

SENATE BILL NO. 268
INTRODUCED BY K. BALES

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE COAL SEVERANCE TAX FOR SURFACE MINES BY REDUCING THE RATES BY ONE-HALF; MAKING THE RATE REDUCTION CONTINGENT ON HAVING AN APPLICATION FOR A NEW STRIP COAL MINE MADE WITHIN 4 YEARS AND REQUIRING COMMENCING COAL MINING WITHIN 10 YEARS; CHANGING THE ALLOCATION FORMULA FOR COAL SEVERANCE TAX REVENUE BY REDUCING THE GENERAL FUND ALLOCATION, RETAINING THE 50-PERCENT ALLOCATION TO THE TRUST FUND, AND KEEPING SPECIFIC ALLOCATIONS UNDIMINISHED BY DOUBLING THE ALLOCATION PERCENTAGE FOR EACH; AMENDING SECTIONS 15-35-103 AND 15-35-108, MCA; AND PROVIDING AN EFFECTIVE DATE AND APPLICABILITY DATES."

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

Section 1. Section 15-35-103, MCA, is amended to read:

"15-35-103. Severance tax -- rates imposed. (1) A severance tax is imposed on each ton of coal produced in the state in accordance with the following schedule:

| Heating quality (Btu per pound of coal): | Surface Mining | Underground Mining |
|---|-------------------------------------|-----------------------|
| Under 7,000 | 10% <u>5%</u> of value | 3% of value |
| 7,000 and over | 15% <u>7.5%</u> of value | 4% of value |

(2) "Value" means the contract sales price.

(3) The rate of tax for surface mining is two times the rate stated in subsection (1) if:

(a) after June 30, 2007, and before July 1, 2011, there have been no applications for coal strip mines under Title 82, chapter 4, part 1; or

(b) after June 30, 2007, and before June 30, 2017, no new coal strip mines have commenced production in Montana.

~~(3)~~(4) A person is not liable for any severance tax upon 50,000 tons of the coal that the person produces in a calendar year, except that if more than 50,000 tons of coal are produced in a calendar year, the producer is liable for severance tax upon all coal produced in excess of the first 20,000 tons."

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) ~~The~~ Except as provided in subsection (9), the amount of ~~12%~~ 24% of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) ~~The~~ Except as provided in subsection (9), the amount of ~~5.46%~~ 10.92% must be credited to an account in the state special revenue fund to be allocated by the legislature for 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~~ Except as provided in subsection (9), the amount of ~~4.27%~~ 2.54% 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~~ Except as provided in subsection (9), the amount of ~~0.95%~~ 1.9% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) ~~The~~ Except as provided in subsection (9), the amount of ~~0.63%~~ 1.26% 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~~ Except as provided in subsection (9), the amount of ~~2.9%~~ 5.8% must be credited to the oil, gas, and coal natural resource account established in 90-6-1001.

(8) (a) Subject to subsection (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.

(9) The allocation percentage rates in subsections (2) through (7) are one-half the rate stated in the subsection if surface mining rates are doubled as provided in 15-35-103(3). (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) ~~The~~ Except as provided in subsection (9), the amount of ~~42%~~ 24% of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) ~~The~~ Except as provided in subsection (9), the amount of ~~5.46%~~ 10.92% must be credited to an account in the state special revenue fund to be allocated by the legislature for 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~~ Except as provided in subsection (9), the amount of ~~4.27%~~ 2.54% 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~~ Except as provided in subsection (9), the amount of ~~0.95%~~ 1.9% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) ~~The~~ Except as provided in subsection (9), the amount of ~~0.63%~~ 1.26% 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~~ Except as provided in subsection (9), the amount of ~~2.9%~~ 5.8% must be credited to the oil, gas, and coal natural resource account established in 90-6-1001.

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

(9) The allocation percentage rates in subsections (2) through (7) are one-half the rate stated in the subsection if surface mining rates are doubled as provided in 15-35-103(3)."

NEW SECTION. Section 3. Effective date. [This act] is effective July 1, 2007.

NEW SECTION. Section 4. Applicability. (1) [Section 1] applies to coal mined after June 30, 2007.

(2) [Section 2] applies to coal severance tax revenue received from coal mined after June 30, 2007.

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