

HJ 6: Consideration of Adding Other Revenue to Coal Severance Tax Trust Fund

Revenue Interim Committee

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Moore

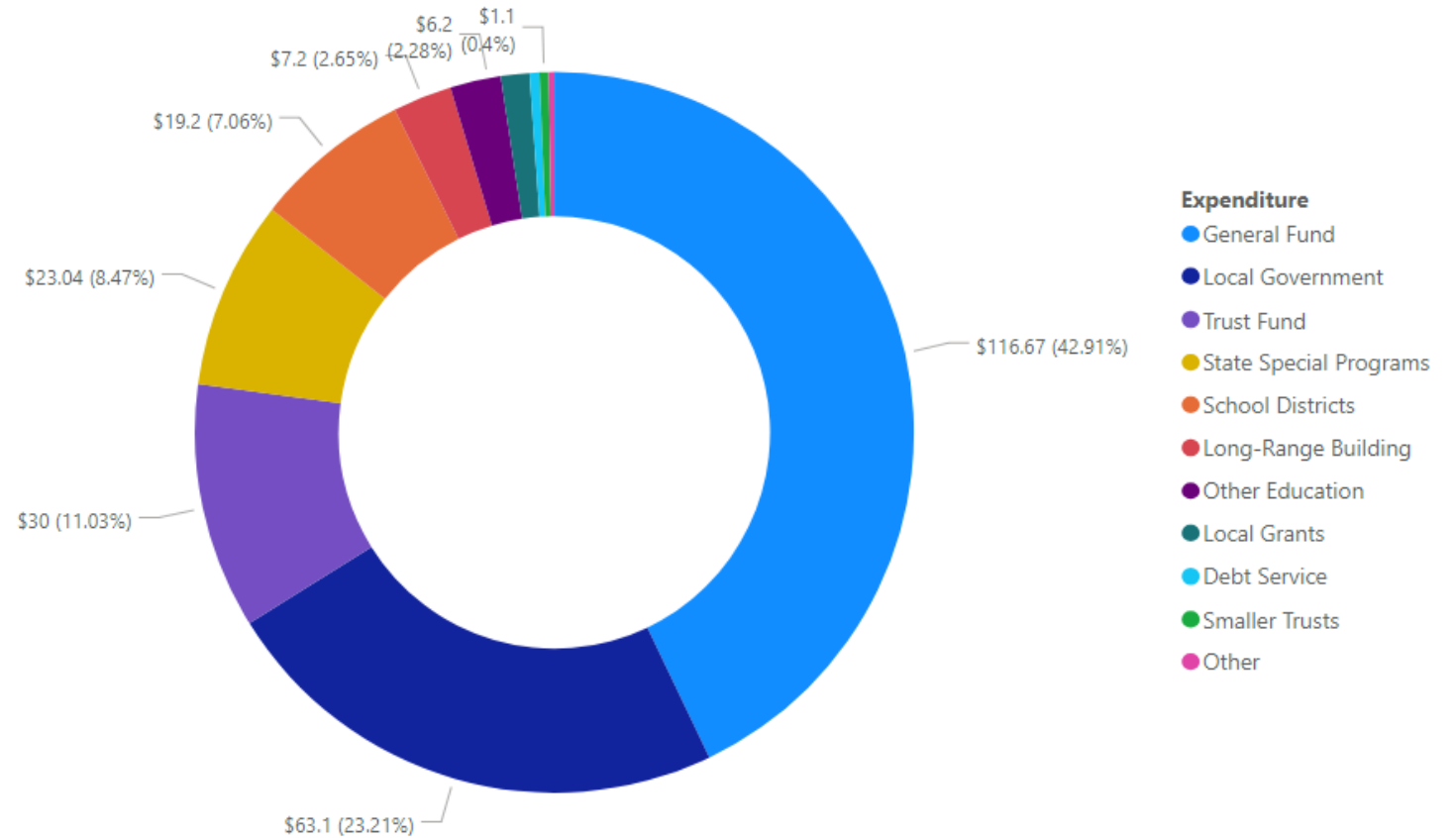
January 2022



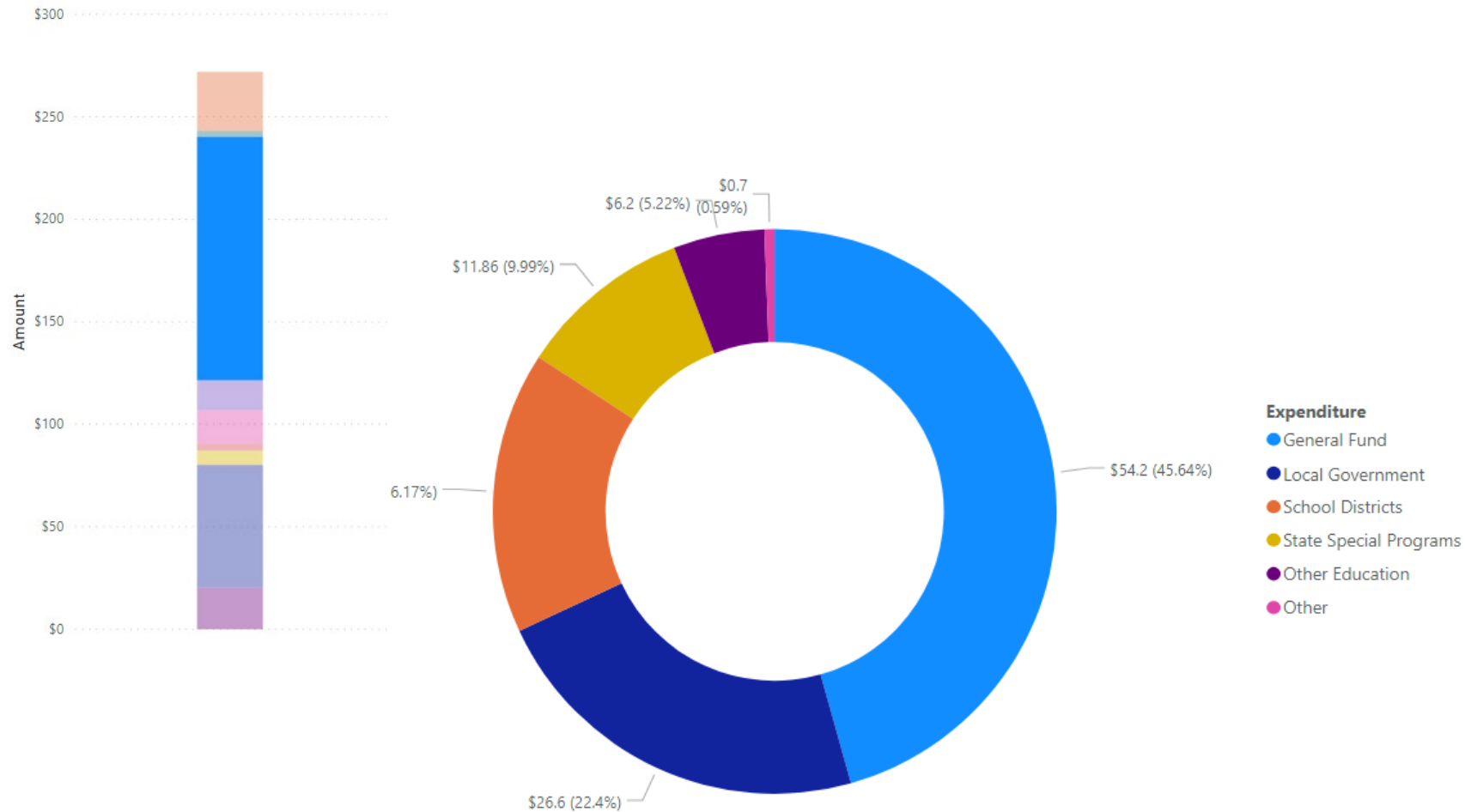
Natural Resource Historical and Projected Values in HJ 2					
(\$ Millions)					
	Actual FY 2019	Actual FY 2020	Actual FY 2021	Estimated FY 2022	Estimated FY 2023
Oil & Natural Gas Production Tax	118.9	84.6	87.4	97.3	89.6
Coal Severance Tax	60.0	46.8	43.3	35.9	31.7
US Mineral Royalties	28.8	24.7	16.1	21.6	19.4
Coal Gross Proceeds	20.3	23.3	20.8	15.4	14.0
Federal Forest Receipts	15.1	14.2	13.8	3.8	3.9
Metal Mines Tax	14.7	18.6	25.8	17.1	17.5
Electrical Energy Generation	7.0	5.8	5.2	3.8	3.7
Wholesale Energy Transmission Tax	3.5	3.4	3.0	3.5	3.5
Resource Indemnity Tax	2.9	2.3	2.0	1.9	1.7
Bentonite Production Tax	0.9	0.9	0.4	0.7	0.7
<u>Cement & Gypsum Tax</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
Total	272.1	224.6	217.9	201.1	185.8

FY 2019 Total \$272 Million

Natural
Resource
Revenues:
Where do
they go?

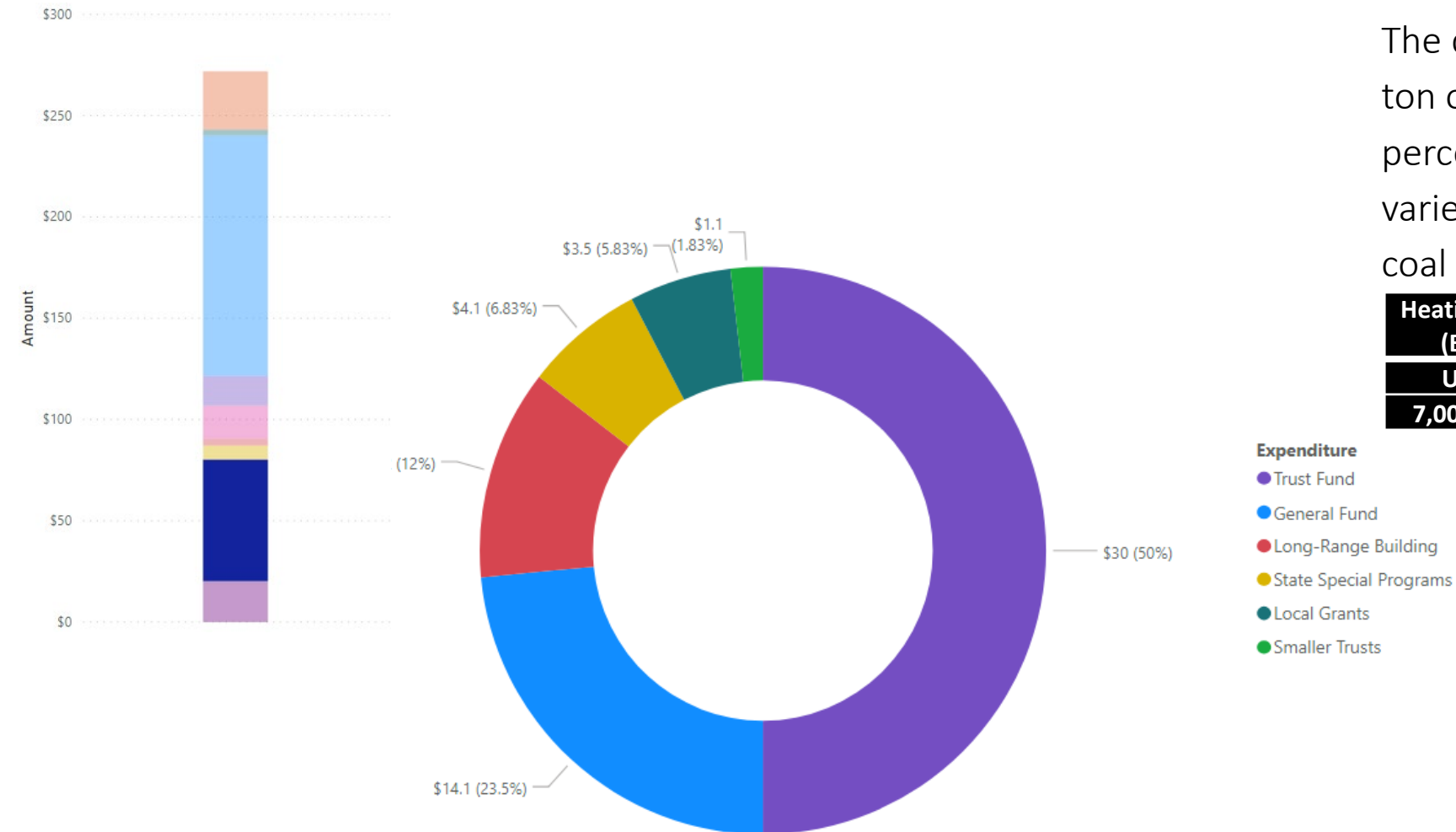


Oil & Natural Gas Production Tax (\$118.8 Million)



Oil and natural gas production is taxed on the gross taxable value of production and differs based on whether the owner bears the cost of production. Working interest tax rates vary based on the type and age of the well and range from 0.5% to 14.8% for natural gas and 0.5% to 12.5% for oil. Royalty owners, or nonworking interests, are taxed at 14.8% for all types of oil and natural gas production.

Coal Severance Tax (\$60.0 Million)



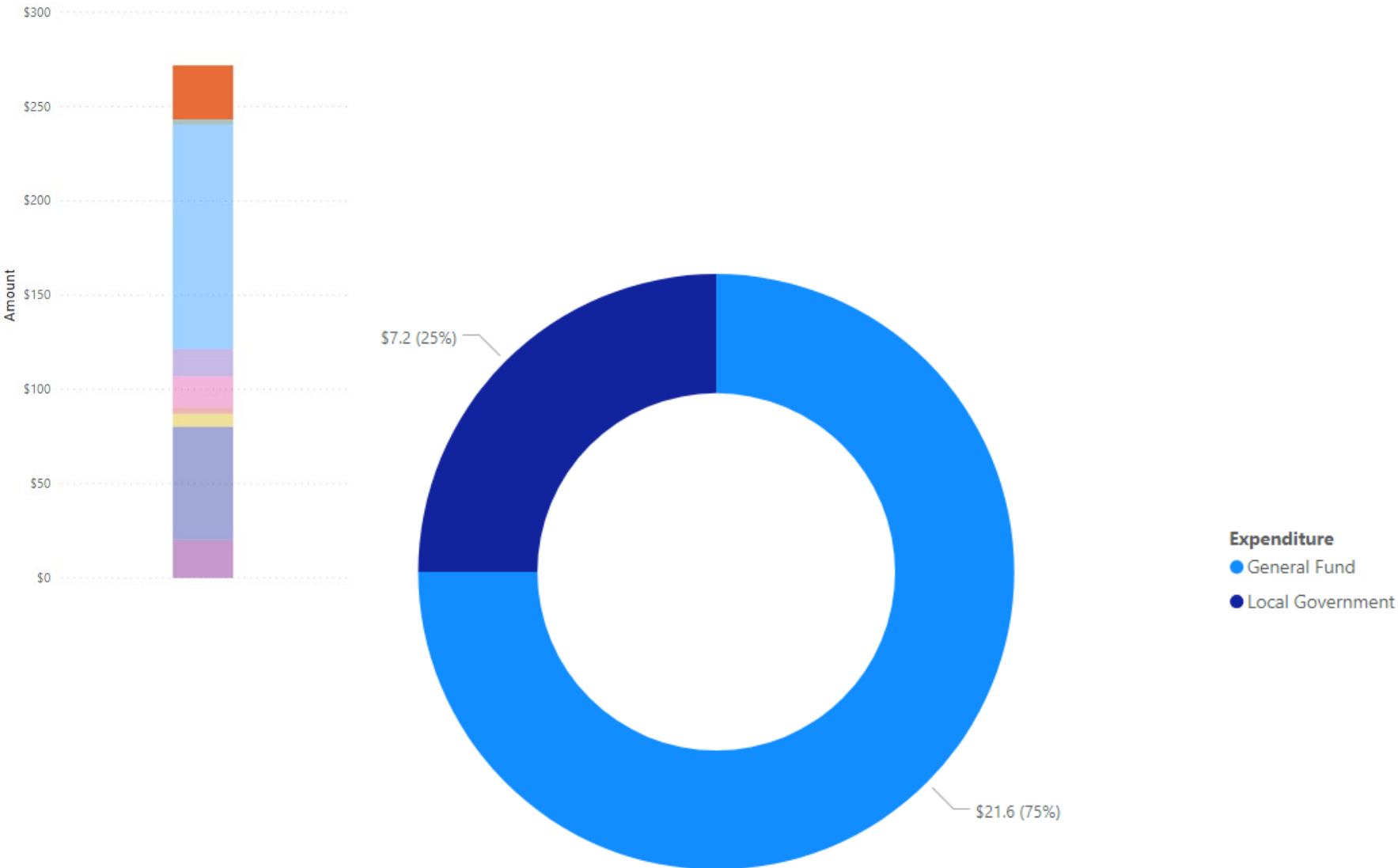
The coal severance tax is imposed on each ton of coal produced in the state. The tax is a percentage of the contract sales price and varies based on the heating quality of the coal and how the coal is mined.

Heating Quality (BTU/lb)	Surface Mining	Augur Mining	Underground Mining
Under 7,000	10% of value	3.75% of value	3% of value
7,000 and over	15% of value	5% of value	4% of value

Production of 50,000 tons or less in a calendar year is not subject to the coal severance tax. All production in excess of 20,000 tons is taxed if production exceeds 50,000 tons.

See [Coal Severance Tax Trust Fund brochure](#) for detailed revenue distribution information.

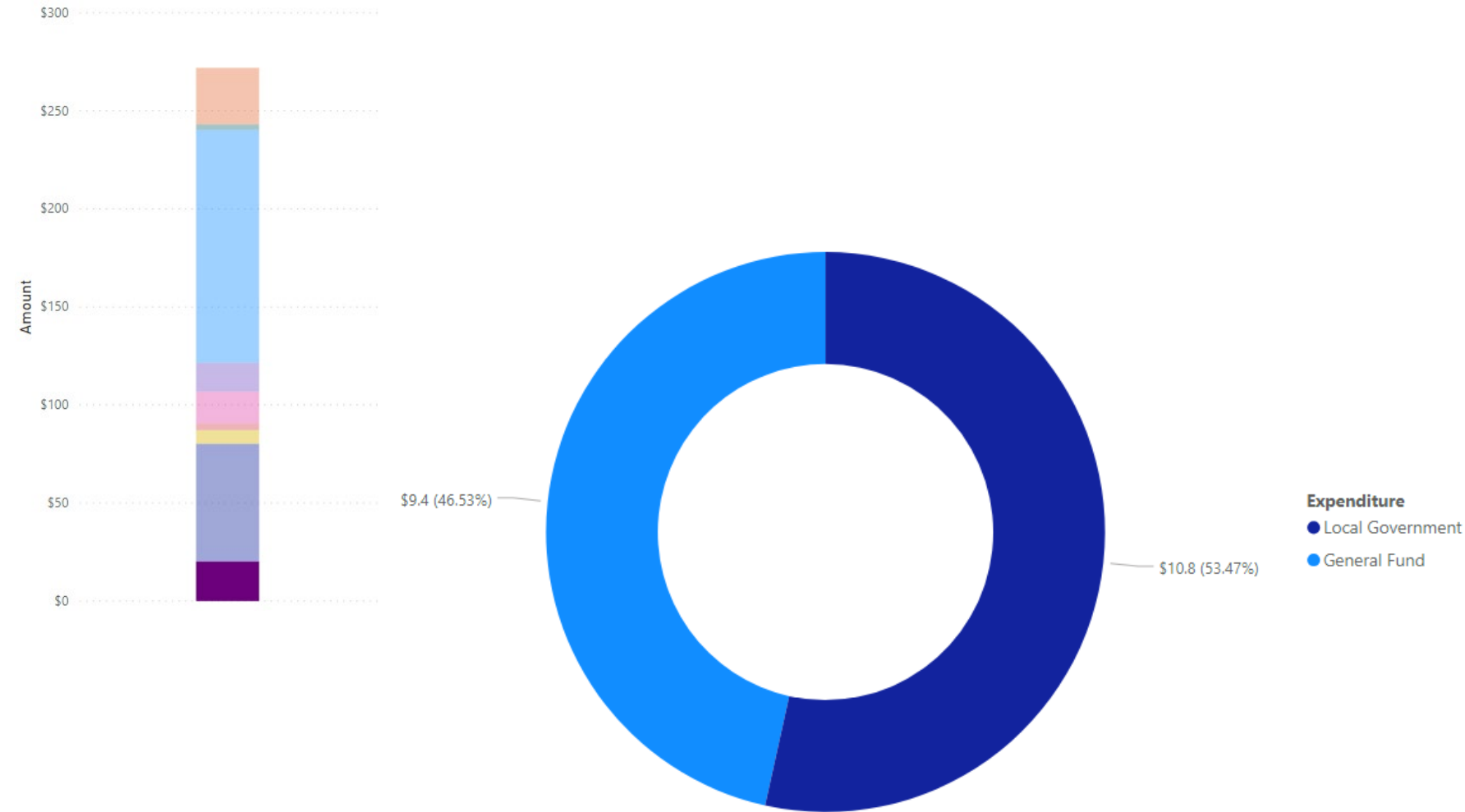
U.S. Mineral Royalties (\$28.8 Million)



U.S. mineral royalties are revenues generated from leasing mineral rights on federal land. The state receives 48% of royalties generated on federal land in Montana.

The general fund receives 75% of the revenue and 25% is deposited in the mineral impact account for distribution to counties with mineral production.

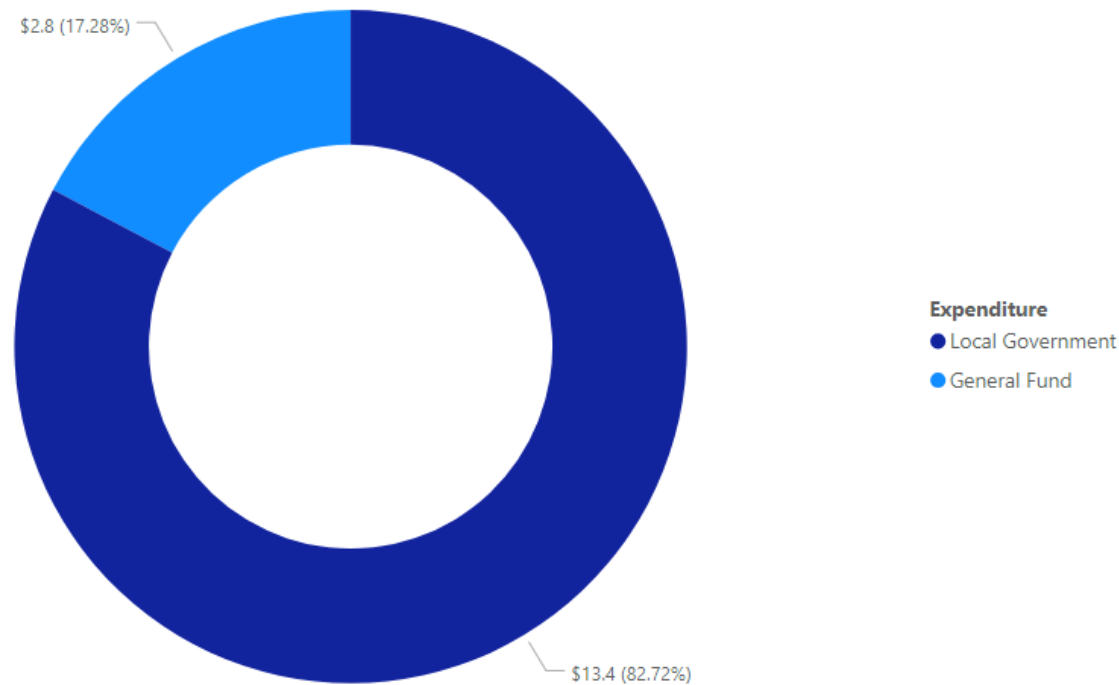
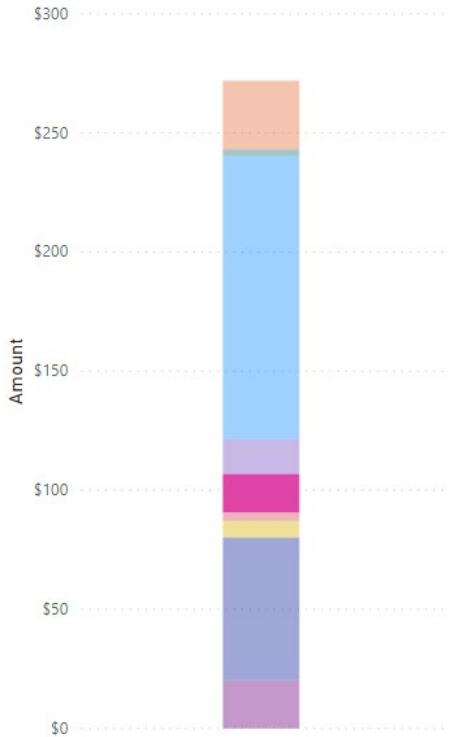
Coal Gross Proceeds (\$20.2 Million)



Coal gross proceeds are taxed at 5%. A lower 2.5% rate applies to new underground mines established after Dec. 31, 2011, and to existing underground mines operating on Dec. 31, 2010. After Dec. 31, 2030, the rate for underground mines operating on Dec. 31, 2010, increases to 5%.

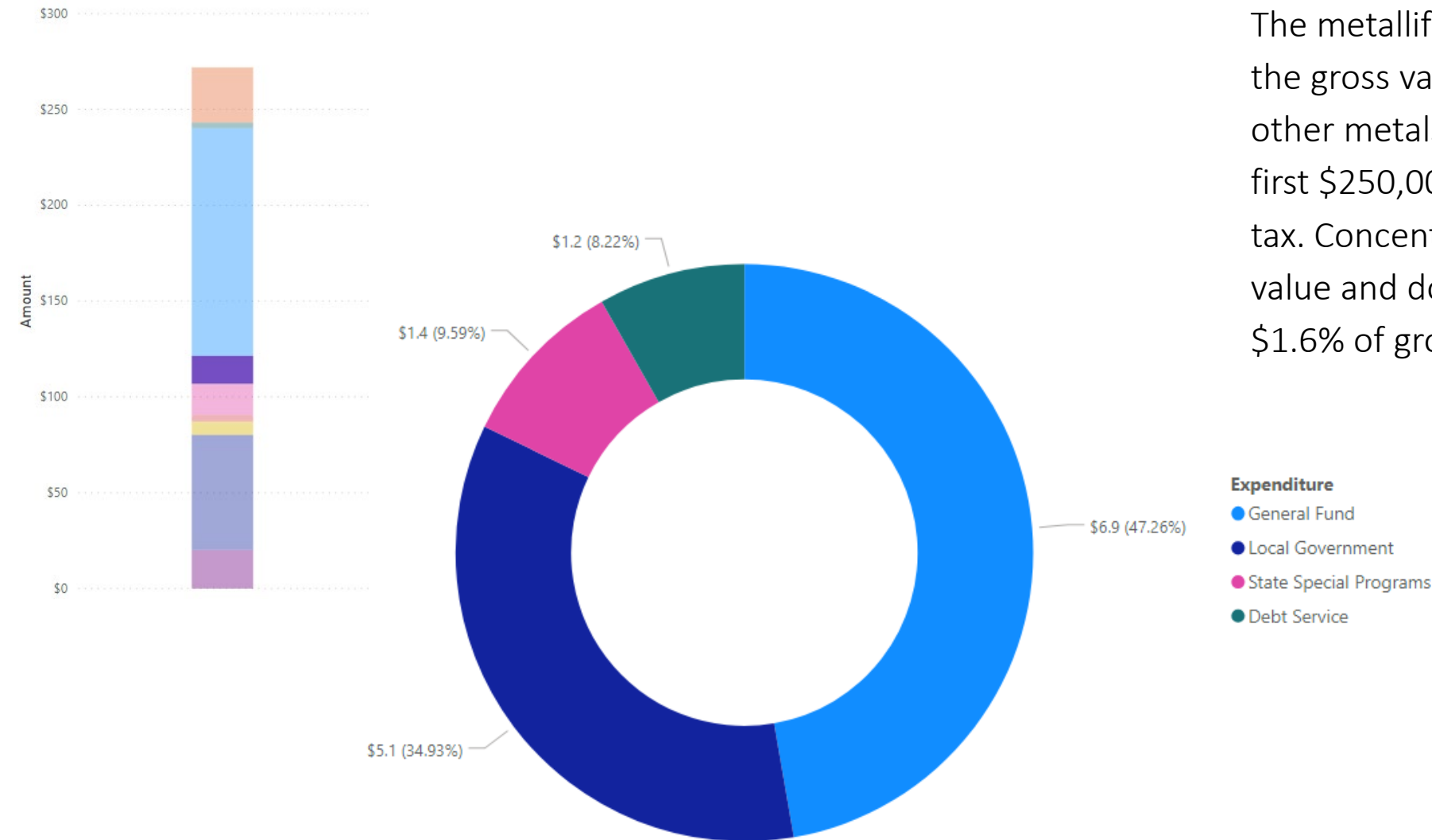
Coal gross proceeds revenue is allocated to the state, the county, and school districts in the same proportions as the taxes were distributed in 1990.

Federal Forest Receipts (\$16.2 Million)



The federal government pays the state for logging operations on federal lands within the state. The revenue is apportioned to counties in which the federal land is located, with 66.7% dedicated to the county road fund and 33.3% spread among the county school transportation account, the county school retirement account, the 33 mills for elementary equalization, and the 22 mills for high school equalization. The general fund portion is from the 55 mills for elementary and high school equalization.

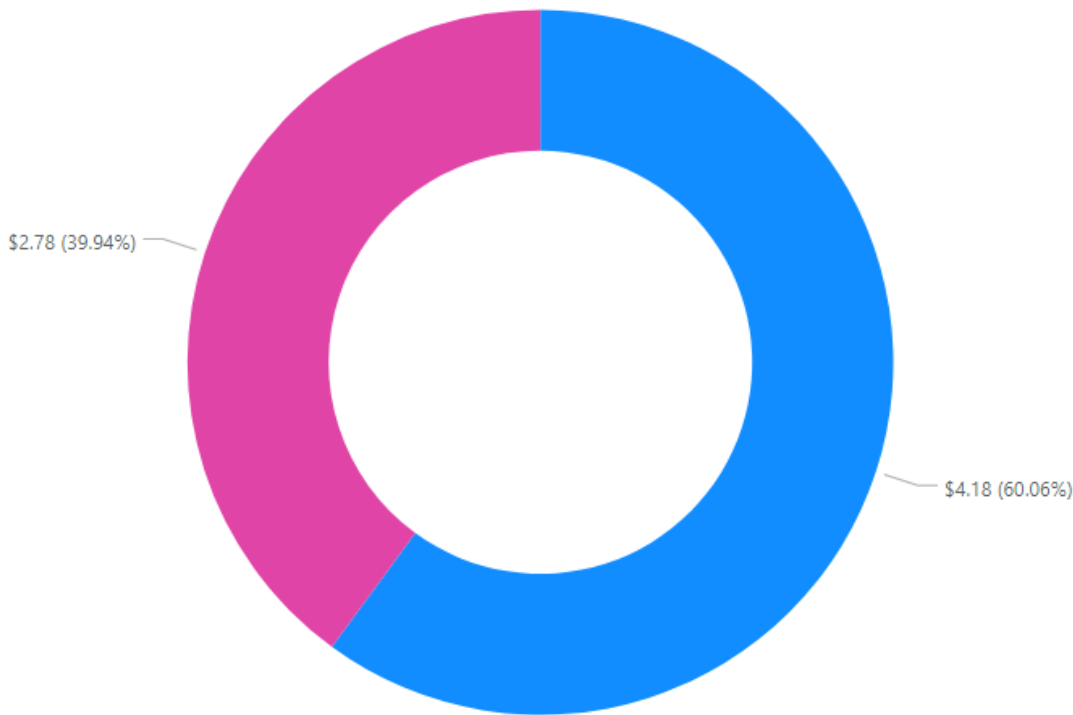
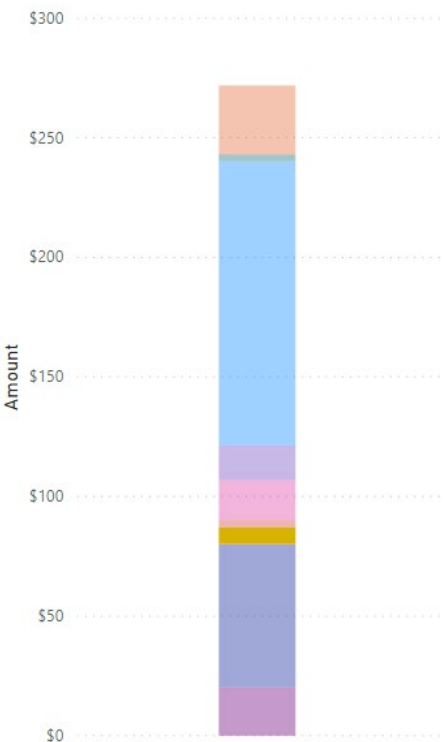
Metal Mines Tax (\$14.6 Million)



The metalliferous mines license tax is levied on the gross value of gold, silver, copper, lead, other metals, and gems mined in the state. The first \$250,000 of gross value is exempt from the tax. Concentrates are taxed at \$1.81% of gross value and dore, bullion, and matte are taxed at \$1.6% of gross value.

The revenue distribution is: 47% general fund, 35% counties, 8.5% hard-rock mining reclamation debt service fund, 7% natural resources operations account, and 2.5% hard-rock mining impact trust account. In FY28, the general fund share increases to 57% and the county portion decreases to 25%.

Electrical Energy Generation (\$7.0 Million)

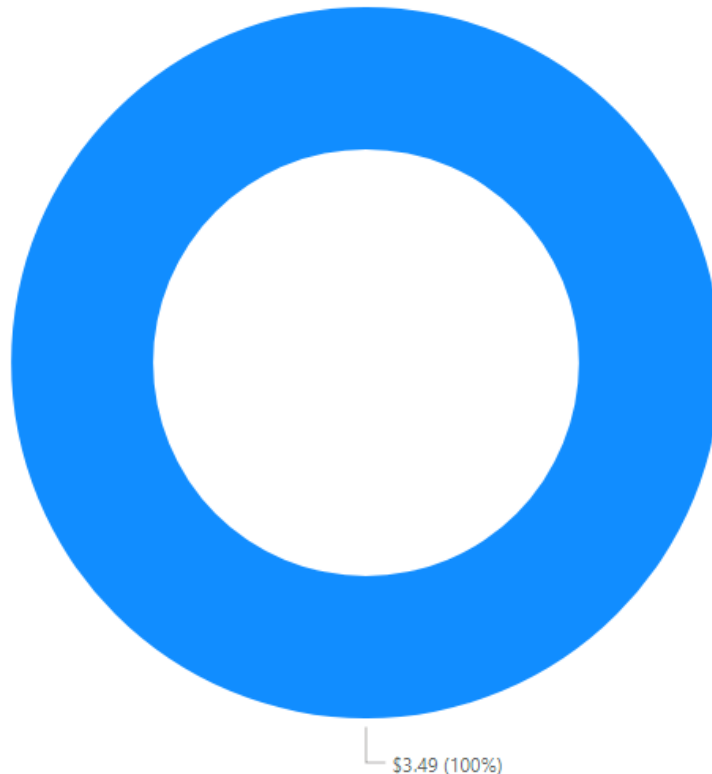
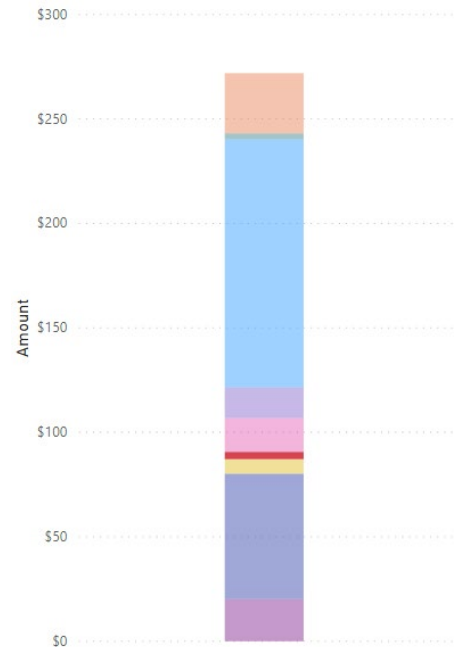


Electrical energy producers are subject to the electrical energy producer's license tax. Hydroelectric facilities also pay the invasive species fee.

The electrical energy producer's license tax is levied on those who generate, manufacture, or produce electricity for barter, sale, or exchange. The tax is \$0.0002 per kilowatt hour and is deposited in the general fund.

Hydroelectric facilities pay the quarterly invasive species fee of \$397.88 per megawatt of the facility's nameplate capacity. The revenue is deposited in the invasive species state special revenue account.

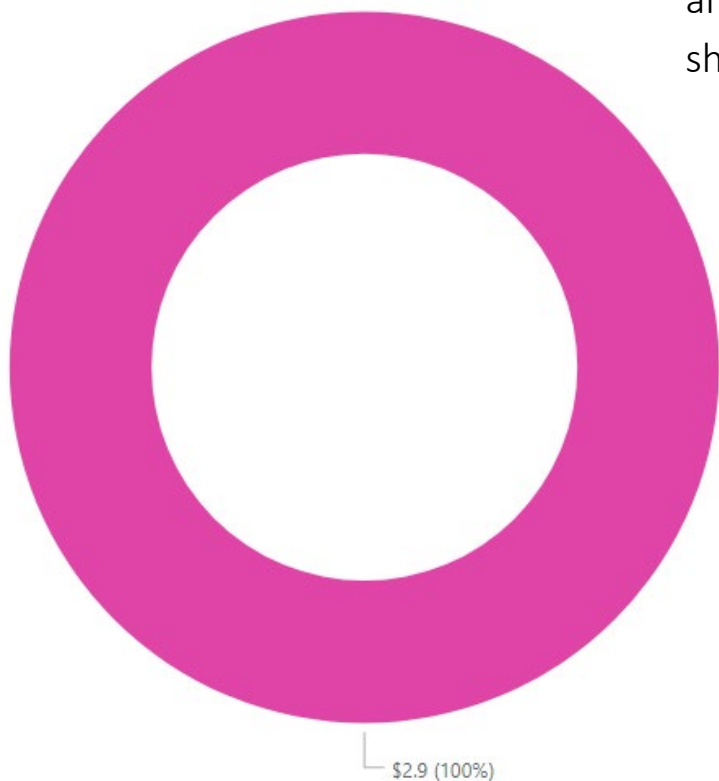
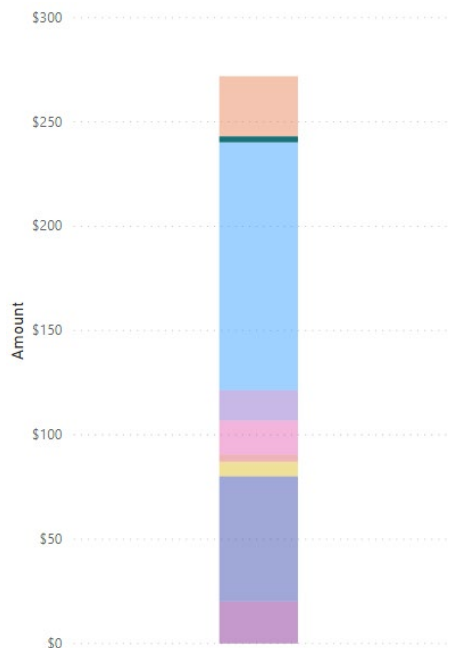
Wholesale Energy Transmission Tax (\$3.5 Million)



Expenditure
● General Fund

The wholesale energy transaction tax is imposed on electricity transmitted within the state at a rate of 0.015 cents per kilowatt hour of electricity transmitted. The kilowatt hours subject to the tax are reduced by 5% for electricity produced within the state for delivery outside of the state.

Resource Indemnity Tax (\$2.9 Million)



Expenditure
● State Special Programs

The resource indemnity and ground water assessment tax is levied on the mining, extraction, or production of minerals. The tax is \$25 plus an amount based on the gross value as shown in the table.

Mineral	Tax Rate	Gross Value Exempt
All other*	0.5%	\$5,000
Talc	4%	\$625
Coal	0.4%	\$6,250
Vermiculite	2%	\$1,250
Limestone	10%	\$250
Garnets	1%	\$2,500

*Except metal mines, oil and natural gas, and certain opencut operations.

The revenue is first distributed to the CERCLA debt service fund (DEQ determines amount), \$366,000 to the ground water assessment account, and \$150,000 to the water storage account. Of the remainder, 50% goes to mineral development reclamation projects and renewable resource projects and 25% each to the environmental quality protection fund and the hazardous waste/CERCLA account.

Additional (Smaller) Revenue Sources

Bentonite Production Tax

Bentonite is taxed per ton based on production level. Production of 20,000 tons or less is exempt. Rates range from \$1.82/ton to \$1.17/ton. Royalty revenue is taxed at 15%.

Fund	FY 2020
Counties with production	\$638,626
General Fund	\$169,986
Montana University System	\$10,650
Total	\$819,262

Cement and Gypsum Tax

Cement and gypsum importers and manufacturers are subject to a license tax. The tax is \$0.22/ton for cement manufacturers or importers and \$0.05/ton for gypsum manufacturers or importers.

Fund	FY 2020
General Fund	\$134,493

