

# Montana Legislative Fiscal Division Revenue Source Profile

Updated through June 2014

## Oil & 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 – [15-36-304, MCA](#); Privilege & license tax – [82-11-131, MCA](#); Administrative Rules [36.72.1242](#)

Tax Distribution – [15-36-331\(4\), MCA](#); [15-36-332\(2&3\), MCA](#)

Date Due – within 60 days after the end of the calendar quarter ([15-36-311\(1\), MCA](#))

### Applicable Tax Rates

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. Currently, the P & L tax rate is 0.09%. There is 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- and post-1999 oil, excluding the P & L tax and the local impact tax.

Oil Tax Rates	
<u>Working Interest</u>	
Primary recovery production	
First 12 months of qualifying production	0.5%
After 12 months for pre-1999 wells	12.5%
After 12 months for post-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil<\$30)	
1 through 10 barrels a day production	5.5%
>10 through 14 barrels a day production	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil>=\$30)	Primary Recovery Rates
Stripper wells (3 barrels or less/day)	
Stripper well exemption production (if oil <\$38)	0.5%
Stripper well bonus production (if oil >=\$38)	6.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
Incremental production (if oil <\$30/barrel)	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
Incremental production (if oil >=\$30/barrel)	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
Horizontally recompleted well	
First 18 months	5.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
<u>Nonworking Interest</u>	14.8%

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Natural Gas Tax Rates	
<u>Working Interest</u>	
Qualified production	
First 12 months	0.5%
After 12 months for pre-1999 wells	14.8%
After 12 months for post-1999 wells	9.0%
Stripper natural gas pre-1999 wells	11.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	9.0%
<u>Nonworking Interest</u>	14.8%

**Collection Frequency:** Quarterly

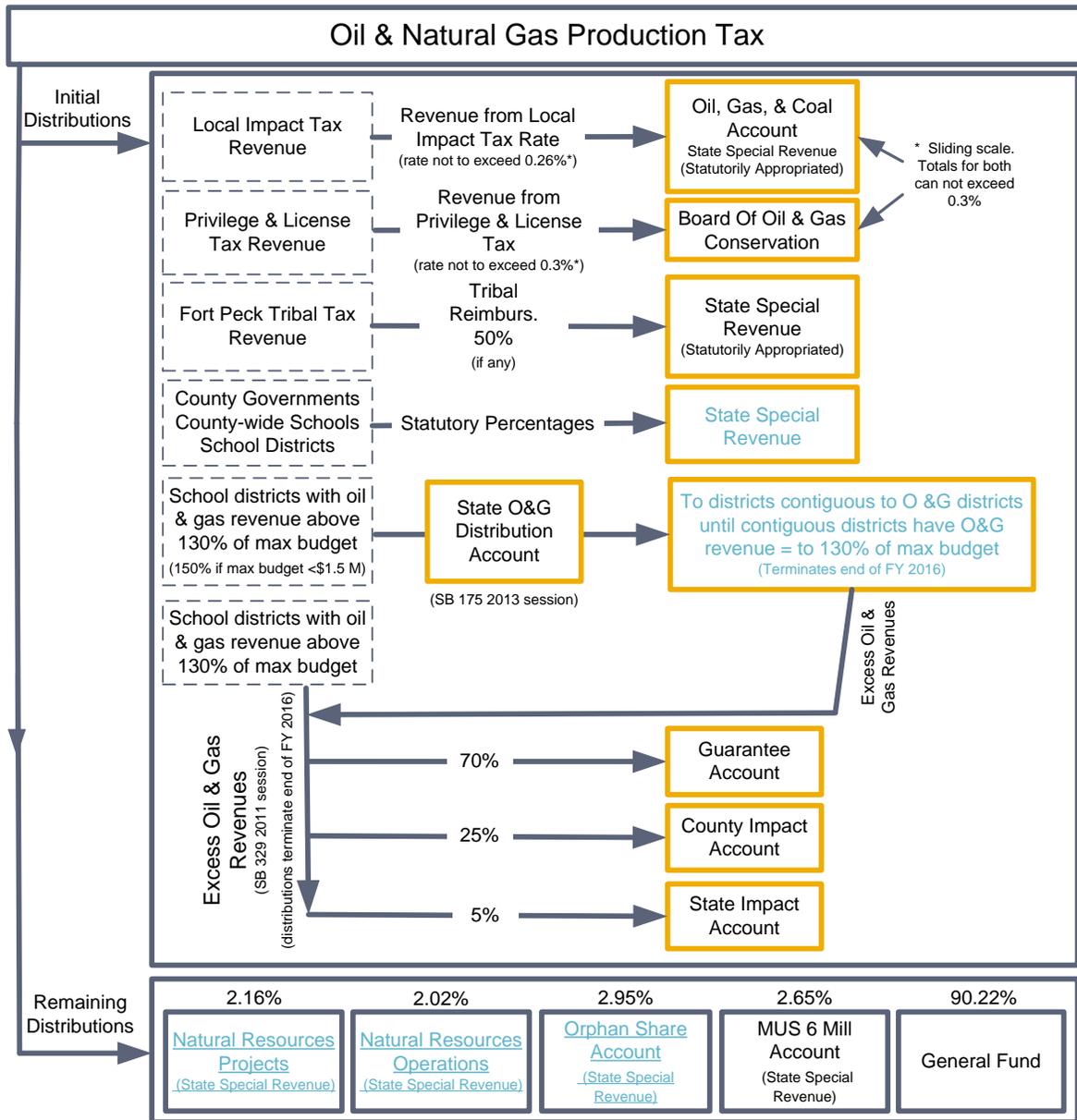
## Distribution

After the oil and natural gas production taxes have been collected, the revenue is 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, shown in the following distribution chart. 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.

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Since the distribution of oil & natural gas tax revenue varies depending on various factors, the table below only reflects last complete fiscal year actual distributions.

Category	Amount (\$ Millions)	Percentage
General Fund	\$109.6	46.3%
Local	96.0	40.6%
Local Impact	4.7	2.0%
Orphan	3.6	1.5%
University	3.2	1.4%
Natural Resource Projects	2.6	1.1%
Natural Resource Operation	2.5	1.0%
Board of Oil & Gas Conservation	2.5	1.1%
State School Tax	11.8	5.0%
<b>Total</b>	<b>\$236.5</b>	<b>100.0%</b>

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### Revenue History

