

HOUSE BILL NO. 656

INTRODUCED BY J. KRAUTTER

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING OIL AND GAS TAXATION LAWS; PROVIDING A FIXED
5 TAX RATE FOR THE PRIVILEGE AND LICENSE TAX AND THE TAX FOR THE OIL AND GAS NATURAL
6 RESOURCE DISTRIBUTION ACCOUNT; PROVIDING FOR THE ALLOCATION OF PRIVILEGE AND LICENSE
7 TAX REVENUE AND REVENUE FROM THE TAX FOR THE OIL AND GAS NATURAL RESOURCE
8 DISTRIBUTION ACCOUNT; PROVIDING THAT THE TAX FOR THE OIL AND GAS NATURAL RESOURCE
9 DISTRIBUTION ACCOUNT BE DISTRIBUTED TO INCORPORATED CITIES AND TOWNS IN WHICH OIL
10 PRODUCTION OCCURS; AMENDING SECTIONS 15-36-304, 15-36-331, 15-36-332, 82-11-131, 82-11-135,
11 AND 90-6-1001, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

14
15 **Section 1.** Section 15-36-304, MCA, is amended to read:

16 **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The production
17 of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-331 and
18 15-36-332.

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

	Working	Nonworking
	Interest	Interest
23 (a) (i) first 12 months of		
24 qualifying production	0.5%	14.8%
25 (ii) after 12 months:		
26 (A) pre-1999 wells	14.8%	14.8%
27 (B) post-1999 wells	9%	14.8%
28 (b) stripper natural gas		
29 pre-1999 wells	11%	14.8%

1	(c) horizontally		
2	completed well		
3	production:		
4	(i) first 18 months of	0.5%	14.8%
5	qualifying production		
6	(ii) after 18 months	9%	14.8%

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

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

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

	Working	Nonworking
	Interest	Interest
17		
18		
19	(a) primary recovery	
20	production:	
21	(i) first 12 months of	0.5%
22	qualifying production	14.8%
23	(ii) after 12 months:	
24	(A) pre-1999 wells	12.5%
25	(B) post-1999 wells	9%
26	(b) stripper oil	
27	production:	
28	(i) first 1 through 10	5.5%
29	barrels a day production	14.8%

1	(ii) more than 10 barrels		
2	a day production	9.0%	14.8%
3	(c) (i) stripper well		
4	exemption production	0.5%	14.8%
5	(ii) stripper well bonus		
6	production	6.0%	14.8%
7	(d) horizontally		
8	completed well		
9	production:		
10	(i) first 18 months of		
11	qualifying production	0.5%	14.8%
12	(ii) after 18 months:		
13	(A) pre-1999 wells	12.5%	14.8%
14	(B) post-1999 wells	9%	14.8%
15	(e) incremental		
16	production:		
17	(i) new or expanded		
18	secondary recovery	8.5%	14.8%
19	production		
20	(ii) new or expanded		
21	tertiary production	5.8%	14.8%
22	(f) horizontally		
23	recompleted well:		
24	(i) first 18 months	5.5%	14.8%
25	(ii) after 18 months:		
26	(A) pre-1999 wells	12.5%	14.8%
27	(B) post-1999 wells	9%	14.8%
28	(6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a		
29	well begin following the last day of the calendar month immediately preceding the month in which oil is pumped		

1 or flows, provided that notification has been given to the department.

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

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

10 (c) Incremental production is taxed as provided in subsection (5)(e) only if the average price for a barrel
11 of west Texas intermediate crude oil during a calendar quarter is less than \$54. If the price of oil is equal to or
12 greater than \$54 a barrel in a calendar quarter as determined in subsection (6)(e), then incremental production
13 from pre-1999 wells and from post-1999 wells is taxed at the rate imposed on primary recovery production under
14 subsections (5)(a)(ii)(A) and (5)(a)(ii)(B), respectively, for production occurring in that quarter, other than exempt
15 stripper well production.

16 (d) (i) Stripper well exemption production is taxed as provided in subsection (5)(c)(i) only if the average
17 price for a barrel of west Texas intermediate crude oil during a calendar quarter is less than \$54. If the price of
18 oil is equal to or greater than \$54 a barrel, there is no stripper well exemption tax rate and oil produced from a
19 well that produces 3 barrels a day or less is taxed as stripper well bonus production.

20 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii) only if the
21 average price for a barrel of west Texas intermediate crude oil during a calendar quarter is equal to or greater
22 than \$54.

23 (e) For the purposes of subsections (6)(c) and (6)(d), the average price for each barrel must be
24 computed by dividing the sum of the daily price for a barrel of west Texas intermediate crude oil for the calendar
25 quarter by the number of days on which the price was reported in the quarter.

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

30 ~~(b)~~ The total of the privilege and license tax and the tax for the oil and gas natural resource distribution

1 account established in 90-6-1001(1) ~~may not exceed is~~ 0.3%. The base rate for the tax for oil and gas natural
 2 resource distribution account funding is 0.08%, but when the rate adopted pursuant to 82-11-131 by the board
 3 of oil and gas conservation for the privilege and license tax:

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

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

8 ~~—— (c) The board of oil and gas conservation shall give the department at least 90 days' notice of any~~
 9 ~~change in the rate adopted by the board. Any rate change of the tax to fund the oil and gas natural resource~~
 10 ~~distribution account is effective at the same time that the board of oil and gas conservation rate is effective.~~

11 (8) Any interest in production owned by the state or a local government is exempt from taxation under
 12 this section."

13

14 **Section 2.** Section 15-36-331, MCA, is amended to read:

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

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

20 (2) (a) The amount of oil and natural gas production taxes collected for the percentage of privilege and
 21 license tax established by the board pursuant to 82-11-131 must be deposited, in accordance with the provisions
 22 of 17-2-124, in the account in the state special revenue fund for the purpose of paying expenses of the board,
 23 as provided in 82-11-135.

24 (b) ~~The amount of the tax allocated in 15-36-304(7)(b) for~~ After the allocation provided for in subsection
 25 (2)(a), up to 0.08% of the tax collected pursuant to 15-36-304(7) must be deposited in the oil and gas natural
 26 resource distribution account established in 90-6-1001(1) must be deposited in the account for distribution
 27 pursuant to 15-36-332(7).

28 (c) Any funds remaining after the allocations provided for in subsections (2)(a) and (2)(b) must remain
 29 in the account provided for in 82-11-135 as reserves for the board or for legislative transfer for purposes related
 30 to the impacts of oil and gas production.

1 (3) (a) For each tax year, the amount of oil and natural gas production taxes determined under
2 subsection (1)(b) is allocated to each county according to the following schedule:

3	Big Horn	45.05%
4	Blaine	58.39%
5	Carbon	48.27%
6	Chouteau	58.14%
7	Custer	69.53%
8	Daniels	50.81%
9	Dawson	47.79%
10	Fallon	41.78%
11	Fergus	69.18%
12	Garfield	45.96%
13	Glacier	58.83%
14	Golden Valley	58.37%
15	Hill	64.51%
16	Liberty	57.94%
17	McCone	49.92%
18	Musselshell	48.64%
19	Petroleum	48.04%
20	Phillips	54.02%
21	Pondera	54.26%
22	Powder River	60.9%
23	Prairie	40.38%
24	Richland	47.47%
25	Roosevelt	45.71%
26	Rosebud	39.33%
27	Sheridan	47.99%
28	Stillwater	53.51%
29	Sweet Grass	61.24%

1	Teton	46.1%
2	Toole	57.61%
3	Valley	51.43%
4	Wibaux	49.16%
5	Yellowstone	46.74%
6	All other counties	50.15%

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

9 (4) The department shall, in accordance with the provisions of 17-2-124, distribute the state portion of
10 oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3) as
11 follows:

12 ~~(a) for each fiscal year through the fiscal year ending June 30, 2011, to be distributed as follows:~~

13 ~~—— (i) 1.23% to the coal bed methane protection account established in 76-15-904;~~

14 ~~—— (ii) 1.45% to the natural resources projects state special revenue account established in 15-38-302;~~

15 ~~—— (iii) 1.45% to the natural resources operations state special revenue account established in 15-38-301;~~

16 ~~—— (iv) 2.99% to the orphan share account established in 75-10-743;~~

17 ~~—— (v) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the~~
18 ~~purposes of the state tax levy as provided in 15-10-108; and~~

19 ~~—— (vi) all remaining proceeds to the state general fund;~~

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

21 ~~(i)(a) 2.16% to the natural resources projects state special revenue account established in 15-38-302;~~

22 ~~(ii)(b) 2.02% to the natural resources operations state special revenue account established in 15-38-301;~~

23 ~~(iii)(c) 2.95% to the orphan share account established in 75-10-743;~~

24 ~~(iv)(d) 2.65% to the state special revenue fund to be appropriated to the Montana university system for~~
25 ~~the purposes of the state tax levy as provided in 15-10-108; and~~

26 ~~(v)(e) all remaining proceeds to the state general fund.~~

27 (5) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
28 government fails to:

29 (a) file a financial report required by 15-1-504;

- 1 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or
- 2 (c) remit any other amounts owed to the state or another taxing jurisdiction."

3

4 **Section 3.** Section 15-36-332, MCA, is amended to read:

5 **"15-36-332. (Temporary) Distribution of taxes to taxing units -- appropriation.** (1) (a) Subject to
 6 20-9-310 and subsection (9) of this section, by the dates referred to in subsection (6) of this section, the
 7 department shall distribute oil and natural gas production taxes allocated under 15-36-331(3) to each eligible
 8 county.

9 (b) Except as provided by subsection (9), by the dates referred to in subsection (6), the department shall
 10 distribute the amount deposited in the oil and gas natural resource distribution account under 15-36-331(2)(b)
 11 as provided in subsection (7) of this section.

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

	Elementary Retirement	High School Retirement	Countywide Transportation	School Districts
18 Big Horn	14.81%	10.36%	2.99%	26.99%
19 Blaine	5.86%	2.31%	2.71%	24.73%
20 Carbon	3.6%	6.62%	1.31%	49.18%
21 Chouteau	8.1%	4.32%	3.11%	23.79%
22 Custer	6.9%	3.4%	1.19%	31.25%
23 Daniels	0	7.77%	3.92%	48.48%
24 Dawson	5.53%	2.5%	1.11%	35.6%
25 Fallon	0	7.63%	1.24%	42.58%
26 Fergus	7.88%	4.84%	2.08%	53.25%
27 Garfield	4.04%	3.13%	5.29%	26.19%
28 Glacier	11.2%	4.87%	3.01%	46.11%
29 Golden Valley	0	11.52%	2.77%	54.65%

1	Hill	6.7%	4.07%	1.59%	49.87%
2	Liberty	4.9%	4.56%	1.15%	35.22%
3	McCone	4.18%	3.19%	2.58%	43.21%
4	Musselshell	5.98%	4.07%	3.53%	32.17%
5	Petroleum	0	11.92%	4.59%	55.48%
6	Phillips	0.43%	6.6%	1.08%	41.29%
7	Pondera	6.96%	5.06%	1.94%	45.17%
8	Powder River	3.96%	2.97%	4.57%	22.25%
9	Prairie	0	8.88%	1.63%	36.9%
10	Richland	4.1%	3.92%	2.26%	43.77%
11	Roosevelt	9.93%	7.37%	2.74%	40.94%
12	Rosebud	3.87%	2.24%	1.05%	72.97%
13	Sheridan	0	3.39%	2.22%	47.63%
14	Stillwater	6.87%	4.86%	1.63%	41.16%
15	Sweet Grass	6.12%	6.5%	2.4%	37.22%
16	Teton	6.88%	8.19%	3.8%	29.43%
17	Toole	2.78%	4.78%	1.3%	43.56%
18	Valley	2.26%	12.61%	4.63%	41.11%
19	Wibaux	0	4.1%	0.77%	31.46%
20	Yellowstone	7.98%	4.56%	1.07%	52.77%
21	All other counties	3.81%	7.84%	1.81%	41.04%

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

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

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

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

1 of 20-9-310.

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

7 (c) For the amount to be distributed to each elementary school district and to each high school district
8 under subsection (4)(d), the department shall first determine the amount of oil and natural gas production taxes
9 in the high school district that is attributable to oil and natural gas production in each elementary school district
10 that is located in whole or in part within the exterior boundaries of a high school district and multiply that amount
11 by the school district percentage figure for the county referred to in subsection (2)(a).

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

16 (ii) The amount distributed to the high school district is equal to the amount determined in subsection
17 (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
18 elementary school district referred to in subsection (4)(c) and the total mills of the high school district.

19 (5) Oil and natural gas production taxes calculated for each school district under subsections (4)(b)
20 through (4)(d) must be distributed to each school district as provided in 20-9-310.

21 (6) Subject to 20-9-310 and subsection (9) of this section, the department shall remit the amounts to be
22 distributed in this section to the county treasurer by the following dates:

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

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

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

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

1 (7) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on
 2 county oil and gas production. ~~Of the distribution to a county, one-third must be distributed to the county~~
 3 ~~government and two-thirds must be distributed~~ for distribution to incorporated cities and towns within the county.
 4 If there is more than one incorporated city or town within the county, the ~~city and town~~ allocation must be
 5 distributed to the cities and towns based on their relative populations.

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

8 (9) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
 9 government fails to:

- 10 (a) file a financial report required by 15-1-504;
- 11 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or
- 12 (c) remit any other amounts owed to the state or another taxing jurisdiction. (Terminates June 30,
 13 2020--sec. 38, Ch. 400, L. 2013.)

14 **15-36-332. (Effective July 1, 2020) Distribution of taxes to taxing units -- appropriation.** (1) (a)
 15 Except as provided by subsection (9), by the dates referred to in subsection (6), the department shall distribute
 16 oil and natural gas production taxes allocated under 15-36-331(3) to each eligible county.

17 (b) Except as provided by subsection (9), by the dates referred to in subsection (6), the department shall
 18 distribute the amount deposited in the oil and gas natural resource distribution account under 15-36-331(2)(b)
 19 as provided in subsection (7) of this section.

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

	Elementary	High School	Countywide	School
	Retirement	Retirement	Transportation	Districts
26 Big Horn	14.81%	10.36%	2.99%	26.99%
27 Blaine	5.86%	2.31%	2.71%	24.73%
28 Carbon	3.6%	6.62%	1.31%	49.18%
29 Chouteau	8.1%	4.32%	3.11%	23.79%

1	Custer	6.9%	3.4%	1.19%	31.25%
2	Daniels	0	7.77%	3.92%	48.48%
3	Dawson	5.53%	2.5%	1.11%	35.6%
4	Fallon	0	7.63%	1.24%	42.58%
5	Fergus	7.88%	4.84%	2.08%	53.25%
6	Garfield	4.04%	3.13%	5.29%	26.19%
7	Glacier	11.2%	4.87%	3.01%	46.11%
8	Golden Valley	0	11.52%	2.77%	54.65%
9	Hill	6.7%	4.07%	1.59%	49.87%
10	Liberty	4.9%	4.56%	1.15%	35.22%
11	McCone	4.18%	3.19%	2.58%	43.21%
12	Musselshell	5.98%	4.07%	3.53%	32.17%
13	Petroleum	0	11.92%	4.59%	55.48%
14	Phillips	0.43%	6.6%	1.08%	41.29%
15	Pondera	6.96%	5.06%	1.94%	45.17%
16	Powder River	3.96%	2.97%	4.57%	22.25%
17	Prairie	0	8.88%	1.63%	36.9%
18	Richland	4.1%	3.92%	2.26%	43.77%
19	Roosevelt	9.93%	7.37%	2.74%	40.94%
20	Rosebud	3.87%	2.24%	1.05%	72.97%
21	Sheridan	0	3.39%	2.22%	47.63%
22	Stillwater	6.87%	4.86%	1.63%	41.16%
23	Sweet Grass	6.12%	6.5%	2.4%	37.22%
24	Teton	6.88%	8.19%	3.8%	29.43%
25	Toole	2.78%	4.78%	1.3%	43.56%
26	Valley	2.26%	12.61%	4.63%	41.11%
27	Wibaux	0	4.1%	0.77%	31.46%
28	Yellowstone	7.98%	4.56%	1.07%	52.77%
29	All other counties	3.81%	7.84%	1.81%	41.04%

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

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

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

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

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

14 (c) For the amount to be distributed to each elementary school district and to each high school district
15 under subsection (4)(d), the department shall first determine the amount of oil and natural gas taxes in the high
16 school district that is attributable to oil and natural gas production in each elementary school district that is located
17 in whole or in part within the exterior boundaries of a high school district and multiply that amount by the school
18 district percentage figure for the county referred to in subsection (2)(a).

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

23 (ii) The amount distributed to the high school district is equal to the amount determined in subsection
24 (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
25 elementary school district referred to in subsection (4)(c) and the total mills of the high school district.

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

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

1 (6) Except as provided by subsection (9), the department shall remit the amounts to be distributed in this
2 section to the county treasurer by the following dates:

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

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

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

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

11 (7) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on
12 county oil and gas production. ~~Of the distribution to a county, one-third must be distributed to the county~~
13 ~~government and two-thirds must be distributed~~ for distribution to incorporated cities and towns within the county.
14 If there is more than one incorporated city or town within the county, the ~~city and town~~ allocation must be
15 distributed to the cities and towns based on their relative populations.

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

18 (9) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
19 government fails to:

20 (a) file a financial report required by 15-1-504;

21 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or

22 (c) remit any other amounts owed to the state or another taxing jurisdiction."
23

24 **Section 4.** Section 82-11-131, MCA, is amended to read:

25 **"82-11-131. Privilege and license tax.** (1) For the purpose of providing funds for defraying the
26 expenses of the operation and enforcement of this chapter and expenses of the board, an operator or producer
27 of oil and gas shall pay an assessment ~~not to exceed 3/10 of 1% of 0.3%~~ of 0.3% of the market value of each barrel of
28 crude petroleum produced, saved and marketed, or stored within the state or exported from the state and the
29 same rate on the market value of each 10,000 cubic feet of natural gas produced, saved and marketed, or stored
30 within the state or exported from the state.

1 (2) The board shall, by rule adopted pursuant to the provisions of the Montana Administrative Procedure
 2 Act, fix a percentage of the ~~the amount of the~~ assessment and may from time to time reduce or increase the
 3 ~~amount~~ percentage of the assessment as the expenses chargeable against the oil and gas conservation fund
 4 may require. ~~However, the assessment fixed by the board may not exceed the limits prescribed in this section.~~
 5 ~~The amount of the assessment must be a percentage factor, not to exceed 100%, of the rate set forth in~~
 6 ~~subsection (1), and the same percentage factor must be applied by the board in fixing the amount of the~~
 7 ~~assessment on each barrel of crude petroleum produced and each 10,000 cubic feet of natural gas produced.~~
 8 ~~A producer of the crude petroleum and natural gas shall pay the assessment on each barrel of crude petroleum~~
 9 ~~and each 10,000 cubic feet of natural gas produced for the producer, as well as for another, including a royalty~~
 10 ~~holder.~~

11 (3) The board shall give the department of revenue at least 90 days' notice of any change in the
 12 percentage of the rate adopted pursuant to this section.

13 ~~(3)(4)~~ (4) For the purposes of this section, the provisions of Title 15, chapter 36, part 3, apply to the privilege
 14 and license tax assessment."

15
 16 **Section 5.** Section 82-11-135, MCA, is amended to read:

17 **"82-11-135. Money earmarked for board expenses.** The state treasurer shall deposit all money
 18 distributed to the board under 15-36-331 and collected under this chapter in the state special revenue fund.
 19 ~~Subject to legislative fund transfers, the~~ The money must first be used for the purpose of paying all expenses of
 20 the board ~~and for no other purpose~~ as provided in 15-36-331(2)(a) and then allocated as provided in
 21 15-36-331(2)(b) and (2)(c). The board shall use the money subject to biennial appropriations by the legislature.
 22 Income and interest from investment of the board's money in the state special revenue fund must be credited to
 23 the board."

24
 25 **Section 6.** Section 90-6-1001, MCA, is amended to read:

26 **"90-6-1001. Oil, gas, and coal natural resource accounts.** (1) There is an oil and gas natural resource
 27 distribution account in the state special revenue fund. The collections allocated to the account from
 28 ~~15-36-304(7)(b)~~ 15-36-331(2)(b) must be deposited in the account to be used as provided in 15-36-332(7) ~~and~~
 29 ~~(8).~~

30 (2) There is a coal natural resource account in the state special revenue fund. The collections allocated

1 to the account from 15-35-108(9) must be deposited in the account. The money in the account is allocated to the
2 coal board provided for in 2-15-1821 and may be used only for local impact grants provided for in 90-6-205
3 through 90-6-207 and costs related to the administration of the grant awards."

4

5 NEW SECTION. **Section 7. Effective date.** [This act] is effective July 1, 2019.

6

7 NEW SECTION. **Section 8. Applicability.** [This act] applies to oil and gas tax distributions made on
8 or after July 1, 2019.

9

- END -