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Director

# Montana Department of Revenue



Brian Schweitzer  
Governor

April 13, 2005

To: Senate Taxation Committee

From:  Eugene L. Walborn  
Business Tax and Valuation Bureau Chief

Per your request, the department offers this language to illustrate how a bright-line distinction could be formulated. It is not an interpretation of existing law.

Add definitions:

"Marketable condition" means oil sufficiently free from impurities and otherwise in a condition a purchaser will accept under a sales contract typical for the field or area.

"Marketable condition" means gas products, which are sufficiently free from impurities and otherwise in a condition that they will be accepted by a purchaser under a sales contract typical for the field or area.

Natural gas or oil pipelines:

(a) If the owner of the natural gas or oil pipeline owns 100% of the oil or gas in the pipeline upstream from the point where the oil or gas is in marketable condition then, all property, including but not limited to the pipeline property, is locally assessed.

(b) If the owner of the natural gas or oil pipeline does not own 100% of the oil or gas in the pipeline upstream from the point where the oil or gas is in marketable condition then, all property, including but not limited to the pipeline property, is centrally assessed.

(c) If an owner of the natural gas or oil pipeline owns any portion of property downstream from the point where the oil or gas is in marketable condition then, all of the property is subject to central assessment.

Revenue & Transportation Committee  
May 2, 2006