

NATURAL RESOURCES

BIENNIAL REPORT - THE MONTANA DEPARTMENT OF REVENUE



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Overview of Natural Resource Taxes

Historically, Montana has relied on its natural resources as a primary source of tax revenue. This section covers the natural resource taxes levied in Montana. Generally, natural resource taxes are categorized as either severance/license taxes or some form of ad valorem (property) taxes. Information provided includes tax rates, filing requirements, disposition of the tax, production tax incentives, and recent revenue collections.

Natural Resource Tax Collections - FY 2013 through FY 2016				
State Natural Resource Tax Revenue	FY 2013	FY 2014	FY 2015	FY 2016
Coal Severance Tax	\$53,292,536	\$54,067,610	\$59,125,563	\$56,923,643
Coal Gross Proceeds*	\$9,075,101	\$8,768,283	\$9,288,352	\$9,979,145
Oil and Natural Gas Production (Severance Tax)	\$116,916,507	\$129,023,504	\$90,830,859	\$44,725,511
Oil and Natural Gas Production (Privilege & License Tax)	\$2,152,702	\$2,505,508	\$1,671,506	\$812,294
Metalliferous Mine License Tax	\$13,222,539	\$10,457,348	\$10,947,952	\$5,691,074
Metal Mines Gross Proceeds*	\$3,162,135	\$3,178,007	\$2,593,448	\$2,690,657
Miscellaneous Mines Net Proceeds*	\$423,043	\$330,467	\$382,864	\$377,480
Resource Indemnity & Ground Water Assessment Tax	\$2,112,327	\$2,278,971	\$3,303,038	\$2,335,153
Bentonite Production Tax	\$352,050	\$172,039	\$219,172	\$286,081
Total State Collections	\$200,708,941	\$210,781,738	\$178,362,755	\$123,821,038
Local Natural Resource Tax Revenue	FY 2013	FY 2014	FY 2015	FY 2016
Coal Severance Tax	\$3,281,281	\$2,129,440	\$1,765,851	\$3,434,905
Coal Gross Proceeds*	\$10,369,234	\$10,043,732	\$10,569,130	\$10,777,732
Oil and Natural Gas Production (Severance Tax)	\$90,058,907	\$95,997,576	\$63,447,389	\$37,900,038
Oil and Natural Gas Production (Privilege & License Tax)	\$4,100,929	\$4,732,701	\$3,157,296	\$1,534,356
Metalliferous Mine License Tax	\$4,407,513	\$3,485,783	\$3,649,317	\$2,473,424
Metal Mines Gross Proceeds*	\$13,332,075	\$13,635,896	\$11,858,376	\$11,996,094
Miscellaneous Mine Net Proceeds*	\$1,029,717	\$1,067,152	\$1,187,778	\$1,246,618
Bentonite Production Tax	\$1,273,910	\$617,942	\$776,590	\$1,011,340
Total Local Government Collections	\$127,853,566	\$131,710,223	\$96,411,726	\$70,374,507
Subtotals by Tax	FY 2013	FY 2014	FY 2015	FY 2016
Coal Severance Tax	\$56,573,818	\$56,197,050	\$60,891,414	\$60,358,548
Coal Gross Proceeds*	\$19,444,335	\$18,812,015	\$19,857,482	\$20,756,877
Oil and Natural Gas Production (Total)	\$213,229,045	\$232,259,289	\$159,107,050	\$84,972,199
Metalliferous Mine License Tax	\$17,630,052	\$13,943,131	\$14,597,270	\$8,164,499
Metal Mines Gross Proceeds*	\$16,494,210	\$16,813,903	\$14,451,824	\$14,686,751
Miscellaneous Mines Net Proceeds*	\$1,452,760	\$1,397,619	\$1,570,642	\$1,624,098
Resource Indemnity & Ground Water Assessment Tax	\$2,112,327	\$2,278,971	\$3,303,038	\$2,335,153
Bentonite Production Tax	\$1,625,960	\$789,982	\$995,762	\$1,297,421
Total Collections	\$328,562,507	\$342,491,961	\$274,774,481	\$194,195,545

*Numbers may not always exactly match property summary data.

Coal, Oil, and Natural Gas State Tax Comparison

Individual states have different exemptions, deductions, and tax bases for their natural resources. Not only do these differences make it very difficult to compare tax structures between states, but differences in other taxes, such as sales and property tax, can skew the overall tax burden in a given state. The tables on the next page provides a brief description of taxes for coal and oil and gas producers in other states.

Coal, Oil, and Natural Gas State Tax Comparison

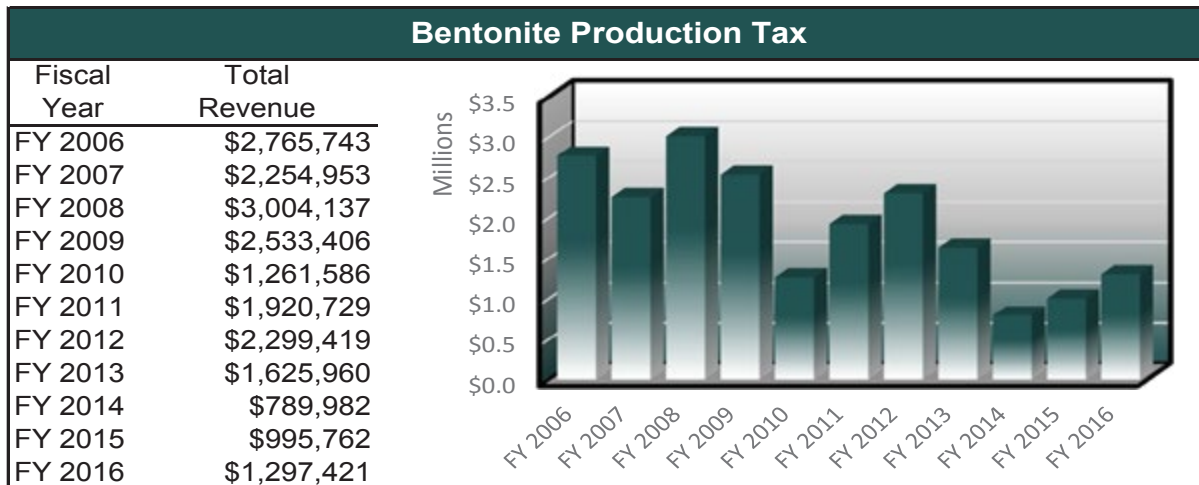
Montana DOR Coal Tax Comparison 2014						
Factors	Montana	Wyoming	North Dakota	Colorado	Utah	Units
Production Taxes	\$2.39	\$1.33	\$0.39	\$0.37	\$0.00	\$/Ton
Property Taxes	\$0.08	\$0.09	\$0.19	\$0.28	\$0.16	\$/Ton
Sales Taxes	\$0.00	\$0.08	\$0.00	\$0.00	\$0.09	\$/Ton
Income Taxes	\$0.06	\$0.00	\$0.04	\$0.04	\$0.05	\$/Ton
Access to Domestic Markets	11	30	1	13	6	Delivery Routes to other States
Average Rail Transport Cost	\$17.62	\$19.83	\$4.29	\$33.19	\$26.96	\$/short ton
Access to Export Markets	204,907	867	1,340	35,391	21,948	Value of exports (\$1,000)
Average BTU	8,277	9,782	7,239	10,799	11,349	BTU/lb
Average Sulfur Content	0.41	0.64	0.95	0.47	0.45	% by weight
Average Ash Content	6.36	5.04	6.92	9.48	10.18	% by weight
Sales Price per Ton	\$16.02	\$13.56	\$15.72	\$39.88	\$34.92	USD
Coal Reserves	118,851	59,951	8,797	15,832	5,091	million short tons

National Conference of State Legislatures Comparison of Oil and Natural Gas Tax Rates 2012 (Updated 2016)		
State	Type of Tax	Description of Tax Rates
California	Oil and Gas Production Assessment	Rate determined annually by Department of Conservation
Colorado	Severance Tax	Two to five percent based on gross income for oil, gas, carbon dioxide and coal bed methane
		Four percent of gross proceeds on production exceeding 15,000 tons per day for oil shale
	Oil and Gas Conservation Levy	Maximum 1.7 mills per \$1 of market value at wellhead, not to exceed 0.2 mill per \$1 of the market value of the well
Idaho	Oil and Gas Production Tax	2.5 percent of market value at site of production
Kansas	Severance Tax	Eight percent of gross value of oil and gas, less property tax credit of 3.67 percent
	Oil and Gas Conservation Tax	91 mills/bbl crude oil or petroleum marketed or used each month 12.9 mills/1,000 cubic feet of gas sold or marketed each month
Montana	Oil or Gas Conservation Tax	Maximum of 0.3 percent on the market value of each barrel of crude petroleum oil or 10,000 cubic feet of natural gas produced and sold
	Oil or Natural Gas Production Tax	Varies from 0.5 percent to 14.8 percent of market value according to the well and type of production
Nebraska	Oil and Gas Severance Tax	Three percent of value of nonstripper oil and natural gas
	Oil and Gas Conservation Tax	Two percent of value of stripper oil. Maximum of 15 mills/\$1 of value at wellhead
Nevada	Oil and Gas Conservation Tax	\$0.20 per barrel of oil or 50,000 cubic feet of natural gas, as appropriate
North Dakota	Oil Gross Production Tax	Five percent of gross value at the well
	Gas Gross Production Tax	\$0.04 per 1,000 cubic feet of gas produced. The rate is subject to a gas rate adjustment each fiscal year.
	Oil Extraction Tax	Five percent of gross value at the well. Exceptions exist for certain production volumes and incentives for enhanced recovery projects.
Ohio	Resource Severance Tax	\$0.10/bbl of oil
		\$0.025/1,000 cubic feet of natural gas
Oregon	Oil and Gas Production Tax	Six percent of gross value at well
South Dakota	Energy Minerals Severance Tax	4.5 percent of taxable value of all energy minerals
	Conservation Tax	2.4 mills of taxable value of all energy minerals
Utah	Oil and Gas Severance Tax	Three percent of value for the first \$13 per barrel of oil and five percent if the value is \$13.01 or higher
		Three percent of value for the first \$1.50/mcf and five percent if the value is \$1.51 or higher
		Four percent of taxable value of natural gas liquids
	Oil and Gas Conservation Fee	0.002 percent of market value at the wellhead
Wyoming	Severance Taxes	Six percent on crude oil, lease condensate or natural gas, 2% on oil shale or any other fossil fuels
	Oil and Gas Conversion Charge	4/10 of a mill, may not exceed 8/10 of a mill.

MCF stands for 1,000 cubic feet; bbl stands for barrel
<http://www.ncsl.org/issues-research/energyhome/oil-and-gas-severance-taxes.aspx>

Bentonite Production Tax

Statute: Title 15, Chapter 39, MCA



Tax Rate and History

Prior to tax year 2005, bentonite was subject to the mines net proceeds tax similar to other miscellaneous minerals. Since tax year 2005, bentonite is taxed at rates prescribed in 15-39-101, MCA. For tax years starting after December 31, 2009, the rates are adjusted annually for inflation.

Filing and Payment of Tax

Producers are required to report production and pay taxes for semiannual periods ending June 30 and December 31. The report and tax are due within 45 days of the end of each semiannual period.

Bentonite Production Tax Rates		
<u>Production Level</u>	<u>2015 Tax (\$/Ton)</u>	<u>2016 Tax (\$/Ton)</u>
0-20,000 Tons	\$0.00	\$0.00
20,001-100,000 Tons	\$1.70	\$1.71
100,001-250,000 Tons	\$1.64	\$1.65
250,001-500,000 Tons	\$1.53	\$1.54
500,001-1,000,000 Tons	\$1.36	\$1.37
Over 1 Million Tons	\$1.09	\$1.10
Royalty Revenue	15%	

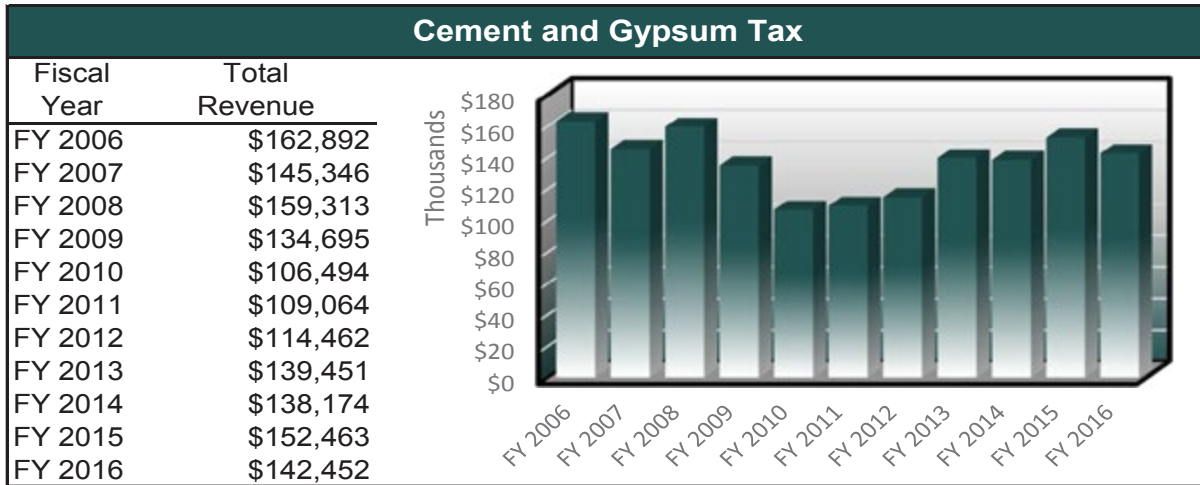
Distribution

The tax revenue is distributed according to a statutory formula that distributes the tax among state and local entities (15-39-110, MCA).

Distribution of Bentonite Tax				
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Counties with Production	\$1,273,910	\$617,942	\$776,590	\$1,011,340
General Fund	\$326,693	\$160,616	\$205,721	\$269,215
University Millage	\$25,358	\$11,423	\$13,451	\$16,866

Cement and Gypsum Tax

Statute: Title 15, Chapter 59, MCA



Tax Rate

Producers and importers of cement and cement products are required to pay a license tax of 22 cents per ton. Producers and importers of gypsum and gypsum products are required to pay five cents per ton. Before July 1, 1997, individuals retailing cement and gypsum products in Montana paid a license tax of 22 cents and five cents, respectively, for every ton that had not been paid under any other law. The 1997 Legislature repealed the tax on retailers.

Cement and Gypsum Tax Rates	
<u>Product</u>	<u>Tax Per Ton</u>
Cement	\$0.22
Gypsum	\$0.05

Filing Requirements

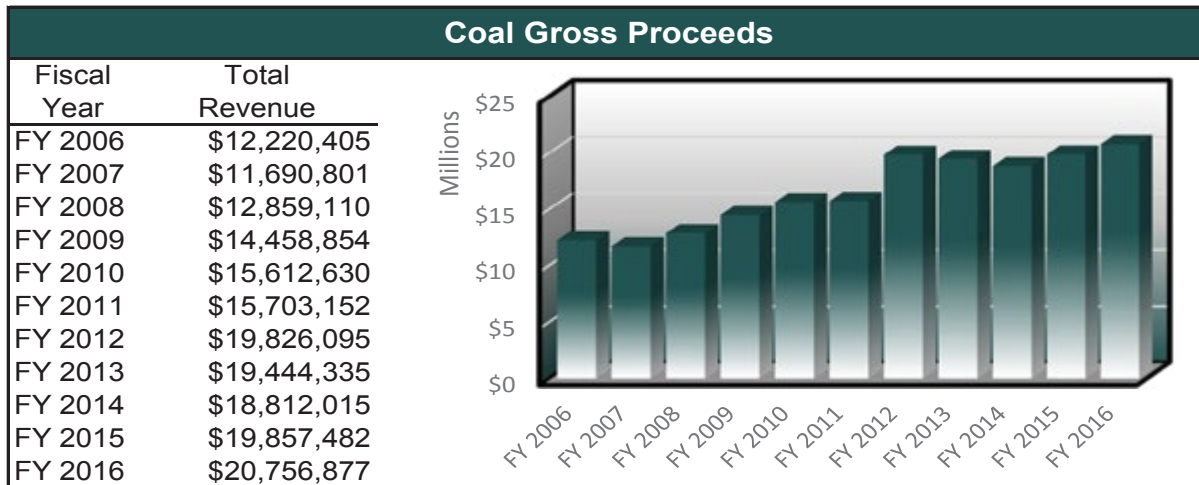
Producers, manufacturers and importers shall file quarterly statements showing the number of tons of cement or gypsum produced, manufactured, or imported into the state. These statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution

All proceeds from cement and gypsum taxes are deposited in the state general fund.

Coal Gross Proceeds

Statute: Title 15, Chapter 23, Part 7, MCA



Tax Rate

State and local governments do not levy or assess any mills against the reported gross proceeds of coal. Instead, a flat tax of five percent is levied against the value of the reported gross proceeds for most coal mines. Since the passage of SB 266 in the 2011 Legislature, new or expanding underground coal mines can be granted a local abatement by the county of up to one-half of the allowed rate, or 2.5 percent of the gross proceeds. The abatement, however, does not apply to the state share, and can be granted for up to 10 years of production.

Filing Requirements

On or before March 31 of every year, each person or firm engaged in mining coal must file a statement of gross yield for every mine operated in the preceding year. The producer must pay 50 percent of the taxes due on or before November 30; the remaining 50 percent is due on or before May 31 of the following year.

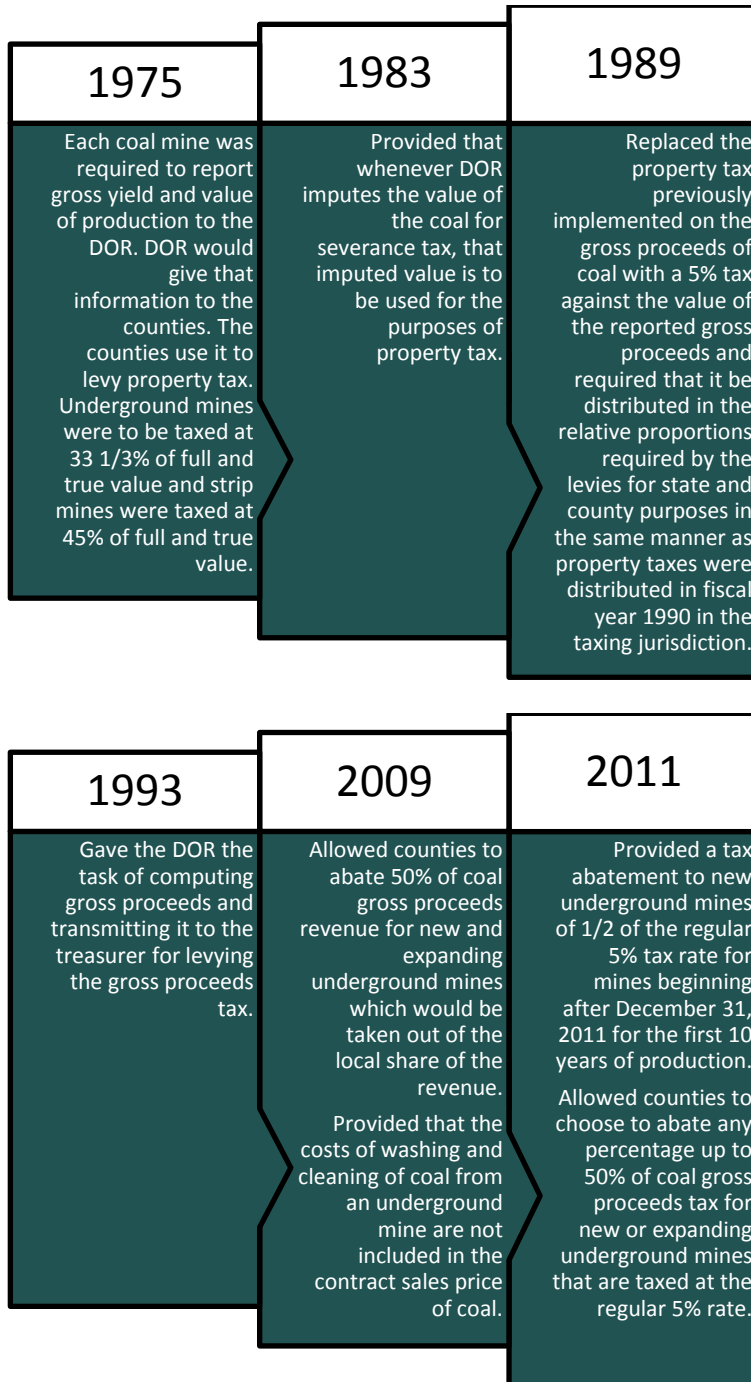
Distribution

The revenue is proportionally distributed to the appropriate taxing jurisdictions in which production occurred based on the total number of mills levied in fiscal year 1990.

Coal Gross Proceeds Tax							
Fiscal Year	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Tax Year	TY 2008	TY 2009	TY 2010	TY 2011	TY 2012	TY 2013	TY 2014
Tons produced	37,476,029	33,271,405	38,789,754	36,416,185	33,970,260	36,634,555	37,910,103
Gross Value	\$442,865,255	\$442,503,221	\$546,490,686	\$577,000,614	\$558,738,538	\$601,998,842	\$626,044,599
Gross Proceeds	\$312,252,594	\$314,063,017	\$396,521,885	\$424,029,484	\$411,533,834	\$450,748,472	\$478,443,474
Tax	\$15,612,630	\$15,703,152	\$19,826,095	\$19,444,335	\$18,812,015	\$19,857,482	\$20,756,877
Local Share	\$7,901,254	\$8,138,728	\$10,739,041	\$10,369,234	\$10,043,732	\$10,569,130	\$10,777,732
State Share	\$7,711,376	\$7,564,424	\$9,087,054	\$9,075,101	\$8,768,283	\$9,288,352	\$9,979,145

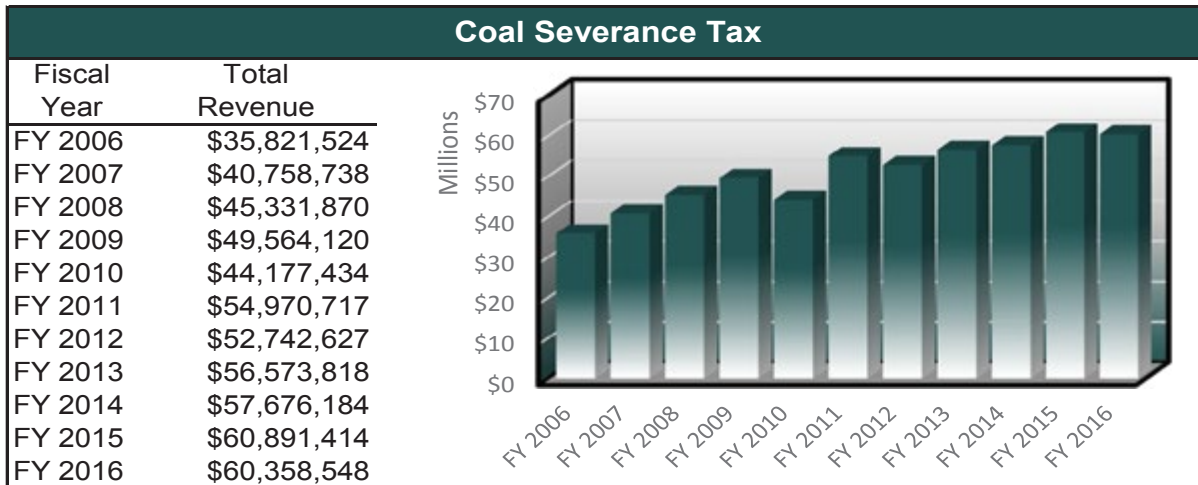
Coal Gross Proceeds History

The following figures show a select history behind the implementation and tax rate for coal gross proceeds tax.



Coal Severance Tax

Statute: Title 15, Chapter 35, MCA;
Article IX, Section 5, Montana Constitution



Tax Rate

Surface mined coal is taxed at 15 percent of value if rated as having 7,000 British thermal units (BTU) per pound and over and is taxed at 10 percent of value if rated as having less than 7,000 BTU per pound. Coal mined underground is taxed at four percent if rated as having 7,000 BTU per pound and over, and is taxed at three percent if rated as having less than 7,000 BTU per pound.

Coal mined using auger technology is taxed at five percent of value if rated as having 7,000 BTU per pound and is taxed at 3.75 percent of value if rated as having under 7,000 BTU per pound.

Coal Severance Tax Rates			
Heating Quality (BTU/lb)	Surface Mining	Auger Mining	Underground Mine
Less Than 7,000 BTU	10%	3.75%	3%
More Than 7,000 BTU	15%	5%	4%

Additional information on how other states tax coal production is available in the “Coal, Oil, and Natural Gas State Tax Comparison” subsection of this report.

Filing Requirements

Coal mine operators are required to file quarterly statements containing production and deduction amounts necessary to calculate the tax due. Tax payments are due at the time of filing (within 30 days following the close of each calendar quarter).

Distribution

There are many steps to the distribution of revenue generated from the coal severance tax. First, 50 percent of total severance tax revenue is deposited in the coal trust fund as described in Article IX, Section 5 of the Montana Constitution. This revenue must remain inviolate, or intact, unless appropriated by a ¾ majority of both houses of the legislature. There are currently five sub-trusts that make up the coal trust fund. These sub-trusts are: Coal Tax Bond Fund, Treasure State Endowment Fund, Treasure State Endowment Regional Water Fund, Big Sky Economic Development Fund, and the Coal Severance Tax Permanent Fund.

All severance tax trust revenue is first deposited in the Coal Tax Bond Fund. However, only a small portion

Coal Severance Tax

is retained in the fund. This fund maintains a fund balance sufficient to meet interest payments of outstanding Coal Severance Tax Bonds. These bonds are used to provide loans for renewable resource projects. The fund balance in excess of the required amount is then deposited to the Treasure State Endowment Trust Fund (50 percent), the Treasure State Endowment Regional Water Trust Fund (25 percent), and the Big Sky Economic Development Trust Fund (25 percent). Interest generated from the Treasure State Endowment Trust Fund is appropriated in HB 11 and used to fund grants for local infrastructure projects. The interest revenue from the Big Sky Economic Development Trust Fund is statutorily appropriated to the Department of Commerce for grants and loans to local governments for economic development purposes.

Coal Trust Fund Balances	
Trust	FY 2016 Estimated Ending Balance (\$ millions)
Treasure State Endowment Trust	\$271.08
Treasure State Regional Water Trust	\$94.18
Big Sky Economic Development Trust	\$90.33
Coal Permanent Trust	\$532.72
Total	\$988.31

Any remaining trust fund severance tax revenue is distributed to the Coal Severance Tax Permanent Fund and interest revenue is deposited in the general fund. The table above shows the balance of each of these trust funds as of the end of FY 2016.

Even though the interest from the Coal Severance Tax Permanent Trust Fund is deposited in the general fund, there are statutory appropriations directing how some of this interest revenue is spent. These statutory appropriations expire at the end of FY 2019. The following table details these appropriations:

General Fund Coal Interest Earnings Statutory Appropriations	
	FY 2015 - FY 2016
Cooperative Development Center	\$65,000
Growth Through Agriculture	\$625,000
Research and Commercialization	\$1,275,000
Public Employees Retirement System Defined Benefit Program	Up to \$21 million
Department of Commerce	
Small Business Development Center	\$125,000
Small Business Innovative Research	\$50,000
Certified Development Corporations	\$425,000
MT Manufacturing Center at MSU	\$200,000
Export Trade Enhancement	\$300,000

Also up to \$21 million of coal severance tax interest can be statutorily appropriated to the public employees' retirement system defined benefit plan trust fund. In FY 2015 and FY 2016 \$18.1 million and \$16.1 million, respectively, of coal severance interest was transferred.

Under state law in effect prior to the last legislative session, the Treasure State Endowment Regional Water Trust Fund and program would have terminated at the end of FY 2016. The funds in the regional water trust would have become part of the Permanent Trust and the any future interest earning generated by the trust would have gone to the general fund. The 2015 Legislature passed HB 180 extending the termination date

Coal Severance Tax

of the trust to the end of FY 2031 and allowing interest earnings to continue to be spent on TSEP (Treasure State Endowment Program) regional water activities. However HB 180 eliminated the distribution of coal severance tax to the TSEP Regional Water Trust Fund after FY 2016.

Under current state law, the distributions of coal severance tax to the Big Sky Economic Development Trust continue through FY 2025.

The 50 percent of revenue that is not constitutionally allocated is deposited according to 15-35-108, MCA. The following table shows how this revenue was distributed for the last six fiscal years in proportion to the total severance tax revenue. Although not shown in the table because the statutory allocation applies to the general fund, 15-35-108(9)(a), MCA, statutorily appropriates severance tax general fund revenue to the trust fund of the public employees' retirement system defined benefit plan. In FY 2015 and FY 2016, the respective statutory allocations were \$16.1 million and \$14.2 million.

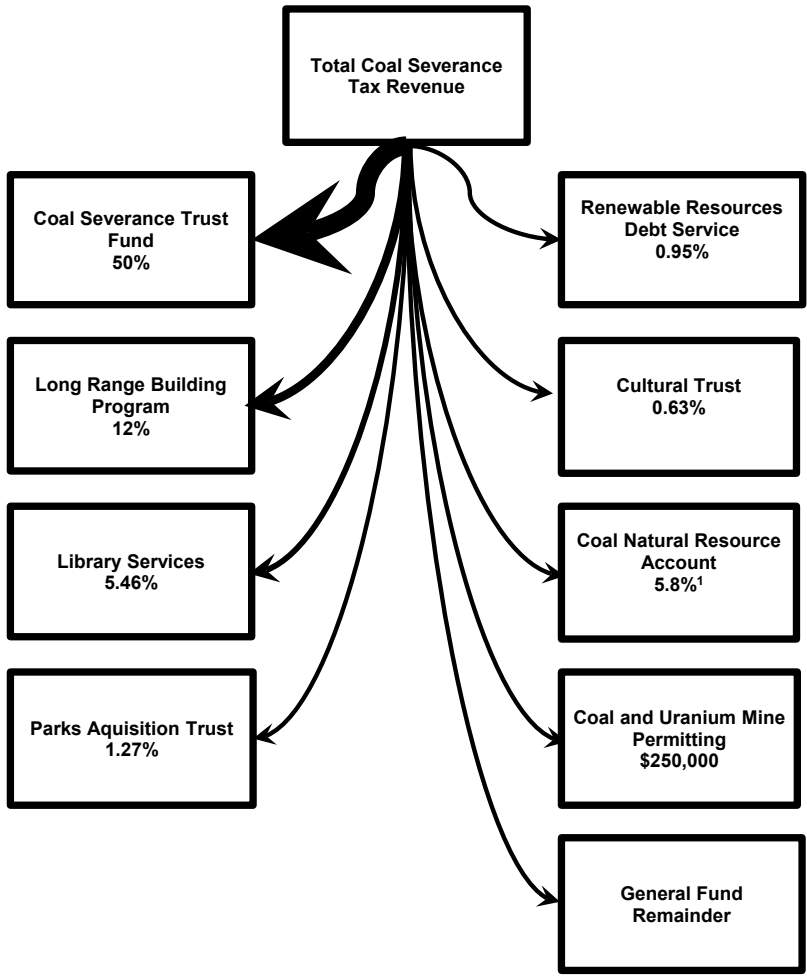
Distribution of Coal Severance Tax						
Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Coal Trust Fund (50%)	\$27,485,358	\$26,371,314	\$28,286,909	\$28,838,092	\$30,445,707	\$30,179,274
Long Range Building (12%)	\$6,596,486	\$6,329,115	\$6,788,858	\$6,921,142	\$7,306,970	\$7,243,026
Shared Account (5.46%)	\$3,001,401	\$2,879,748	\$3,088,930	\$3,149,120	\$3,324,671	\$3,295,577
Park Acquisition Trust (1.27%)	\$698,128	\$669,831	\$718,487	\$732,488	\$773,321	\$766,554
Renewable Res. Debt Service (0.95%)	\$522,222	\$501,055	\$537,451	\$547,924	\$578,468	\$573,406
Cultural and Aesthetic Proj. (0.63%)	\$346,316	\$332,279	\$356,415	\$363,360	\$383,616	\$380,259
Coal Board (5.8% or 2.9%)*	\$3,188,302	\$3,059,072	\$3,281,281	\$2,129,440	\$1,765,851	\$3,434,905
Coal & Uranium Program (\$250K)	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
General Fund (Remainder)	\$12,882,504	\$12,350,214	\$13,265,485	\$14,744,619	\$16,062,810	\$14,235,548

* Decreases to 2.9% beginning July 1, 2017

The following three charts illustrate the entire distribution of the coal severance tax revenue.

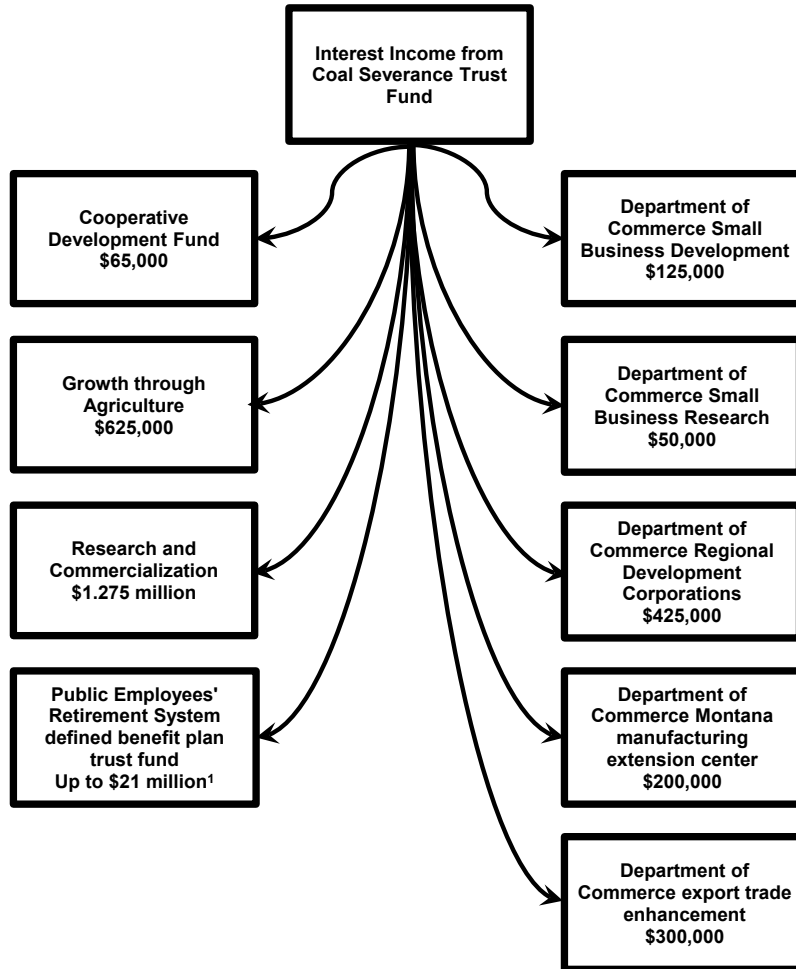
Following those charts is a select history of the coal severance tax rate and implementation.

Coal Severance Tax Revenue Distribution



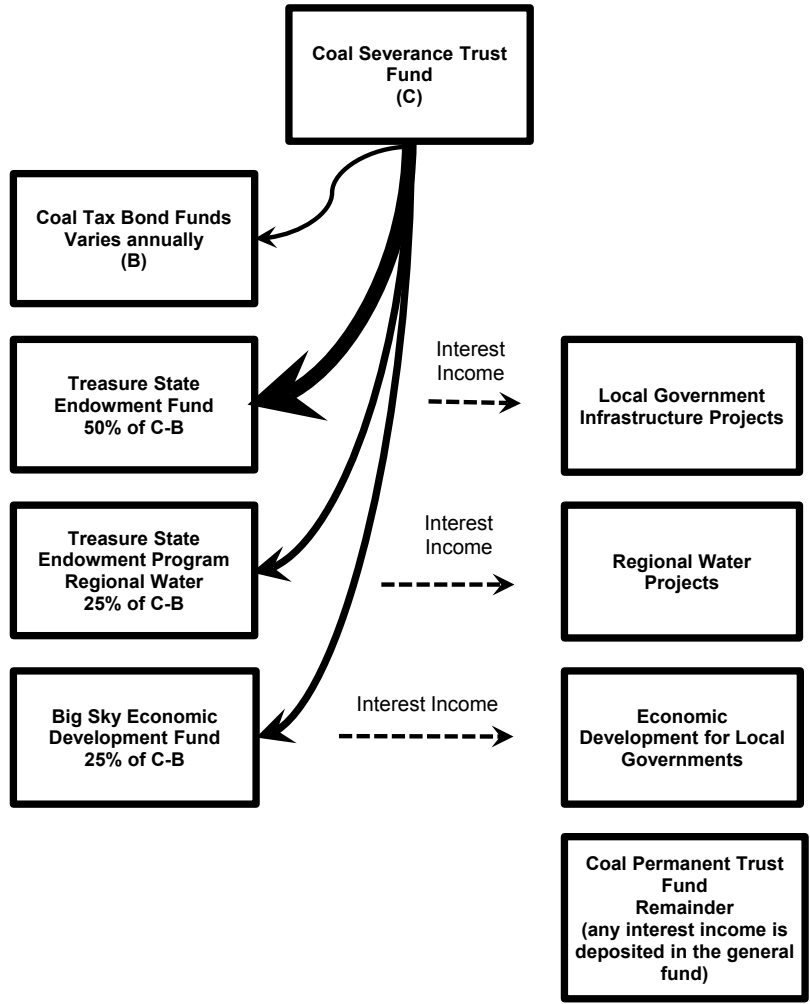
¹ Decreases to 2.9% beginning July 1, 2017.

Interest Income Coal Severance Trust Fund (terminates June 30, 2019)

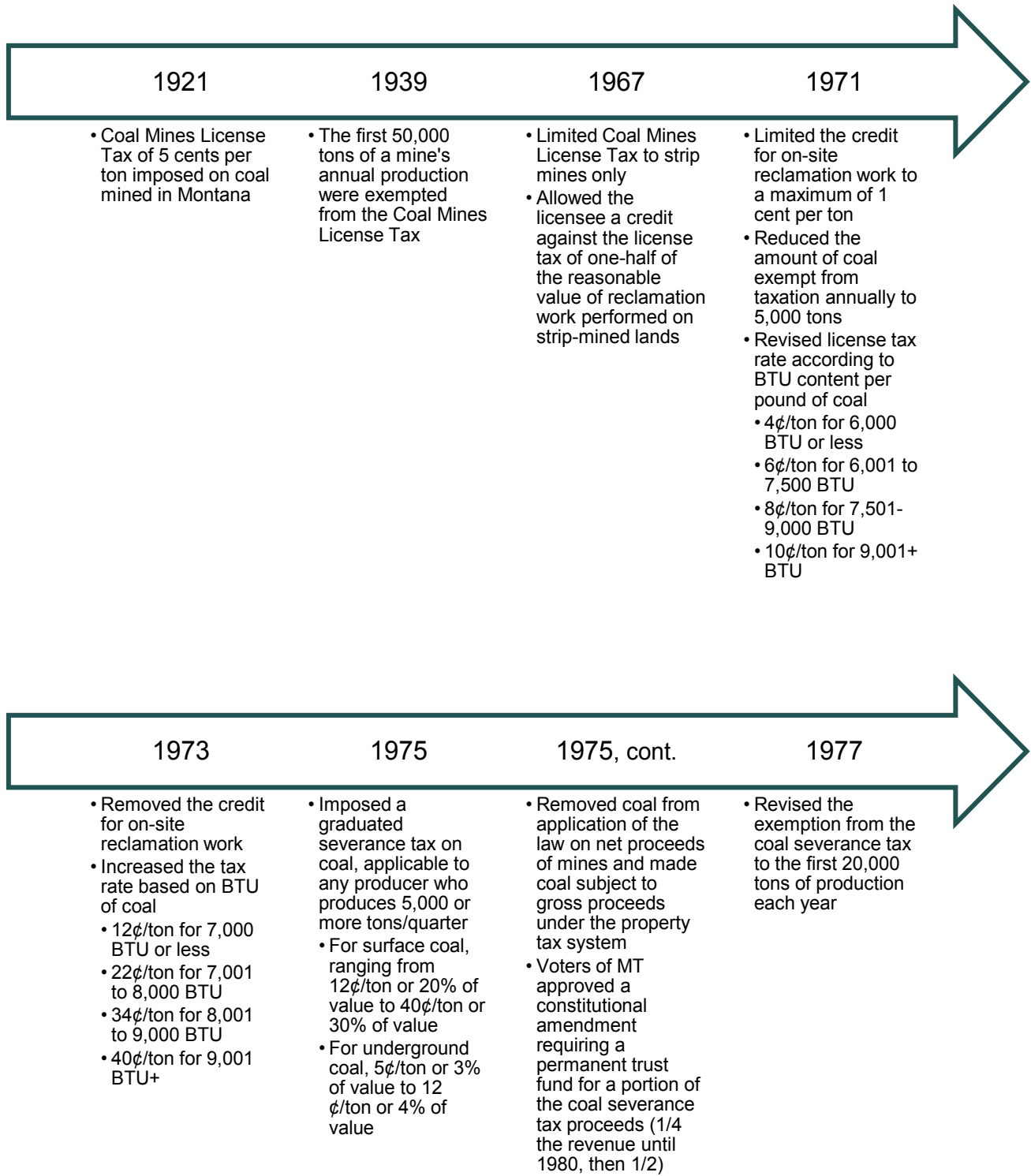


¹ This increases to \$24 million July 1, 2019. If the legislative finance committee determines that the public employees' retirement board has failed to provide a sufficient report, it shall recommend that \$5 million be subtracted from these amounts

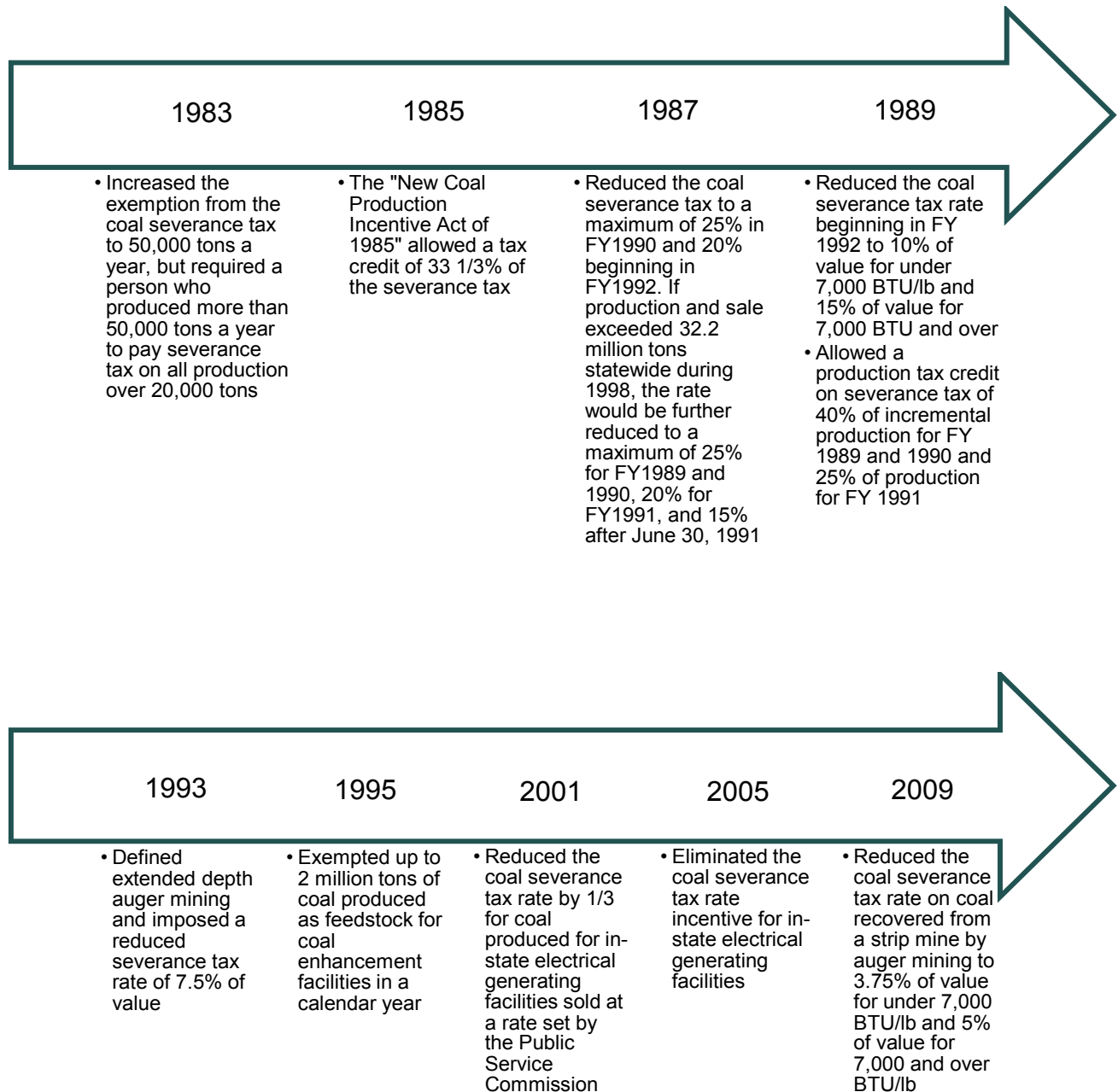
Coal Severance Trust Fund Distribution



Coal Severance Tax History

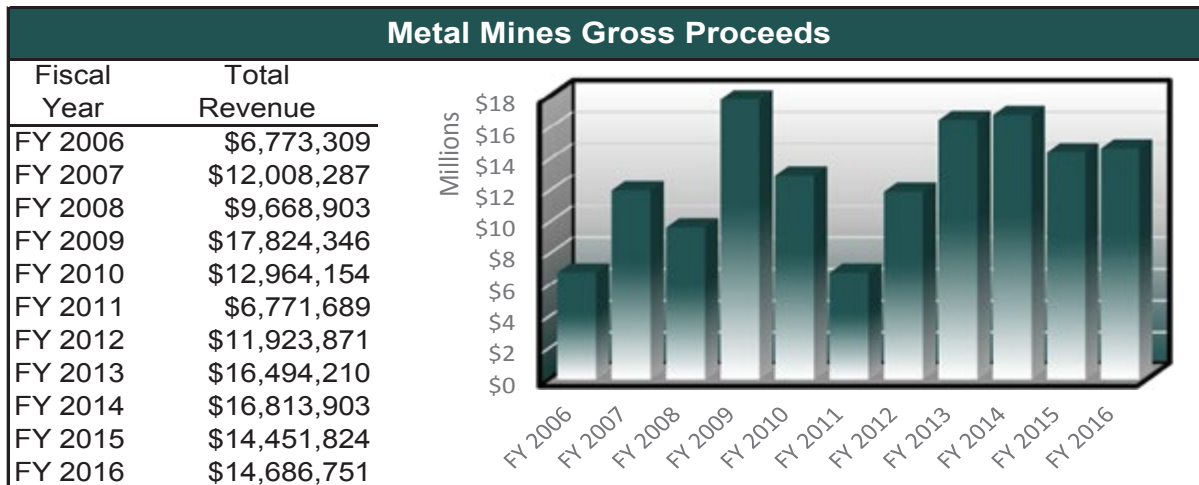


Coal Severance Tax History



Metal Mines Gross Proceeds Tax (Class 2 Property)

Statute: Title 15, Chapter 23, Part 8, MCA



Tax Rate

The value of severed gold, silver, copper, lead, or other metals from any mine located in Montana is considered class 2 property for property class purposes and is assessed local and state mills. The taxable value of metal mines is equal to three percent of merchantable value.

Merchantable value is the annual gross proceeds from the sale of metals less certain deductions. Allowed deductions include the costs of transporting mineral product from mine to processor, basic treatment and refinery charges, quantity deductions, price deductions, interest, and penalty metal, impurity, and moisture deductions as specified by contract.

For example, imagine Best Metal Company has \$11 million in gross proceeds from gold and silver. They have a total of \$1 million in allowable deductions, including \$250,000 in treatment and refining and \$750,000 in transportation costs from the mine to the processor. Their merchantable value, or gross proceeds minus allowable deductions, is \$10 million. With 3 percent taxable as defined by law, they have a taxable value of \$300,000. The state and their county assess 500 mills on their taxable value resulting in \$150,000 tax due to the state and county.

Filing Requirements

Metal mines tax reports must be filed by March 31 of each year, showing the total gross proceeds of metal mined during the preceding calendar year. By July 1, the department calculates the merchantable value by subtracting allowable deductions and records the value in the property tax records. The mine producer must pay half of the property tax levied and assessed by November 30 and the other half by May 31 of the following year.

Metal Mines Gross Proceeds Tax (Class 2 Property)

Distribution of Metal Mines Gross Proceeds Tax

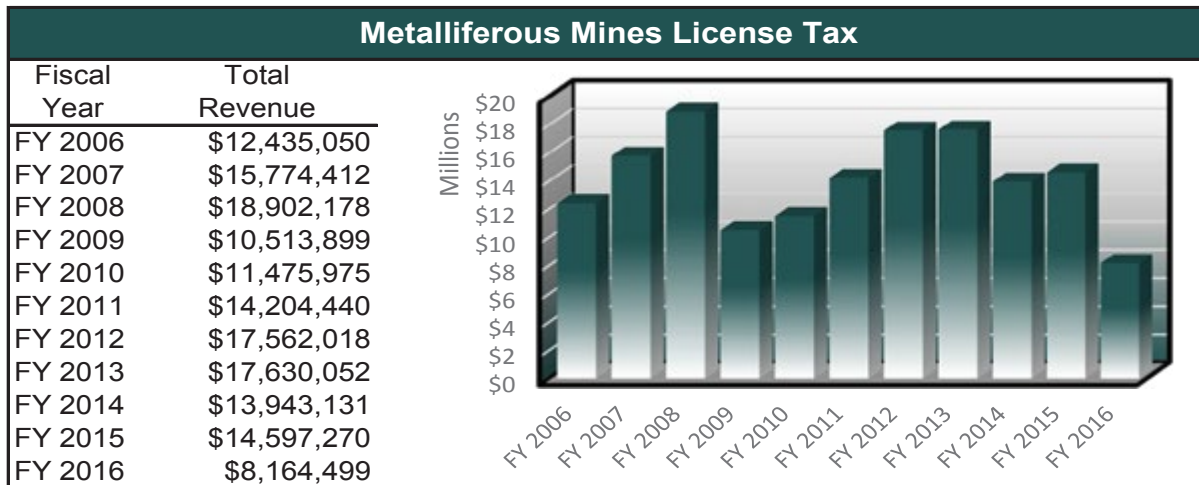
The taxable value of metal mines gross proceeds is allocated to the local jurisdictions where the mine mouth is located. The mills of these local jurisdictions and statewide mills are levied against the taxable value.

Metal Mines Gross and Taxable Value of Production				
<u>Production Year</u>	<u>Fiscal Year</u>	<u>Gross Value</u>	<u>Taxable Value for Local Mills</u>	<u>Taxable Value for State Mills</u>
2005	2007	\$703,845,238	\$15,878,966	\$21,106,498
2006	2008	\$925,815,385	\$18,849,252	\$25,068,597
2007	2009	\$1,161,919,543	\$24,540,432	\$32,019,240
2008	2010	\$1,033,960,651	\$23,843,907	\$28,307,630
2009	2011	\$843,431,234	\$19,812,142	\$23,205,010
2010	2012	\$1,117,009,632	\$28,972,961	\$31,295,298
2011	2013	\$1,037,736,476	\$29,970,925	\$31,132,094
2012	2014	\$1,043,487,747	\$31,304,631	\$31,304,632
2013	2015	\$851,842,256	\$25,555,274	\$25,555,268
2014	2016	\$883,888,082	\$26,516,643	\$26,516,642

Gross Proceeds Property Taxes Assessed			
<u>Fiscal Year</u>	<u>State Share</u>	<u>Local Share</u>	<u>Total Property Tax</u>
FY 2006	\$1,325,860	\$5,447,449	\$6,773,309
FY 2007	\$2,147,401	\$9,860,885	\$12,008,287
FY 2008	\$1,913,103	\$7,755,799	\$9,668,903
FY 2009	\$3,256,373	\$14,567,972	\$17,824,346
FY 2010	\$2,875,151	\$10,089,003	\$12,964,154
FY 2011	\$1,096,356	\$5,675,333	\$6,771,689
FY 2012	\$2,106,806	\$9,817,065	\$11,923,871
FY 2013	\$3,162,135	\$13,332,075	\$16,494,210
FY 2014	\$3,178,007	\$13,635,896	\$16,813,903
FY 2015	\$2,593,448	\$11,858,376	\$14,451,824
FY 2016	\$2,690,657	\$11,996,094	\$14,686,751

Metalliferous Mines License Tax

Statute: Title 15, Chapter 37, Part 1, MCA



Tax Rate

Mining operations in which metal or gems are extracted are subject to the metalliferous mines license tax, which is based on the gross value of the product. The first \$250,000 of gross value is exempt from taxation. Concentrate shipped to a smelter, mill, or reduction work is taxed at 1.81 percent of gross value. Gold, silver, or any platinum-group metal that is dore, bullion, or matte that is shipped to a refinery is taxed at 1.6 percent of gross value. Shipping and refining costs are deducted from revenue to determine gross value.

Metalliferous Mines Tax Rates		
Tax Base*	Tax Rate	Exemptions
Dore/Bullion/Matte	1.60%	First \$250,000
Concentrates	1.81%	First \$250,000
*Excludes shipping and refining costs		

Gross Value

The value to which the tax rate is applied is the monetary payment the mining company receives from the metal trader, smelter, roaster, or refinery. This is determined by multiplying the quantity of metal received by the metal trader, smelter, roaster, or refinery by the quoted price for the metal; subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest, penalty metal, impurity and moisture deductions as specified by contract between the mining company and the receiving metal trader, smelter, roaster, or refinery. Deductions are also allowed for the cost of transportation from the mine or mill to the smelter, roaster, or refinery.

Copper, platinum, palladium, and gold account for over 75 percent of the gross value reported by metal mines taxpayers. The table on the following page shows the national annual price for these commodities since 2012. The variation in price over the years has had a large impact on the total amount of revenue the state has collected.

Metalliferous Mines License Tax

Select U.S. Commodity Prices				
Calendar Year	Copper \$/lb	Gold \$/oz	Palladium \$/oz	Platinum \$/oz
2012	\$3.61	\$1,668	\$643	\$1,549
2013	\$3.33	\$1,412	\$725	\$1,487
2014	\$3.11	\$1,266	\$803	\$1,385
2015	\$2.63	\$1,127	\$692	\$1,052
2016 (half)	\$2.65	\$1,220	\$548	\$959

Filing Requirements

Beginning in 2003, reports and payment of metal mines tax are due twice a year, on or before March 31 and August 15.

Distribution

Metalliferous mines license tax revenue is distributed to various entities in accordance with 15-37-117, MCA.¹

Distribution of Metalliferous Mine License Tax						
Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
General Fund (57% or 47%)	\$8,096,531	\$10,010,350	\$10,049,129	\$7,947,585	\$8,320,444	\$4,221,465
Hard Rock Mining (2.5%)	\$355,111	\$439,050	\$440,751	\$348,578	\$364,932	\$204,112
Hard Rock Debt Service (8.5%)	\$1,207,377	\$1,492,772	\$1,498,554	\$1,185,166	\$1,240,768	\$693,982
Natural Resources Operations (7%)	\$994,311	\$1,229,341	\$1,234,104	\$976,019	\$1,021,809	\$571,515
County Governments (25% or 35%)	\$3,551,110	\$4,390,504	\$4,407,513	\$3,485,783	\$3,649,317	\$2,473,424
Reclamation & Development	\$0	\$0	\$0	\$0	\$0	\$0

¹ The numbers in the table above are from the state accounting system (SABHRS). In FY 2016 there was an overpayment of metal mines revenues to the counties. The overpayment was refunded back to the state by the counties, but the correction is not reflected in the FY 2016 metal mines tax accounts. Had the overpayment not occurred, the FY 2016 distribution to the counties would have been \$2,041,125. The 2015 Legislature passed SB 20 which decreases the share of total revenue going to the state general fund from 57 percent to 47 percent and increases the share of revenue going to the counties from 25 percent to 35 percent as of July 1, 2016. The bill language was somewhat ambiguous as to whether the change applied to production periods or distributions after that date.

Metalliferous Mines License Tax History

Select History of Metalliferous Mines License Tax

The metalliferous mines license tax was enacted in 1925 at the following rates:

- \$1 + $\frac{1}{4}$ of 1% of gross value between \$100,000 and \$250,000
- \$1 + $\frac{1}{2}$ of 1% of gross value between \$250,001 and \$400,000
- \$1 + $\frac{3}{4}$ of 1% of gross value between \$400,001 and \$500,000
- \$1 + 1% of gross value over \$500,000

1958

Increased the tax rate on gross value exceeding \$500,000 to \$1 + 1 $\frac{1}{4}$ %

1969

For production years 1969 and 1970, increased the tax rate to:

- 0.15 of 1% of the first \$100,000 of gross value
- 0.575 of 1% of \$100,001-\$250,000 of gross value
- 0.86 of 1% of \$250,001-\$400,000 of gross value
- 1.15% of \$400,001-\$500,000 of gross value
- 1.438% of \$500,000 + of gross value

1971

Adopted the tax rates from 1969 for production years beginning January 1, 1970 and thereafter.

1983

Revised tax rates as follows:

- 0% on first \$250,000 of gross value
- 0.5% of gross value from \$250,001-\$500,000
- 1% of gross value from \$500,001-\$1,000,000
- 1.5% of gross value of more than \$1,000,000

1989

Revised tax rates as follows:

Concentrate shipped to a smelter, mill, or reduction work is taxed at the following rates:

- 0% on first \$250,000 of gross value
- 1.81% on gross value over \$250,000

Gold, silver, or any platinum-group metal that is dore, bullion, or matte and that is shipped to a refinery is taxed at the following rates:

- 0% on first \$250,000 of gross value
- 1.6% on gross value over \$250,000

2003

Added other forms of processed concentrate that are processed in a treatment facility owned or operated by the taxpayer and are sold or shipped to a refinery for final processing to the gold, silver, and platinum-group metal tax rates.

2009

Clarified that no more than \$250,000 in gross value in a calendar year can be exempt from metalliferous mines license tax.

2015

The distribution of tax revenues to the general fund was reduced from 57% to 47% and the revenue was distributed to impacted counties beginning with fiscal year 2017.

Micaceous Mines License Tax

Statute: Title 15, Chapter 37, Part 2, MCA

Tax Rate

Micaceous minerals are those that are generally classified as complex silicates, and include such minerals as vermiculite, perlite, kernite, and maconite. There have been no micaceous mines license tax collections since FY 1990 because there has been no production.

There is a tax of five cents per ton of concentrates mined, extracted, or produced.

Filing Requirements

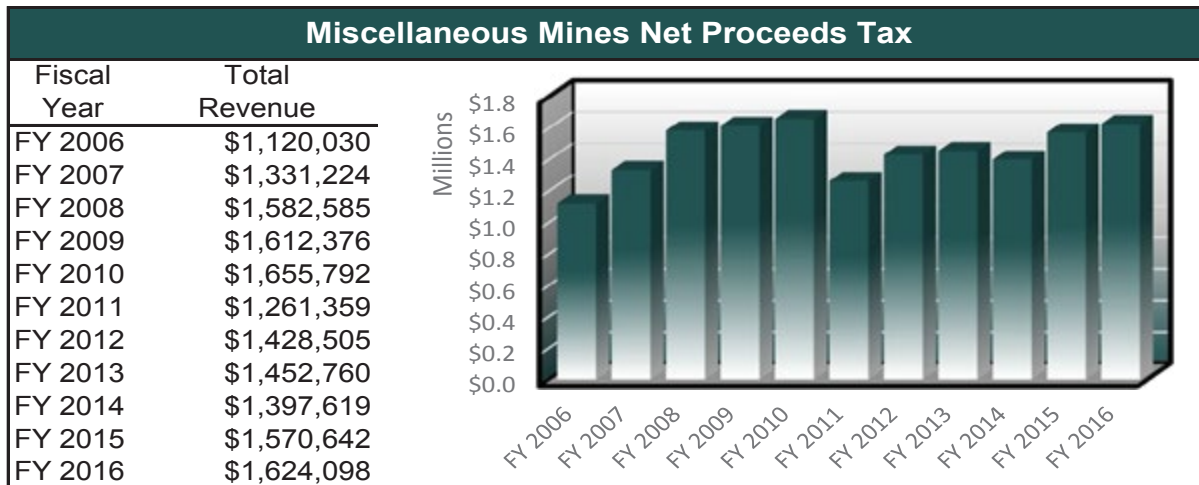
Operators of micaceous mineral mines are required to file quarterly statements showing the number of tons of micaceous minerals mined. Quarterly returns, along with the accompanying tax payment, are due within 30 days following the end of each calendar quarter.

Distribution

All proceeds from micaceous mines license tax are deposited in the state general fund (15-37-200, MCA).

Miscellaneous Mines Net Proceeds Tax (Class 1 Property)

Statute: Title 15, Chapter 23, Part 5, MCA



Tax Rate

Severed products of mines except bentonite, coal, and metal are considered class 1 property for property tax purposes, and are levied statewide and local mills. Class 1 property includes, but is not limited to, talc, limestone, and vermiculite.

The value of the severed products is the annual net proceeds of mines and mining claims. The net proceeds of talc, vermiculite, limestone, and industrial garnets and byproducts are calculated by multiplying the number of tons mined by a statutorily-defined value.

- Talc value = $\$4.25 \times \text{current year price deflator} \div 1989 \text{ price deflator}$
- Vermiculite value = $\$27 \times \text{current year price deflator} \div 1991 \text{ price deflator}$
- Limestone value = $\$0.34 \times \text{current year price deflator} \div 1992 \text{ price deflator}$
- Industrial garnets value = $\$20 \times \text{current year price deflator} \div 1995 \text{ price deflator}$
- Byproducts of industrial garnets value = gross revenue $\times 30\%$

For all other class 1 mined products, the value is the gross value less certain allowable deductions that account for the cost of the mining.

Sand and gravel are exempt from mines net proceeds taxation. Producers of industrial garnets, travertine, and building stone are exempt from mines net proceeds tax on the first 1,000 tons of production.

Filing Requirements

Miscellaneous mines tax reports are due by March 31 of each year, showing the total gross proceeds of minerals mined during the preceding calendar year, and information on costs associated with the mining operation sufficient to allow calculation of the net proceeds from the operation. By July 1 the department calculates the net value by subtracting allowable deductions and records the value in property tax records. The mine producer must pay half of the property tax levied and assessed by November 30 and the other half by May 31 of the following year.

Miscellaneous Mines Net Proceeds Tax (Class 1 Property)

Distribution of Miscellaneous Mines Net Proceeds Tax

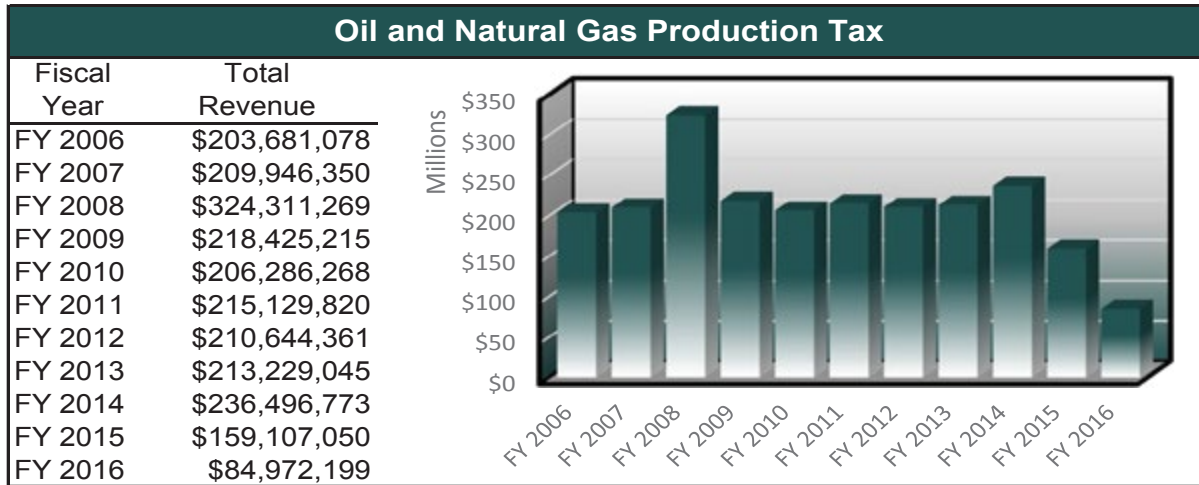
The taxable value of miscellaneous mines net proceeds is allocated to the local jurisdictions where the mine mouth is located. The mills of these local jurisdictions and statewide mills are levied against the taxable value.

Miscellaneous Mines Net Proceeds and Taxable Value			
<u>Production Year</u>	<u>Fiscal Year</u>	<u>Tons</u>	<u>Net Proceeds</u>
2005	2007	2,303,771	\$2,694,716
2006	2008	2,447,104	\$3,839,998
2007	2009	2,511,456	\$3,903,518
2008	2010	2,348,914	\$4,009,608
2009	2011	1,945,885	\$3,251,182
2010	2012	2,192,645	\$3,930,006
2011	2013	2,103,024	\$4,188,542
2012	2014	2,207,297	\$3,271,953
2013	2015	2,332,685	\$3,790,730
2014	2016	2,359,356	\$3,737,426

Net Proceeds Property Taxes Assessed			
<u>Fiscal Year</u>	<u>State Share</u>	<u>Local Share</u>	<u>Total Property Tax</u>
FY 2006	\$272,116	\$847,914	\$1,120,030
FY 2007	\$328,482	\$1,002,742	\$1,331,224
FY 2008	\$387,840	\$1,194,745	\$1,582,585
FY 2009	\$405,332	\$1,207,044	\$1,612,376
FY 2010	\$404,166	\$1,251,626	\$1,655,792
FY 2011	\$321,519	\$939,840	\$1,261,359
FY 2012	\$392,736	\$1,035,769	\$1,428,505
FY 2013	\$423,043	\$1,029,717	\$1,452,760
FY 2014	\$330,467	\$1,067,152	\$1,397,619
FY 2015	\$382,864	\$1,187,778	\$1,570,642
FY 2016	\$377,480	\$1,246,618	\$1,624,098

Oil and Natural Gas Tax

Statute: Title 15, Chapter 36; 20-9-310, MCA



Recent Legislative History

The 1995 Montana Legislature replaced all existing state and local extraction taxes on all oil and natural gas production with a single production tax based on the type of well and type of production, with additional incentives if prices fall below specified levels. This tax became effective January 1, 1996. The 1999 Legislature further simplified the structure of oil and gas production tax rates. Effective January 1, 2000, the legislature consolidated tax rates, revised the definition of qualifying production, shortened incentive periods for qualifying production and replaced pre-1985 and post-1985 categories with pre-1999 and post-1999. The pre-1999 classification includes all wells drilled before January 1, 1999, while the post-1999 classification refers to wells drilled on or after January 1, 1999 (15-36-304, MCA).

Total gross value is computed as the product of the total number of barrels (bbl) or thousand cubic feet (MCF) produced each quarter and the average wellhead value per barrel or thousand cubic feet. Producers are allowed to deduct any production that is used in the operation of the well.

In the most recent legislature in 2015, HB 411 was passed, increasing the stripper well exemption price threshold from \$38 per barrel to \$54 per barrel. Several other bills passed in 2015, including SB 252 and HB 260, which affected the use and distribution of the portion of this revenue which goes to school funding.

Tax Rates

All taxable royalty owners of oil and natural gas production are taxed at a rate of 15.06 percent of the gross value of production. Royalties received by an Indian tribe from on-reservation oil production pursuant to a lease entered into under the Indian Mineral Leasing Act of 1938, and all governmental royalties, are exempt from taxation.

The regular production tax rates for the working interest of oil production are equal to 9.26 percent for wells drilled on or after January 1, 1999, and 12.76 percent for wells drilled before that time. However, there are also several additional tax rates to incentivize production. New wells receive a preferential tax rate of 0.76 percent of gross value. The holiday lasts for 12 months for vertical wells and 18 months for horizontal wells.

Additionally, incremental production from secondary and tertiary recovery projects may be taxed at preferential rates if the price of oil is below \$30 per barrel. Recompleted horizontal wells are taxed at reduced rates regardless of the price of oil. Incremental production is additional production above an established production curve for a given well.

Low-producing wells may be classified as stripper or super-stripper wells and qualify for preferential tax

Oil and Natural Gas Tax

rates. Wells producing less than an average of 15 barrels per day in the prior calendar year are classified as stripper wells. If the average price for West Texas Intermediate crude oil is below \$30 per barrel, these wells are taxed at preferential rates of 5.76 percent for the first 10 barrels a day and 9.26 percent for all additional production. If the price of oil is above \$30 a barrel, there is no reduced rate for stripper well production. If a well produces less than an average of three barrels a day in the prior calendar year, then it can qualify as a super-stripper well. Production from super-stripper wells is taxed at a preferential rate of 6.26 percent, and if the price of oil is below \$54 per barrel the rate is further reduced to 0.76 percent.

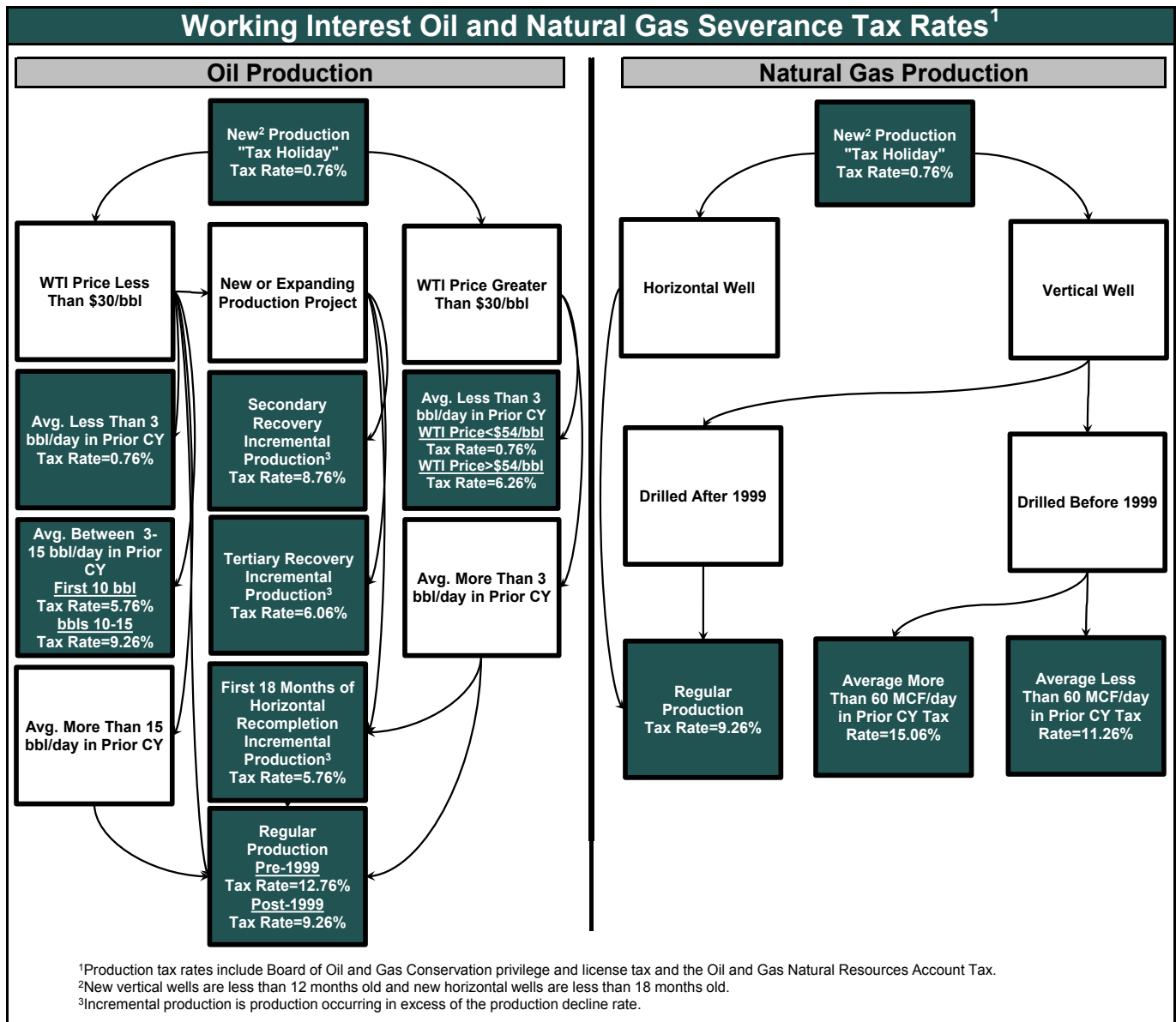
Natural gas producers receive the same holiday for new wells, and regular production is taxed at a rate of 9.26 percent after that if the well was drilled on or after January 1, 1999; 15.06 percent if drilled before.

Wells averaging less than 60,000 cubic feet (60 MCF) per day in the prior year can qualify as stripper wells, and qualify for a reduced tax rate of 11.6 percent if the well was drilled before 1999. The following table and chart illustrate how the varying tax rates apply in different scenarios.¹

Oil and Natural Gas Production Tax Rates			
OIL-Working Interest		NATURAL GAS- Working Interest	
Pre-1999 Wells (Regular Production)	12.76%	Pre-1999 Wells (Regular Production)	15.06%
Post-1999 Wells (Regular Production)	9.26%	Post-1999 Wells (Regular Production)	9.26%
Incremental Production From Secondary Recovery ^{††}	8.76%	Horizontally Completed Wells	9.26%
Incremental Production From Tertiary Recovery ^{††}	6.06%	Pre-1999 Wells Producing Less Than 60 MCF per Day	11.26%
Horizontally Recompleted Wells - First 18 Months	5.76%	The First 12 Months Of New Wells' Production	0.76%
Horizontally Completed Wells - First 18 Months	0.76%		
Stripper Wells - First 10 Barrels Per Day ^{††}	5.76%	† These rates apply if the price is under \$30 per barrel. Otherwise, the regular production rates apply.	
Stripper Wells - Production in Excess of 10 Barrels Per Day ^{††}	9.26%	‡ Oil price is the price for West Texas Intermediate Crude Oil.	
Super Stripper Wells - Oil Under \$54 Per Barrel [‡]	0.76%	-Stripper wells produce 3-15 barrels per day.	
Super Stripper Wells - Oil \$54 Per Barrel Or Higher [‡]	6.26%	-Super stripper wells produce less than 3 barrels per day.	
Vertically Completed Wells - First 12 Months	0.76%	-All rates include 0.26% to fund the operations of the Oil and Gas Conservation Division and the Oil and Natural Gas Natural Resource Fund that is distributed to producing counties.	
ROYALTY INTERESTS		15.06%	

For a comparison of oil and gas production taxes to other states, please see the “Coal, Oil and Natural Gas State Tax Comparison” subsection of this report.

¹ As of October 1, 2016 all rates increase 0.04% due to an increase implemented by the Board of Oil and Gas Conservation.



Oil and Natural Gas Tax

The following table shows summary information gathered from the tax returns of producers:

Montana Oil and Gas Production Statistics					
Oil	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Gross Value	\$2,083,385,090	\$2,421,792,266	\$2,370,856,081	\$1,781,983,618	\$861,657,306
Volume (barrels)	24,386,922	28,765,438	26,745,751	30,439,036	25,116,621
Taxable Royalty Value	\$279,930,162	\$345,455,634	\$331,447,378	\$248,754,168	\$116,715,105
Tax on Royalty Owners	\$42,157,483	\$52,025,619	\$49,915,976	\$37,462,378	\$17,577,295
Working Interest Value	\$1,749,101,959	\$2,013,238,017	\$1,978,442,134	\$1,486,647,390	\$720,795,751
Tax on the Working Interest	\$149,487,428	\$148,894,334	\$149,584,469	\$111,050,328	\$61,591,918
Total Tax*	\$191,644,910	\$200,919,953	\$199,500,445	\$148,512,706	\$79,169,214
Gas					
Total Gross Value	\$198,561,931	\$176,940,120	\$197,750,332	\$126,521,563	\$57,601,774
Volume (MCF)	66,290,610	54,490,046	47,235,179	48,453,758	37,299,910
Taxable Royalty Value	\$24,380,224	\$22,285,298	\$24,673,094	\$15,270,716	\$7,160,384
Tax on Royalty Owners	\$3,671,662	\$3,356,166	\$3,715,768	\$2,299,770	\$1,078,354
Working Interest Value	\$166,151,509	\$147,966,145	\$165,561,020	\$106,083,551	\$48,123,382
Tax on the Working Interest	\$15,282,198	\$13,156,586	\$14,458,148	\$9,321,640	\$4,479,234
Total Tax*	\$18,953,860	\$16,512,752	\$18,173,916	\$11,621,410	\$5,557,587

*Total Tax revenue does not match data in the state accounting database due to accrual reversals and amended returns.

Filing Requirements

Oil and natural gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due within 60 days following the close of each calendar quarter.

Prior to HB 748 (2003 legislative session), the distribution of oil and gas revenue was based primarily on property tax mill levies. After HB 748, the counties, schools and the state were each assigned a percentage of the severance tax revenue generated in their county that they would receive.

The first distribution made is to the Board of Oil and Gas Conservation (BOGC) and the Oil and Gas Resource Account. During FY 2015 and FY 2016, the BOGC received 0.09 percent of the gross value of all taxable production in the state. The board sets the rate and by statute it cannot exceed three tenths of one percent or 0.3 percent. The rate the oil and gas natural resource account received depends on the rate adopted by the BOGC and was 0.17 percent of the gross value of taxable production in the state (15-36-304(7)(b), MCA).

The remaining revenue is then distributed between the state and county governments. The specific allocation is dependent on which county the production occurred in and is set in statute. For example, Custer County receives 69.53 percent of the revenue from production occurring in the county (the largest percentage of all the counties, while Rosebud County receives the least at 39.33 percent). The remainder is distributed to the state, and the state portion is distributed as follows:

- 2.16 percent to the natural resource projects state special revenue account
- 2.02 percent to the natural resource operations state special revenue account
- 2.95 percent to the orphan share account
- 2.65 percent to the university system
- The remainder is distributed to the general fund.

The county share of the revenue is distributed between elementary retirement funds, high school retirement funds, countywide transportation funds, school districts, community colleges, and county governments. The specific allocation between these entities is dependent on the county of production and the schedule in 15-36-332, MCA.

With the passage of SB 329 in the 2011 legislative session, any individual school district was only allowed to

Oil and Natural Gas Tax

receive 130 percent of their maximum allowable budget. With the passage of SB 175 in the 2013 legislative session, for fiscal years 2014 through 2017, schools with budgets less than \$1.5 million can receive up to 150 percent of their maximum allowable budgets plus an additional \$45,000 per additional student, using an enrollment calculation from the previous year's attendance records. Funding in excess of that allotted amount is allocated to surrounding school districts (up to 130 percent of their maximum budgets). Remaining funding, if available, is to be distributed to school districts contiguous to districts in which oil and gas production originates (up to 130 percent of their max budgets). Any remaining funds, if available, are to be distributed as follows:

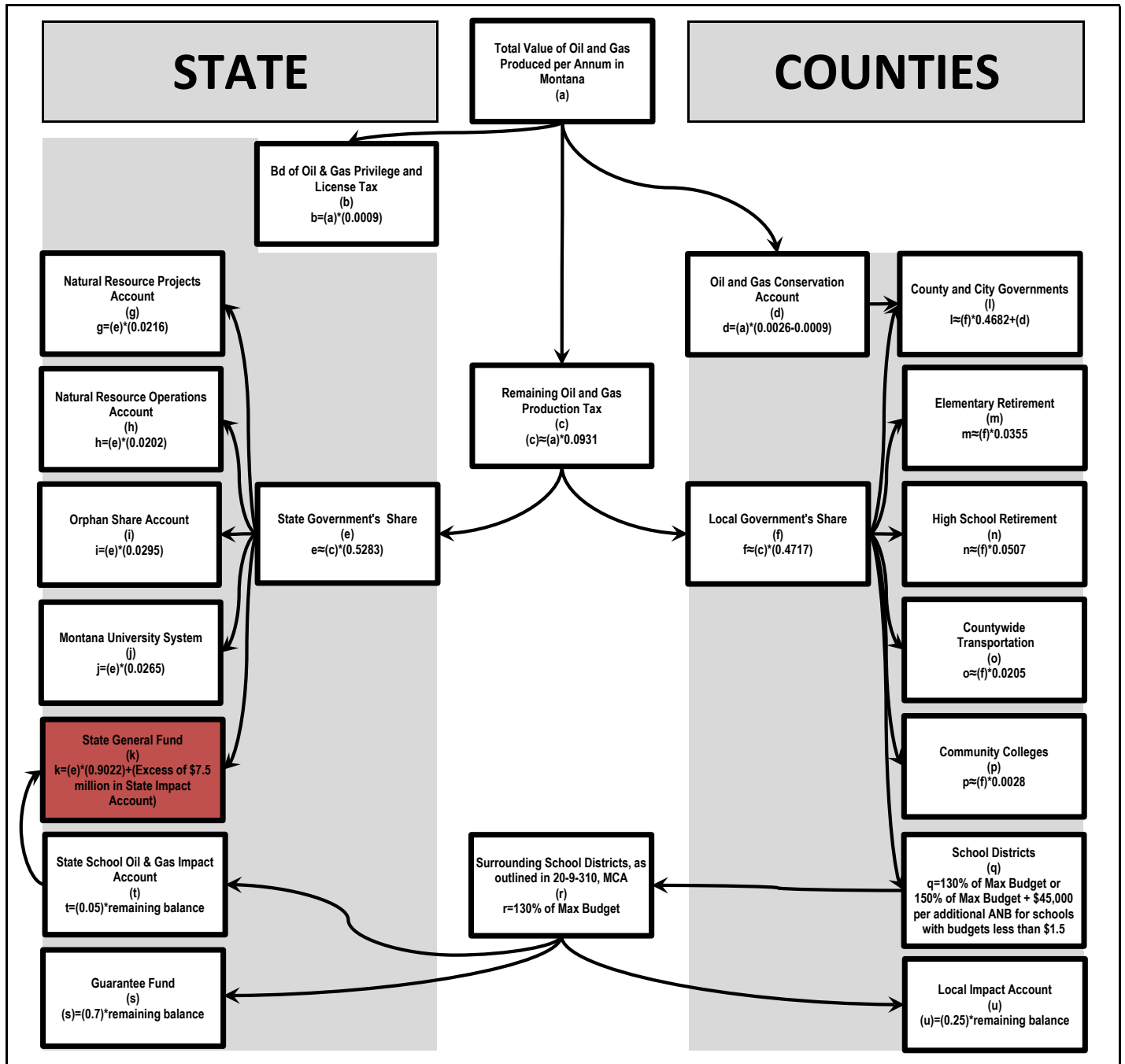
- 70 percent to the state guarantee account
- 5 percent to the state school oil and natural gas impact account
- 20 percent to the county school oil and natural gas impact account.

The total balance in the state school oil and natural gas account was not to exceed \$7.5 million, and any amount over \$7.5 million was to be deposited in the state general fund.

Many provisions of SB 329 and SB 175 expired at the end of FY 2016. The 2015 Legislature passed SB 252 and SB 260. SB 260 changes how distribution of remaining excess funding is to be made in FY 2017 through FY 2024. Instead of going to the state guarantee account and other distributions, excess funding will be distributed by the Office of Public Instruction based upon the results of negotiated rules recommended by two independent committees. SB 252 revised how schools could budget their oil and gas revenues and also statutorily appropriates the state school oil and natural gas distribution account and the state school oil and natural gas impact account beginning with FY 2017.

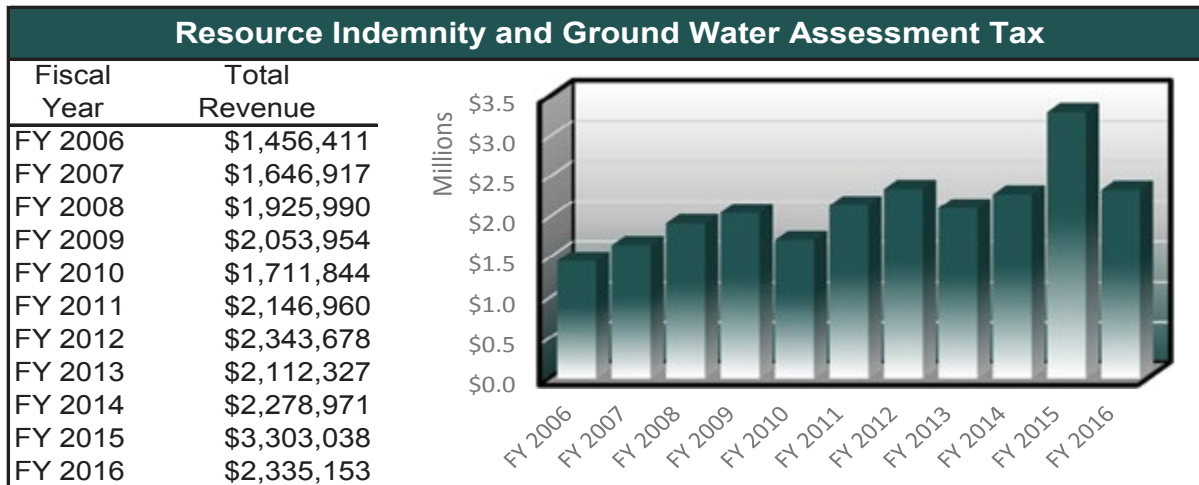
The following table and charts illustrate the distribution of oil and gas revenue in FY 2015 and FY 2016.

Distribution of Oil and Gas Tax						
Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Revenue	\$215,129,820	\$210,644,361	\$213,229,045	\$236,496,773	\$159,107,050	\$84,972,199
BOGC	\$1,963,032	\$1,987,666	\$2,152,702	\$2,505,508	\$1,671,506	\$812,294
Oil & Gas Natural Res. Acc.	\$3,698,516	\$3,754,061	\$4,100,929	\$4,732,701	\$3,157,296	\$1,534,356
Remainder	\$209,468,272	\$204,902,634	\$206,975,414	\$229,258,564	\$154,278,248	\$82,625,549
"County" Revenue	\$98,902,261	\$96,766,607	\$97,594,695	\$107,770,849	\$73,160,846	\$39,294,942
Counties and Schools	\$98,902,261	\$83,611,488	\$88,333,718	\$95,997,576	\$63,447,389	\$37,900,038
Guarantee Fund	\$0	\$12,335,596	\$4,830,529	\$0	\$0	\$0
County Impact Fund	\$0	\$682,935	\$1,725,189	\$0	\$0	\$0
State School Impact Fund	\$0	\$136,587	\$345,038	\$0	\$0	\$0
State School Oil & Gas Distrib	\$0	\$0	\$2,360,222	\$11,773,273	\$9,713,457	\$1,394,905
State Revenue	\$110,566,011	\$108,136,027	\$109,380,719	\$121,487,715	\$81,117,402	\$43,330,607
Natural Resources Projects (2.16%)	\$1,603,207	\$2,335,738	\$2,362,624	\$2,624,135	\$1,752,136	\$938,011
Natural Resources Operations (2.02%)	\$1,603,207	\$2,184,348	\$2,209,493	\$2,454,052	\$1,638,573	\$877,214
Orphan Share Fund (2.95%)	\$3,305,924	\$3,190,013	\$3,226,737	\$3,583,888	\$2,392,963	\$1,281,080
Montana University System (2.65%)	\$2,929,999	\$2,865,605	\$2,898,587	\$3,219,424	\$2,149,612	\$1,150,801
Coal Bed Methane Protection	\$1,359,962	\$0	\$0	\$0	\$0	\$0
General Fund (remainder)	\$99,763,712	\$97,560,324	\$98,683,277	\$109,606,216	\$73,184,119	\$39,083,500



Resource Indemnity and Ground Water Assessment Tax

Statute: Title 15, Chapter 38, Part 1, MCA



Tax Rates

The resource indemnity and ground water assessment tax (RIGWAT) was created to indemnify the citizens of Montana for the loss of long-term value resulting from the depletion of natural resource bases, and for environmental damage caused by mineral development. The tax is placed in a trust fund, which is managed by the state Board of Investments (15-38-101, MCA).

RIGWAT Tax Rate					
Mineral	Tax Rate	Exemption	Mineral	Tax Rate	Exemption
Other*	0.5%	First \$5,000	Vermiculite	2.0%	First \$1,250
Talc	4.0%	First \$625	Limestone	10.0%	First \$250
Coal	0.4%	First \$6,250	Garnets	1.0%	First \$2,500

* Excludes oil, gas, and mines taxed under 15-37-104, MCA.

Exemptions

- Metal production subject to the metal mines license tax is exempt from RIGWAT.
- The 2003 Montana Legislature changed the distribution of oil and gas tax revenue to include the Orphan Share Account, and made oil and gas production subject to the oil and gas severance tax exempt from RIGWAT.
- Royalties received by an Indian tribe, by the U.S. government as trustee for individual Indians, by the U.S. government, by the state of Montana, or by a county or municipality are exempt from RIGWAT.

Filing Requirements

All extractors and producers of minerals must file an annual statement showing the gross yield of product for each mineral mined. Metal producers are required to file on or before March 31. All other producers are required to file on or before the 60th day following the end of the calendar year.

Distribution of RIGWAT

RIGWAT tax collections are deposited to several special funds and accounts. The order and amount of proceeds deposited are as follows:

- An amount certified by the Department of Environmental Quality is deposited to the CERCLA match debt service fund.

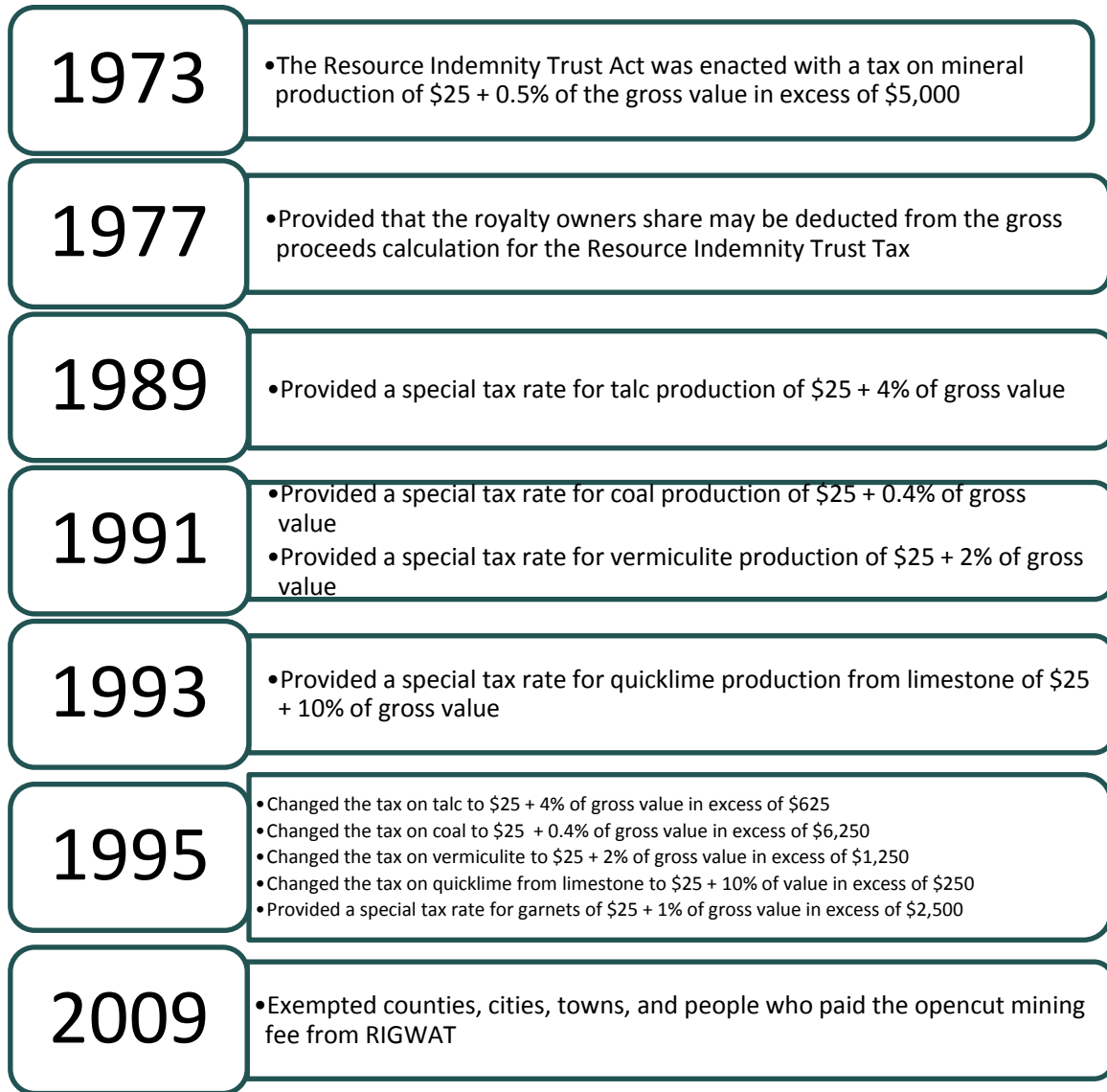
Resource Indemnity and Ground Water Assessment Tax

- \$366,000 is to be deposited in the ground water assessment account.
- \$150,000 is to be deposited in the water storage state special revenue account each biennium.
- 25 percent of remaining revenue is distributed to the hazardous waste/CERCLA special revenue account.
- 25 percent of remaining revenue is distributed to the environmental quality protection fund.
- The remaining revenue is distributed to the natural resources projects fund.

Distribution of RIGWA Tax						
Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Revenue	\$2,146,960	\$2,343,678	\$2,112,327	\$2,278,971	\$3,303,038	\$2,335,153
CERCLA Debt Service	\$274,338	\$267,150	\$269,875	\$272,106	\$268,275	\$270,425
Groundwater Assessment	\$366,000	\$366,000	\$366,000	\$366,000	\$366,000	\$366,000
Water Storage	\$0	\$150,000	\$0	\$150,000	\$0	\$150,000
Remainder	\$1,506,623	\$1,560,528	\$1,476,452	\$1,490,865	\$2,668,763	\$1,548,728
Hazardous Waste/CERCLA (25%)	\$376,656	\$390,132	\$369,113	\$372,716	\$667,191	\$387,182
Environmental Quality Protection (25%)	\$376,656	\$390,132	\$369,113	\$372,716	\$667,191	\$387,182
Natural Resources Projects (50%)	\$753,311	\$780,264	\$738,226	\$745,433	\$1,334,381	\$774,364

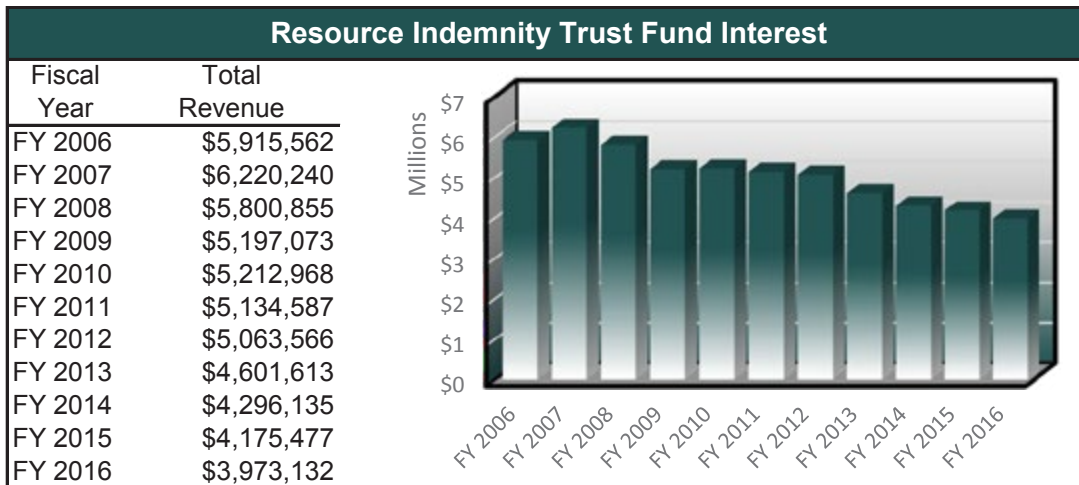
Resource Indemnity and Ground Water Assessment Tax History

The following figure shows a select history of the Resource Indemnity and Ground Water Assessment Tax.



Resource Indemnity Trust Fund Interest

Statute: Title 15, Chapter 38, Part 2, MCA



Distribution of Interest Income

In fiscal year 2002 the resource indemnity trust fund reached \$100 million. Net earnings, excluding unrealized gains and losses, and all receipts may be appropriated and expended by the legislature, so long as the balance of the trust is never less than \$100 million.

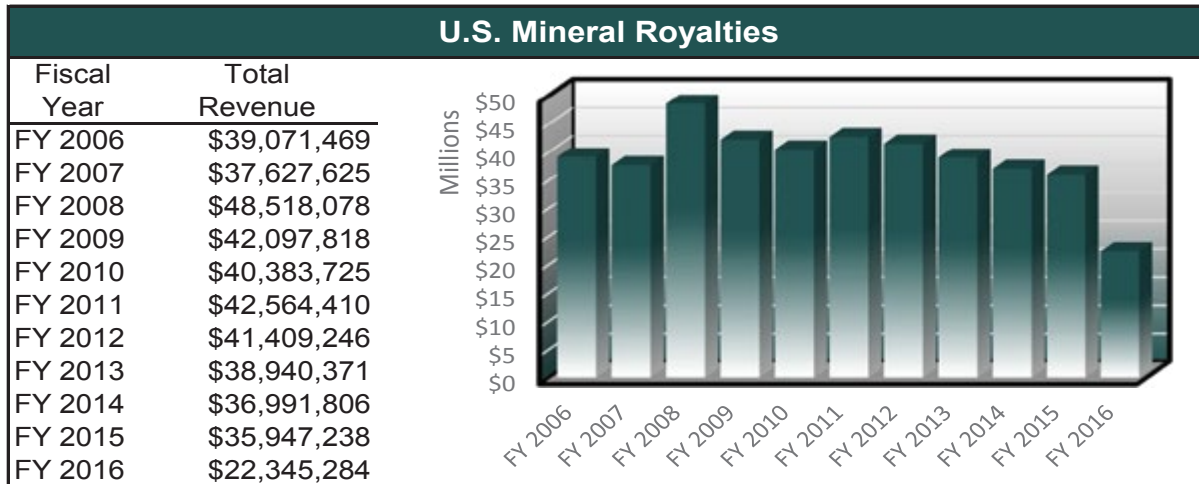
Interest from the resource indemnity trust is allocated in a two-stage process. First, several programs receive fixed allocations, and then the remaining funds are divided between four programs on a percentage basis. The HB 226 passed by the 2015 Legislature revised the distributions as of FY 2016, increasing the amount going to the oil and gas damage mitigation account and decreasing the amount going to the natural resource projects account. The amounts allocated are shown in the following table.

Normally, \$175,000 is distributed to the Environmental Contingency account in the first year of the biennium. However, if the unobligated cash balance is less than \$750,000, then the account only receives the difference between the balance and \$750,000. This was the case during the period shown in the distribution table.

Distribution of Resource Indemnity Trust Fund Interest						
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Annual Distributions						
Natural Resources Projects	\$3,500,000	\$3,500,000	\$3,500,000	\$3,022,407	\$3,398,644	\$2,415,617
Bureau of Mines Groundwater	\$300,000	\$300,000	\$300,000	\$259,063	\$291,312	\$226,464
RIT-Bull/Cutthroat Trout Enhan.	\$500,000	\$500,000	\$500,000	\$431,772	\$485,521	\$377,440
Biennial Distribution						
Oil & Gas Damage Mitigation	\$0	\$50,000	\$0	\$0	\$0	\$490,672
Water Storage St. Sp. Rev. Acct.	\$0	\$500,000	\$0	\$431,772	\$0	\$377,440
Environmental Contingency RIT	\$0	\$28,136	\$0	\$151,120	\$0	\$85,499
Remainder						
Natural Resources Operations (65%)	\$542,481	\$120,530	\$196,048	\$0	\$0	\$0
Hazardous Waste-CERCLA (26%)	\$216,993	\$48,212	\$78,419	\$0	\$0	\$0
Environmental Quality Protection (9%)	\$75,113	\$16,689	\$27,145	\$0	\$0	\$0

U.S. Mineral Royalties

Statutes: 30 USC, Section 191
17-3-240, MCA



The federal government generates royalties from leasing mineral rights on federal lands in the state. They share 49 percent of royalty revenue with the state, which decreased from 50 percent in October 2007.

The Montana Department of Revenue provides auditing and compliance services for the federal government for producers extracting minerals from federal lands within the state. The federal government reimburses the department for these services. In FY 2015, the department assessed \$602,976 on behalf of the federal government and assessed \$495,597 in FY 2016.

The Department of Revenue has a memorandum of understanding with the Department of Natural Resources, and works to ensure producers extracting minerals from state lands accurately pay their royalties.

Distribution

The state general fund receives 75 percent of the revenue and the remaining 25 percent is allocated to counties with mining on federal land. The county share is distributed to county governments in proportion to the amount collected in each of the counties.

Distribution of U.S. Mineral Royalties						
Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
General Fund (75%)	\$31,923,308	\$31,056,935	\$29,205,278	\$27,743,855	\$26,960,428	\$16,758,963
Impacted Counties (25%)	\$10,641,102	\$10,352,312	\$9,735,093	\$9,247,951	\$8,986,809	\$5,586,321