

# Natural Resource Taxes

**Coal Severance Tax**  
**Electrical Energy Tax**  
**Metalliferous Mines Tax**

**Oil & Natural Gas Production Tax**  
**Resource Indemnity Tax**  
**US Mineral Royalty**  
**Wholesale Energy**



**Legislative Fiscal Division**



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance Tax

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**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.

**Applicable Tax Rate(s):** 10.0% - on coal with a heating quality < 7,000 BTU  
15.0% - on coal with a heating quality > 7,000 BTU

<b>Distribution:</b> (Percentage)	Fiscal	Fiscal	Fiscal	Fiscal
<u>Account Name</u>	<u>1998-1999</u>	<u>2000-2002</u>	<u>2003</u>	<u>2004-2007</u>
Permanent Trust	25.00	0.00	0.00	12.50
Treasure State Endowment	25.00	37.50	37.50	25.00
TSEP Regional Water	0.00	12.50	12.50	12.50
General Fund	25.25	26.79	33.04	27.40
LRBP - Cash Account	12.00	12.00	10.00	12.00
LRBP - Debt Service	1.30	0.00	0.00	0.00
Park Acquisition Trust	1.27	1.27	0.00	1.27
Cultural Trust	0.00	0.63	0.00	0.63
Cultural & Aesthetic Projects	0.87	0.00	0.00	0.00
Water Development	0.95	0.95	0.95	0.95
Other Uses:	8.36	8.36	6.01	7.75

“Other Uses” Include: Local Impact (Coal Board) Growth Through Agriculture State Library Conservation Districts County Land Planning* * before FY 2004
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**Summary of Legislative Action:** The 58th Legislature did not enact legislation that impacted this general fund revenue source.

**Statute:** Title 15, Chapter 35, MCA

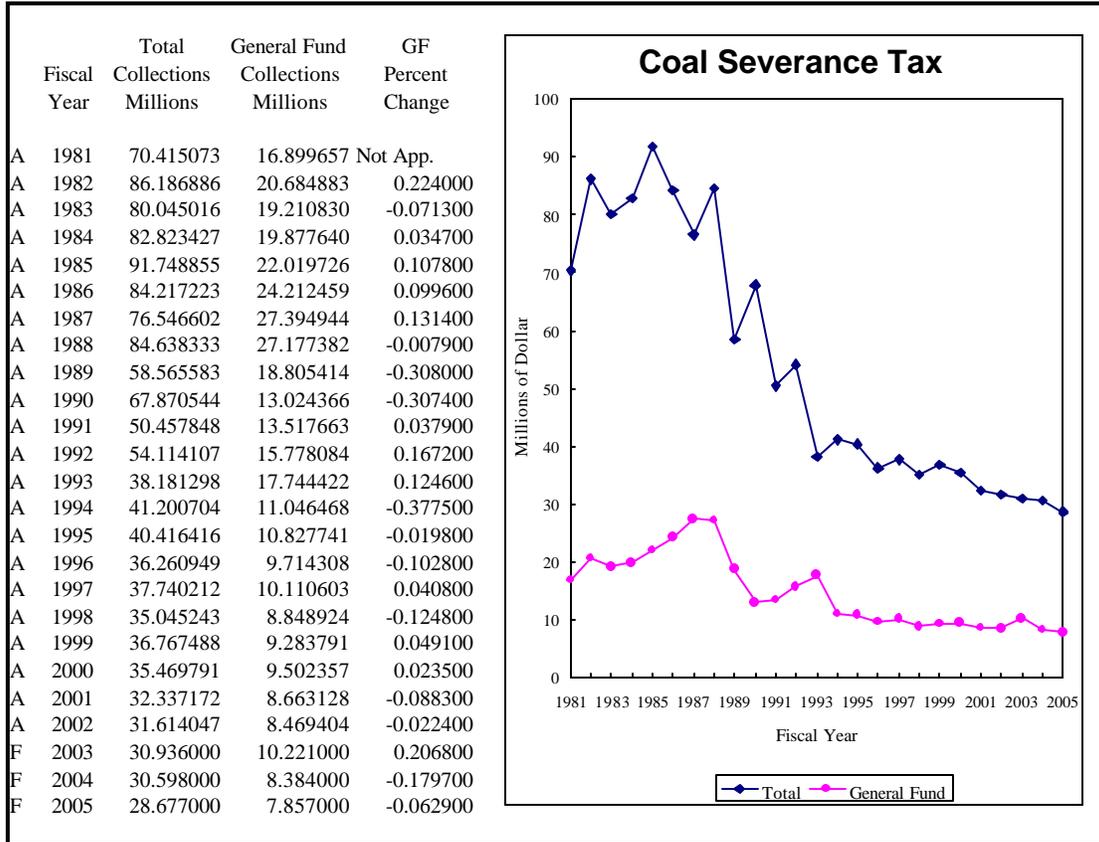
**% of Total FY 2002 General Fund Revenue:** 0.67%

# Legislative Fiscal Division

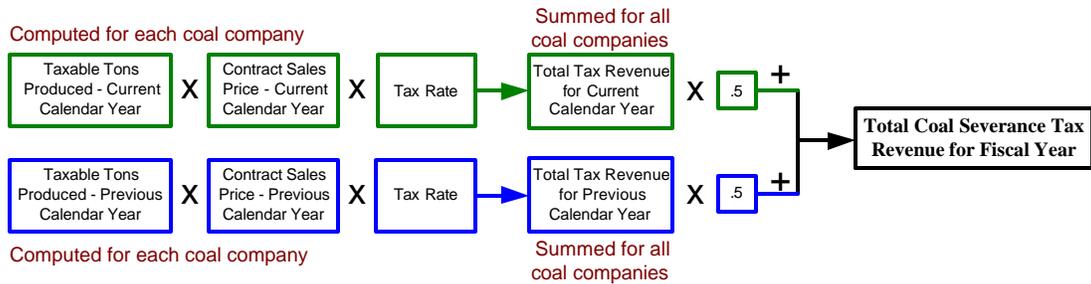
## Revenue Estimate Profile

### Coal Severance Tax

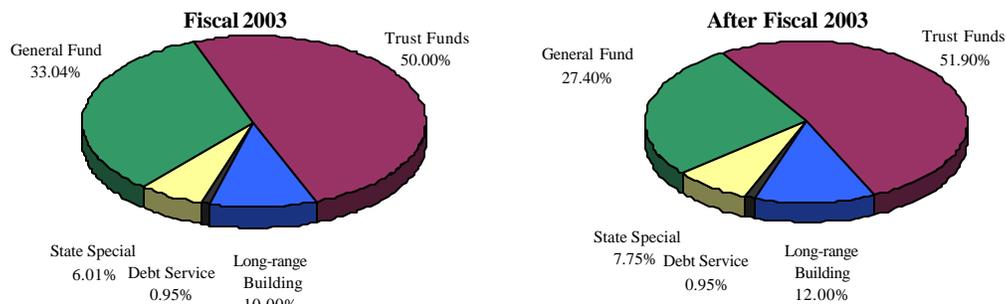
#### Revenue Projection:



#### Forecast Methodology



#### Distribution Methodology



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Severance 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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	GF Percent
	Fiscal	Millions	Millions	Allocation
Actual	2000	35.469791	9.502357	0.267900
Actual	2001	32.337172	8.663128	0.267900
Actual	2002	31.614047	8.469404	0.267900
Forecast	2003	30.936000	10.221000	0.330400
Forecast	2004	30.598000	8.384000	0.274000
Forecast	2005	28.677000	7.857000	0.274000

	t	Tons (CY)	CSP (CY)	Tax	Tax	Calendar	Effective
	Cal	Millions	Dollars	Rate	Rate	Tax	Rate
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
Forecast	2002	33.392000	6.293003	0.150000	0.100000	31.393697	0.149397
Forecast	2003	32.806000	6.219197	0.150000	0.100000	30.477350	0.149379
Forecast	2004	33.065000	6.218829	0.150000	0.100000	30.717141	0.149384
Forecast	2005	29.950000	5.957245	0.150000	0.100000	26.636228	0.149290

# Legislative Fiscal Division

## Revenue Estimate Profile

### Electrical Energy Tax

**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).

**Applicable Tax Rate(s):** The tax of \$0.0002 per kilowatt-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.

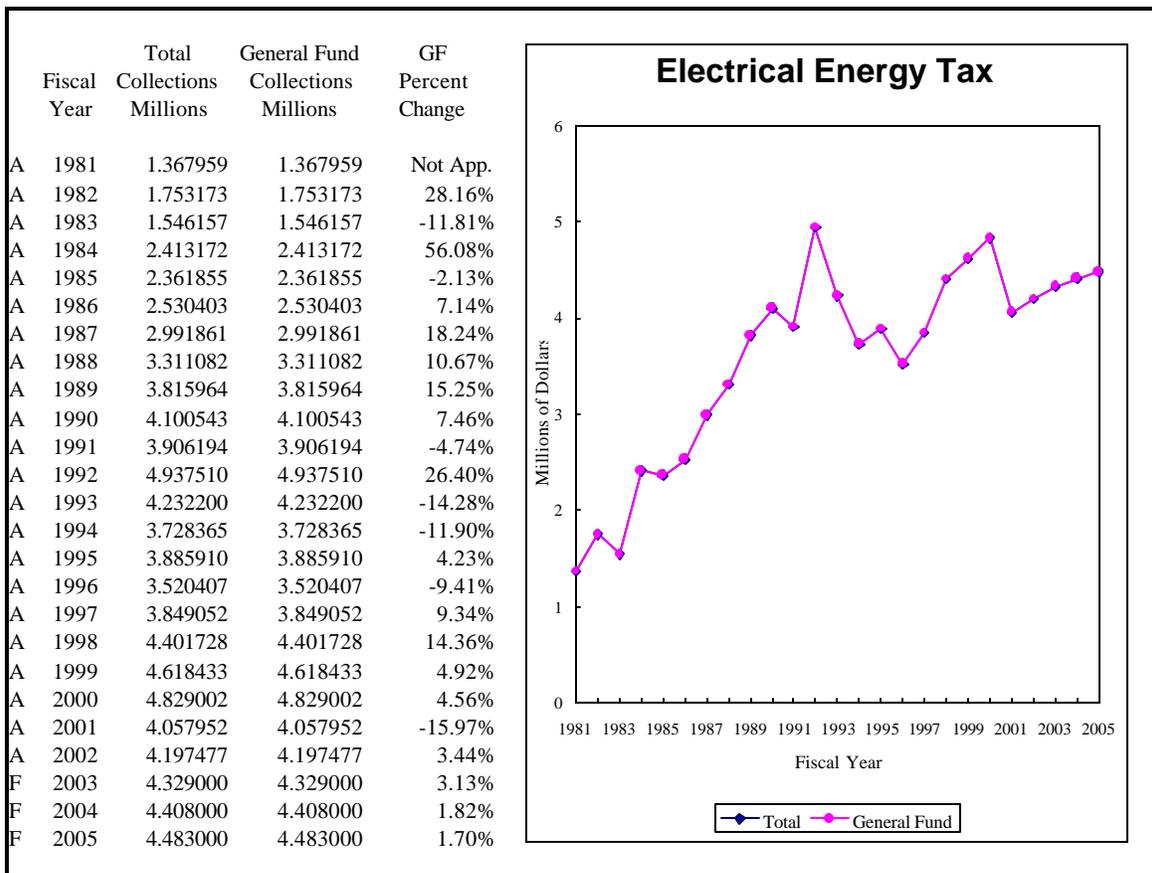
**Distribution:** All proceeds are deposited into the general fund.

**Summary of Legislative Action:** The 58th Legislature did not enact legislation that impacted this general fund revenue source.

**Statute:** Title 15, Chapter 32 and Chapter 51, MCA

**% of Total FY 2002 General Fund Revenue:** 0.33%

**Revenue Projection:**

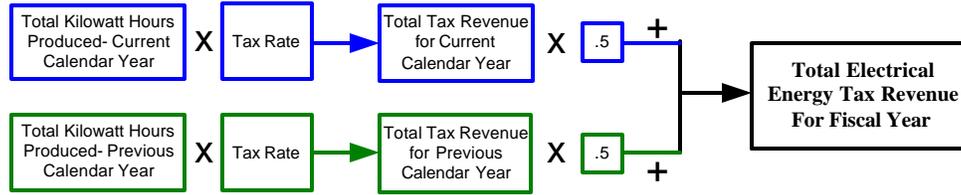


# Legislative Fiscal Division

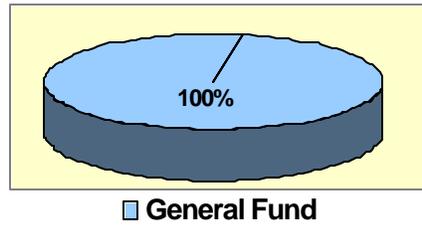
## Revenue Estimate Profile

### Electrical Energy Tax

#### Forecast Methodology



#### Distribution Methodology



#### 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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	KWH CY	KWH FY	Credits	Tax
	Fiscal	Millions	Millions	Millions	Millions	Millions	Rate
Actual	2000	4.829002	4.829002	21518.947177	22937.761931	0.000189	0.000200
Actual	2001	4.057952	4.057952	21083.324572	20444.170990	0.000000	0.000200
Actual	2002	4.197477	4.197477	21440.954697	21642.219243	0.000000	0.000200
Forecast	2003	4.329000	4.329000	21849.848310	21645.401504	0.000000	0.000200
Forecast	2004	4.408000	4.408000	22231.633786	22040.741048	0.000000	0.000200
Forecast	2005	4.483000	4.483000	22602.771343	22417.202565	0.000000	0.000200

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Federal Forest Receipts

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**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 receives 25 percent of the federal forest receipts. 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.

Beginning November 2000, HR 2389 (federal legislation) fixes the allocation to the state at the average of the highest three years of forest receipts in the state. Not more than 20 percent and not less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

**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.

**Summary of Legislative Action:** The 58th Legislature did not enact legislation that impacted this revenue source.

**Statute:** Title 17, Chapter 3, MCA

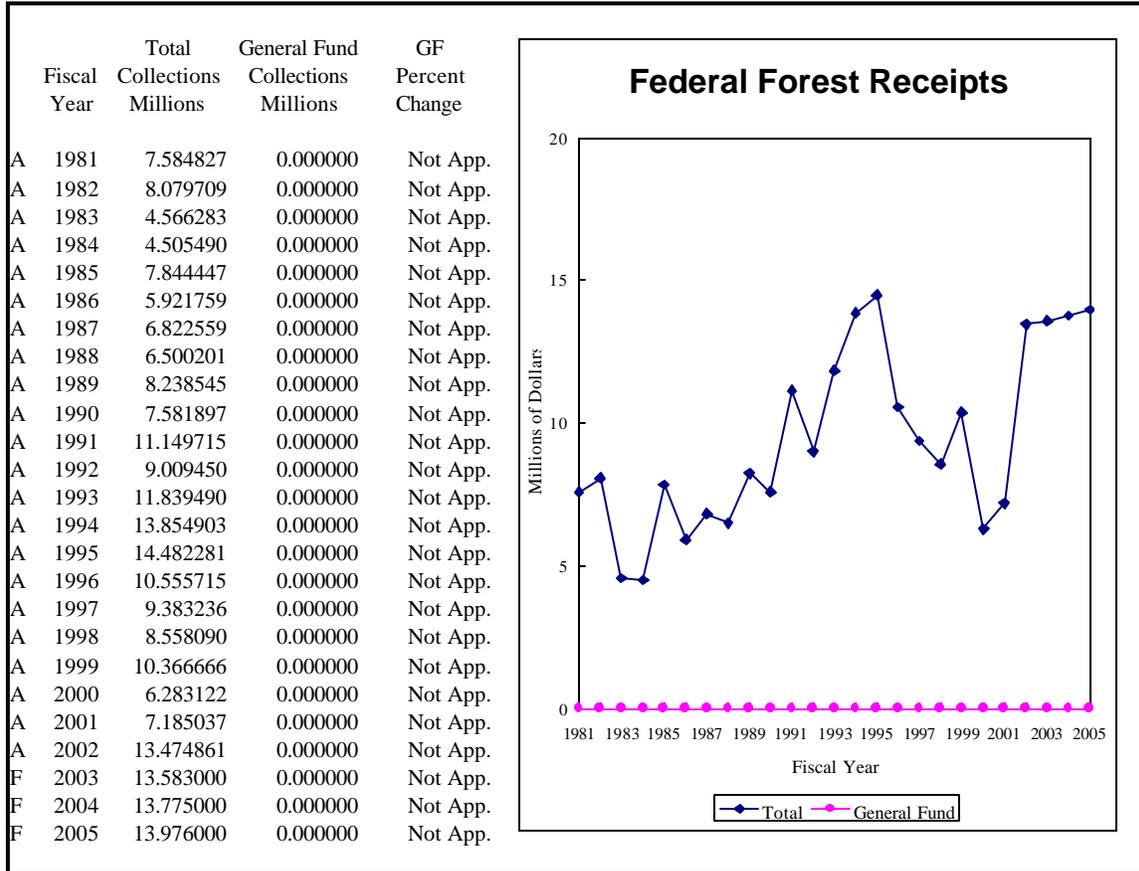
**% of Total FY 2002 General Fund Revenue:** Included in total property tax contribution.

# Legislative Fiscal Division

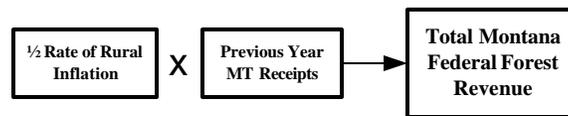
## Revenue Estimate Profile

### Federal Forest Receipts

#### Revenue Projection:



#### Forecast Methodology



#### Distribution Methodology



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Federal Forest Receipts

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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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	6.283122	0.000000
Actual	2001	7.185037	0.000000
Actual	2002	13.474861	0.000000
Forecast	2003	13.583000	0.000000
Forecast	2004	13.775000	0.000000
Forecast	2005	13.976000	0.000000

# 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.

**Applicable Tax Rate(s):** The tax rate is as follows:

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> <td style="text-align: center; border-bottom: 1px solid black;"><u>Gross Value</u></td> <td style="text-align: center; border-bottom: 1px solid black;"><u>Rate</u></td> </tr> <tr> <td style="text-align: center;">\$0-\$250,000</td> <td style="text-align: center;">Exempt</td> </tr> <tr> <td style="text-align: center;">\$250,001 and Above</td> <td style="text-align: center;">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> <td style="text-align: center; border-bottom: 1px solid black;"><u>Gross Value</u></td> <td style="text-align: center; border-bottom: 1px solid black;"><u>Rate</u></td> </tr> <tr> <td style="text-align: center;">\$0-\$250,000</td> <td style="text-align: center;">Exempt</td> </tr> <tr> <td style="text-align: center;">\$250,001 and Above</td> <td style="text-align: center;">1.6%</td> </tr> </table> <p style="font-size: small; margin-top: 5px;">* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals</p>	<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%												

**Distribution:** The distribution of the metal mines tax has been altered several times during the 1990s. The 2001 legislature enacted Senate Bill 484 (effective July 1, 2002) that creates 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 percent allocation of metalliferous mines tax revenue previously allocated to the orphan share account is now allocated to the hard-rock mining reclamation debt service fund. The table below shows recent historical distributions of the tax.

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

**Summary of Legislative Action:** The 58th Legislature did not enact legislation that impacted this general fund revenue source. However, due to the enactment of Senate Bill 460, deductions from the gross proceeds used to determine the amount of tax owed are increased by approximately \$14.3 million each year. Because the Department of Revenue had allowed these deductions prior to the enactment of the legislation in calculating the amount of tax owed, there is no change to general fund revenues. The legislation applies to metal mine production after December 31, 2003.

**Statute:** Title 15, Chapter 37, MCA

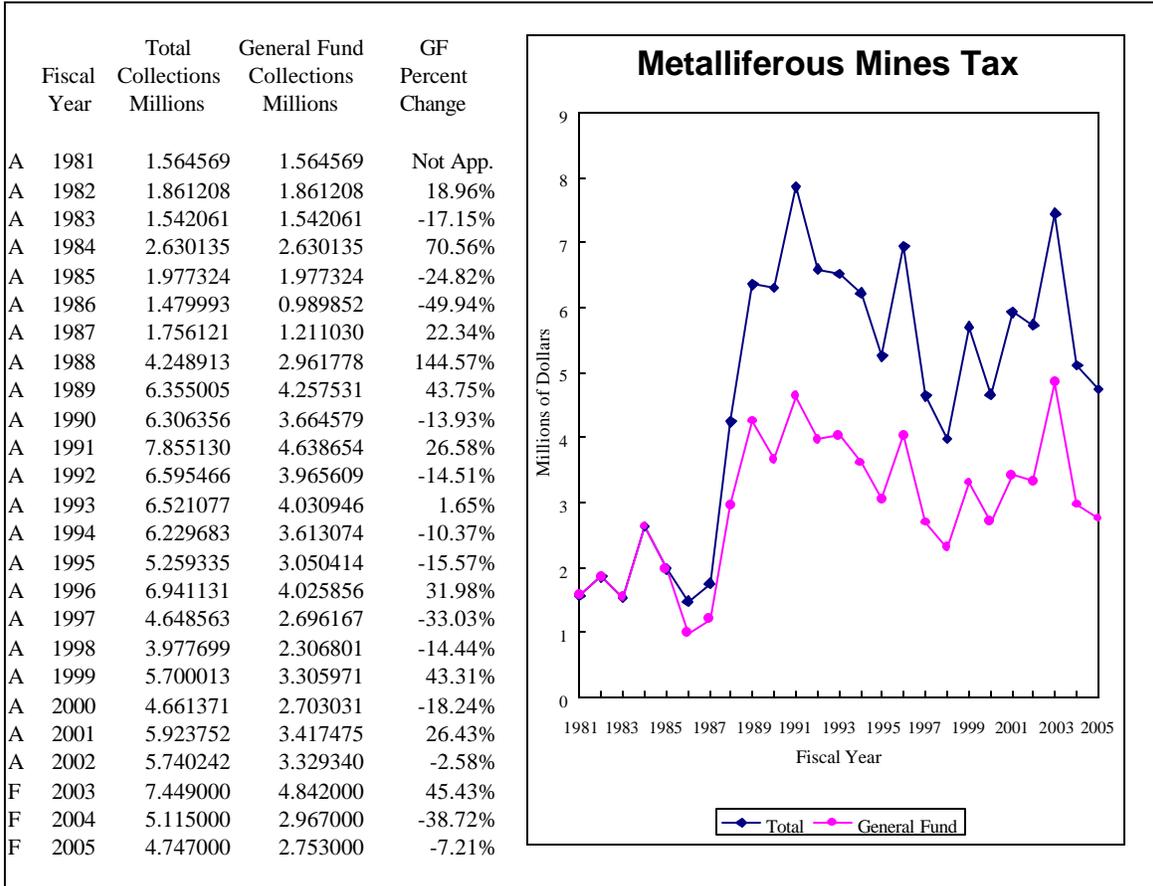
**% of Total FY 2002 General Fund Revenue:** 0.26%

# Legislative Fiscal Division

## Revenue Estimate Profile

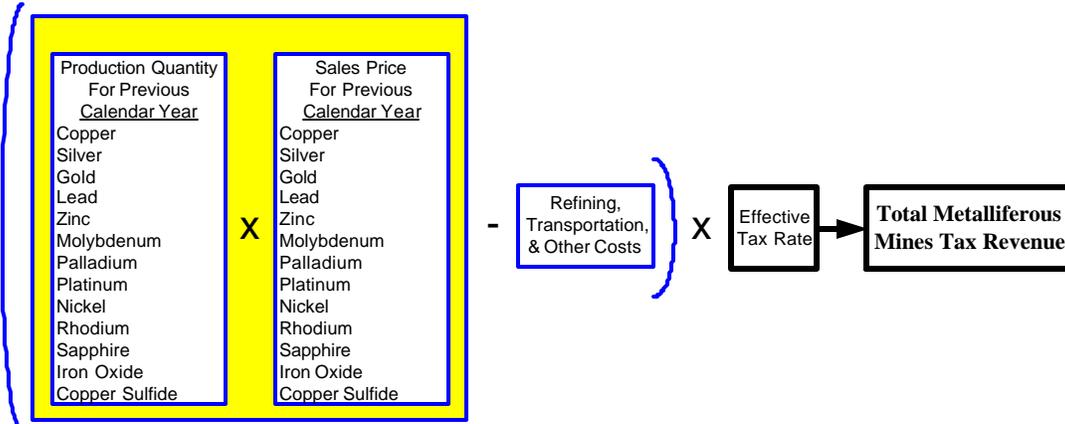
### Metalliferous Mines Tax

#### Revenue Projection:



#### Forecast Methodology

Summed by Each Mining Company

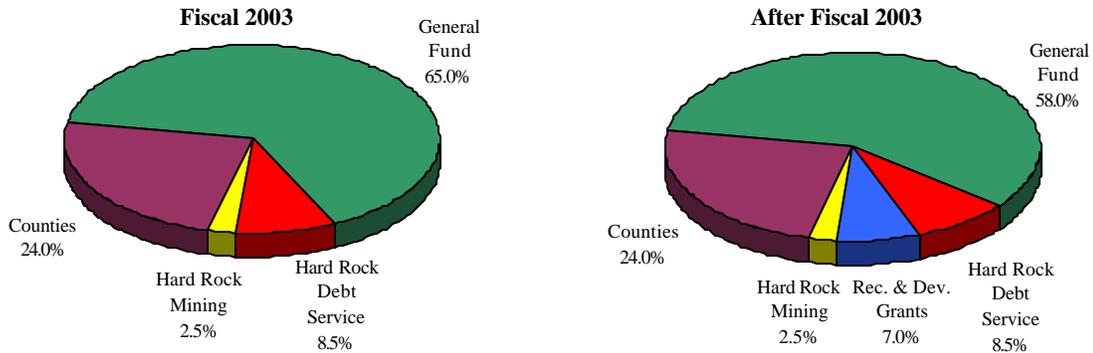


# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

#### Distribution Methodology



#### 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 2003 legislature that may affect future estimates of this revenue source.

t	Total Tax	GF Tax	Tax Value CY	Effective	GF Percent
Fiscal	Millions	Millions	Millions	Rate	Allocation
Actual 2000	4.661371	2.703031	362.467734	0.016343	57.9879%
Actual 2001	5.923752	3.417475	355.643466	0.016140	57.6911%
Actual 2002	5.740242	3.329340	291.782345	0.016140	58.0000%
Forecast 2003	7.449000	4.842000	339.486841	0.016140	65.0000%
Forecast 2004	5.115000	2.967000	294.323795	0.016140	58.0000%
Forecast 2005	4.747000	2.753000	293.911407	0.016140	58.0000%

Comdty. Prod.	t	Copper	Silver	Gold	Lead	Zinc	Moly	Palladium
	Cal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	4.311635	1.579330	0.291116	10.105733	21.461326	5.352760	0.332272
Actual	2001	0.279519	0.867094	0.273483	14.750164	24.383338	0.000000	0.403431
Forecast	2002	0.343066	0.747801	0.183919	10.768170	23.819168	0.000000	0.493164
Forecast	2003	0.391310	0.751251	0.218935	10.768170	23.819168	0.000000	0.562643
Forecast	2004	0.391310	0.738399	0.076006	10.768170	23.819168	0.000000	0.562643
Forecast	2005	0.391310	0.738399	0.076006	10.768170	23.819168	0.000000	0.562643

Comdty. Prod.	t	Platinum	Nickel	Rhodium	Sapphire	Iron Oxide	Copper Sul	Refining
	Cal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.090566	0.000000	0.000000	0.000000	0.000000	63.532751	-10.330456
Actual	2001	0.118020	0.626935	0.003480	0.000000	0.000000	0.000000	-18.811518
Forecast	2002	0.146836	0.769465	0.004271	0.000000	0.000000	0.000000	-18.811518
Forecast	2003	0.167357	0.877671	0.004872	0.000000	0.000000	0.000000	-18.811518
Forecast	2004	0.167357	0.877671	0.004872	0.000000	0.000000	0.000000	-18.811518
Forecast	2005	0.167357	0.877671	0.004872	0.000000	0.000000	0.000000	-18.811518

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Metalliferous Mines Tax

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Comdty. Price	t Cal	Copper Dollars	Silver Dollars	Gold Dollars	Lead Dollars	Zinc Dollars	Moly Dollars	Palladium Dollars
Actual	2000	0.646454	4.603820	276.279562	0.200607	0.502159	2.055080	532.358802
Actual	2001	0.624133	4.067554	267.641016	0.217897	0.377707	0.000000	547.982168
Forecast	2002	0.635294	4.630000	306.000000	0.218968	0.377707	0.000000	321.000000
Forecast	2003	0.629714	4.440000	322.000000	0.215118	0.377707	0.000000	321.000000
Forecast	2004	0.632504	4.680000	332.000000	0.213148	0.377707	0.000000	321.000000
Forecast	2005	0.631109	4.900000	324.000000	0.216283	0.377707	0.000000	321.000000

Comdty. Price	t Cal	Platinum Dollars	Nickel Dollars	Rhodium Dollars	Sapphire Dollars	Iron Oxide Dollars	Copper Sul Dollars
Actual	2000	534.518638			0.000000	0.000000	0.522703
Actual	2001	490.635630	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2002	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2003	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2004	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2005	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000

# 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 other mineral or crude oil in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production.

**Applicable Tax Rate(s):** The oil & 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, an incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or two, and whether the interest being taxed is the working interest or the royalty interest. The following table shows tax rate percentages for each type of pre-1999 oil and post-1999 oil. Tax rates were reduced by 0.04 percent beginning July 1, 2001 due to reduced revenue needs by the Board of Oil and Gas Conservation.

**Distribution:** Once the oil and natural gas production tax has been collected, it is divided into a county share and a state share. The state share is further allocated to the general fund and other state accounts. These other state accounts include the coal bed methane account, the orphan share account, the reclamation and development account, and the university system 6 mill levy state special revenue account. The remaining amount after allocations to the counties is allocated to the following accounts:

**Fiscal 2003**

- ?? Coal bed methane account - \$400,000
- ?? General fund – the remainder

**Fiscal 2004 through Fiscal 2011**

- ?? Coal bed methane account – 1.23%
- ?? Reclamation and development account – 2.95%
- ?? Orphan share account – 2.95%
- ?? University system 6 mill levy account – 2.65%
- ?? General fund – the remainder

The distributions of county shares are statutorily appropriated and are based on the amount of oil and natural gas taxes paid on production in the taxing unit.

**Summary of Legislative Action:**

House Bill 748 – Distribution of the revenue from the oil and natural gas production tax to local governments and the state is changed resulting in a recharacterization of a portion of the revenue from non levy general fund property tax revenue to oil and natural gas production tax revenue and causing a one-time acceleration of revenue in fiscal 2003. The revenue effects and details of the changes to the property tax revenues are shown under that revenue source. Under prior law, a portion of the local government share of oil and natural gas revenue was returned to the state general fund as 95 mill and 6 mill non levy revenue. With the passage of House Bill 748, beginning tax year 2003, the distribution to each county is based on a statutory percentage of production in the taxing entity and the state 95 mill and 6 mill share is captured upfront. The state receives an increase in general

**Oil and Natural Gas Production Tax Rates  
Beginning July 1, 2001**

	Tax Rates
<b>Oil Production</b>	
Working Interests	
Pre 99 after 12 Months	12.76%
Post 99 First 12 Months	76.00%
Post 99 after 12 months	9.26%
Stripper 4-10 barrels per day	5.76%
Stripper 11-15 barrels per day	9.26%
Stripper Well Exemption	76.00%
Pre99 Horizontal after 18 months	12.76%
Post 99 Horizontal first 18 months	76.00%
Post 99 Horizontal after 18 months	9.26%
Incremental - secondary	8.76%
Incremental - tertiary	6.06%
Pre99 Horizontal Recomp - after 18 months	12.76%
Post99 Horizontal Recomp - first 18 months	5.76%
Post99 Horizontal Recomp - after 18 months	9.26%
<b>Royalty interests</b>	<b>15.06%</b>
<b>Natural Gas Production</b>	
Working Interests	
Pre-99 after 12 months	15.06%
Post 99 first 12 months	0.76%
Post 99 after 12 months	9.26%
Pre 99 stripper wells	11.26%
Horizontal first 18 months	0.76%
Horizontal after 18 months	9.26%
<b>Royalty Interests</b>	<b>15.06%</b>

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

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fund oil and natural gas production tax revenue of \$12,331,776 in fiscal 2004 and \$12,230,315 in fiscal 2005, but loses non levy revenue in the same amounts. Because the law is effective on passage and approval and applies to oil and natural gas production beginning January 1, 2003, there is a one-time increase in general fund oil and natural gas production tax revenue in fiscal 2003 of \$3,272,910. Of the portion of oil and natural gas production tax revenue remaining after distribution to the counties, the following state percentage distributions apply:

- Fiscal 2003
  - \$400,000 to the coal bed methane protection account
  - the remainder to the general fund
- Fiscal 2004 through Fiscal 2011 (as a result of coordination between HB748 and HB 584)
  - 1.23 percent to the coal bed methane protection account
  - 2.95 percent to the reclamation and development grants account
  - 2.95 percent to the orphan share account
  - 2.65 percent to the 6 mill account for the university system
  - all remaining funds to the general fund.

Under prior law, the orphan share account and associated funding sources sunset at the end of fiscal 2005. House Bill 748 in conjunction with House Bill 584 continues the allocation of oil and gas tax revenue to the orphan share account.

#### Summary of Legislative Action:

Oil & Natural Gas Production Tax -- Legislation Passed by 58th Legislature			
Estimated General Fund Impact for the 2005 Biennium			
Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
HB0748 Simplification of oil and natural gas tax distribution	3,272,910	12,331,776	12,230,315
Total Estimated General Fund Impact	<u>\$3,272,910</u>	<u>\$12,331,776</u>	<u>\$12,230,315</u>

**Statute:** Title 15, Chapter 36, MCA

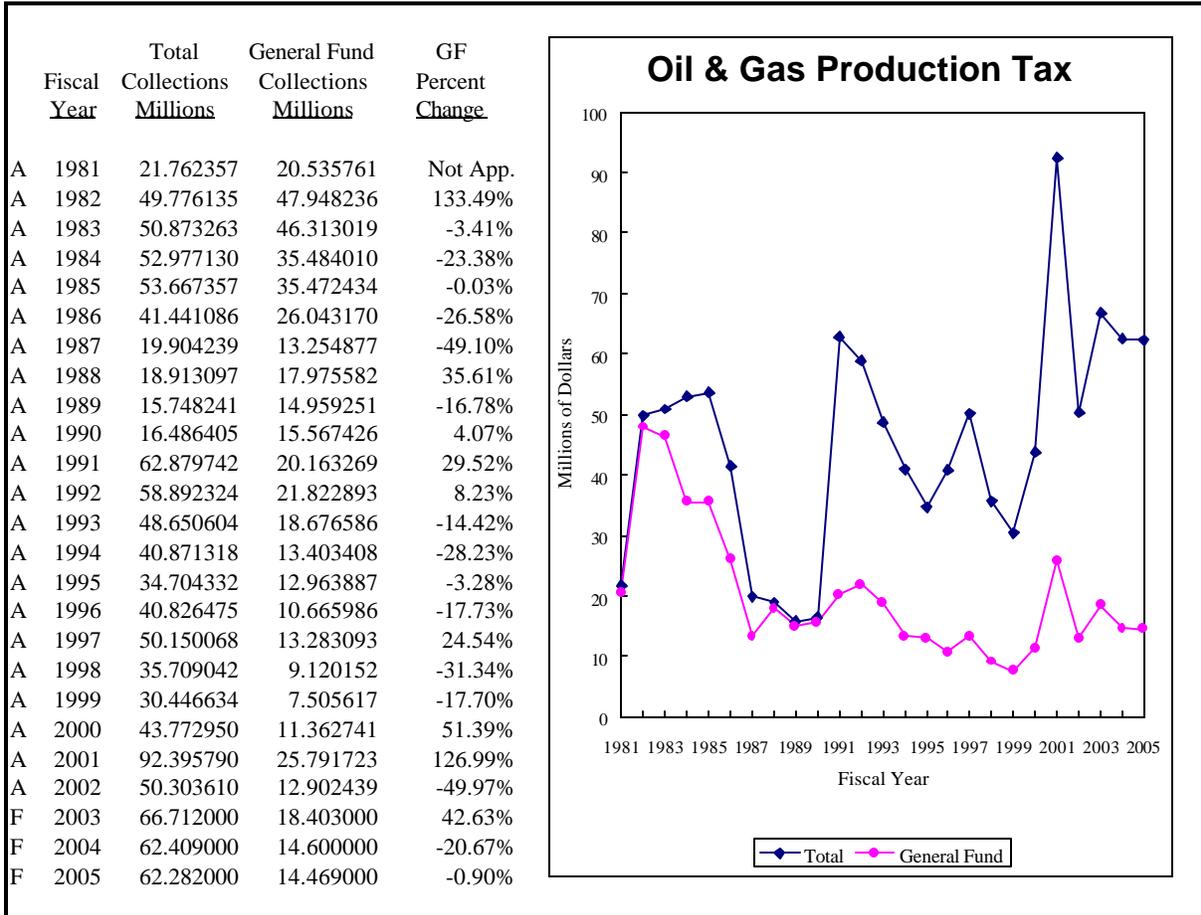
**% of Total FY 2002 General Fund Revenue:** 1.02%

# Legislative Fiscal Division

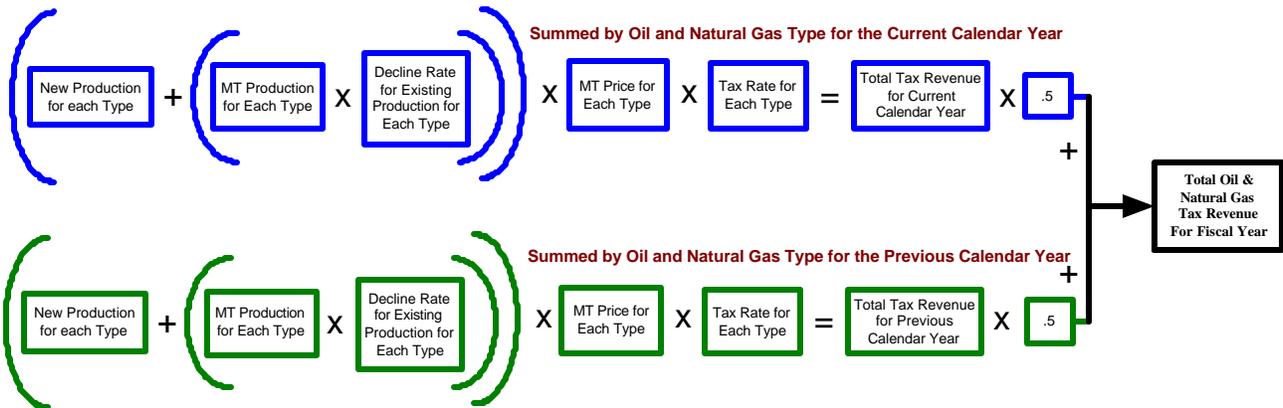
## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

**Revenue Projection:**



**Forecast Methodology**

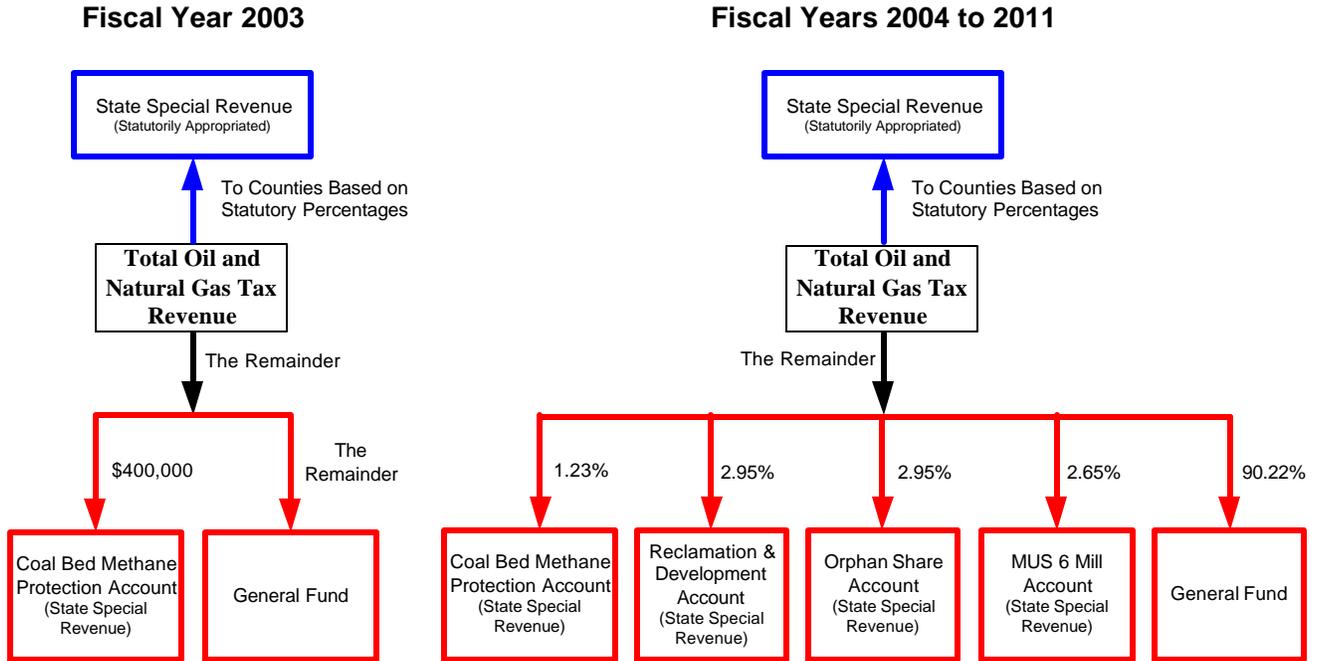


# Legislative Fiscal Division

## Revenue Estimate Profile

### Oil and Natural Gas Production Tax

#### Distribution Methodology



# 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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Composite
	Fiscal	Millions	Millions	GF Allocation
Actual	2000	43.772950	11.362741	0.259584
Actual	2001	92.395790	25.791723	0.279144
Actual	2002	50.303610	12.902439	0.256491
Forecast	2003	66.712000	18.403000	0.275863
Forecast	2004	62.409000	14.600000	0.233937
Forecast	2005	62.282000	14.469000	0.232318

<b>Oil</b>	t	Barrels	Price	Gross Value	Exempt Value	Effective	Total Tax
	Cal	Millions	Per Barrel	Millions	Millions	Tax Rate	Millions
Actual	2000	15.770217	27.666849	436.312212	15.727729	0.114821	48.291803
Actual	2001	15.981505	22.816391	364.640267	13.200286	0.102083	35.876151
Forecast	2002	16.190594	23.129670	374.483107	13.631898	0.102561	37.125766
Forecast	2003	16.382958	22.299670	365.334549	13.307896	0.101680	35.969943
Forecast	2004	16.559932	21.799670	361.001056	13.158059	0.100891	35.322105
Forecast	2005	16.811918	21.299670	358.088299	13.034953	0.099838	34.694787

<b>Gas</b>	t	MCF's	Price	Gross Value	Exempt Value	Effective	Total Tax
	Cal	Millions	Per MCF	Millions	Millions	Tax Rate	Millions
Actual	2000	66.163277	2.901700	191.985981	9.066332	0.106032	19.395351
Actual	2001	76.713082	3.188642	244.610555	11.319744	0.104020	24.266868
Forecast	2002	84.503890	2.010000	169.852819	7.636583	0.104440	16.730885
Forecast	2003	91.671434	3.000000	275.014303	12.118831	0.102897	26.484492
Forecast	2004	98.265575	2.910000	285.952823	12.398641	0.101660	27.040177
Forecast	2005	104.332183	2.830000	295.260079	12.633415	0.100648	27.504855

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Tax

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**Revenue Description:** The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal, as well as most minerals, excluding metals and 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.

**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 metals and excluding oil and natural gas because 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 fiscal 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. The remainder of RIGWA tax proceeds is distributed in the following order:

1. \$366,000 each year of RIGWA tax proceeds is deposited in the ground water assessment account
2. 50.0% of the remainder to the reclamation and development grants account
3. \$150,000 a year to the natural resource worker scholarship account (enacted by the 2001 legislature in Senate Bill 322 and effective for five fiscal years)
4. the remainder to the orphan share account

#### Summary of Legislative Action:

House Bill 10 - The legislation does not change the amount of tax revenue, however the distribution changes. A new CERCLA match debt service account is established to pay debt service on CERCLA bonds issued by the Board of Examiners to pay state costs of remedial actions, matching funds for underground storage tank corrective action, and issuance costs. Revenue from RIGWA and from the CERCLA cost recovery account is pledged to the account and is statutorily appropriated. The allocation of RIGWA to the account is in the amount necessary to pay any debt service on CERCLA bonds for the subsequent fiscal year and must be allocated before any other allocations. Based on estimates by the Department of Environmental Quality, \$5.0 million of bonds will be sold to match federal funding for the Libby superfund site for annual debt service amounts of \$430,630. Therefore, \$430,630 each year of tax proceeds will be allocated to the new debt service account and tax proceeds that had been allocated to the orphan share account and the reclamation and development account will each be reduced \$215,315 each year.

HB 584 – Although the legislation has no fiscal impacts in the 2005 biennium, changes do affect subsequent biennia. Under prior law, the orphan share program and associated funding from a portion of the resource indemnity tax terminate June 30, 2005. The legislation removes the termination, thus making the orphan share program permanent. The legislation is effective on passage and approval.

**Statute:** Title 15, Chapter 38, MCA

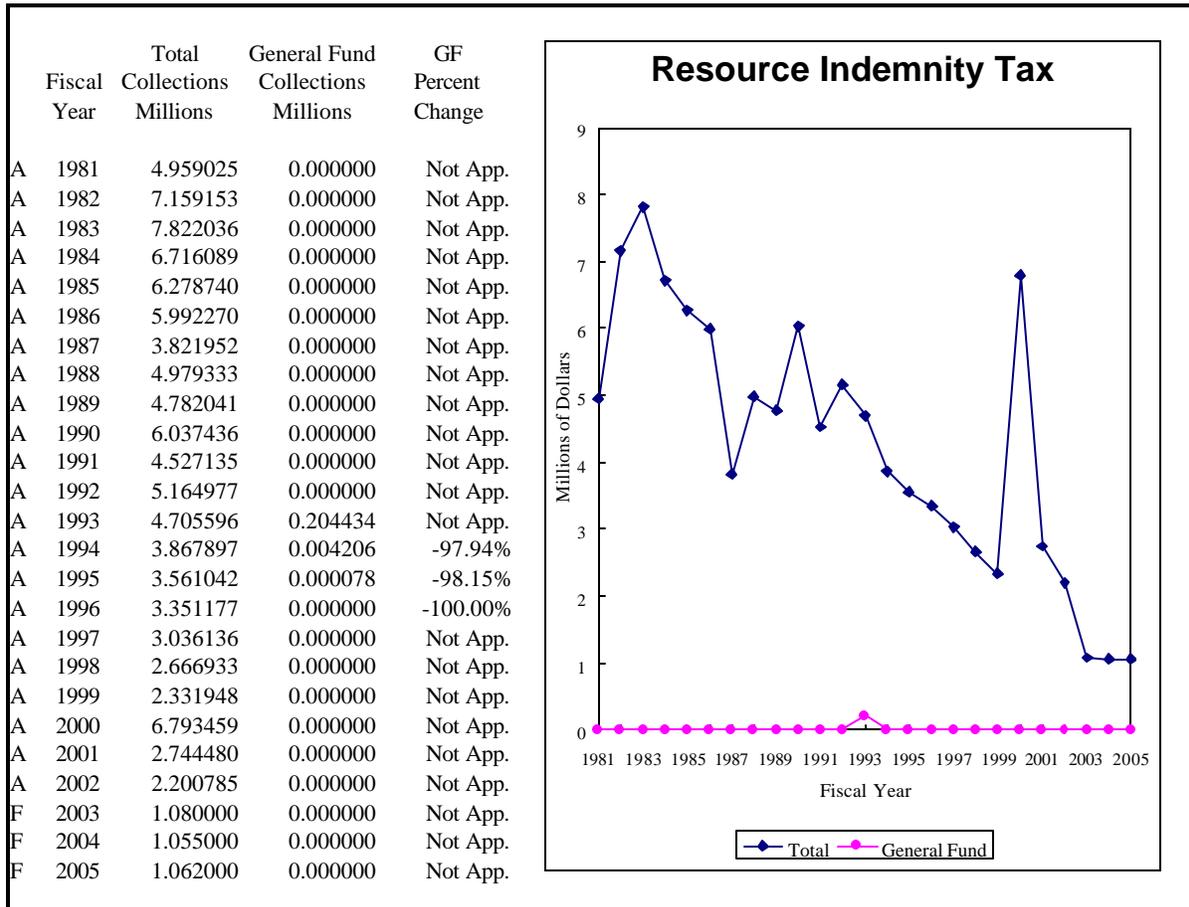
**% of Total FY 2002 General Fund Revenue:** N/A

# Legislative Fiscal Division

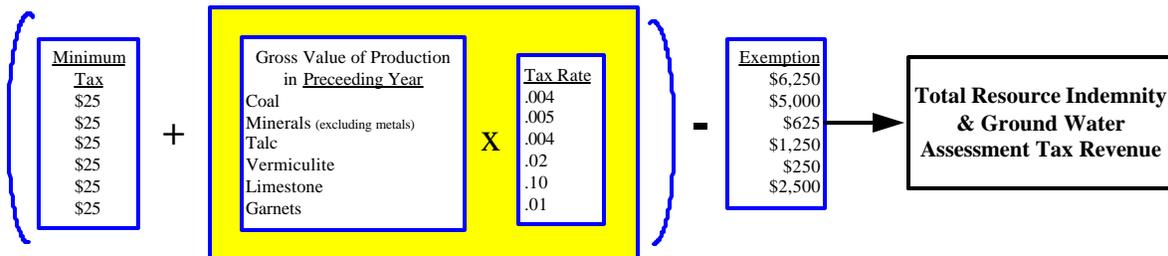
## Revenue Estimate Profile

### Resource Indemnity Tax

#### Revenue Projection:



#### Forecast Methodology

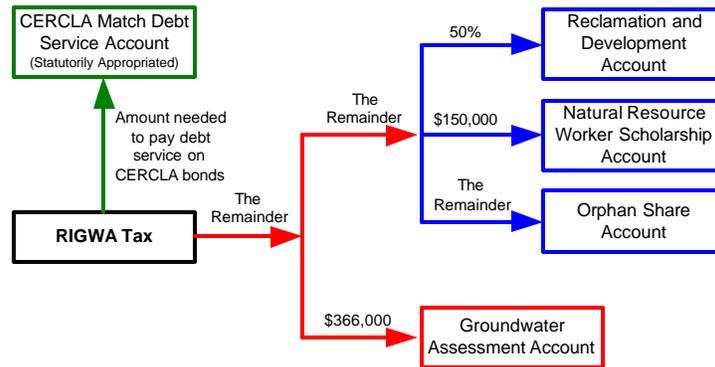


# Legislative Fiscal Division

## Revenue Estimate Profile

### Resource Indemnity Tax

#### Distribution Methodology



#### 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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Oil	Natural Gas	Coal	Metals	Other
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	6.793459	0.000000	0.851792	0.159668	0.906413	0.000000	0.239000
Actual	2001	2.744480	0.000000	1.667407	0.000000	0.838000	0.000000	0.239000
Actual	2002	2.200785	0.000000	0.976477	0.000000	0.826000	0.000000	0.239000
Forecast	2003	1.080000	0.000000	0.000000	0.000000	0.841000	0.000000	0.239000
Forecast	2004	1.055000	0.000000	0.000000	0.000000	0.816000	0.000000	0.239000
Forecast	2005	1.062000	0.000000	0.000000	0.000000	0.823000	0.000000	0.239000

	t	Trust Other	Trust Metal	Renewable	Ground	Reclamation	Orphan	Trust Balance
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	3.391472	0.000000	0.000000	0.521579	1.440204	1.440204	96.404163
Actual	2001	2.205880	0.000000	0.000000	0.300000	0.119300	0.119300	100.373547
Actual	2002	1.588631	0.000000	0.000000	0.300000	0.156077	0.156077	102.065653
Forecast	2003	0.000000	0.000000	0.000000	0.366000	0.357000	0.207000	99.999990
Forecast	2004	0.000000	0.000000	0.000000	0.366000	0.345000	0.194000	99.999990
Forecast	2005	0.000000	0.000000	0.000000	0.366000	0.348000	0.198000	99.999990

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

**Revenue Description:** Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0 percent of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. 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.

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

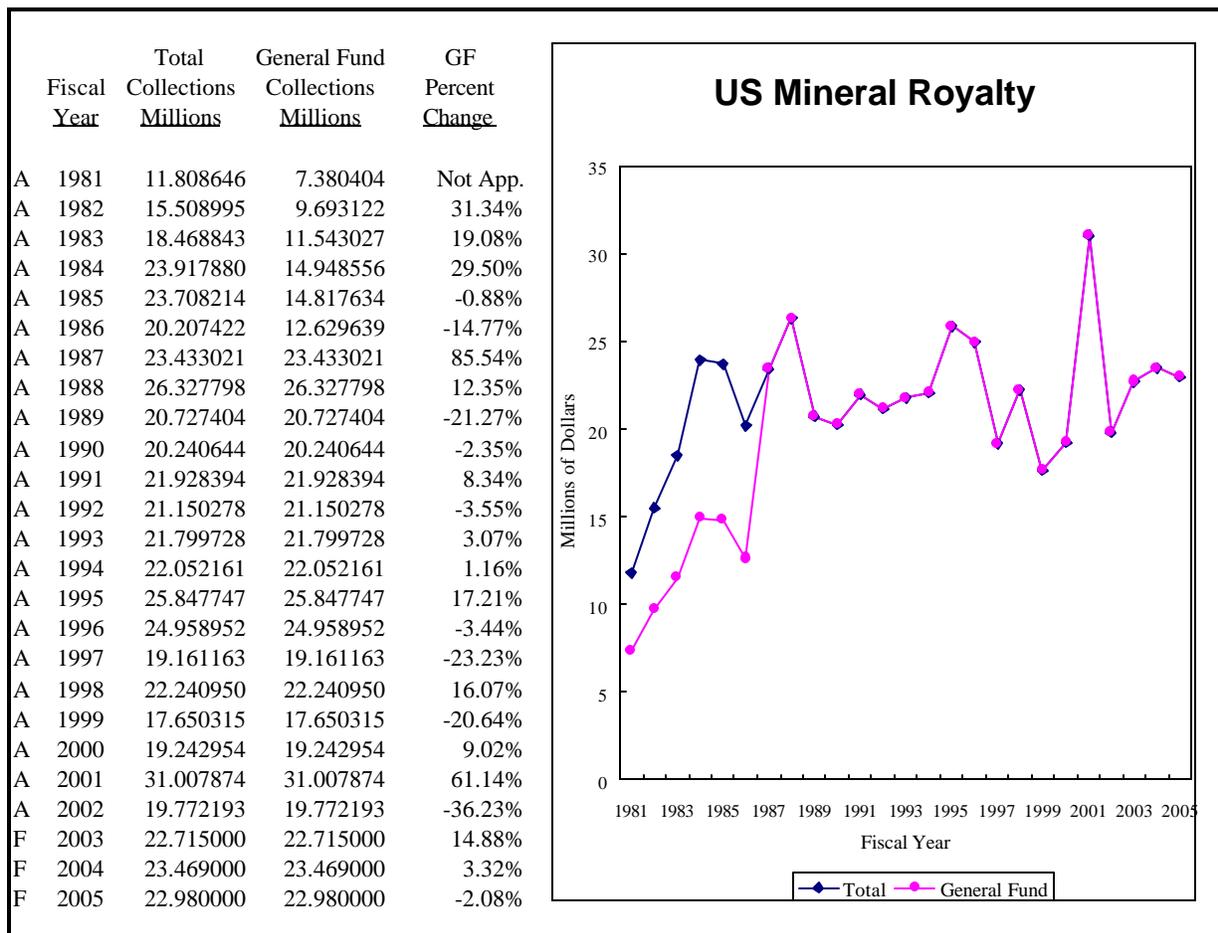
**Distribution:** All receipts are deposited into the general fund.

**Summary of Legislative Action:** The 58<sup>th</sup> Legislature did not enact legislation that impacted this general fund revenue source.

**Statute:** N/A

**% of Total FY 2002 General Fund Revenue:** 1.56%

#### Revenue Projection:

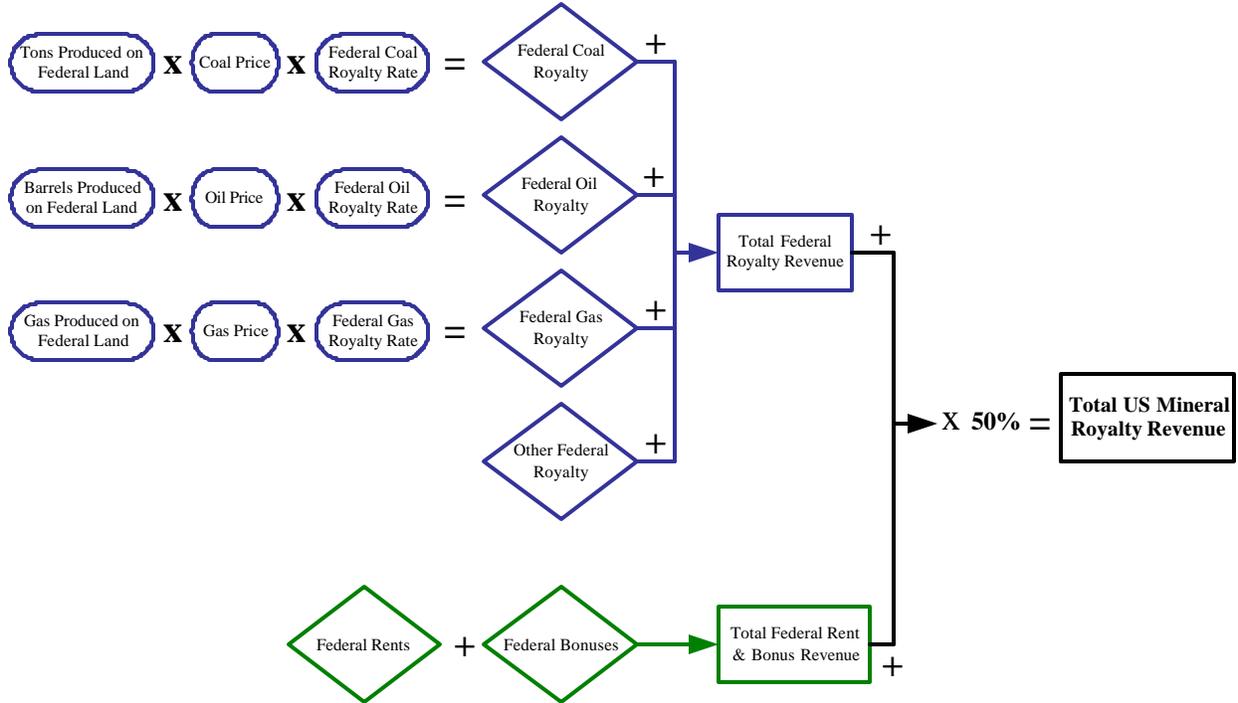


# Legislative Fiscal Division

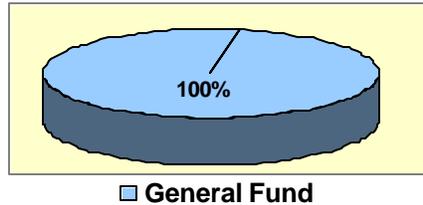
## Revenue Estimate Profile

### US Mineral Royalty

#### Forecast Methodology



#### Distribution Methodology



#### 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 2003 legislature that may affect future estimates of this revenue source.

# Legislative Fiscal Division

## Revenue Estimate Profile

### US Mineral Royalty

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>One-Time</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Settlement</u>
				<u>Millions</u>
Actual	2000	19.242954	19.242954	
Actual	2001	31.007874	31.007874	6.038000
Actual	2002	19.772193	19.772193	0.000000
Forecast	2003	22.715000	22.715000	0.000000
Forecast	2004	23.469000	23.469000	0.000000
Forecast	2005	22.980000	22.980000	0.000000

	<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	2.844204	23.263951	18.562337	26.936413	8.896481	3.716299
Actual	2001	2.882311	24.008898	21.522120	22.214013	8.184205	4.083795
Forecast	2002	2.920020	24.299180	23.707863	22.519021	8.464896	2.574271
Forecast	2003	2.954713	22.001140	25.718740	21.710934	8.300301	3.842195
Forecast	2004	2.986630	23.314760	27.568740	21.224134	8.194804	3.726929
Forecast	2005	3.101245	20.826560	29.270751	20.737335	7.729627	3.624471

	<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	0.109451	0.122845	0.123153	8.385332	25.424898	8.495487
Actual	2001	0.109593	0.123490	0.123186	7.016987	24.265012	10.827055
Forecast	2002	0.109691	0.123400	0.122814	7.212840	25.382151	7.495395
Forecast	2003	0.109445	0.123229	0.122909	7.020851	22.503598	12.145427
Forecast	2004	0.109603	0.123186	0.122916	6.947585	23.535902	12.629218
Forecast	2005	0.109288	0.123337	0.123045	7.028481	19.854980	13.053966

	<u>t</u>	<u>Other</u>	<u>Rent&amp;Bonus</u>	<u>Total</u>	<u>Adm. Fee</u>	<u>State</u>
	<u>Cal</u>	<u>Royalty</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Share</u>
Actual	2000	0.106007	2.538708	44.950432	1.039176	21.436040
Actual	2001	0.110419	5.361460	47.580933	0.259794	23.530673
Forecast	2002	0.107805	4.432048	44.630239	0.000000	22.315120
Forecast	2003	0.108077	4.449946	46.227899	0.000000	23.113950
Forecast	2004	0.107296	4.425656	47.645657	0.000000	23.822829
Forecast	2005	0.107726	4.226223	44.271376	0.000000	22.135688

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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) and effective January 1, 2000, is imposed on the amount of electricity transmitted by a transmission services provider in the state.

**Applicable Tax Rate(s):** The current tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted. 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; and 6) electricity that has been subject to the transmission tax in another state.

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

**Summary of Legislative Action:** The 58th Legislature did not enact legislation that impacted this general fund revenue source.

**Statute:** Title 15, Chapter 72, MCA

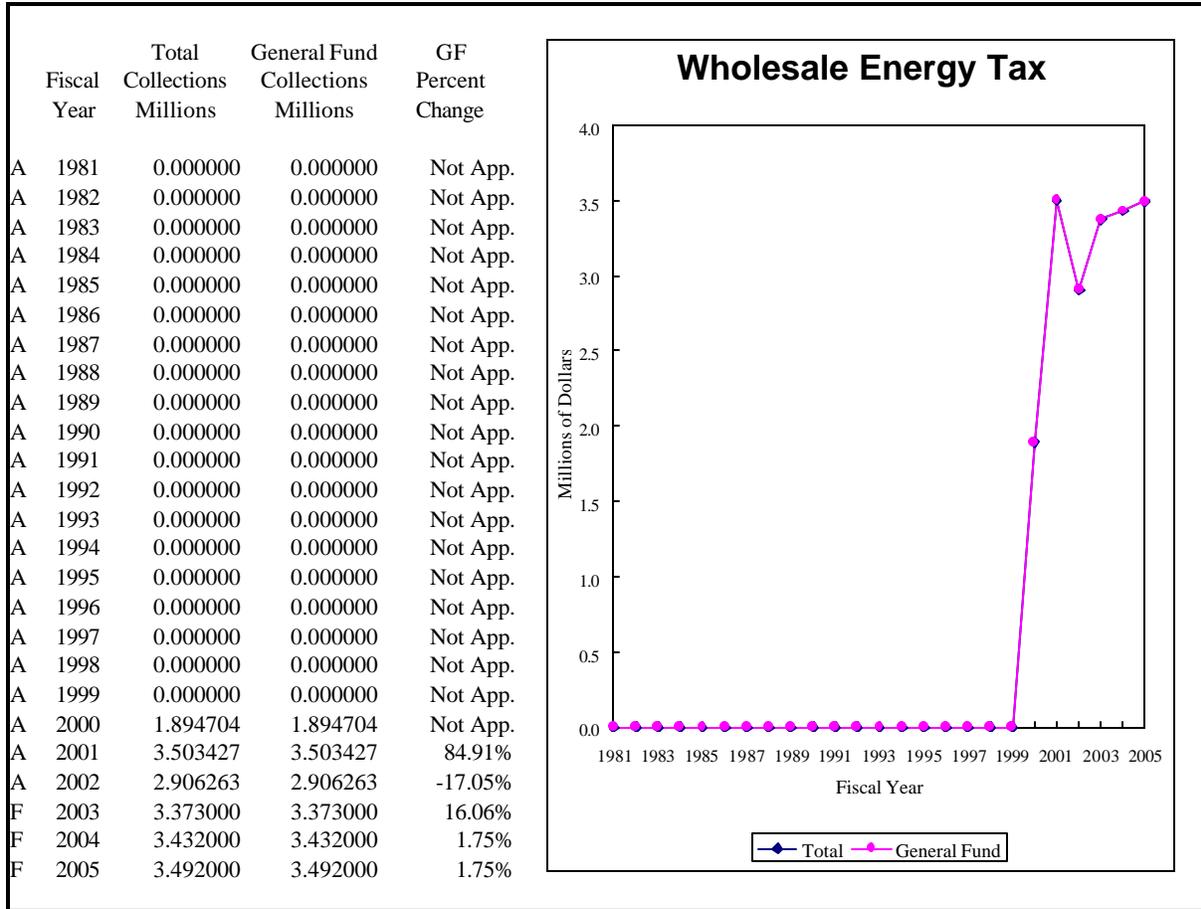
**% of Total FY 2002 General Fund Revenue:** 0.23%

# Legislative Fiscal Division

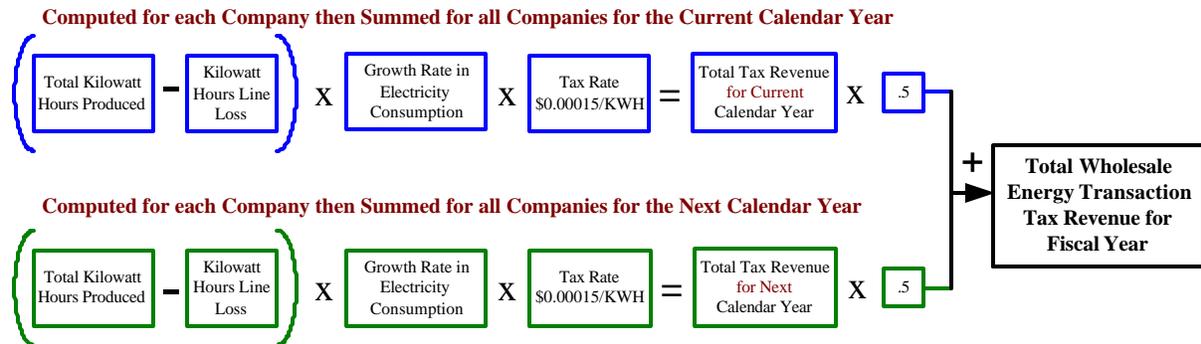
## Revenue Estimate Profile

### Wholesale Energy Tax

#### Revenue Projection:



#### Forecast Methodology



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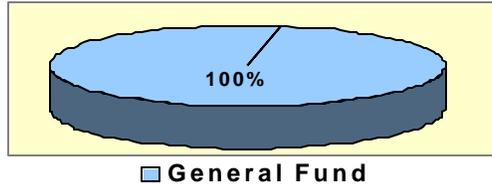
# Legislative Fiscal Division

## Revenue Estimate Profile

### Wholesale Energy Tax

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#### Distribution Methodology



#### 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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	KWH CY	KWH FY	Credits	Tax
	Fiscal	Millions	Millions	Millions	Millions	Millions	Rate
Actual	2000	1.894704	1.894704	24014.897114	12273.924051	0.000000	0.000150
Actual	2001	3.503427	3.503427	22620.081642	22658.110488	0.000000	0.000150
Actual	2002	2.906263	2.906263	22987.511582	22775.157501	0.000000	0.000150
Forecast	2003	3.373000	3.373000	23398.126899	22489.410171	0.000000	0.000150
Forecast	2004	3.432000	3.432000	23794.853518	22880.160110	0.000000	0.000150
Forecast	2005	3.492000	3.492000	24218.357593	23278.167335	0.000000	0.000150