



AN ACT ESTABLISHING AN OIL, GAS, AND COAL NATURAL RESOURCE ACCOUNT; REDIRECTING COAL SEVERANCE TAX LOCAL IMPACT FUNDS FROM THE SHARED ACCOUNT; ENACTING A TAX ON OIL AND GAS PRODUCTION THAT TIES TO THE UNUSED PORTION OF THE TAX RATE AUTHORITY OF THE BOARD OF OIL AND GAS CONSERVATION; PROVIDING THAT THE TAX PROCEEDS ARE DEPOSITED INTO THE OIL, GAS, AND COAL NATURAL RESOURCE ACCOUNT; PROVIDING FOR A DISTRIBUTION BETWEEN COUNTY AND MUNICIPAL GOVERNMENTS OF THE COUNTY; AMENDING SECTIONS 15-35-108, 15-36-304, 15-36-331, AND 15-36-332, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Oil, gas, and coal natural resource account. There is an oil, gas, and coal natural resource account in the state special revenue fund. The collections allocated to the account from 15-35-108(7) and 15-36-331(2) must be deposited in the account.

Section 2. Section 15-35-108, MCA, is amended to read:

"15-35-108. (Temporary) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) For the fiscal year ending June 30, 2003, the amount of 10% and for fiscal years beginning on or after July 1, 2003, the amount of 12% of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) For the fiscal year ending June 30, 2003, the amount of 6.01% and for fiscal years beginning on or after July 1, 2003, the amount of ~~7.75%~~ 5.02% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national

networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) For fiscal years beginning on or after July 1, 2003, the amount of 1.27% must be allocated to a permanent fund account for the purpose of parks acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses, must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) For fiscal years beginning on or after July 1, 2003, the amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund, excluding unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) The amount of 2.73% must be credited to the oil, gas, and coal natural resource account established in [section 1].

~~(7)(8)~~ (a) Subject to subsections ~~(7)(b) and (7)(c)~~ (8)(b) and (8)(c), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from \$140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:

(i) \$65,000 to the cooperative development center;

(ii) for fiscal years beginning on or after July 1, 2003, \$1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

(iii) to the department of commerce:

(A) \$125,000 for a small business development center;

(B) \$50,000 for a small business innovative research program;

(C) \$425,000 for certified regional development corporations;

(D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;

and

(E) \$300,000 for export trade enhancement; and

(iv) \$600,000 to the department of administration for the purpose of reimbursing tax increment financing industrial districts as provided in 7-15-4299. Reimbursement must be made to qualified districts on a proportional basis to the loss of taxable value as a result of Chapter 285, Laws of 1999, and as documented by the department of revenue. This documentation must be provided to the budget director and to the legislative fiscal analyst. The reimbursement may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the district.

(c) Beginning July 1, 2003, there is transferred annually from the interest income referred to in subsection (7)(b) ~~(8)(b)~~ \$3.65 million to the research and commercialization state special revenue account created in 90-3-1002. (Terminates June 30, 2005--sec. 10(2), Ch. 10, Sp. L. May 2000; sec. 8(1), Ch. 12, Sp. L. August 2002.)

15-35-108. (Effective July 1, 2005) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of ~~7.75%~~ 5.02% must be credited to an account in the state special revenue fund to be allocated by the legislature for ~~local impacts~~, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses, must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) The amount of 2.73% must be credited to the oil, gas, and coal natural resource account established in [section 1].

~~(7)~~(8) (a) Subject to subsection ~~(7)(b)~~ (8)(b), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from \$140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:

- (i) \$65,000 to the cooperative development center;
- (ii) \$1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;
- (iii) \$3.65 million to the research and commercialization state special revenue account created in 90-3-1002;

(iv) to the department of commerce:

- (A) \$125,000 for a small business development center;
- (B) \$50,000 for a small business innovative research program;
- (C) \$425,000 for certified regional development corporations;
- (D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;

and

(E) \$300,000 for export trade enhancement. (Terminates June 30, 2010--sec. 6, Ch. 481, L. 2003.)

15-35-108. (Effective July 1, 2010) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of ~~7.75%~~ 5.02% must be credited to an account in the state special revenue fund to be allocated by the legislature for ~~local impacts~~, provision of basic library services for the residents of all counties

through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses, must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) The amount of 2.73% must be credited to the oil, gas, and coal natural resource account established in [section 1].

~~(7)~~(8) All other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state."

Section 3. Section 15-36-304, MCA, is amended to read:

"15-36-304. Production tax rates imposed on oil and natural gas. (1) The production of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-331 and 15-36-332.

(2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of production according to the following schedule for working interest and nonworking interest owners:

| | Working Interest | Nonworking Interest |
|--|---------------------|------------------------|
| (a) (i) first 12 months of qualifying production | 0.5% | 14.8% |
| (ii) after 12 months: | | |
| (A) pre-1999 wells | 14.8% | 14.8% |
| (B) post-1999 wells | 9% | 14.8% |

| | | |
|--|------|-------|
| (b) stripper natural gas pre-1999 wells | 11% | 14.8% |
| (c) horizontally completed well production: | | |
| (i) first 18 months of qualifying production | 0.5% | 14.8% |
| (ii) after 18 months | 9% | 14.8% |

(3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural gas production from a well begins following the last day of the calendar month immediately preceding the month in which natural gas is placed in a natural gas distribution system, provided that notification has been given to the department.

(4) The reduced tax rate under subsection (2)(c)(i) on production from a horizontally completed well for the first 18 months of production begins following the last day of the calendar month immediately preceding the month in which natural gas is placed in a natural gas distribution system, provided that notification has been given to the department.

(5) Oil is taxed on the gross taxable value of production based on the type of well and type of production according to the following schedule for working interest and nonworking interest owners:

| | Working Interest | Nonworking Interest |
|---|---------------------|------------------------|
| (a) primary recovery production: | | |
| (i) first 12 months of qualifying production | 0.5% | 14.8% |
| (ii) after 12 months: | | |
| (A) pre-1999 wells | 12.5% | 14.8% |
| (B) post-1999 wells | 9% | 14.8% |
| (b) stripper oil production: | | |
| (i) first 1 through 10 barrels a day production | 5.5% | 14.8% |
| (ii) more than 10 barrels a day production | 9.0% | 14.8% |
| (c) stripper well exemption production | 0.5% | 14.8% |
| (d) horizontally completed well production: | | |
| (i) first 18 months of qualifying production | 0.5% | 14.8% |
| (ii) after 18 months: | | |
| (A) pre-1999 wells | 12.5% | 14.8% |
| (B) post-1999 wells | 9% | 14.8% |

| | | |
|---|-------|-------|
| (e) incremental production: | | |
| (i) new or expanded secondary recovery production | 8.5% | 14.8% |
| (ii) new or expanded tertiary production | 5.8% | 14.8% |
| (f) horizontally recompleted well: | | |
| (i) first 18 months | 5.5% | 14.8% |
| (ii) after 18 months: | | |
| (A) pre-1999 wells | 12.5% | 14.8% |
| (B) post-1999 wells | 9% | 14.8% |

(6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a well begins following the last day of the calendar month immediately preceding the month in which oil is pumped or flows, provided that notification has been given to the department.

(b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally completed well for the first 18 months of production begins following the last day of the calendar month immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally completed well to the department by the board.

(ii) The reduced tax rate under subsection (5)(f)(i) on oil production from a horizontally recompleted well for the first 18 months of production begins following the last day of the calendar month immediately preceding the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted well to the department by the board.

(c) Incremental production is taxed as provided in subsection (5)(e) only if the average price for each barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter as determined in subsection (6)(d), then incremental production from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that quarter, other than exempt stripper well production. Stripper well exemption production is taxed as provided in subsection (5)(c) only if the average price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter is less than \$38 a barrel.

(d) For the purposes of subsection (6)(c), the average price for each barrel must be computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall Street Journal for the

calendar quarter by the number of days on which the price was reported in the quarter.

(7) (a) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking interest owners must be adjusted to include the total of the privilege and license tax adopted by the board of oil and gas conservation pursuant to 82-11-131 and the derived rate for the oil, gas, and coal natural resource account as determined under subsection (7)(b).

(b) The total of the privilege and license tax and the tax for the oil, gas, and coal natural resource account may not exceed 0.3%. The base rate for the tax for oil, gas, and coal natural resource account funding is 0.08%, but when the rate adopted pursuant to 82-11-131 by the board of oil and gas conservation for the privilege and license tax:

(i) exceeds 0.22%, the rate for the tax to fund the oil, gas, and coal natural resource account is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.3%; or

(ii) is less than 0.18%, the rate for the tax to fund the oil, gas, and coal natural resource account is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.26%.

(c) The board of oil and gas conservation must give the department at least 90 days' notice of any change in the rate adopted by the board. Any rate change of the tax to fund the oil, gas, and coal natural resource account is effective at the same time that the board of oil and gas conservation rate is effective."

Section 4. Section 15-36-331, MCA, is amended to read:

"15-36-331. Distribution of taxes. (1) (a) For each calendar quarter, the department shall determine the amount of tax, late payment interest, and penalties collected under this part.

(b) For the purposes of distribution of oil and natural gas production taxes to county and school district taxing units under 15-36-332 and to the state, the department shall determine the amount of oil and natural gas production taxes paid on production in the taxing unit.

(2) (a) The amount of oil and natural gas production taxes collected for the privilege and license tax pursuant to 82-11-131 must be deposited, in accordance with the provisions of 15-1-501, in the state special revenue fund for the purpose of paying expenses of the board, as provided in 82-11-135.

(b) The amount of the tax for the oil, gas, and coal natural resource account established in [section 1] must be deposited in the account.

(3) (a) For ~~tax year 2003 and succeeding~~ each tax years year, the amount of oil and natural gas production taxes determined under subsection (1)(b) plus the phased-out amount distributed pursuant to

15-36-324(12)(b) as that section read on December 31, 2002, is allocated to each county according to the following schedule:

| | 2003 | 2004 | 2005 | 2006 and succeeding tax years |
|---------------|--------------------|-------------------|--------|-------------------------------------|
| Big Horn | 45.03% | 45.04% | 45.04% | 45.05% |
| Blaine | 57.56% | 57.84% | 58.11% | 58.39% |
| Carbon | 50.24% | 49.59% | 48.93% | 48.27% |
| Chouteau | 56.67% | 57.16% | 57.65% | 58.14% |
| Custer | 103.63% | 92.27% | 80.9% | 69.53% |
| Daniels | 48.31% | 49.15% | 49.98% | 50.81% |
| Dawson | 56.32% | 53.48% | 50.64% | 47.79% |
| Fallon | 39.89% | 40.52% | 41.15% | 41.78% |
| Fergus | 112.2% | 97.86% | 83.52% | 69.18% |
| Garfield | 54.51% | 51.66% | 48.81% | 45.96% |
| Glacier | 76.56% | 70.65% | 64.74% | 58.83% |
| Golden Valley | 55.5% | 56.45% | 57.41% | 58.37% |
| Hill | 66.97% | 66.15% | 65.33% | 64.51% |
| Liberty | 63.32% | 61.53% | 59.73% | 57.94% |
| McCone | 58.75% | 55.81% | 52.86% | 49.92% |
| Musselshell | 57.06% | 54.25% | 51.44% | 48.64% |
| Petroleum | 67.8% | 61.21% | 54.62% | 48.04% |
| Phillips | 53.3% | 53.54% | 53.78% | 54.02% |
| Pondera | 104.14% | 87.51% | 70.89% | 54.26% |
| Powder River | 64.7% | 63.44% | 62.17% | 60.9% |
| Prairie | 38.43% | 39.08% | 39.73% | 40.38% |
| Richland | 45.23% | 45.97% | 46.72% | 47.47% |
| Roosevelt | 46.75% | 46.4% | 46.06% | 45.71% |
| Rosebud | 37.41% | 38.05% | 38.69% | 39.33% |
| Sheridan | 46.64% | 47.09% | 47.54% | 47.99% |

| | | | | |
|--------------------|-------------------|-------------------|--------|--------|
| Stillwater | 56.05% | 55.2% | 54.35% | 53.51% |
| Sweet Grass | 58.23% | 59.24% | 60.24% | 61.24% |
| Teton | 53.01% | 50.71% | 48.4% | 46.1% |
| Toole | 56.2% | 56.67% | 57.14% | 57.61% |
| Valley | 59.82% | 57.02% | 54.22% | 51.43% |
| Wibaux | 47.71% | 48.19% | 48.68% | 49.16% |
| Yellowstone | 50.69% | 49.37% | 48.06% | 46.74% |
| All other counties | 50.15% | 50.15% | 50.15% | 50.15% |

(b) The oil and natural gas production taxes allocated to each county must be deposited in the state special revenue fund and transferred to each county for distribution, as provided in 15-36-332.

(4) The department shall, in accordance with the provisions of 15-1-501, distribute the state portion of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3) as follows:

~~(a) for the fiscal year ending June 30, 2003, to be distributed as follows:~~

- ~~—— (i) a total of \$400,000 to the coal bed methane protection account established in 76-15-904; and~~
- ~~—— (ii) all remaining proceeds to the state general fund;~~

~~(b)(a) for the each fiscal year beginning July 1, 2003, through the fiscal year ending June 30, 2011, to be distributed as follows:~~

- (i) 1.23% to the coal bed methane protection account established in 76-15-904;
- (ii) 2.95% to the reclamation and development grants special revenue account established in 90-2-1104;
- (iii) 2.95% to the orphan share account established in 75-10-743;
- (iv) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the purposes of the state tax levy as provided in 20-25-423; and
- (v) all remaining proceeds to the state general fund;

~~(e)(b) for fiscal years beginning after June 30, 2011, to be distributed as follows:~~

- (i) 4.18% to the reclamation and development grants special revenue account established in 90-2-1104;
- (ii) 2.95% to the orphan share account established in 75-10-743;
- (iii) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the purposes of the state tax levy as provided in 20-25-423; and
- (iv) all remaining proceeds to the state general fund."

Section 5. Section 15-36-332, MCA, is amended to read:

"15-36-332. Distribution of taxes to taxing units -- appropriation. (1) (a) By the dates referred to in subsection (6), the department shall distribute oil and natural gas production taxes allocated under 15-36-331(3) to each eligible county.

(b) By the dates referred to in subsection (6), the department shall distribute the amount deposited in the oil, gas, and coal natural resource account under 15-36-331(2)(b) as provided in subsection (8).

(2) (a) Each county treasurer shall distribute the amount of oil and natural gas production taxes designated under subsection (1), including the amounts referred to in subsection (2)(b), to the countywide elementary and high school retirement funds, countywide transportation funds, and eligible school districts according to the following schedule:

| | Elementary Retirement | High School Retirement | Countywide Transportation | School Districts |
|---------------|-----------------------|------------------------|---------------------------|------------------|
| Big Horn | 14.81% | 10.36% | 2.99% | 26.99% |
| Blaine | 5.86% | 2.31% | 2.71% | 24.73% |
| Carbon | 3.6% | 6.62% | 1.31% | 49.18% |
| Chouteau | 8.1% | 4.32% | 3.11% | 23.79% |
| Custer | 6.9% | 3.4% | 1.19% | 31.25% |
| Daniels | 0 | 7.77% | 3.92% | 48.48% |
| Dawson | 5.53% | 2.5% | 1.11% | 35.6% |
| Fallon | 0 | 7.63% | 1.24% | 42.58% |
| Fergus | 7.88% | 4.84% | 2.08% | 53.25% |
| Garfield | 4.04% | 3.13% | 5.29% | 26.19% |
| Glacier | 11.2% | 4.87% | 3.01% | 46.11% |
| Golden Valley | 0 | 11.52% | 2.77% | 54.65% |
| Hill | 6.7% | 4.07% | 1.59% | 49.87% |
| Liberty | 4.9% | 4.56% | 1.15% | 35.22% |
| McCone | 4.18% | 3.19% | 2.58% | 43.21% |
| Musselshell | 5.98% | 4.07% | 3.53% | 32.17% |
| Petroleum | 0 | 11.92% | 4.59% | 55.48% |
| Phillips | 0.43% | 6.6% | 1.08% | 41.29% |

| | | | | |
|--------------------|-------|--------|-------|--------|
| Pondera | 6.96% | 5.06% | 1.94% | 45.17% |
| Powder River | 3.96% | 2.97% | 4.57% | 22.25% |
| Prairie | 0 | 8.88% | 1.63% | 36.9% |
| Richland | 4.1% | 3.92% | 2.26% | 43.77% |
| Roosevelt | 9.93% | 7.37% | 2.74% | 40.94% |
| Rosebud | 3.87% | 2.24% | 1.05% | 72.97% |
| Sheridan | 0 | 3.39% | 2.22% | 47.63% |
| Stillwater | 6.87% | 4.86% | 1.63% | 41.16% |
| Sweet Grass | 6.12% | 6.5% | 2.4% | 37.22% |
| Teton | 6.88% | 8.19% | 3.8% | 29.43% |
| Toole | 2.78% | 4.78% | 1.3% | 43.56% |
| Valley | 2.26% | 12.61% | 4.63% | 41.11% |
| Wibaux | 0 | 4.1% | 0.77% | 31.46% |
| Yellowstone | 7.98% | 4.56% | 1.07% | 52.77% |
| All other counties | 3.81% | 7.84% | 1.81% | 41.04% |

(b) (i) The county treasurer shall distribute 9.8% of the Custer County share to the countywide community college district in Custer County.

(ii) The county treasurer shall distribute 14.5% of the Dawson County share to the countywide community college district in Dawson County.

(3) The remaining oil and natural gas production taxes for each county must be used for the exclusive use and benefit of the county, including districts within the county established by the county.

(4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each county referred to in subsection (2) as provided in subsections (4)(b) through (4)(d).

(b) The amount distributed to each K-12 district within the county is equal to oil and natural gas production taxes in the county multiplied by the ratio that oil and natural gas production taxes attributable to oil and natural gas production in the K-12 school district bear to total oil and natural gas production taxes attributable to total oil and natural gas production in the county and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).

(c) For the amount to be distributed to each elementary school district and to each high school district under subsection (4)(d), the department shall first determine the amount of oil and natural gas taxes in the high

school district that is attributable to oil and natural gas production in each elementary school district that is located in whole or in part within the exterior boundaries of a high school district and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).

(d) (i) The amount distributed to each elementary school district that is located in whole or in part within the exterior boundaries of a high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the elementary school district bear to the sum of the total mills of the elementary school district and the total mills of the high school district.

(ii) The amount distributed to the high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the high school district bear to the sum of the total mills of each elementary school district referred to in subsection (4)(c) and the total mills of the high school district.

(5) (a) Oil and natural gas production taxes calculated for each school district under subsections (4)(b) through (4)(d) must be distributed to each school district in the relative proportion of the mill levy for each fund.

(b) If a distribution under subsection (5)(a) exceeds the total budget for a school district fund, the board of trustees of an elementary or high school district may reallocate the excess to any budgeted fund of the school district.

(6) The department shall remit the amounts to be distributed in this section to the county treasurer by the following dates:

(a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

(b) On or before November 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending June 30 of the current year.

(c) On or before February 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending September 30 of the previous year.

(d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending December 31 of the previous year.

(7) The department shall provide to each county by May 31 of each year the amount of gross taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes under 7-1-2111.

(8) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on county oil and gas production. Of the distribution to a county, one-third must be distributed to the county

government and two-thirds must be distributed to incorporated cities and towns within the county. If there is more than one incorporated city or town within the county, the city and town allocation must be distributed to the cities and towns based on their relative populations.

~~(8)~~(9) The ~~distribution~~ distributions to taxing units and to counties and incorporated cities and towns under this section ~~is~~ are statutorily appropriated, as provided in 17-7-502, from the state special revenue fund."

Section 6. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell band of Chippewa.

Section 7. Codification instruction. [Section 1] is intended to be codified as an integral part of Title 90, chapter 6, and the provisions of Title 90, chapter 6, apply to [section 1].

Section 8. Coordination instruction. If House Bill No. 482 and [this act] are passed and approved, then:

(1) the percentage figure referred to in each version of 15-35-108(3) in House Bill No. 482 and [this act] must be 5.46%; and

(2) the percentage figure referred to in each version of 15-35-108 allocating money to the oil, gas, and coal natural resource account must be 2.9%.

Section 9. Effective date. [This act] is effective July 1, 2005.

Section 10. Applicability. [This act] applies to oil and gas production occurring after June 30, 2005.

- END -

I hereby certify that the within bill,
HB 0758, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2019.

President of the Senate

Signed this _____ day
of _____, 2019.

HOUSE BILL NO. 758

INTRODUCED BY MCNUTT, MAEDJE, L. JONES, LARSON, ROUSH, CURTISS, A. OLSON, PETERSON,
MATTHEWS, STEINBEISSER, WITT, KLOCK, O'NEIL, STORY

AN ACT ESTABLISHING AN OIL, GAS, AND COAL NATURAL RESOURCE ACCOUNT; REDIRECTING COAL SEVERANCE TAX LOCAL IMPACT FUNDS FROM THE SHARED ACCOUNT; ENACTING A TAX ON OIL AND GAS PRODUCTION THAT TIES TO THE UNUSED PORTION OF THE TAX RATE AUTHORITY OF THE BOARD OF OIL AND GAS CONSERVATION; PROVIDING THAT THE TAX PROCEEDS ARE DEPOSITED INTO THE OIL, GAS, AND COAL NATURAL RESOURCE ACCOUNT; PROVIDING FOR A DISTRIBUTION BETWEEN COUNTY AND MUNICIPAL GOVERNMENTS OF THE COUNTY; AMENDING SECTIONS 15-35-108, 15-36-304, 15-36-331, AND 15-36-332, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE.