Montana's Oil & Gas Production Tax

August 2017

History of the Production Tax

- FY 1981 increased oil severance tax on the gross value of the oil and gas product
- FY 1984 the Board of Oil and Gas Conservation was re-established to monitor oil and gas operations in Montana
- 1993 Special Legislative Session enacted an 18 month net proceeds tax holiday on horizontally drilled oil wells for working interests only
- FY 1996 severance taxes replaced with new production taxes changing the tax from a property tax levied by state and local governments to a state tax shared with local governments
- Transportation costs to market reduce the price Montana receives for a barrel of oil. Revenue forecasts for oil and gas estimate this differential to get a more accurate estimate.

The oil and natural gas production tax is imposed on the production of petroleum and natural gas in Montana. The tax has numerous different rates depending on several factors like whether oil or gas is produced from a stripper well or a well drilled after 1999. The current oil production tax rates and the natural gas tax rates are found in the tables below.

Oil Tax Rates
15-36-304(5), MCA

Working Interest	
Primary recovery production	
First 12 months of qualifying production	0.5%
After 12 months:	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil<$30)	
1 through 10 barrels a day production	5.5%
>10 through 14 barrels a day production	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil>=$30)	*
Stripper wells (3 barrels or less/day)	
Stripper well exemption production (if oil <$54)	0.5%
Stripper well bonus production (if oil >=$54)	6.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Incremental production (if oil <$30/barrel)	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
Incremental production (if oil >=$30/barrel)	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
Horizontally recompleted well	
First 18 months	5.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Nonworking Interest	14.8%
Board of Oil and Gas	0.3%

* No stripper tax rate. Taxed at primary recovery rates. 15-36-303(22a)

Natural Gas Tax Rates
15-36-304(2), MCA

Working Interest	
Qualified production	
First 12 months	0.5%
After 12 months	
pre-1999 wells	14.8%
post-1999 wells	9.0%
Stripper natural gas pre-1999 wells	11.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	9.0%
Nonworking Interest	14.8%
Board of Oil and Gas	0.3%

The working interest is the individual or company actually producing and selling the mineral. The non-working interest is the owner of the mineral who receives a royalty payment from the working interest for the rights to exploit the mineral.

LFD
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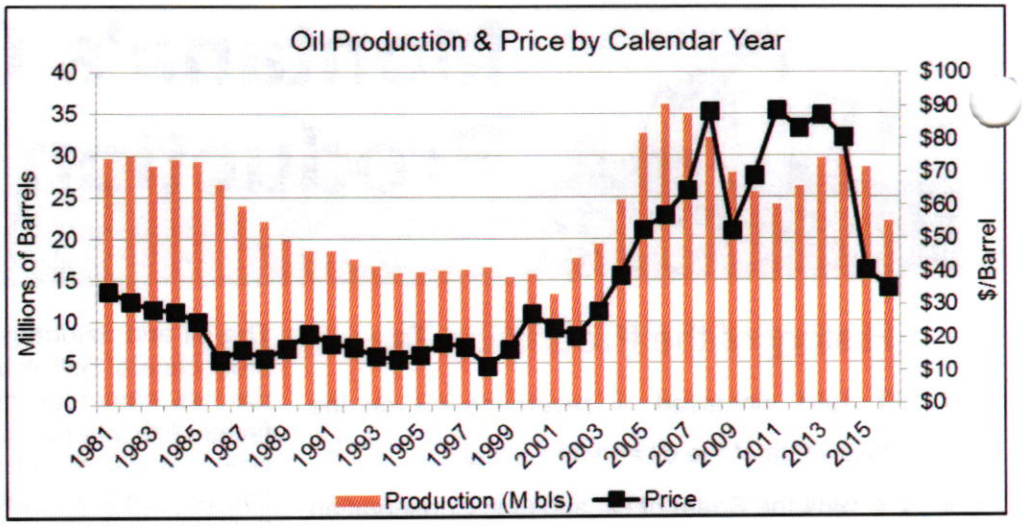
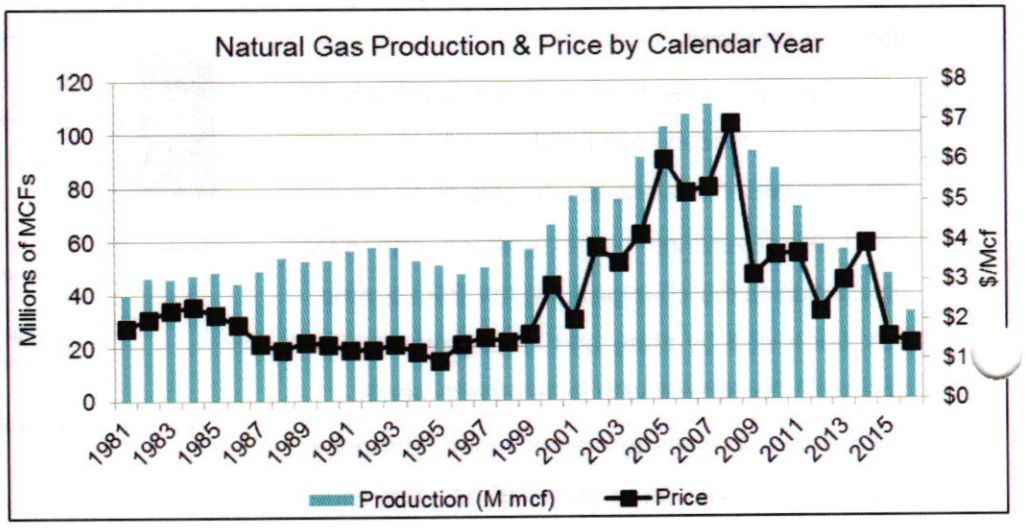
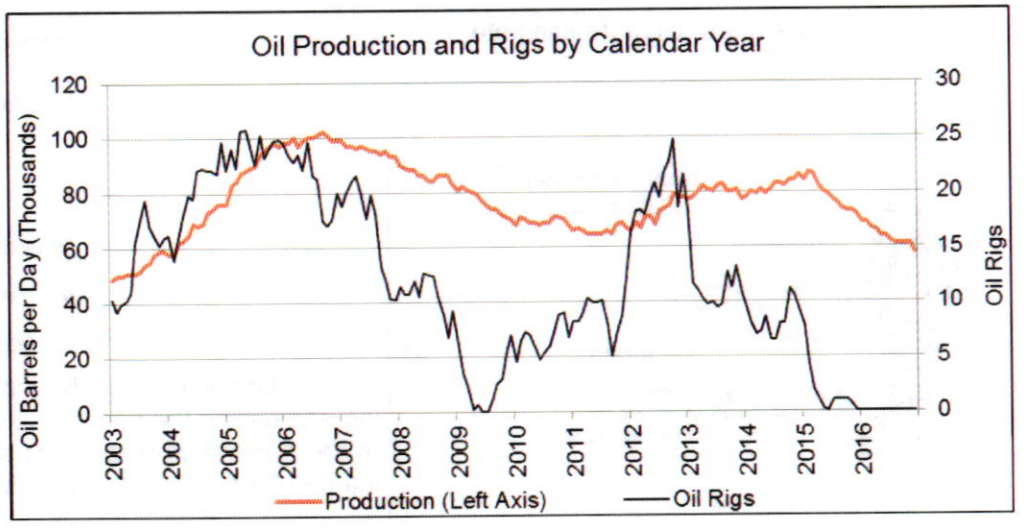
Revenue Collections

Fiscal	Total Millions	General Fund Millions
1969	$3.504061	$3.504061
1970	3.417604	3.417604
1971	3.185438	3.185438
1972	3.078870	3.078870
1973	3.105120	3.105120
1974	4.662627	4.662627
1975	6.583343	6.583343
1976	7.009209	7.009209
1977	7.411506	7.411506
1978	7.731701	7.731701
1979	8.207677	8.207677
1980	11.808579	11.808579
1981	21.762357	20.535761
1982	49.776135	47.948236
1983	50.873263	46.313019
1984	52.977130	35.484010
1985	53.667357	35.472434
1986	41.441086	26.043170
1987	19.904239	13.254877
1988	18.913097	17.975582
1989	15.748241	14.959251
1990	16.486405	15.567426
1991	62.879742	20.163269
1992	58.892324	21.822893
1993	48.650604	18.676586
1994	40.871318	13.403408
1995	34.704332	12.963887
1996	40.826475	10.665986
1997	50.150068	13.283093
1998	35.709042	9.120152
1999	30.446634	7.505617
2000	43.772950	11.362741
2001	92.395790	25.791723
2002	50.303610	12.902439
2003	73.389376	29.086038
2004	92.676050	41.323718
2005	137.754331	62.625939
2006	203.681078	92.562800
2007	209.946350	96.334992
2008	324.311270	149.993826
2009	218.425215	100.490971
2010	206.286286	95.490812
2011	215.129820	99.763712
2012	210.644361	97.560324
2013	213.229045	98.683277
2014	236.496773	109.606216
2015	159.107050	73.184119
2016	84.972199	39.083500
2017	100.769218	46.334270
Total	$3,687.676357	$1,753.045808

Maximum amounts are highlighted.







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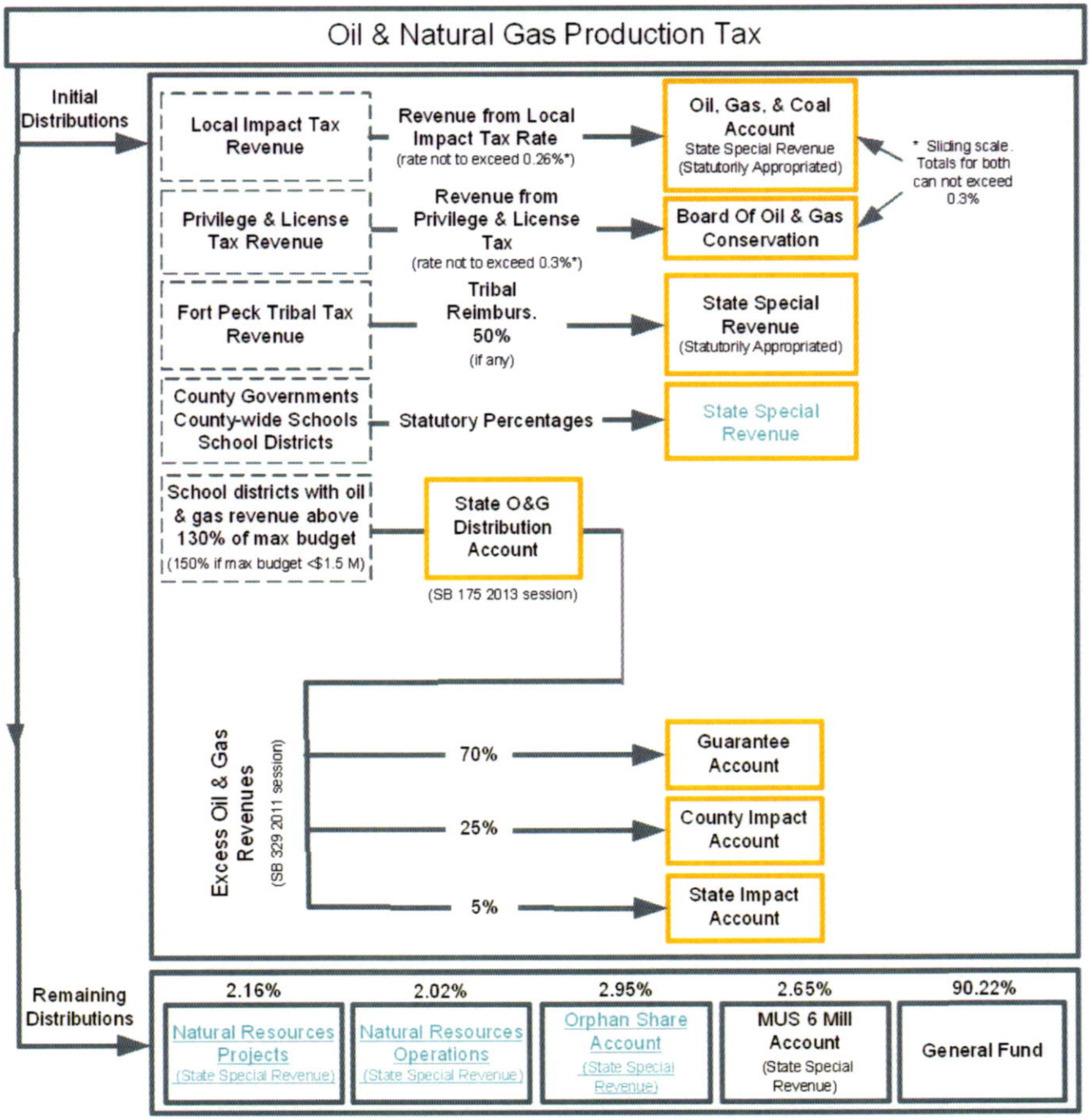
Distribution

Oil and natural gas production tax is distributed to a number of state and local sources. The general structure is shown below. County specific rates of oil and natural gas production tax distribution can be found in 15-36-331, MCA and 15-36-332, MCA.



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