

HOUSE BILL NO. 656

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

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

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

"15-36-304. Production tax rates imposed on oil and natural gas -- exemption. (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	Nonworking
	Interest	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	11%	14.8%

1	pre-1999 wells		
2	(c) horizontally		
3	completed well		
4	production:		
5	(i) first 18 months of	0.5%	14.8%
6	qualifying production		
7	(ii) after 18 months	9%	14.8%

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

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

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

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

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

1 well begin following the last day of the calendar month immediately preceding the month in which oil is pumped
2 or flows, provided that notification has been given to the department.

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

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

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

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

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

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

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

1 (b) The total of the privilege and license tax and the tax for the oil and gas natural resource distribution
 2 account established in 90-6-1001(1) ~~may not exceed~~ is 0.3%. ~~The base rate for the tax for oil and gas natural~~
 3 ~~resource distribution account funding is 0.08%, but when the rate adopted pursuant to 82-11-131 by the board~~
 4 ~~of oil and gas conservation for the privilege and license tax:~~
 5 ~~(i) exceeds 0.22%, the rate for the tax to fund the oil and gas natural resource distribution account is~~
 6 ~~equal to the difference between the rate adopted by the board of oil and gas conservation and 0.3%; or~~
 7 ~~(ii) is less than 0.18%, the rate for the tax to fund the oil and gas natural resource distribution account~~
 8 ~~is equal to the difference between the rate adopted by the board of oil and gas conservation and 0.26%.~~
 9 ~~(c) The board of oil and gas conservation shall give the department at least 90 days' notice of any~~
 10 ~~change in the rate adopted by the board. Any rate change of the tax to fund the oil and gas natural resource~~
 11 ~~distribution account is effective at the same time that the board of oil and gas conservation rate is effective.~~

12 (8) Any interest in production owned by the state or a local government is exempt from taxation under
 13 this section."
 14

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

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

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

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

25 (b) ~~The amount of the tax allocated in 15-36-304(7)(b) for~~ After the allocation provided for in subsection
 26 (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
 27 resource distribution account established in 90-6-1001(1) must be deposited in the account for distribution
 28 pursuant to 15-36-332(7).

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

1 to the impacts of oil and gas production.

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

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

1	Sweet Grass	61.24%
2	Teton	46.1%
3	Toole	57.61%
4	Valley	51.43%
5	Wibaux	49.16%
6	Yellowstone	46.74%
7	All other counties	50.15%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4

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

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

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

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

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

1	Golden Valley	0	11.52%	2.77%	54.65%
2	Hill	6.7%	4.07%	1.59%	49.87%
3	Liberty	4.9%	4.56%	1.15%	35.22%
4	McCone	4.18%	3.19%	2.58%	43.21%
5	Musselshell	5.98%	4.07%	3.53%	32.17%
6	Petroleum	0	11.92%	4.59%	55.48%
7	Phillips	0.43%	6.6%	1.08%	41.29%
8	Pondera	6.96%	5.06%	1.94%	45.17%
9	Powder River	3.96%	2.97%	4.57%	22.25%
10	Prairie	0	8.88%	1.63%	36.9%
11	Richland	4.1%	3.92%	2.26%	43.77%
12	Roosevelt	9.93%	7.37%	2.74%	40.94%
13	Rosebud	3.87%	2.24%	1.05%	72.97%
14	Sheridan	0	3.39%	2.22%	47.63%
15	Stillwater	6.87%	4.86%	1.63%	41.16%
16	Sweet Grass	6.12%	6.5%	2.4%	37.22%
17	Teton	6.88%	8.19%	3.8%	29.43%
18	Toole	2.78%	4.78%	1.3%	43.56%
19	Valley	2.26%	12.61%	4.63%	41.11%
20	Wibaux	0	4.1%	0.77%	31.46%
21	Yellowstone	7.98%	4.56%	1.07%	52.77%
22	All other counties	3.81%	7.84%	1.81%	41.04%

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

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

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

29 (4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each

1 county referred to in subsection (2) as provided in subsections (4)(b) through (4)(d) and subject to the provisions
2 of 20-9-310.

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

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

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

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

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

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

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

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

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

30 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural

1 gas production tax payments received for the calendar quarter ending December 31 of the previous year.

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

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

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

- 11 (a) file a financial report required by 15-1-504;
- 12 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or
- 13 (c) remit any other amounts owed to the state or another taxing jurisdiction. (Terminates June 30,
 14 2020--sec. 38, Ch. 400, L. 2013.)

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

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

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

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

1	Chouteau	8.1%	4.32%	3.11%	23.79%
2	Custer	6.9%	3.4%	1.19%	31.25%
3	Daniels	0	7.77%	3.92%	48.48%
4	Dawson	5.53%	2.5%	1.11%	35.6%
5	Fallon	0	7.63%	1.24%	42.58%
6	Fergus	7.88%	4.84%	2.08%	53.25%
7	Garfield	4.04%	3.13%	5.29%	26.19%
8	Glacier	11.2%	4.87%	3.01%	46.11%
9	Golden Valley	0	11.52%	2.77%	54.65%
10	Hill	6.7%	4.07%	1.59%	49.87%
11	Liberty	4.9%	4.56%	1.15%	35.22%
12	McCone	4.18%	3.19%	2.58%	43.21%
13	Musselshell	5.98%	4.07%	3.53%	32.17%
14	Petroleum	0	11.92%	4.59%	55.48%
15	Phillips	0.43%	6.6%	1.08%	41.29%
16	Pondera	6.96%	5.06%	1.94%	45.17%
17	Powder River	3.96%	2.97%	4.57%	22.25%
18	Prairie	0	8.88%	1.63%	36.9%
19	Richland	4.1%	3.92%	2.26%	43.77%
20	Roosevelt	9.93%	7.37%	2.74%	40.94%
21	Rosebud	3.87%	2.24%	1.05%	72.97%
22	Sheridan	0	3.39%	2.22%	47.63%
23	Stillwater	6.87%	4.86%	1.63%	41.16%
24	Sweet Grass	6.12%	6.5%	2.4%	37.22%
25	Teton	6.88%	8.19%	3.8%	29.43%
26	Toole	2.78%	4.78%	1.3%	43.56%
27	Valley	2.26%	12.61%	4.63%	41.11%
28	Wibaux	0	4.1%	0.77%	31.46%
29	Yellowstone	7.98%	4.56%	1.07%	52.77%

1 All other counties 3.81% 7.84% 1.81% 41.04%

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

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

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

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

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

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

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

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

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

29 (b) If a distribution under subsection (5)(a) exceeds the total budget for a school district fund, the board

1 of trustees of an elementary or high school district may reallocate the excess to any budgeted fund of the school
2 district.

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

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

7 (b) On or before November 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 June 30 of the current year.

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

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

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

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

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

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

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

24 (c) remit any other amounts owed to the state or another taxing jurisdiction."
25

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

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

1 same rate on the market value of each 10,000 cubic feet of natural gas produced, saved and marketed, or stored
2 within the state or exported from the state.

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

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

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

17

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

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

26

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

28 **"90-6-1001. Oil, gas, and coal natural resource accounts.** (1) There is an oil and gas natural resource
29 distribution account in the state special revenue fund. The collections allocated to the account from
30 ~~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~~

1 (6).

2 (2) There is a coal natural resource account in the state special revenue fund. The collections allocated
3 to the account from 15-35-108(9) must be deposited in the account. The money in the account is allocated to the
4 coal board provided for in 2-15-1821 and may be used only for local impact grants provided for in 90-6-205
5 through 90-6-207 and costs related to the administration of the grant awards."

6

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

8

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

11

- END -