002	4.197477	4.197477	21642.219243	0.000000	0.000200
Actual	2003	4.130019	4.130019	21068.970125	0.000000	0.000200
Actual	2004	4.660529	4.660529	22310.179496	0.000000	0.000200
Actual	2005	4.074409	4.074409	23065.262028	0.000000	0.000200
Actual	2006	4.644508	4.644508	23156.213077	0.000000	0.000200
Actual	2007	4.564404	4.564404	23159.175430	0.000000	0.000200
Actual	2008	5.179013	5.179013	23489.093433	0.000000	0.000200
Actual	2009	4.824659	4.824659	23139.846515	0.000000	0.000200
Actual	2010	4.713429	4.713429	21051.771211	0.000000	0.000200
Forecast	2011	4.452000	4.452000	22258.669534	0.000000	0.000200
Forecast	2012	4.480000	4.480000	22396.437132	0.000000	0.000200
Forecast	2013	4.535000	4.535000	22669.548961	0.000000	0.000200

Total Tax = KWH Fiscal × Tax Rate - Credits

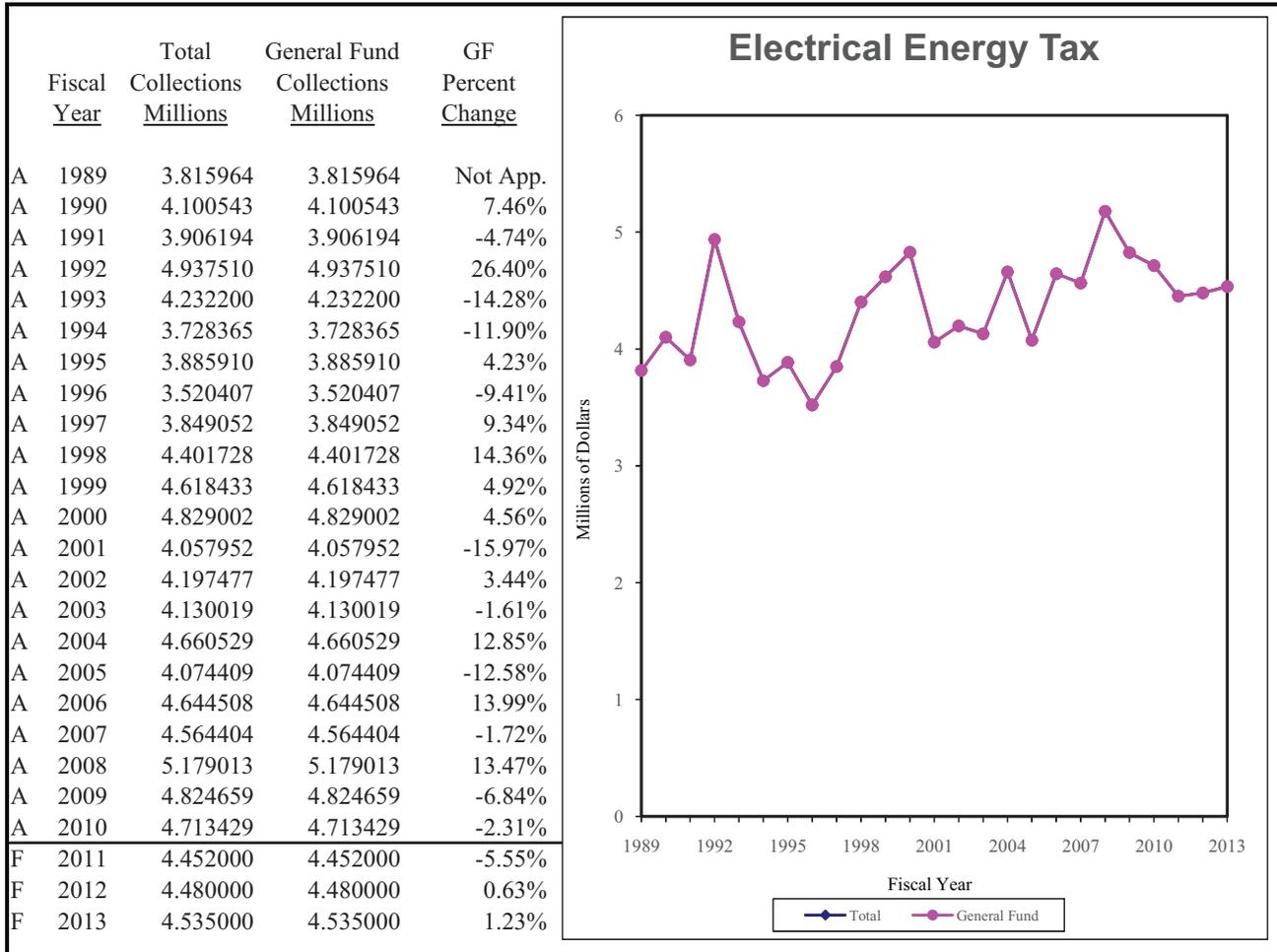
GF Tax = Total Tax

# Legislative Fiscal Division

## Revenue Estimate Profile

### Electrical Energy Tax

#### Revenue Projection:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Federal Forest Receipts

**Revenue Description:** The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

The previous formula for distributing federal forest payments terminated in FY 2008. In the federal Emergency Economic Stabilization Act of 2008 (the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through FY 2012 considers acres of federal land within an eligible county, the average three highest 25% payments made to each eligible state for each eligible county under the previous formula, and an income adjustment based on the per capita personal income for each county.

As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold averaged over the prior 3 years. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline around \$4 million per year.

**Statutory Reference:**

Tax Rate – NA

Tax Distribution MCA) – 17-3-211, 17-3-212

Date Due – the state treasurer distributes the funds within 30 days after receiving full payment

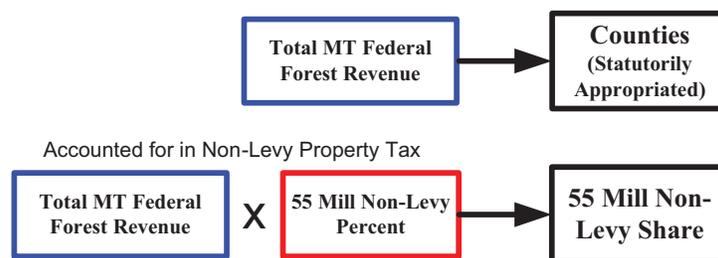
**Applicable Tax Rate(s):** N/A

**Distribution:** The county treasurer apportions federal forest receipts in the following manner:

- 66 2/3% to the general fund of the county
- 33 1/3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
  - the county equalization accounts (55 mills)
  - the county transportation account
  - the county retirement accounts

This revenue source represents one component used to calculate total non-levy property tax revenue.

Distribution Chart:



**Summary of Legislative Action:** The 62nd Legislature did not enact legislation that impacted this source.

**% of Total General Fund Revenue:** Non levy is included in “Property Tax: 55 mills”.

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# Legislative Fiscal Division

## Revenue Estimate Profile

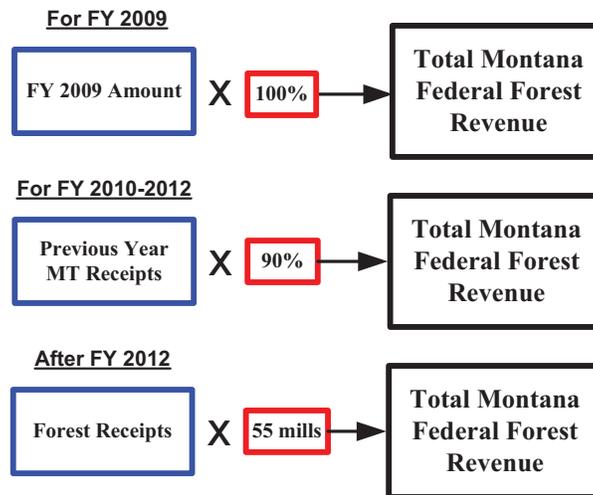
### Federal Forest Receipts

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**Revenue Estimate Methodology:** A number of analytical techniques are used to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used to develop the revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the process used to develop the revenue estimate.

With the passage of the federal Emergency Economic Stabilization Act of 2008 (the Bailout Bill), the amount available to each county for FY 2009 is known and declines 10% per year until FY 2012, after which the act sunsets. The general fund share will vary because of this and as a result of changes in the 55 mill share as a percent of the total countywide school mills. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold averaged over the prior 3 years. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline around \$4 million per year.

#### Forecast Methodology:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Federal Forest Receipts

#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	CPI Percent	50% CPI %	Secure
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Change</u>	<u>Change</u>	<u>Rural Schools</u>
						<u>Millions</u>
Actual	2000	6.283122	0.000000	0.0000%		
Actual	2001	7.185037	0.000000	0.0000%		
Actual	2002	13.474861	0.000000	0.0000%		
Actual	2003	12.478757	0.000000	0.0000%	0.0000%	
Actual	2004	12.490680	0.000000	0.0000%	0.0000%	
Actual	2005	12.431155	0.000000	0.0000%	0.0000%	
Actual	2006	12.799829	0.000000	0.0000%	0.0000%	
Actual	2007	12.934779	0.000000	0.0000%	0.0000%	
Actual	2008	13.027514	0.000000	0.0000%	0.0000%	
Actual	2009	28.175029	0.000000	0.0000%	0.0000%	
Actual	2010	24.619013	0.000000	0.0000%	0.0000%	
Forecast	2011	22.908000	0.000000	2290.8295%	0.000000	0.000000
Forecast	2012	20.625000	0.000000	2062.5598%	0.000000	0.000000
Forecast	2013	3.012000	0.000000	301.1782%	0.000000	

Total Tax = Secure Rural Schools Act - Federal Legislation

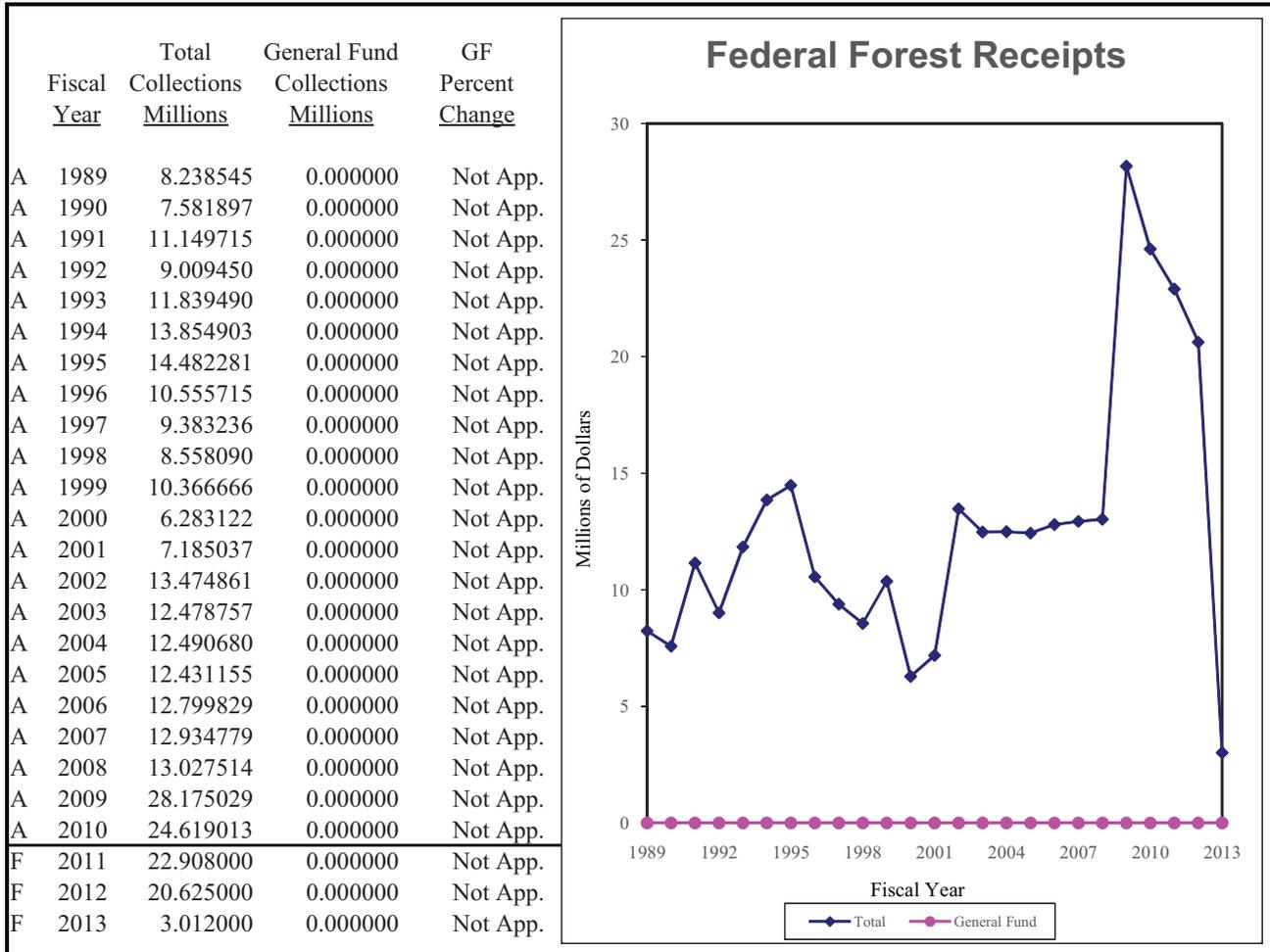
Total Tax = Total Tax Previous Year × (1+50% CPI %)

# Legislative Fiscal Division

## Revenue Estimate Profile

### Federal Forest Receipts

#### Revenue Projection:



# Legislative Fiscal Division

## Revenue Estimate Profile

### 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. Senate Bill 30, enacted in the August 2002 special legislative session, revised the payment of taxes from once to twice a year. The first \$250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.

**Statutory Reference:**

- Tax Rate (MCA) – 15-37-103
- Tax Distribution (MCA) – 15-37-117, 17-2-124(2)
- Date Due – August 15<sup>th</sup> for period January through June, March 31<sup>st</sup> for period July through December (15-37-105)

**Applicable Tax Rate(s):** The tax rate for a 6-month period is as follows:

Gross value is defined as monetary amounts or refined metal received for the products less:

1. Basic treatment and refinery charges
2. Transportation costs from the mine to a mill or other processor
3. Quantity and price deductions
4. Interest
5. Penalty metal, impurity and moisture deductions

For concentrates shipped to a smelter, mill, or reduction work:	For gold, silver, or any platinum group metal that is dore*, bullion, or matte* and that is shipped to a refinery:												
<table style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;"><u>Gross Value</u></th> <th style="text-align: left;"><u>Rate</u></th> </tr> <tr> <td>\$0-\$250,000</td> <td>Exempt</td> </tr> <tr> <td>\$250,001 and Above</td> <td>1.81%</td> </tr> </table>	<u>Gross Value</u>	<u>Rate</u>	\$0-\$250,000	Exempt	\$250,001 and Above	1.81%	<table style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;"><u>Gross Value</u></th> <th style="text-align: left;"><u>Rate</u></th> </tr> <tr> <td>\$0-\$250,000</td> <td>Exempt</td> </tr> <tr> <td>\$250,001 and Above</td> <td>1.6%</td> </tr> </table>	<u>Gross Value</u>	<u>Rate</u>	\$0-\$250,000	Exempt	\$250,001 and Above	1.6%
<u>Gross Value</u>	<u>Rate</u>												
\$0-\$250,000	Exempt												
\$250,001 and Above	1.81%												
<u>Gross Value</u>	<u>Rate</u>												
\$0-\$250,000	Exempt												
\$250,001 and Above	1.6%												
* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals													

**Distribution:** The distribution of the metal mines tax has been altered several times since the 1990s. Prior to the 2005 Legislature, the most recent change had been enacted by the 2001 Legislature in Senate Bill 484 (effective July 1, 2002) that created a hard-rock mining reclamation debt service fund to pay debt service on the \$8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5% allocation of metalliferous mines tax revenue previously allocated to the orphan share account was allocated to the hard-rock mining reclamation debt service fund. The 2005 Legislature increased the allocation to counties from 24% to 25% and decreased the general fund allocation from 58% to 57%. The table below shows recent historical distributions of the tax revenue.

	<b>Distribution of Metalliferous Mines Tax (Percent)</b>					
	<u>Fiscal</u> <u>1994-1995</u>	<u>Fiscal</u> <u>1996-1997</u>	<u>Fiscal</u> <u>1998-2002</u>	<u>Fiscal</u> <u>2003</u>	<u>Fiscal</u> <u>2004-2005</u>	<u>Fiscal</u> <u>2006&amp;Beyond</u>
General Fund	58.0	58.0	58.0	65.0	58.0	57.0
Counties *	25.0	25.0	24.0	24.0	24.0	25.0
Hard Rock Reclamation Debt Service	0.0	0.0	0.0	8.5	8.5	8.5
Natural Resources Operations**	0.0	4.8	7.0	0.0	7.0	7.0
Hard Rock Mining	1.5	1.5	2.5	2.5	2.5	2.5
RIT Trust	15.5	0.0	0.0	0.0	0.0	0.0
Groundwater Assessment	0.0	2.2	0.0	0.0	0.0	0.0
Abandoned Mines	0.0	8.5	0.0	0.0	0.0	0.0
Orphan Share	<u>0.0</u>	<u>0.0</u>	<u>8.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	100.0	100.0	100.0	100.0

\* Statorily appropriated  
 \*\* Name changed by HB 116 in the 2007 session

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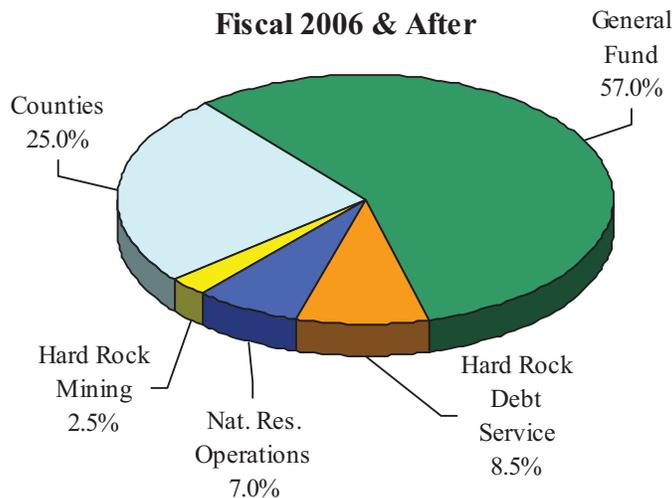
# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

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#### Distribution Chart:



**Summary of Legislative Action:** The 62nd Legislature did not enact legislation that impacted this general fund revenue source.

#### **% of Total General Fund Revenue:**

FY 2004 – 0.23%	FY 2007 – 0.49%	FY 2010 – 0.40%
FY 2005 – 0.34%	FY 2008 – 0.55%	
FY 2006 – 0.41%	FY 2009 – 0.33%	

#### **Revenue Estimate Methodology:**

The metalliferous mines tax is applied to the taxable gross value of production. The metalliferous mines tax estimate is developed by estimating the annual sales price for each type of metal produced and the anticipated production quantity of each metal by company. From these estimates, taxable gross value can be determined to which an effective tax rate is applied. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

#### Data

Mining companies are surveyed for anticipated production levels, general indications of applicable metal prices, and any possible changes in production due to expansion or contraction. Historical and future prices are obtained from various sources depending on the metal. Common sources include COMEX, NYMEX, and KITCO. In addition, a review is performed of historical trends, current literature on metals and metal prices, and companies' 10-Q reports. Data from biannual reports produced by DOR provide a history of production and prices by commodity and taxable gross value for each mining company. These companies are:

- \* Golden Sunlight Mines
- \* Stillwater Mining
- \* Montana Resources
- \* Holcim US
- \* Genesis

#### Analysis

The taxable value of metals is determined in a four-step process:

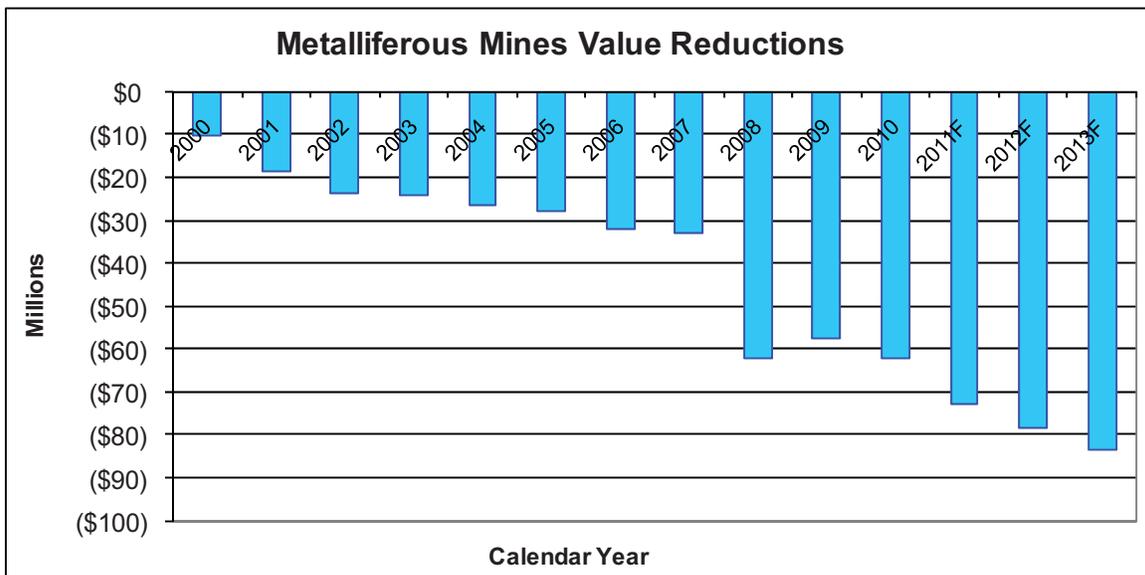
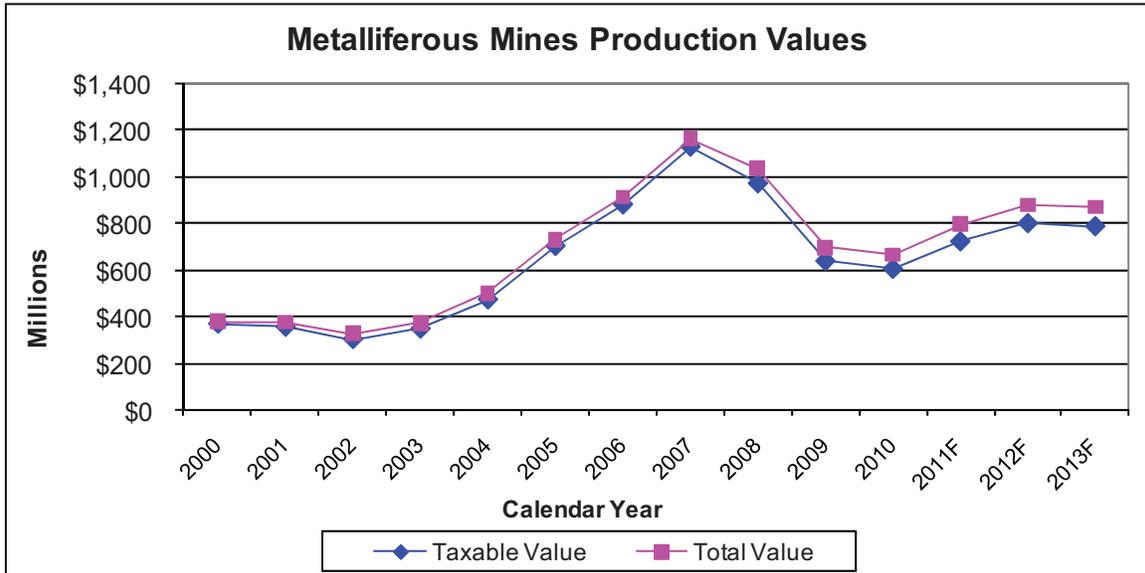
- As reported on the survey, future metals production for each company is summed by commodity. Amounts may be adjusted to fit with historical trends or if major changes are expected from historical production.
- To determine the future price for each metal, different techniques are used depending on the commodity and the reasonableness of future prices based on research of the literature and directions of future markets.
  - Gold – the future prices are used for all the forecast years
  - Copper, silver – the most current futures price is multiplied by the ratio of Montana's price for the last known or forecast year to the most current futures price
  - Molybdenum – the current market price is carried forward for all forecast years

# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

- Lead, Zinc – the price from 2008 is carried forward for all forecast years
- Palladium, platinum, rhodium, nickel – the price for the last known calendar year is used for all future years.
- The estimated production amount for each metal for all companies is summed and multiplied by the estimated price for that metal. This is done for each metal and the products summed to yield a total gross value.
- Total taxable value is obtained by reducing the total gross value by: a) the tax exempt amount of \$250,000/year for each company; and b) allowable treatment, refinery, transportation, and other costs.

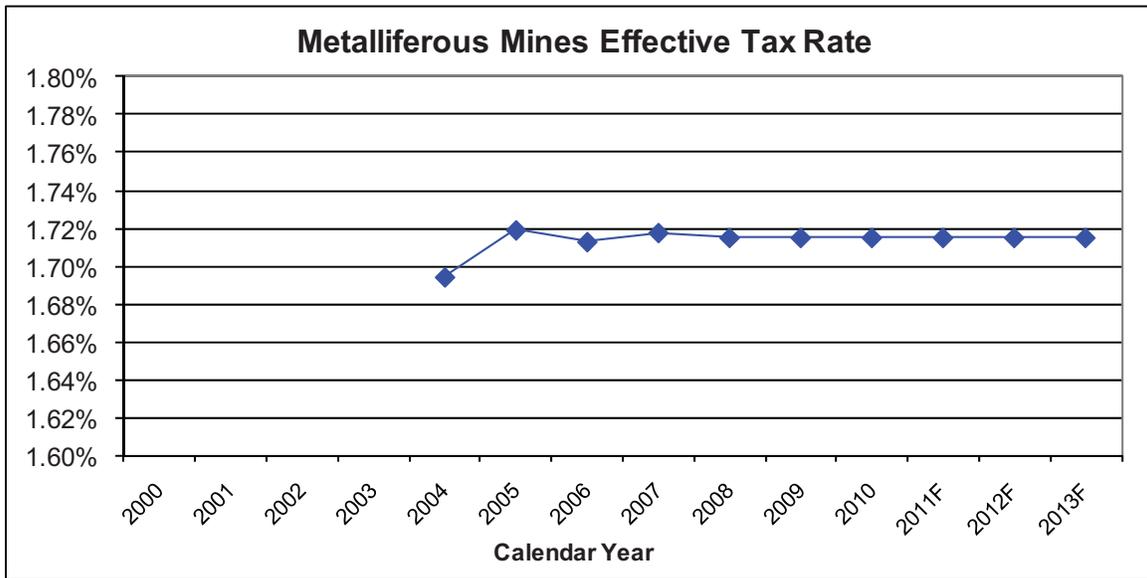


Taxable value is multiplied by an effective tax rate. Since a company's taxable value could be subject to two tax rates - 1.81% for concentrates shipped to a smelter, mill or reduction work and 1.6% for dore, bullion, or matte that is shipped to a refinery - an effective tax rate is used to capture both these rates. The effective tax rate for FY 2010 was rounded and used for the estimate. The rate is consistent with previous years. The estimate is obtained by multiplying the total taxable value by the effective tax rate.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

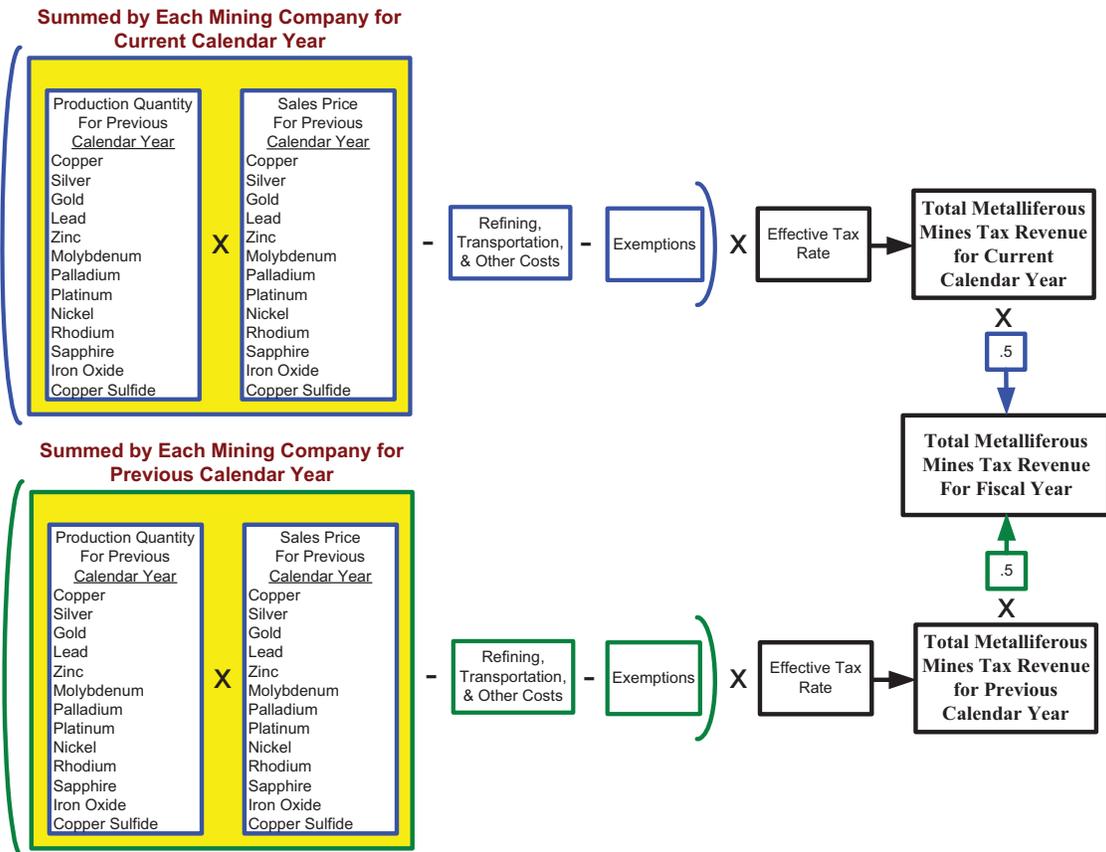


At this point the total represents estimates for calendar years. To convert the estimates to a fiscal year basis, half the previous calendar year's estimate is added to the half of the current calendar year's estimate.

#### Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentages are applied.

#### Forecast Methodology:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

**Revenue Estimate Assumptions:**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax Value CY</u>	<u>Effective CY</u>	<u>GF Allocation</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Percent</u>
Actual	2000	4.661371	2.703031	369.117889		57.9879%
Actual	2001	5.923752	3.417475	355.643466		57.6911%
Actual	2002	5.740242	3.329340	303.045425		58.0000%
Actual	2003	7.055900	4.586335	347.630082		65.0000%
Actual	2004	5.572191	3.231871	472.984838	0.016944	58.0000%
Actual	2005	9.076338	5.264276	702.353328	0.017192	58.0000%
Actual	2006	12.435050	7.028159	880.570599	0.017130	56.5189%
Actual	2007	15.774412	8.991415	1128.269293	0.017178	57.0000%
Actual	2008	18.902178	10.774242	970.935614	0.017152	57.0000%
Actual	2009	10.513899	5.992923	638.071416	0.017152	57.0000%
Actual	2010	11.475975	6.541391	842.186642	0.017152	57.0007%
Forecast	2011	15.669000	8.931000	984.913161	0.017152	57.0000%
Forecast	2012	17.609000	10.037000	1068.347730	0.017152	57.0000%
Forecast	2013	18.198000	10.373000	1053.649591	0.017152	57.0000%

<u>Comdty.</u>	<u>t</u>	<u>Copper</u>	<u>Silver</u>	<u>Gold</u>	<u>Lead</u>	<u>Zinc</u>	<u>Moly</u>	<u>Palladium</u>
<u>Prod.</u>	<u>Cal</u>	<u>Millions</u>						
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Forecast								
Forecast								
Forecast								

# Confidential Data, Numbers Removed

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

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Comdty. Prod.	t Cal	Platinum Millions	Nickel Millions	Rhodium Millions	Sapphire Millions	Copper Sul Millions	Deduction Millions	Refining Millions
Actual		<b>Confidential Data, Numbers Removed</b>						
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Actual								
Forecast								
Forecast								
Forecast								

Comdty. Price	t Cal	Copper Dollars	Silver Dollars	Gold Dollars	Lead Dollars	Zinc Dollars	Moly Dollars	Palladium Dollars
Actual		<b>Confidential Data, Numbers Removed</b>						
Actual								
Actual								
Actual								
Actual								
Actual								
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Actual								
Actual								
Forecast								
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Forecast								

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

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<u>Comdty.</u>	<u>t</u>	<u>Platinum</u>	<u>Nickel</u>	<u>Rhodium</u>	<u>Sapphire</u>	<u>Copper Sul</u>
<u>Price</u>	<u>Cal</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Actual						
Actual						
Actual						
Actual						
Actual						
Actual						
Actual						
Actual						
Actual						
Actual						
Forecast						
Forecast						
Forecast						

**Confidential Data,  
Numbers Removed**

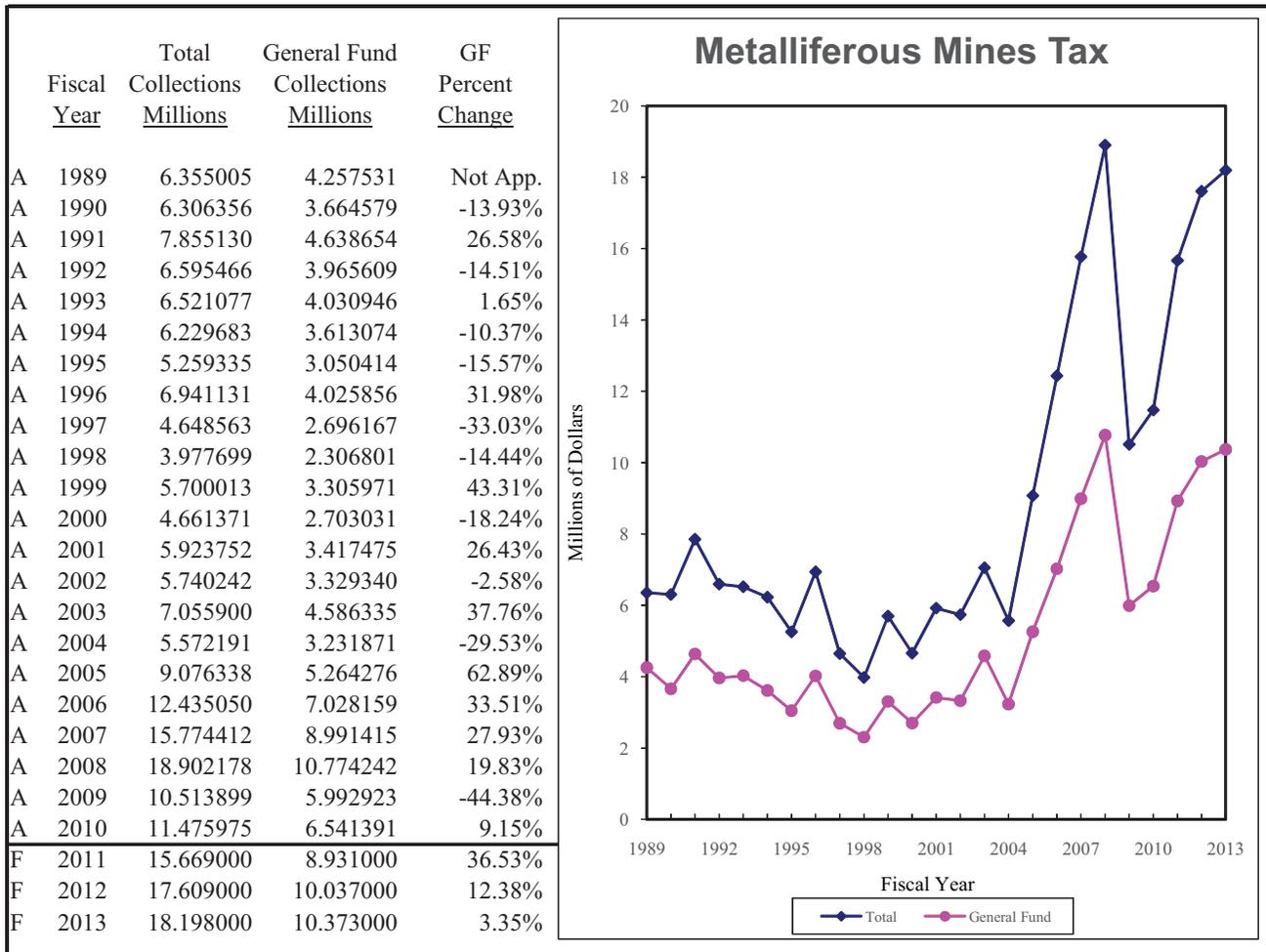
$$\begin{aligned} \text{Total Tax} &= (\text{Copper Prod.} \times \text{Copper Price} + \text{Silver Prod.} \times \text{Silver Price} + \text{Gold Prod.} \times \text{Gold Price} + \\ &\quad \text{Lead Prod.} \times \text{Lead Price} + \text{Zinc Prod.} \times \text{Zinc Price} + \text{Moly Prod.} \times \text{Moly Price} + \\ &\quad \text{Palladium Prod.} \times \text{Palladium Price} + \text{Platinum Prod.} \times \text{Platinum Price} + \text{Nickel Prod.} \times \text{Nickel Price} + \\ &\quad \text{Rodium Prod.} \times \text{Rodium Price} + \text{Deduction} + \text{Refining}) \times \text{Effective CY Rate} \\ \text{GF Tax} &= (\text{Previous Cal. Total Tax} + \text{Current Cal. Total Tax}) \times .5 \times \text{GF Allocation} \end{aligned}$$

# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

#### Revenue Projection:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

**Revenue Description:** The oil and natural gas production tax is imposed on the production of petroleum and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production. A portion of the revenue from the tax may be returned to Indian tribes per agreements between the Department of Revenue and the tribes.

**Statutory Reference:**

- Tax Rate (MCA) – 15-36-304. Privilege and license tax – 82-11-131, Administrative Rules 36.72.1242
- Tax Distribution (MCA) – 15-36-331(4), 15-36-332(2&3) (to taxing units)
- Date Due – within 60 days after the end of the calendar quarter (15-36-311(1))

**Applicable Tax Rate(s):** The oil and natural gas production tax has numerous tax rates depending on several factors. These factors include whether the oil or gas is produced from a stripper well, a stripper incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest. The Board of Oil and Gas Conservation imposes an additional privilege and license (P & L) tax on all oil and natural gas tax rates. Starting October 2006 as set by the Board, the P&L tax rate is 0.09%. Based on this rate, HB 758 enacted by the 2005 Legislature allows an additional tax rate of 0.17% to generate revenue for local impacts for local governments. The two taxes may not exceed 0.3%. The following table shows tax rate percentages for each type of pre-1999 oil and post-1999 oil, excluding the P & L tax and the new Local Impact tax. The quarterly tax rates on stripper production and on incremental production are lower than that for regular production unless the price of West Texas Intermediate averages above \$30 for the quarter. Similarly, the quarterly tax rate for stripper well exemption production (1-3 barrels a day) is lower than that for regular production unless the price of West Texas Intermediate averages above \$38 for the quarter.

<b>Oil Tax Rates</b>	
<b>15-36-304(5), MCA</b>	
<b><u>Working Interest</u></b>	
<b>Primary recovery production</b>	
First 12 months of qualifying production	0.5%
After 12 months:	
pre-1999 wells	12.5%
post-1999 wells	9.0%
<b>Stripper oil production (&gt;3 and &lt; 15 barrels/day if oil&lt;\$30)</b>	
1 through 10 barrels a day production	5.5%
>10 through 14 barrels a day production	9.0%
<b>Stripper oil production (&gt;3 and &lt; 15 barrels/day if oil&gt;=\$30)</b>	
	*
<b>Stripper wells (3 barrels or less/day)</b>	
Stripper well exemption production (if oil <\$38)	0.5%
Stripper well bonus production (if oil >=\$38)	6.0%
<b>Horizontally completed well production</b>	
First 18 months of qualifying production	0.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
<b>Incremental production (if oil &lt;\$30/barrel)</b>	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
<b>Incremental production (if oil &gt;=\$30/barrel)</b>	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
<b>Horizontally recompleted well</b>	
First 18 months	5.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
<b><u>Nonworking Interest</u></b>	
	14.8%
* No stripper tax rate. Taxed at primary recovery rates. See 15-36-303(22a)	

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

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Natural Gas Tax Rates 15-36-304(2), MCA	
<b><u>Working Interest</u></b>	
<b>Qualified production</b>	
First 12 months	0.5%
After 12 months	
pre-1999	14.8%
post-1999	9.0%
<b>Stripper natural gas pre-1999 wells</b>	
<b>Horizontally completed well production</b>	
First 18 months of qualifying production	0.5%
After 18 months	9.0%
<b><u>Nonworking Interest</u></b>	14.8%

**Distribution:** Once the oil and natural gas production taxes have been collected, the revenue is first distributed based on the amounts collected from the P & L and Local Impact taxes. The amounts from the P & L tax are distributed to the Board of Oil and Gas Conservation. The amounts from the Local Impact tax are distributed to the oil and gas natural resource state special revenue account. The amounts received by the Board and the oil and gas natural resource account vary based on a sliding tax scale based on the P & L tax set by the Board. Counties producing oil and natural gas receive the next share of total revenue with each county having its own statutory distribution percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes. A portion of the revenue may be returned to Indian tribes per agreements between the Department of Revenue and the tribes. The remainder of the revenue is distributed to other state accounts in the following manner:

FY 2008 through FY 2011

- Coal bed methane account – 1.23%
- Natural resources projects account – 1.45%
- Natural resources operations account – 1.45%
- Orphan share account – 2.99%
- University system 6 mill levy account – 2.65%
- General fund – the remainder (90.23%)

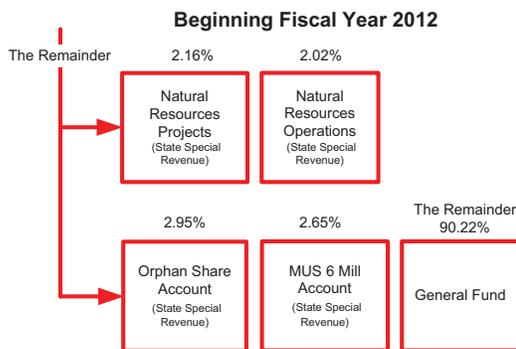
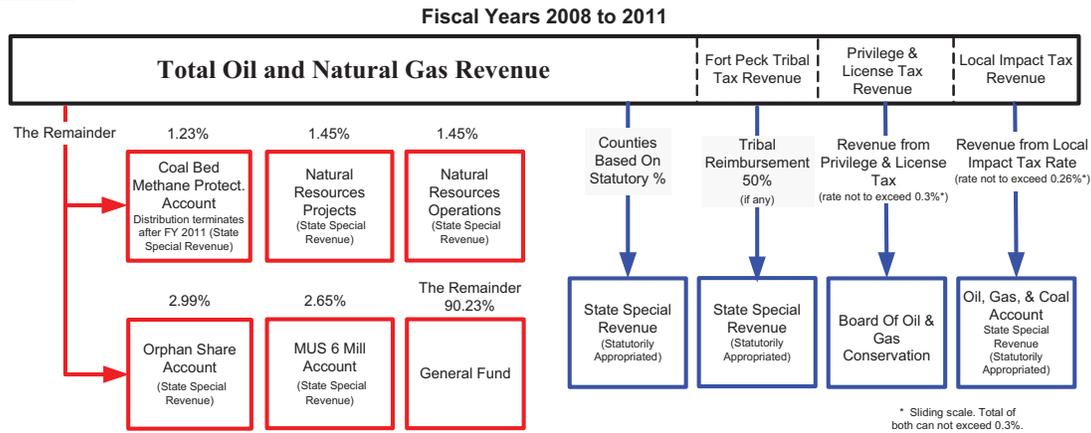
The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil and gas natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.

# Legislative Fiscal Division

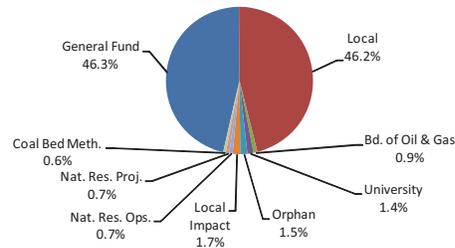
## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

Distribution Chart:



**Oil & Natural Gas Production Tax Revenue Based on FY 2010 Actual Amounts of \$206.286 Million**



Because the exact distribution of oil & natural gas revenue will vary depending on various factors, the chart only reflects FY 2010 actual distributions. Please see the table above for exact distribution percentages.

### Summary of Legislative Action:

Senate Bill 329 – SB 329 places a limit on receipts of oil and natural gas revenue beginning in FY 2012. Under current law, each school receives an allocation of oil and gas revenues produced within its borders as controlled by 15-36-332, MCA. This money is sent by producers to the state DOR and is sent back to receiving jurisdictions on a quarterly basis, with receipts by jurisdictions occurring 6 months after the end of the quarter in which the oil is produced.

The limit on school district oil and gas revenues will be 130% of a district’s maximum general fund budget. That is, a district will be able to maintain oil and gas revenues equivalent to 130% of its district general fund budget. Any excess will be retained by the state.

The department will be supplied by OPI with the maximum budgets of all the school districts in whose jurisdiction oil and gas production takes place. The department will send oil and gas revenues to the district until those revenues reach the 130% limit, after which the department will retain the remainder for the fiscal year.

In FY 2012, excess oil and gas revenues retained by the state will be deposited 100% in the guarantee account. Beginning in FY 2013, the excess oil and gas revenues retained by the state will be deposited 70% in the guarantee account, 25% in a new local impact account, and 5% in a state impact account. However, the bill does not create these accounts until FY 2014. The fate of the dollars that are supposed to go into these accounts in FY 2013 is unclear.

The state impact account is to be used for those school districts that experience growth problems related to schools during boom periods. The cap on the account is \$7.5 million, with any excess above that amount deposited in the state general fund.

The county impact account is to be distributed to school districts in a county that experiences declining revenues as a result of either

# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

declining prices or production.

It is expected that revenues into the guarantee account will be \$10,906,000. In FY 2013, it is expected that revenues deposited in the guarantee account will \$7,980,000. The revenue available for deposit in the county impact account will be \$2,850,000 and in the state impact account, \$570,000. The legislation is effective on passage and approval except for the establishment of the state school oil and natural gas impact account and the county school oil and natural gas impact fund which is effective July 1, 2013.

Oil & Natural Gas Production Tax -- Legislation Passed by 62nd Legislature			
Estimated General Fund Impact for Fiscal 2011, 2012, 2013			
<u>Bill Number and Short Title</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>
SB0329 Generally revise K-12 laws			
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### % of Total General Fund Revenue:

FY 2004 – 2.99%	FY 2007 – 5.25%	FY 2010 – 5.87%
FY 2005 – 4.09%	FY 2008 – 7.64%	
FY 2006 – 5.42%	FY 2009 – 5.56%	

#### Revenue Estimate Methodology:

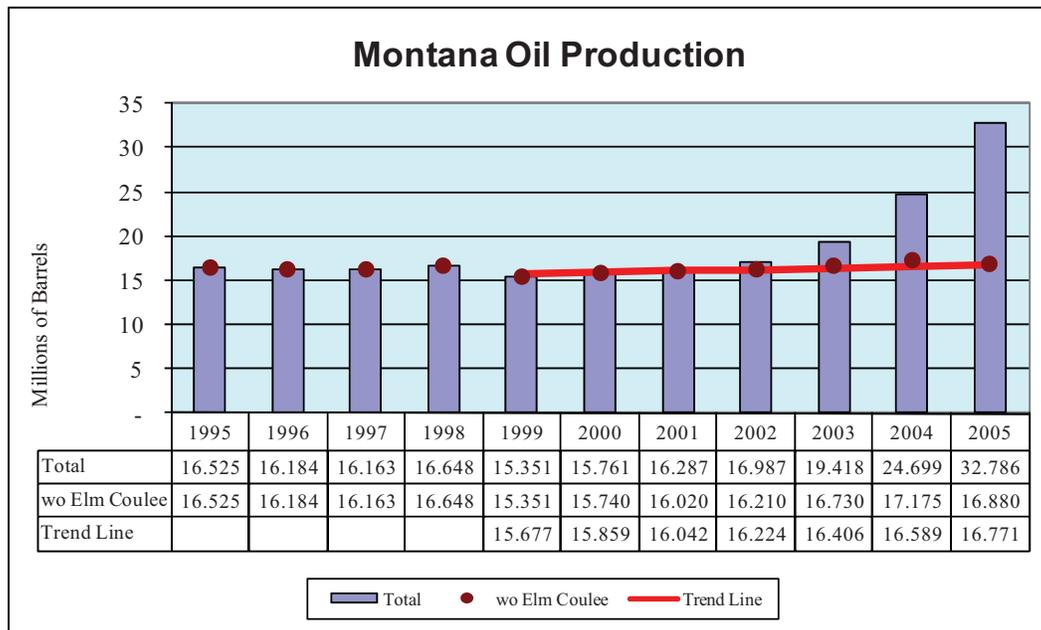
The estimate for oil and natural gas revenue is derived from estimating the price and specific production subject to varying tax rates from which value can be obtained. Specific statutory tax rates are used for the types of oil and natural gas that are taxed differently.

#### Data

Data from the Board of Oil and Gas Conservation are used extensively to isolate monthly historical production of oil and natural gas by field and by individual well. IHS provides future estimates of West Texas Intermediate oil and national well head natural gas prices. Production, price, value, and revenue collections, by oil type, are provided on a quarterly basis by the Department of Revenue.

#### Oil Analysis

- Production - The estimate is developed on a quarterly basis with production from the Elm Coulee field separate from all other production. Analysis of the field data indicates that the majority of the increased production is from the relatively new Elm Coulee field in Richland County. The importance of this one field can be seen in the figure below.



# Legislative Fiscal Division

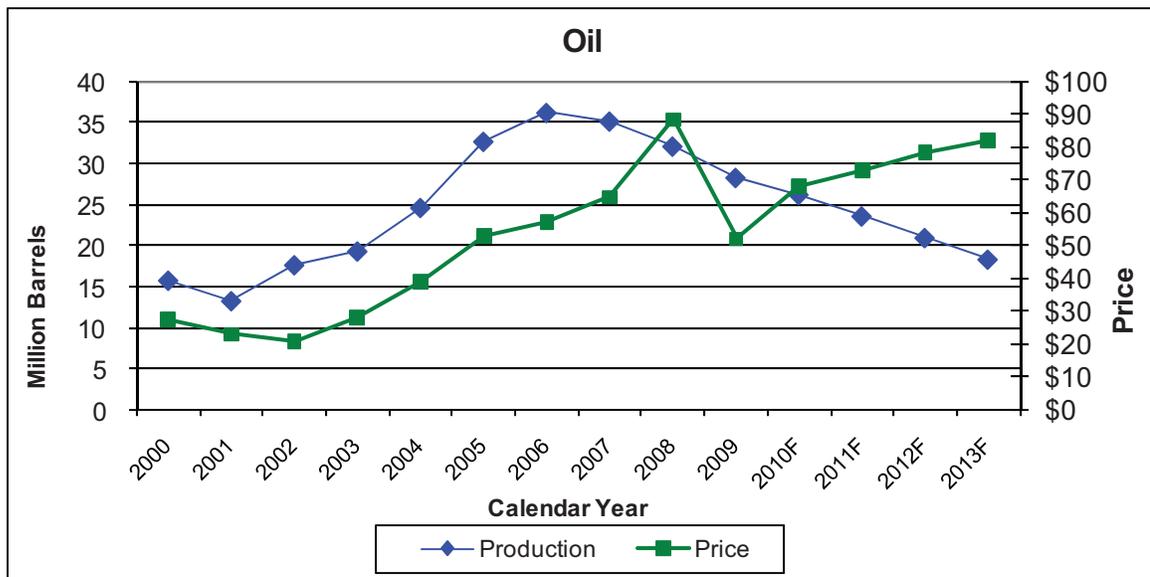
## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

Industry personnel state that this field peaked October 2006. If so, fewer new wells will be spudded (drilling initiated). Existing wells will then follow a production decline curve unique to the characteristics of the field. Fields tapped through horizontal drilling, such as Elm Coulee, tend to be depleted more rapidly than those tapped vertically. Future production from completed wells can be estimated by developing a normalized production decline curve from the producing wells. In doing so, the difficulty of having different starting time for each well can be eliminated by averaging each well's production from a common time point. The result is a curve that represents the average production of wells in the Elm Coulee field by month of production. Production from future wells can be estimated by applying the production curve coefficients to an estimate of future spudded wells. Knowing monthly production from each well and the date it was placed into production are essential for estimating oil tax revenue because tax rates vary based on the length of time a well has been in production. The dynamics in the timing of when wells enter and fall out of the various tax rates and the changes in production at the various stages is complex, but needs to be modeled to ensure accurate estimates.

Production from all other fields is also estimated on a quarterly basis and by the different taxation types. For each quarter, the estimate is derived by multiplying the same quarter of the previous year by the ratio of the results of a regression analysis for the same quarter of the current and the previous year. The results for each tax type are then summed and the quarterly results are summed by year.

- Price – The price for each quarter is estimated by adjusting the IHS West Texas Intermediate oil price for that quarter by the ratio of the previous three year average Montana price to the three year average of the IHS price.



Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the estimate. The sum of the revenue from all tax types for each fiscal year determines the oil production revenue estimate.

#### Natural Gas Analysis

- Production - The natural gas industry in Montana has also been undergoing major changes. Improved techniques have allowed new fields to be developed and old fields to be more productive. Data from the Board of Oil and Gas Conservation indicate that the majority of increased production is from the same two fields that were the major contributors to the natural gas production tax in the 2009 biennium, but are now joined by other important contributing fields – St. Joe Road, Pennel, CX, Tiger Ridge, Bowdoin, and Cedar Creek. A normalized production curve is developed for each of these fields. As with oil, the development of a normalized production curve from individual wells eliminates the difficulty of having different starting time for each well by averaging each well's production from a common point in time. The result is a curve that represents the average production of wells in these by month of production. With the equations of these curves, future production can be estimated.

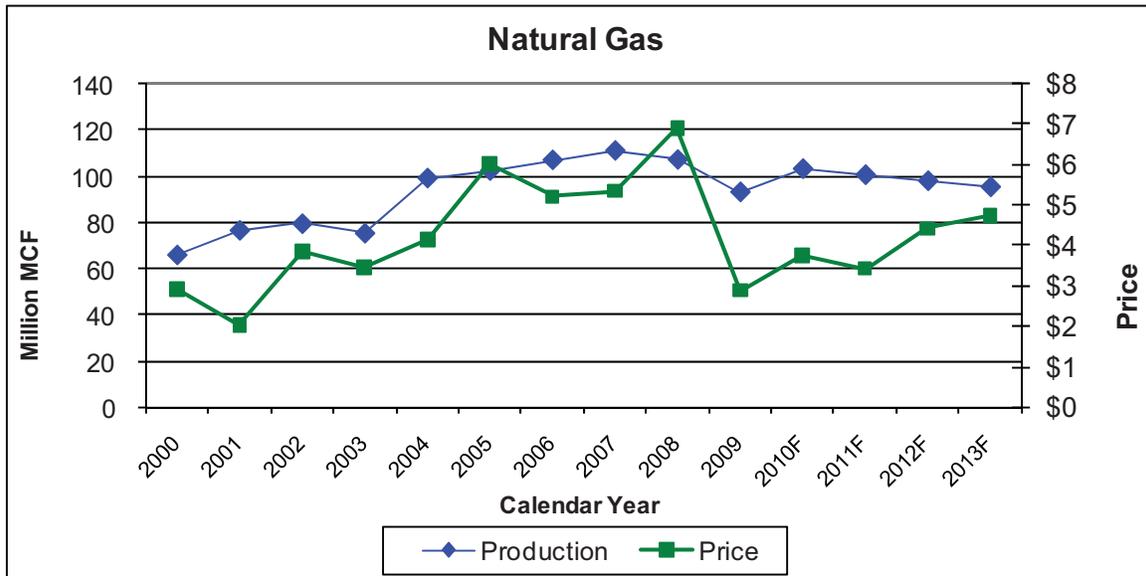
# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

Production from all other fields is also estimated on a quarterly basis and by the different taxation types. For each quarter, the estimate is derived by multiplying the same quarter of the previous year by the ratio of the results of a regression analysis for the same quarter of the current and the previous year. The results for each tax type are then summed and the quarterly results are summed by year.

- Price – The price for each quarter is estimated by adjusting the IHS West Texas national well head price for that quarter by the ratio of the previous three year average Montana price to the three year average of the IHS price.



Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the revenue. The sum of the revenue from all tax types for each fiscal year determines the natural gas revenue estimate.

#### Adjustments and Distribution

Once the oil and natural gas estimates have been summed, the distribution formula is applied with the amounts to the Board of Oil and Gas and to local governments distributed first and the remainder subject to statutory percentages.

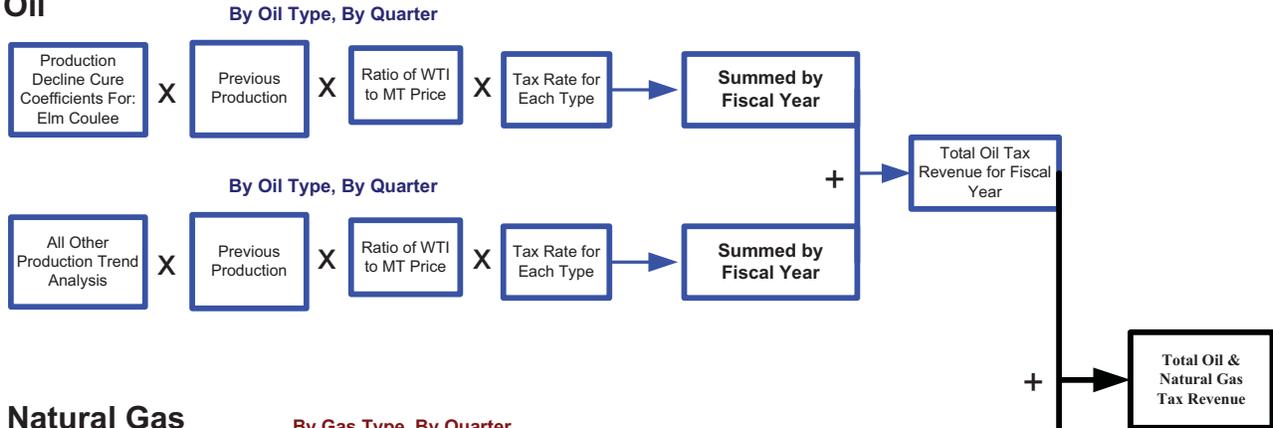
# Legislative Fiscal Division

## Revenue Estimate Profile

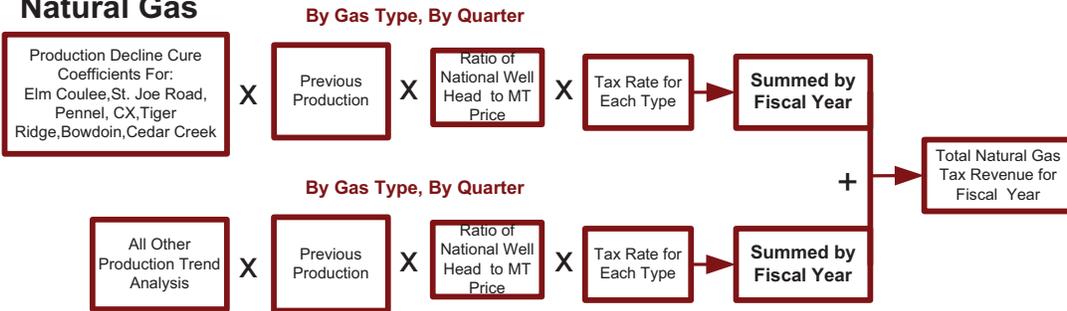
### Oil and Natural Gas Production Tax

**Forecast Methodology:**

**Oil**



**Natural Gas**



# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>GF Allocation</u>	<u>Audits</u>	<u>Total Tax</u>	<u>Total Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Millions</u>	<u>Oil</u>	<u>Gas</u>
						<u>Millions</u>	<u>Millions</u>
Actual	2000	43.772950	11.362741	0.259584			
Actual	2001	92.395790	25.791723	0.279144			
Actual	2002	50.303610	12.902439	0.256491			
Actual	2003	73.389376	29.086038	0.396325	2.436178		
Actual	2004	92.676050	41.323718	0.445894	1.687625		
Actual	2005	137.754331	62.625939	0.454620	1.127243		
Actual	2006	203.681078	92.562800	0.454450	1.428545	145.902270	59.022407
Actual	2007	209.946350	96.334992	0.458855	1.242493	161.726783	48.558450
Actual	2008	324.311270	149.993826	0.462500	3.168372	262.181943	60.720167
Actual	2009	218.425215	100.490971	0.460070	5.220523	172.660581	42.011944
Actual	2010	206.286267	95.490812	0.462904	1.395008	172.300781	30.375966
Forecast	2011	217.121000	104.513616	0.481361	1.893037	185.832862	29.395376
Forecast	2012	213.948000	102.995629	0.481405	1.893037	180.143339	31.911789
Forecast	2013	202.500000	97.537505	0.481667	1.893037	165.209254	35.397418

<u>Oil</u>	<u>t</u>	<u>Barrels</u>	<u>Price</u>	<u>Gross Value</u>	<u>Effective</u>	<u>Tax</u>	<u>Non-Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Per Barrel</u>	<u>Millions</u>	<u>Tax Rate</u>	<u>Millions</u>	<u>Value</u>
							<u>Millions</u>
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005						
Actual	2006	35.097263	57.326203	1966.601730	0.074400	145.902270	50.950121
Actual	2007	36.168008	55.842156	1974.308439	0.082153	161.726783	51.087555
Actual	2008	33.765546	87.280442	2901.680699	0.091283	262.181943	74.877430
Actual	2009	30.558801	59.517179	1773.382547	0.097480	172.660581	47.531044
Actual	2010	26.217425	65.265320	1665.697531	0.103534	172.300781	46.895710
Forecast	2011	24.814758	76.263857	1847.078047	0.100910	185.832862	50.898304
Forecast	2012	22.283125	82.239582	1787.163790	0.101030	180.143339	49.495136
Forecast	2013	19.651009	85.518910	1635.141774	0.101037	165.209254	45.391097

**Legislative Fiscal Division**  
**Revenue Estimate Profile**  
**Oil and Natural Gas Production Tax**

<u>Gas</u>	<u>t</u>	<u>MCF's</u>	<u>Price</u>	<u>Gross Value</u>	<u>Effective</u>	<u>Tax</u>	<u>Non-Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Per MCF</u>	<u>Millions</u>	<u>Tax Rate</u>	<u>Millions</u>	<u>Value</u>
							<u>Millions</u>
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005						
Actual	2006	112.456555	6.354576	714.613780	0.086760	59.022407	34.320925
Actual	2007	116.060135	5.257028	610.131374	0.083374	48.558450	27.714393
Actual	2008	119.411744	6.536238	780.503623	0.081156	60.720167	32.314746
Actual	2009	109.509624	4.404638	482.350214	0.091381	42.011944	22.607552
Actual	2010	98.551533	3.244624	319.762698	0.099594	30.375966	14.765360
Forecast	2011	102.024858	3.043458	310.508336	0.099329	29.395376	14.567439
Forecast	2012	105.420812	3.192512	336.557238	0.099515	31.911789	15.882551
Forecast	2013	102.675286	3.635583	373.284552	0.099524	35.397418	17.618105

<u>Oil</u>	<u>t</u>	<u>Barrels</u>	<u>Price</u>	<u>Gross Value</u>	<u>Effective</u>	<u>Total Tax</u>	<u>Non-Tax</u>
	<u>Cal</u>	<u>Millions</u>	<u>Per Barrel</u>	<u>Millions</u>	<u>Tax Rate</u>	<u>Millions</u>	<u>Value</u>
							<u>Millions</u>
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005	32.679327	52.758577	1724.114788	0.074571	125.297517	43.862281
Actual	2006	36.195676	57.142850	2068.324074	0.077405	155.986946	53.126993
Actual	2007	35.111961	64.754979	2273.674312	0.086783	192.407302	56.566267
Actual	2008	32.044528	88.410466	2833.071638	0.094893	261.875232	73.369184
Actual	2009	28.288118	52.015783	1471.428616	0.101205	144.924682	39.436517
Actual	2010	25.850080	69.257329	1790.307483	0.103486	180.208918	48.921813
Forecast	2011	23.598376	81.974996	1934.476783	0.100945	190.005353	52.219399
Forecast	2012	20.966258	83.819042	1757.371662	0.100966	172.644182	47.444903
Forecast	2013	18.334141	87.211545	1598.948758	0.100962	157.075333	43.166893

**Legislative Fiscal Division**  
**Revenue Estimate Profile**  
**Oil and Natural Gas Production Tax**

<u>Gas</u>	<u>t</u>	<u>MCF's</u>	<u>Price</u>	<u>Gross Value</u>	<u>Effective</u>	<u>Total Tax</u>	<u>Non-Tax</u>
	<u>Cal</u>	<u>Millions</u>	<u>Per MCF</u>	<u>Millions</u>	<u>Tax Rate</u>	<u>Millions</u>	<u>Value</u>
							<u>Millions</u>
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005	110.440135	6.003197	662.993904	0.087144	55.015798	31.675092
Actual	2006	113.559054	5.204295	590.994784	0.085522	48.174205	27.695523
Actual	2007	118.637089	5.347689	634.434217	0.081653	49.539872	27.724645
Actual	2008	116.157723	6.903336	801.875787	0.085036	65.247860	34.581535
Actual	2009	101.627640	2.892304	293.937979	0.097790	27.352670	14.229637
Actual	2010	100.107316	3.272456	327.596788	0.099066	30.967471	15.003921
Forecast	2011	106.742768	3.105441	331.483398	0.099514	31.430408	15.644030
Forecast	2012	103.997244	3.385794	352.113231	0.099499	33.381919	16.613929
Forecast	2013	101.251719	3.837043	388.507216	0.099511	36.836472	18.333751

Total Tax = Barrels × Price × Tax Rate + MCF's × Price × Tax Rate + Audits

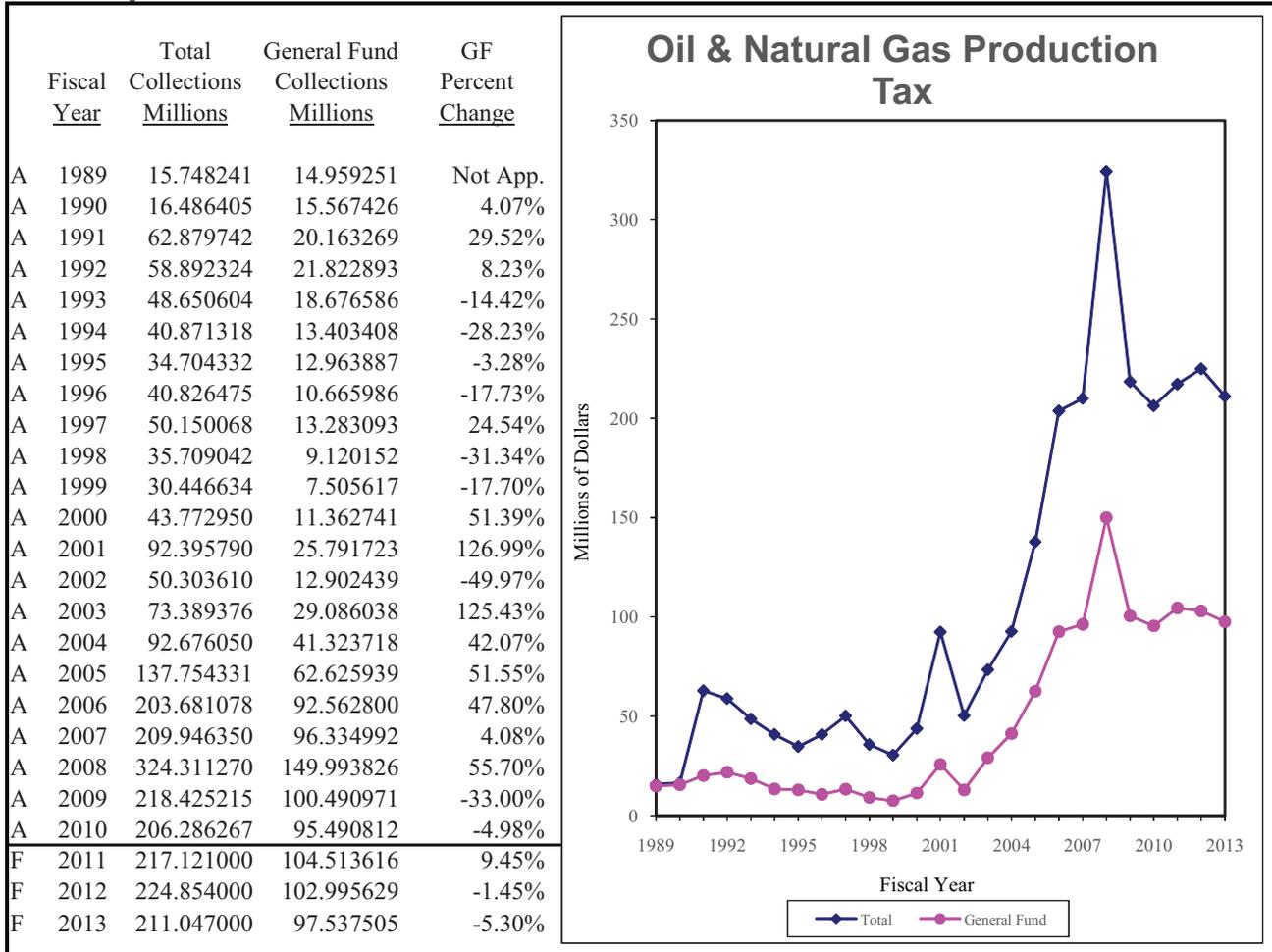
GF Rev = Total Tax × GF Allocation + Audits

# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

#### Revenue Projection:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Tax

**Revenue Description:** The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal (based on the contract sales price), as well as most minerals, but not gravel, metals, oil, and natural gas. Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the resource indemnity trust balance had reached \$100 million, a portion of oil and natural gas taxes had been distributed under the same methodology as the RIGWA tax. Once the RIT balance reached \$100 million, this portion of oil and natural gas taxes no longer has a connection to the RIGWA tax. The RIGWA tax on all other production is specific to each resource as described below.

**Statutory Reference:**

- Tax Rate (MCA) – 15-38-104
- Tax Distribution (MCA) – 15-38-106
- Date Due from metal producers – March 31st following the end of the calendar year (15-38-105, 15-38-106(1))
- Date Due from mineral producers – 60 days following the end of the calendar year (15-38-105, 15-38-106(1))

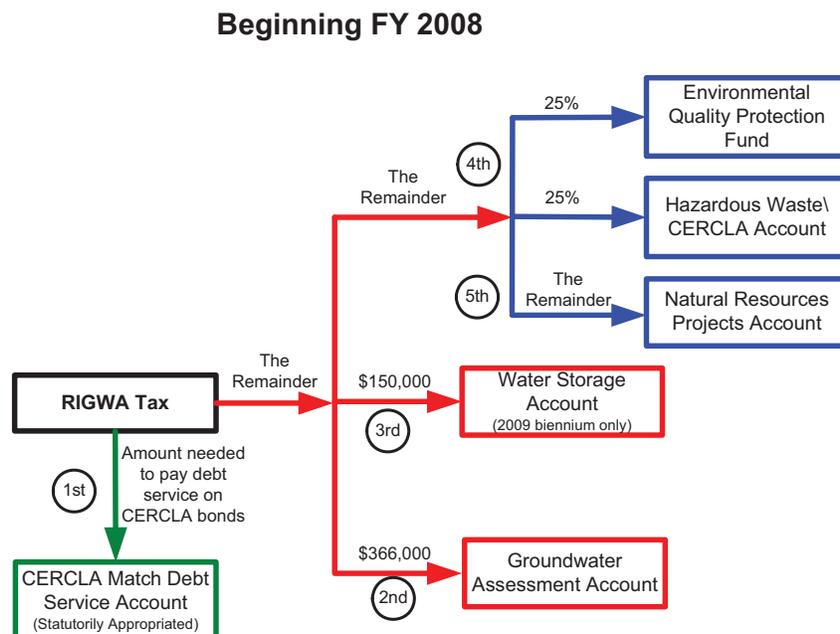
**Applicable Tax Rate(s):** The applicable rates are as follows:

- Coal: \$25 plus 0.4% of the gross value of coal produced in the preceding year in excess of \$6,250
- Minerals: \$25 plus 0.5% of the gross value of minerals (excluding gravel and metals, and excluding oil and natural gas since the resource indemnity trust has reached \$100 million) produced in the preceding year in excess of \$5,000
- Talc: \$25 plus 0.4% of the gross value of talc produced in the preceding year in excess of \$625
- Vermiculite: \$25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of \$1,250
- Limestone: \$25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of \$250
- Garnets: \$25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of \$2,500

**Distribution:** Beginning FY 2004, the amount needed to cover debt service on CERCLA bonds (after amounts transferred from the CERCLA cost recovery account) is deposited to the CERCLA match debt service account. Beginning FY 2008, the remainder of RIGWA tax proceeds is distributed in the following order:

1. \$366,000 each year to the ground water assessment account
2. \$150,000 to the water storage account for the 2009 biennium only
3. 50.0% of the remainder split evenly between the environmental quality protection fund and the hazardous waster/CERCLA account
4. the remainder to the natural resources projects account

Distribution Chart:



# Legislative Fiscal Division

## Revenue Estimate Profile Resource Indemnity Tax

**Summary of Legislative Action:** The 62<sup>nd</sup> Legislature did not enact legislation that impacted this general fund revenue source.

**% of Total General Fund Revenue:** N/A

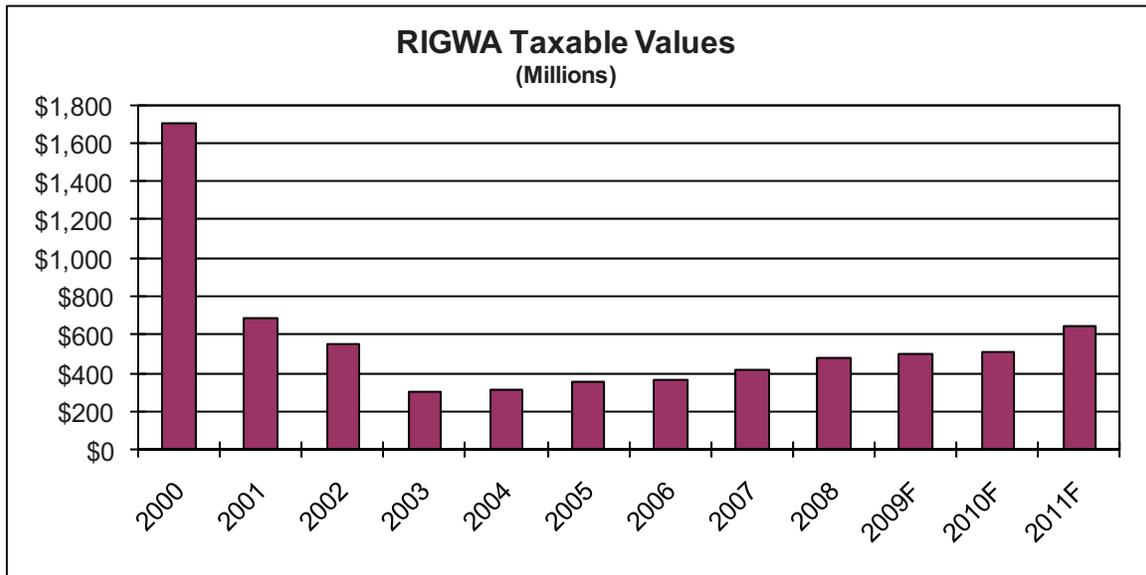
### Revenue Estimate Methodology:

#### Data

The data used to estimate the resource indemnity and groundwater assessment (RIGWA) tax are obtained from the coal severance tax source, the property tax source, and the state accounting system (SABHRS). No adjustments are required on the raw data in preparation for analysis.

#### Analysis

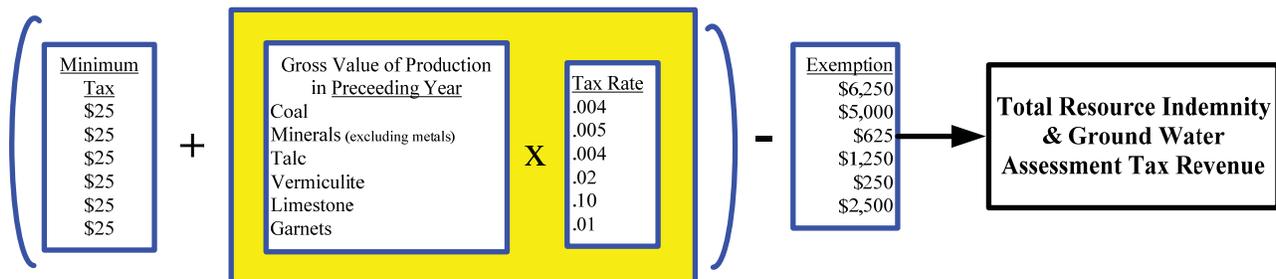
The RIGWA tax is imposed on the gross taxable value from the production of coal and miscellaneous mines. Before FY 2002, when Governor Martz certified that the resource indemnity trust had reached the required principal amount of \$100 million, oil and natural gas production was also taxed under RIGWA, but the oil and natural gas component of the tax ended when the trust reached the limit. The gross value estimates prepared for the coal severance tax and class 1 property tax (miscellaneous minerals) are used in the estimate for the RIGWA tax.



The future taxable value of coal, produced by all mines, is estimated in the coal severance tax source. The estimate of coal value is \$364.7 million, \$506.7 million, and \$497.9 million in FY 2009 through 2011, respectively. The future taxable value of other mineral production is estimated at the FY 2008 amount.

To develop the estimates for RIGWA tax collections, the tax rates are applied to the production value of each of the components, coal and other minerals. The tax estimates for the two components are summed to produce the total estimate of the RIGWA tax.

### Forecast Methodology:



# Legislative Fiscal Division

## Revenue Estimate Profile Resource Indemnity Tax

### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Oil</u>	<u>Natural Gas</u>	<u>Coal</u>	<u>Metals</u>	<u>Other</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	6.793459	0.000000	0.851792	0.159668	1.034506	0.000000	0.288596
Actual	2001	2.744480	0.000000	1.667407	0.000000	0.951681	0.001862	0.123529
Actual	2002	2.200785	0.000000	0.976477	0.000000	0.998816	0.000460	0.225031
Actual	2003	1.225610	0.000000	0.000000	0.000000	1.005490	0.000000	0.220121
Actual	2004	1.250528	0.000000	0.001614	0.000000	0.965537	0.000000	0.284991
Actual	2005	1.436378	0.000000	0.000000	0.000000	1.118400	0.000000	0.317978
Actual	2006	1.456411	0.000000	0.000000	0.000000	1.086862	0.000000	0.369549
Actual	2007	1.646918	0.000000	0.000000	0.000000	1.211936	0.000000	0.434981
Actual	2008	1.925989	0.000000	0.000000	0.000000	1.366020	0.000000	0.559970
Actual	2009	2.053954	0.000000	0.000000	0.000000	1.465476	0.000000	0.588478
Actual	2010	1.711845	0.000000	0.000000	0.000000	1.457310	0.000000	0.254534
Forecast	2011	2.067000	0.000000	0.000000	0.000000	1.812117	0.000000	0.254534
Forecast	2012	2.224000	0.000000	0.000000	0.000000	1.969462	0.000000	0.254534
Forecast	2013	2.373000	0.000000	0.000000	0.000000	2.118852	0.000000	0.254534

	<u>t</u>	<u>Trust Other</u>	<u>Trust Metal</u>	<u>Renewable</u>	<u>Ground</u>	<u>Reclamation</u>	<u>Orphan</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	3.391472	0.000000	0.000000	0.521579	1.440204	1.440204
Actual	2001	2.205880	0.000000	0.000000	0.300000	0.119300	0.119300
Actual	2002	1.588631	0.000000	0.000000	0.300000	0.156077	0.156077
Actual	2003	0.000000	0.000000	0.000000	0.366000	0.429805	0.279805
Actual	2004	-0.000188	0.000000	0.000000	0.366000	0.442358	0.442358
Actual	2005	0.252454	0.000000	0.000000	0.113546	0.535189	0.441681
Actual	2006	0.000000	0.000000	0.000000	0.366000	0.451163	0.451162
Actual	2007	0.000000	0.000000	0.000000	0.366000	0.508562	0.508562
Actual	2008	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Actual	2009	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Actual	2010	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Forecast	2011	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Forecast	2012	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Forecast	2013	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000

# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Tax

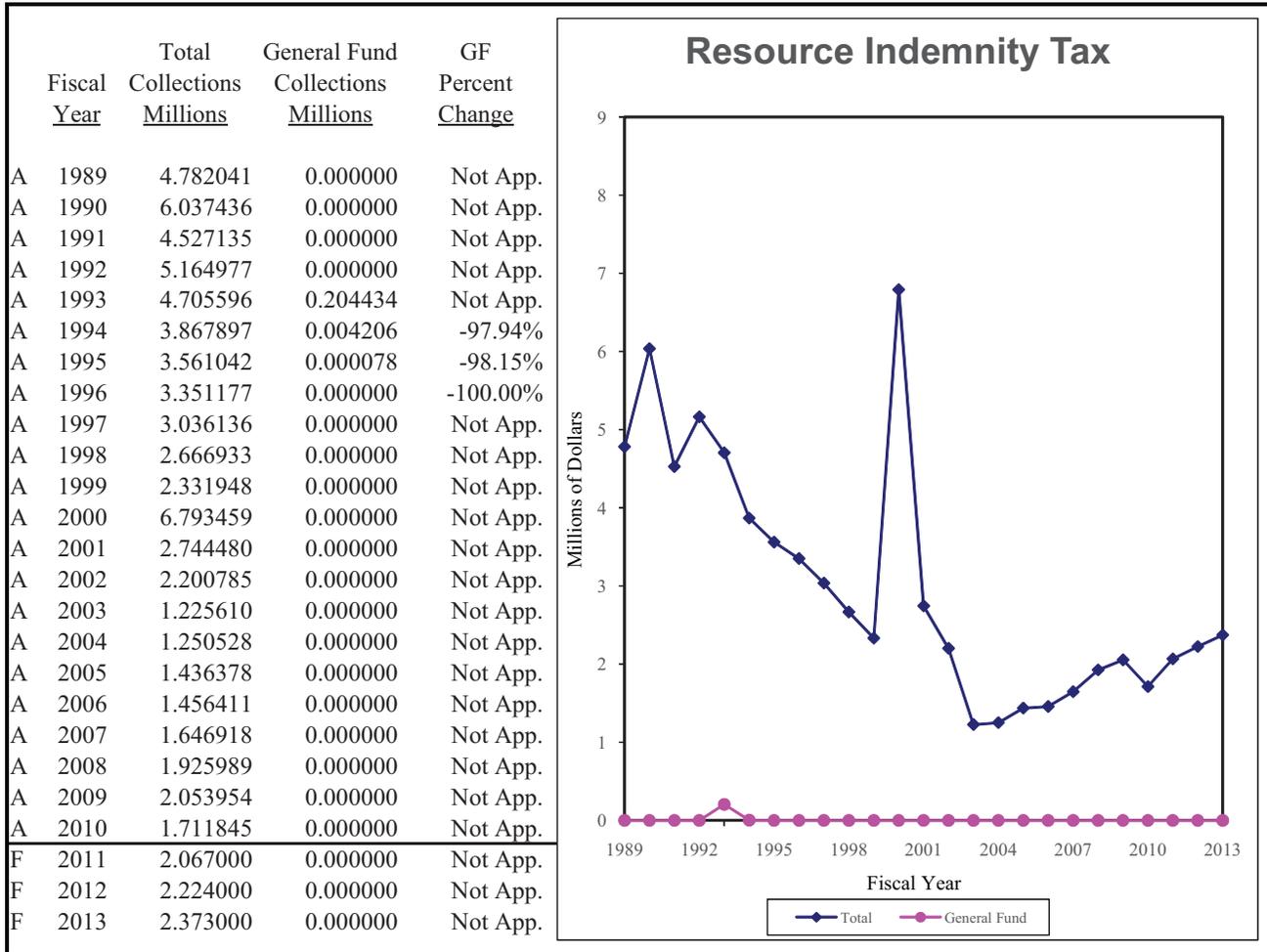
	<u>t</u> <u>Fiscal</u>	<u>Scholarship</u> <u>Millions</u>	<u>Debt</u> <u>Service</u> <u>Millions</u>	<u>Water</u> <u>Storage</u> <u>Millions</u>	<u>Protection</u> <u>Fund</u> <u>Millions</u>	<u>CERCLA</u> <u>Account</u> <u>Millions</u>	<u>Projects</u> <u>Account</u> <u>Millions</u>	<u>Trust</u> <u>Balance</u> <u>Millions</u>
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	96.404163
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	100.373547
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	102.065653
Actual	2003	0.150000	0.000000	0.000000	0.000000	0.000000	0.000000	100.000965
Actual	2004	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	100.002390
Actual	2005	0.093508	0.000000	0.000000	0.000000	0.000000	0.000000	100.254844
Actual	2006	0.000000	0.188086	0.000000	0.000000	0.000000	0.000000	100.023109
Actual	2007	0.000000	0.263794	0.000000	0.000000	0.000000	0.000000	100.023109
Actual	2008	0.000000	0.273056	0.150000	0.283985	0.283985	0.567954	100.023109
Actual	2009	0.000000	0.271938	0.000000	0.354004	0.354004	0.708008	100.023109
Actual	2010	0.000000	0.272038	0.150000	0.230952	0.230952	0.461903	100.023109
Forecast	2011	0.000000	0.296156	0.000000	0.351211	0.351211	0.702422	100.023109
Forecast	2012	0.000000	0.296156	0.000000	0.390461	0.390461	0.780922	100.023109
Forecast	2013	0.000000	0.296156	0.000000	0.427711	0.427711	0.855422	100.023109

Total Tax = Coal + Other

# Legislative Fiscal Division

## Revenue Estimate Profile Resource Indemnity Tax

### Revenue Projection:



# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

**Revenue Description:** Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0% of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. However due to federal legislation, from October 2007 through the current year, state shares were 48.0%. Based on statements by Office of Natural Resources Revenue personnel, the reduced rate is assumed to continue. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

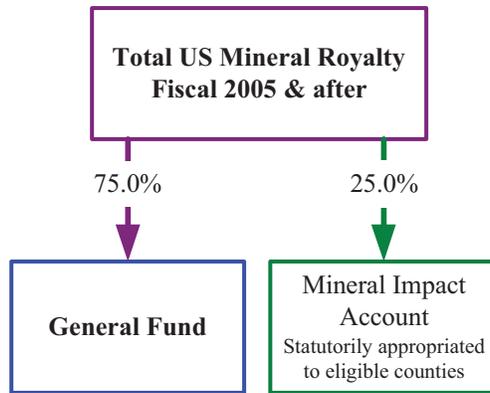
**Statutory Reference:**

Tax Rate – NA  
 Distribution – 17-3-240, MCA

**Applicable Tax Rate(s):** N/A

**Distribution:** With the enactment of Senate Bill 212 by the 2005 Legislature, receipts are deposited 75% to the general fund and 25% to the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted.

Distribution Chart:



**Summary of Legislative Action:** The 62nd Legislature did not enact legislation that impacted this general fund revenue source.

**% of Total General Fund Revenue:**

FY 2004 – 2.08%	FY 2007 – 1.54%	FY 2010 – 1.86%
FY 2005 – 1.78%	FY 2008 – 1.85%	
FY 2006 – 1.72%	FY 2009 – 1.75%	

**Revenue Estimate Methodology:**

The estimate for Montana’s share of mineral royalties and other mineral related income from its federal lands is derived from estimating each of the major sources of revenue, applying the applicable royalty rate for each, and multiplying by Montana’s share of the revenue.

Data

Data from which to base estimates for this revenues source have been sparse and incomplete. Up until October 2001, the Mineral Management Service (now called Office of Natural Resources Revenue) of the U.S. Department of Interior had provided data used to make the estimate. However, lawsuits and court orders have stifled the flow of data since then. Only recently has yearly data been available for federal fiscal years through 2009. The current estimates rely on these data, future prices of oil and natural gas, and coal production on federal land obtained from a survey of Montana’s coal companies.

Analysis

The estimate is derived by first estimating the individual revenue components. The estimate for mineral royalties is obtained by

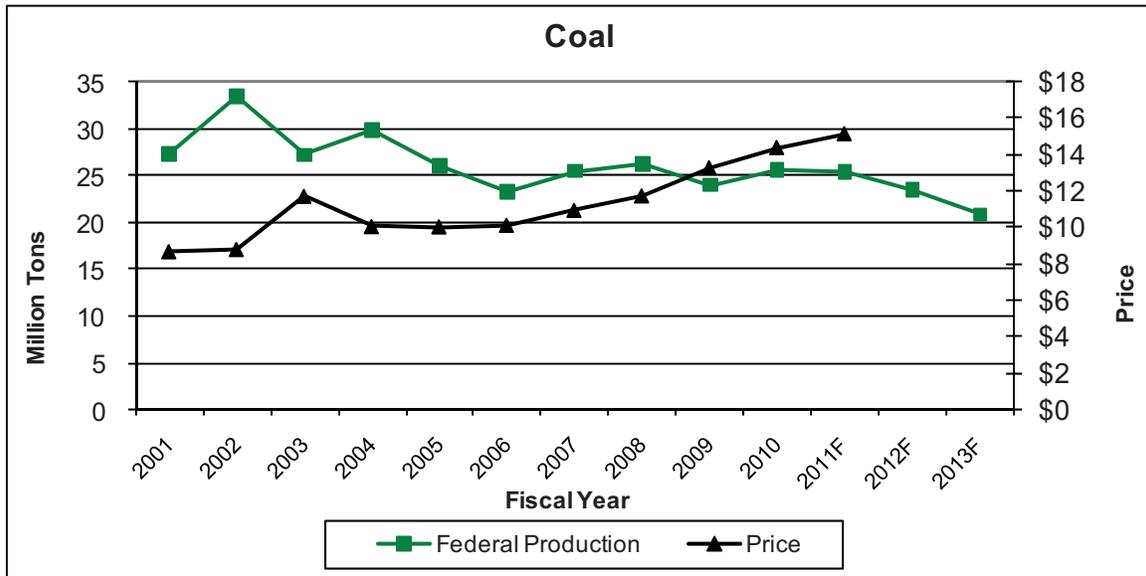
# Legislative Fiscal Division

## Revenue Estimate Profile

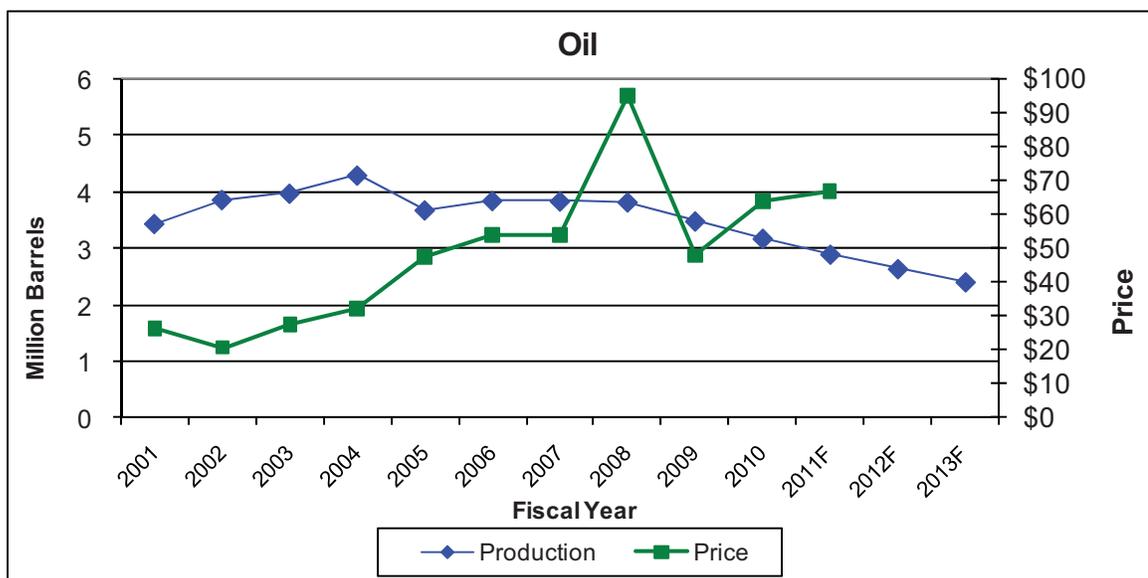
### US Mineral Royalty

multiplying together estimates for production, price, the applicable royalty rate, and Montana's percentage share.

- Coal – Calendar year production is estimated by multiplying the calendar year production reported by each company on the coal survey by the percent of production each anticipated to be from federal lands multiplied by a federal fiscal year conversion factor. Price is determined by calculating a federal fiscal year growth by converting the calendar year Montana contract sales price into a federal fiscal year price and determining the growth between the current and previous years. Production multiplied by price yields value. The value is then multiplied by the royalty rate for the last known federal fiscal year. This royalty rate is used for all estimated years. Of the total calculated royalty, Montana receives 48%.



- Oil – Federal fiscal year production is estimated by multiplying the current year's amount by the growth between it and the previous year. Yearly prices are determined by first averaging quarterly future prices of West Texas Intermediate oil as forecast by IHS, based on the federal fiscal year, for the current and previous year. Price for the current federal fiscal year is determined by multiplying current year's IHS price by the ratio of the previous year's estimated (or actual) price to IHS price for the previous year. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives 48%.



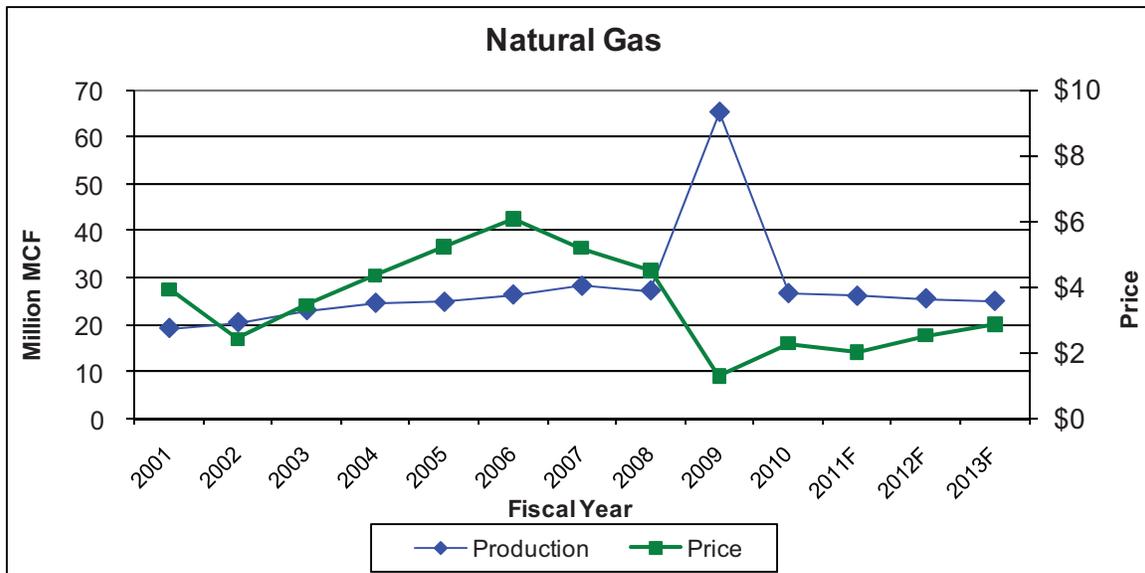
- Natural Gas – Calendar year production is estimated by multiply the previous year's production by the growth rate of the two previous years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Of the total calculated royalty, Montana receives 48%.



- Natural Gas Liquid – Federal fiscal year production is estimated by changing the previous year's amount by the percentage change in the last two years for all of the estimated years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives 48%.
- Methane – Federal fiscal year production is estimated by changing the 2009 amount and each forecast year by the average annual change between 2005 and 2009. Yearly prices are determined by first averaging quarterly future prices of national well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana 48%.
- Rents, Bonuses, and Other – The amounts from actual federal FY 2009 are used for all estimated years. Montana's portion is 48%.

#### Adjustments and Distribution

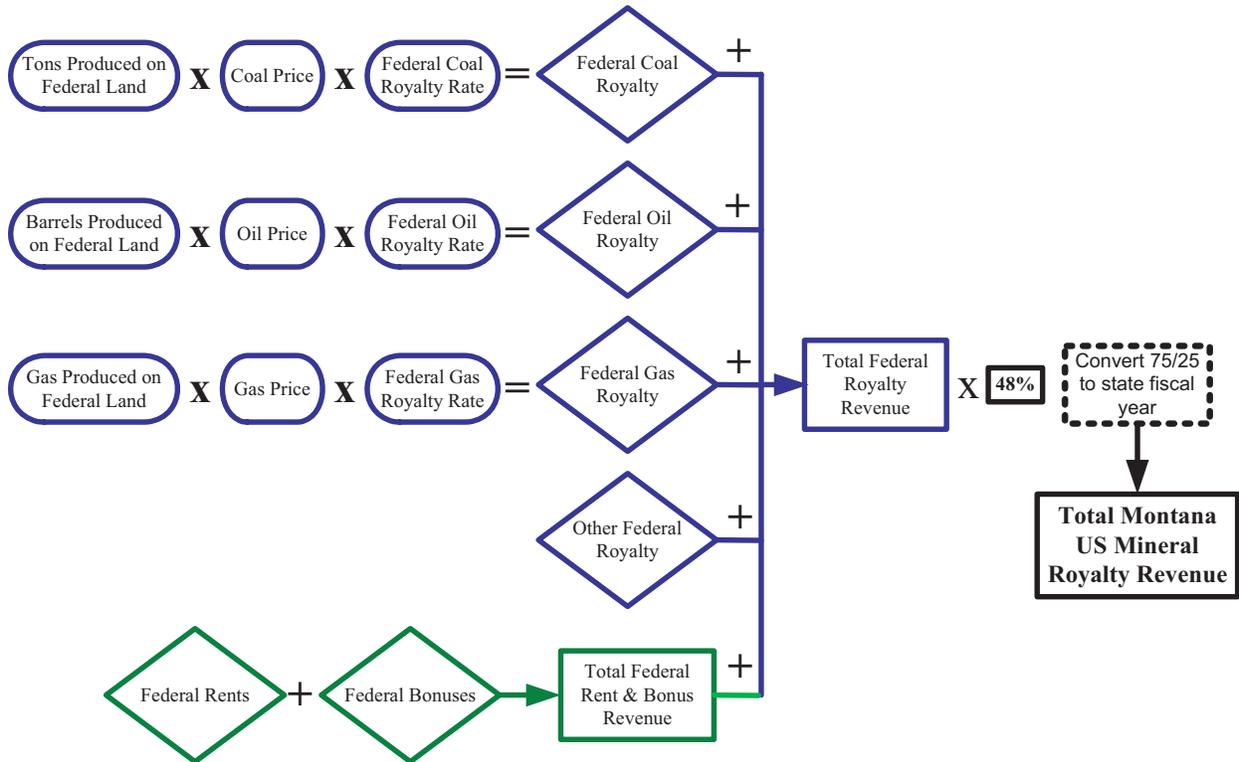
Since the estimates are based on the federal fiscal year a 25/75 split is used to convert to a state fiscal year. The total amount of anticipated revenue is distributed 75% to the general fund and 25% to the state special revenue fund.

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

#### Forecast Methodology:



# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>One-Time</u>	<u>Mineral</u>	<u>GF Allocation</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Settlement</u>	<u>Impact</u>	<u>Percent</u>
				<u>Millions</u>	<u>Millions</u>	
Actual	2000	19.242954	19.242954			100.00%
Actual	2001	31.007874	31.007874	6.038000		100.00%
Actual	2002	19.772193	19.772193	0.000000		100.00%
Actual	2003	25.989828	25.989828	0.000000		100.00%
Actual	2004	28.736303	28.736303	0.000000		100.00%
Actual	2005	36.391633	27.293725	0.000000	9.097908	75.00%
Actual	2006	39.071469	29.303602	0.000000	9.767867	75.00%
Actual	2007	37.627625	28.220719	0.000000	9.406906	75.00%
Actual	2008	48.518079	36.388559	0.000000	12.129520	75.00%
Actual	2009	42.097819	31.573364	0.000000	10.524455	75.00%
Actual	2010	40.383725	30.287794	0.000000	10.095931	75.00%
Forecast	2011	41.515000	31.136000	0.000000	10.379000	75.00%
Forecast	2012	39.200000	29.400000	0.000000	9.800000	75.00%
Forecast	2013	36.595000	27.446000	0.000000	9.149000	75.00%

	<u>t</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>
	<u>Cal</u>	<u>Barrels</u>	<u>Tons</u>	<u>MCF's</u>	<u>Price</u>	<u>Price</u>	<u>Price</u>
Actual	2000						
Actual	2001						
Actual	2002	3.862811	33.491273	20.391778	20.655800	8.794516	2.417834
Actual	2003	3.974831	27.206486	23.003369	27.508280	11.709884	3.445458
Actual	2004	4.295711	29.780631	24.537832	31.980751	10.053941	4.355901
Actual	2005	3.679243	25.938193	24.766597	47.473867	10.040273	5.214713
Actual	2006	3.844671	23.192308	26.324243	53.695739	10.122990	6.086452
Actual	2007	3.835864	25.440065	28.180649	53.822411	10.943342	5.189303
Actual	2008	3.820229	26.285535	27.198623	95.081570	11.736083	4.494815
Actual	2009	3.482930	23.984703	65.344461	47.720138	13.282359	1.312006
Actual	2010	3.140962	24.939964	21.297008	68.259420	14.468832	3.575525
Forecast	2011	2.832570	25.373750	16.675938	80.358039	15.226753	3.045258
Forecast	2012	2.554457	23.500000	13.057558	83.466393	15.750279	3.314914
Forecast	2013	2.303650	20.831250	10.224302	86.741601	16.201792	3.789849

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

	<u>t</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>
	<u>Cal</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>
Actual	2000						
Actual	2001						
Actual	2002	0.113443	0.116053	0.124149	9.051530	34.182163	6.121055
Actual	2003	0.113266	0.117664	0.123688	12.384542	37.485837	9.803198
Actual	2004	0.111631	0.114227	0.120545	15.335865	34.200945	12.884411
Actual	2005	0.108074	0.121958	0.116781	18.877129	31.761055	15.082359
Actual	2006	0.111309	0.122188	0.112109	22.978867	28.686728	17.962305
Actual	2007	0.111327	0.121081	0.110753	22.984159	33.708943	16.196273
Actual	2008	0.106306	0.121686	0.164290	38.613772	37.538775	20.084956
Actual	2009	0.105594	0.119900	0.110158	17.550407	38.196858	9.444124
Actual	2010	0.108118	0.116187	0.110339	23.180605	41.926292	8.402107
Forecast	2011	0.108118	0.116187	0.110339	24.609794	44.889989	5.603294
Forecast	2012	0.108118	0.116187	0.110339	23.051981	43.004475	4.775989
Forecast	2013	0.108118	0.116187	0.110339	21.604386	39.213528	4.275477

	<u>t</u>	<u>Other</u>	<u>Rent&amp;Bonus</u>	<u>Other</u>	<u>Total</u>	<u>State</u>	<u>State Share</u>
	<u>Cal</u>	<u>Royalty</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Share</u>	<u>Percent</u>
Actual	2000						
Actual	2001						
Actual	2002	0.680620	3.182765	0.293468	53.511601	22.328620	0.417267
Actual	2003	1.017980	7.105370	1.572410	69.369337	25.535373	0.368107
Actual	2004	0.505445	5.008854	1.800082	69.735602	30.294622	0.434421
Actual	2005	4.413216	4.751567	0.975580	75.860906	35.406360	0.466727
Actual	2006	4.013599	4.616071	1.096967	79.354537	38.000735	0.478873
Actual	2007	2.341567	4.318040	2.105568	81.654550	39.157155	0.479547
Actual	2008	16.751573	7.857420	-0.521196	120.325300	48.937641	0.406711
Actual	2009	1.893893	8.036160	-0.462270	74.659172	46.551258	0.623517
Actual	2010	2.352828	13.533030	0.147716	89.542578	43.720944	0.488270
Forecast	2011	1.712223	8.015342	0.147716	84.978358	40.780250	0.479890
Forecast	2012	1.594241	8.015342	0.147716	80.589744	38.673824	0.479885
Forecast	2013	1.560352	8.015342	0.147716	74.816801	35.902458	0.479872

Total Rev. = (Oil Barrels × Oil Price × Oil Roy. Rate + Coal Tons × Coal Price × Coal Roy. Rate + Gas MCF's × Gas Price × Gas Roy. Rate + Other Royalty + Rent&Bonus Revenue + Other Revenue) × State Share

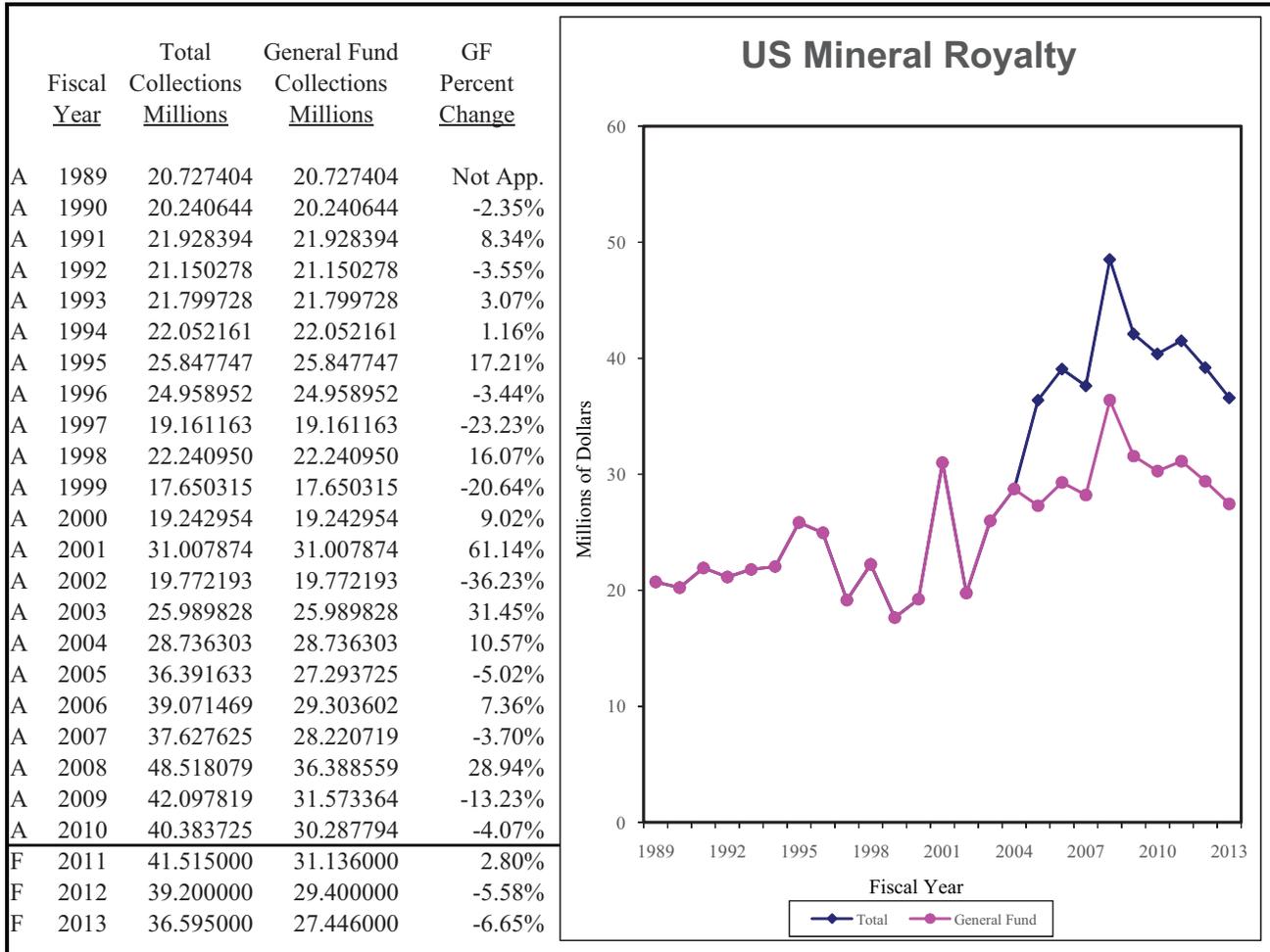
GF Rev. = Total Rev × GF Allocation

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

#### Revenue Projection:



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Wholesale Energy Tax

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**Revenue Description:** The wholesale energy transaction tax, enacted by the 1999 Legislature (HB 174 effective January 1, 2000) is imposed on the amount of electricity transmitted by a transmission services provider in the state.

**Statutory Reference:**

Tax Rate (MCA) – 15-72-104(1)

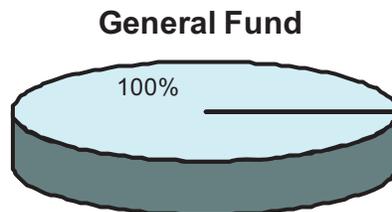
Tax Distribution (MCA) – 15-72-106(3)

Date Due – 30<sup>th</sup> day of the month following the end of the calendar quarter (15-72-110)

**Applicable Tax Rate(s):** The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted (or \$0.15 per megawatt). If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; 6) electricity that has been subject to the transmission tax in another state; and 7) a 5% line loss exemption for transmission of electricity produced in the state for delivery outside of the state.

**Distribution:** All proceeds are deposited into the general fund.

Distribution Chart:



**Summary of Legislative Action:** The 62nd Legislature did not enact legislation that impacted this general fund revenue source.

**% of Total General Fund Revenue:**

FY 2004 – 0.24%

FY 2007 – 0.20%

FY 2010 – 0.22%

FY 2005 – 0.22%

FY 2008 – 0.20%

FY 2006 – 0.22%

FY 2009 – 0.21%

**Revenue Estimate Methodology:**

The wholesale energy transaction tax is applied to the number of kilowatt hours transmitted less 5% for line loss on out-of-state transmissions. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours transmitted for each company and any company anticipated to be transmitting within the 3-year period in question. From these estimates, the tax rate is applied. Since all kilowatt hours transmitted is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

# Legislative Fiscal Division

## Revenue Estimate Profile

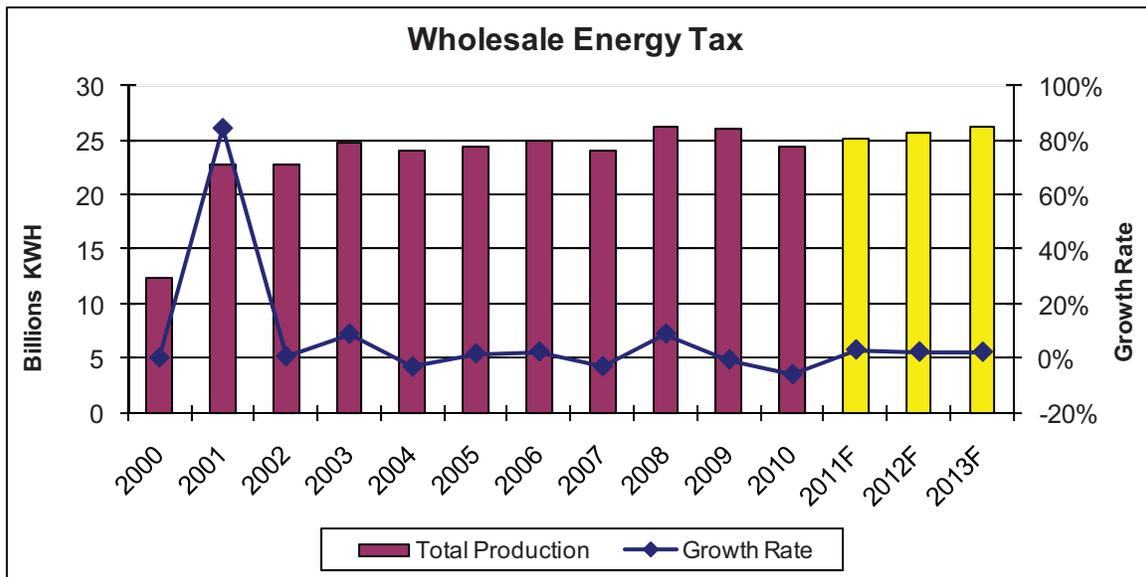
### Wholesale Energy Tax

#### Data

All energy transmitting companies are surveyed for anticipated kilowatt hours transmitted, anticipated new transmissions, anticipated downtime or reduced transmission, and a percentage split between in-state and out-of-state transmissions. Although the accuracy in the results of the survey was questionable, the raw data were used to develop growth rates. Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each individual company.

#### Analysis

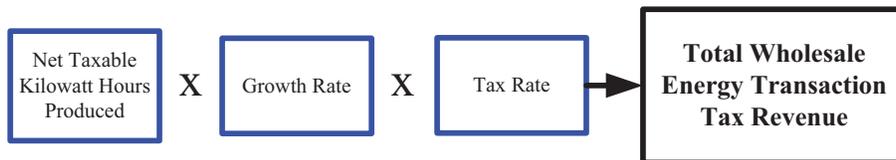
A number of different techniques can be used to develop the revenue estimate for this source. Choosing a technique depends on whether the technique passes the “reasonable” test. The technique based on historical data was used in this analysis. A growth rate based on the change in total yearly production from the actual/estimated year to the amount provided by the surveys was applied to the previous gross production amount. The totals are added for each year and allowable line loss is calculated and subtracted from the yearly total. Net taxable kilowatt hours are multiplied by the tax rate to derive total revenue from this source.



#### Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100% to the general fund, is applied.

#### Forecast Methodology:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Wholesale Energy Tax

#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2011 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>KWH Fiscal</u>	<u>Line</u>	<u>Credits</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Loss Fiscal</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	1.894704	1.894704	12273.924051	373.483823	0.000000	0.000150
Actual	2001	3.503427	3.503427	22658.110488	673.956373	0.000000	0.000150
Actual	2002	2.906263	2.906263	22775.157501	697.796150	0.000000	0.000150
Actual	2003	3.532056	3.532056	24780.402486	730.789478	0.000000	0.000150
Actual	2004	3.292659	3.292659	23961.126405	725.187200	0.000000	0.000150
Actual	2005	3.370263	3.370263	24326.536427	749.863350	0.000000	0.000150
Actual	2006	3.813495	3.813495	24870.822230	758.471450	0.000000	0.000150
Actual	2007	3.651024	3.651024	24070.520901	709.589400	0.000000	0.000150
Actual	2008	3.856112	3.856112	26192.843079	796.685100	0.000000	0.000150
Actual	2009	3.864771	3.864771	26004.638234	783.005100	0.000000	0.000150
Actual	2010	3.556056	3.556056	24409.286549	718.553000	0.000000	0.000150
Forecast	2011	3.657000	3.657000	25132.339024	754.873009	0.000000	0.000150
Forecast	2012	3.738000	3.738000	25688.828859	770.095537	0.000000	0.000150
Forecast	2013	3.818000	3.818000	26236.772805	786.521712	0.000000	0.000150

Total Tax = (KWH Fiscal - Line Loss Fiscal) × Tax Rate - Credits

GF Tax = Total Tax

# Legislative Fiscal Division

## Revenue Estimate Profile

### Wholesale Energy Tax

#### Revenue Projection:

