

Montana Department of  
**REVENUE**

*Natural Resource Taxes Overview*  
*Local Government Advisory Council*  
*August 21, 2014*

# Natural Resource Taxes

- Oil and Gas Production
- Bentonite
- Cement & Gypsum
- Coal Severance
- Coal Gross Proceeds
- Metal Mines Gross Proceeds
- Metalliferous Mines License
- Miscellaneous Mines Net Proceeds
- Resource Indemnity and Ground Water Assessment
- US Mineral Royalties

# Oil and Natural Gas Production Tax

- Oil and Gas Production Tax
  - Rates Set in Law – Percent of Gross Value
  - Tax is calculated by applying Rates to the Gross Value
  - Revenue to State and Local Government
- Privilege and License Tax
  - Tax Funds Board of Oil and Gas Commission
- Producers see one combined rate

# Tax Rates - Oil

	Working Interest	Non-Working Interest
Primary Recovery Production		
First 12 months of production	0.76%	15.06%
Pre-1999 wells after 12 months	12.76%	15.06%
Post-1999 wells after 12 months	9.26%	15.06%
Stripper Wells (average 3 - 15 bbl/day)		
First 10 bbl/day	5.76% <sup>1</sup>	15.06%
Over 10 bbl/day	9.26% <sup>1</sup>	15.06%
Stripper Exemption Wells (average < 3 bbl/day)	0.76% <sup>2</sup>	15.06%
Horizontal Wells - First 18 Months	0.76%	15.06%
Incremental Production		
New or expanded secondary recovery	8.76% <sup>1</sup>	15.06%
New or expanded tertiary production	6.06% <sup>1</sup>	15.06%
Horizontally Recompleted Wells - First 18 Months	5.76%	15.06%

<sup>1</sup>Taxed at primary production rate if WTI > \$30 for quarter

<sup>2</sup>Taxed at 6.26% if WTI > \$38 for quarter

# Tax Rates – Natural Gas

	Working Interest	Non-Working Interest
Primary Recovery Production		
First 12 months of production	0.76%	15.06%
Pre-1999 wells after 12 months	15.06%	15.06%
Post-1999 wells after 12 months	9.26%	15.06%
Stripper Wells (pre-1999 , average < 60 mcf/day)	11.26%	15.06%
Horizontally Completed Wells		
First 18 months of production	0.76%	15.06%
Post-1999 wells after 12 months	9.26%	15.06%

# Oil and Gas Tax Filing and Distribution

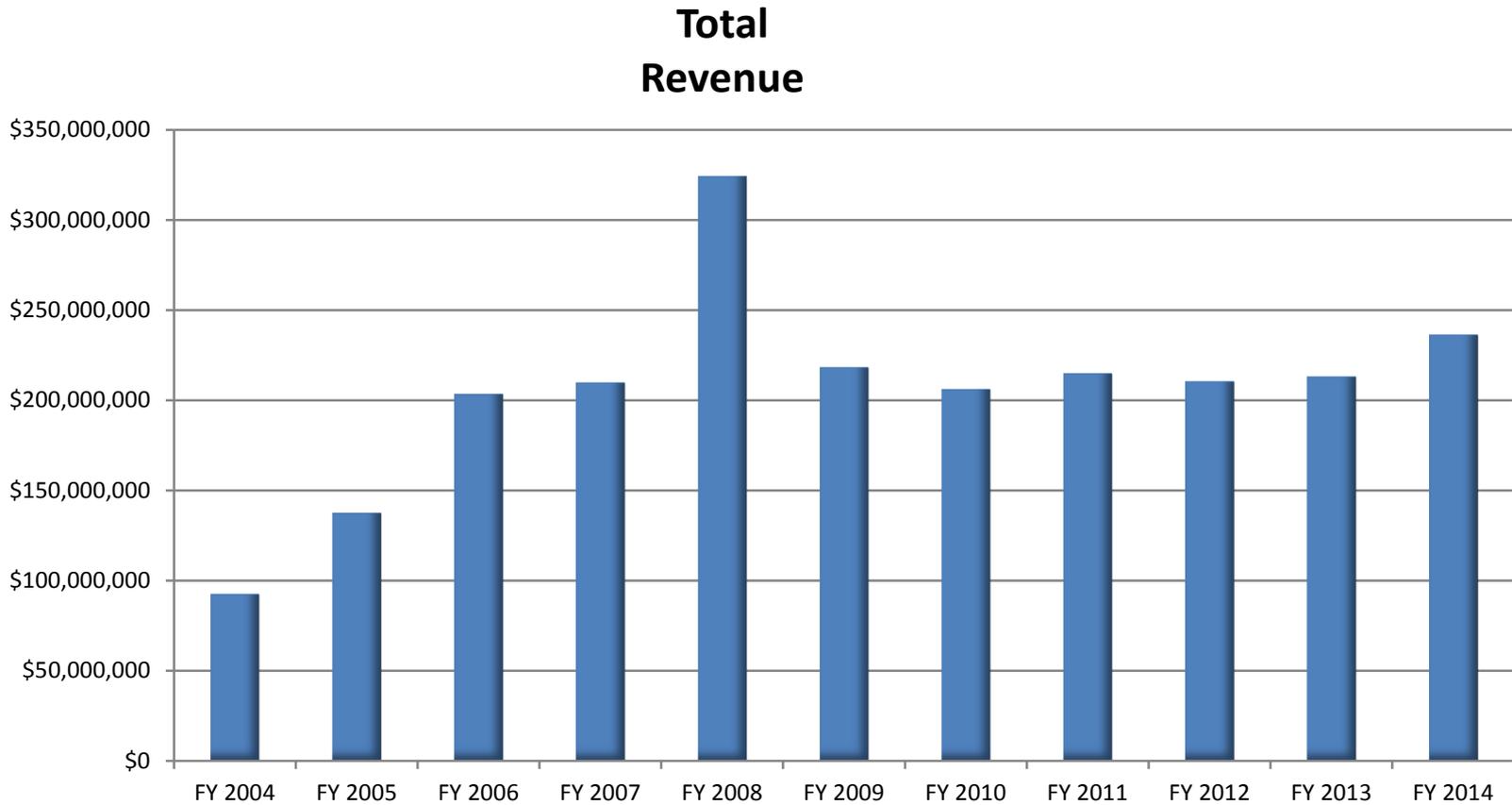
- Operator files return and pays tax for all participants
- Tax due 60 days after the end of each quarter
- DOR distributes revenue 60 days after tax is due
- Number of producers: 275
- Distribution occurs on or before:
  - August 1 (Quarter ending March 31)
  - November 1 (Quarter ending June 30)
  - February 1 (Quarter ending September 30)
  - May 1 (Quarter ending December 31)

# Distribution FY2011 – FY2014

Fund	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total Revenue	215,129,820.12	210,644,361.47	213,229,045.05	236,496,773.40
BOGC	1,963,032.13	1,987,666.08	2,152,701.95	2,505,507.93
Oil & Gas Natural Res. Acc.	3,698,515.78	3,754,061.08	4,100,929.04	4,732,701.42
Remainder	209,468,272.21	204,902,634.31	206,975,414.06	229,258,564.05
County Revenue	98,902,261.37	96,766,606.92	97,594,695.10	107,770,848.76
Counties and Schools	98,902,261.37	83,611,488.46	88,333,717.81	95,997,576.21
Guarantee Fund	0.00	12,335,596.02	4,830,528.84	0.00
County Impact Fund	0.00	682,935.37	1,725,188.87	0.00
State School Impact Fund	0.00	136,587.07	345,037.78	0.00
State School Oil & Gas Distrib	0.00	0.00	2,360,221.80	11,773,272.55
State Revenue	110,566,010.84	108,136,027.39	109,380,718.96	121,487,715.29
Natural Resources Projects (2.16%)	1,603,207.16	2,335,738.19	2,362,624.05	2,624,134.68
Natural Resources Operations (2.02%)	1,603,207.16	2,184,347.76	2,209,493.45	2,454,052.22
Orphan Share Fund (2.95%)	3,305,923.71	3,190,012.82	3,226,736.97	3,583,888.32
Montana University System (2.65%)	2,929,999.30	2,865,604.72	2,898,587.40	3,219,424.18
Coal Bed Methane Protection	1,359,961.96	0.00	0.00	0.00
General Fund (remainder)	99,763,711.55	97,560,323.90	98,683,277.09	109,606,215.89

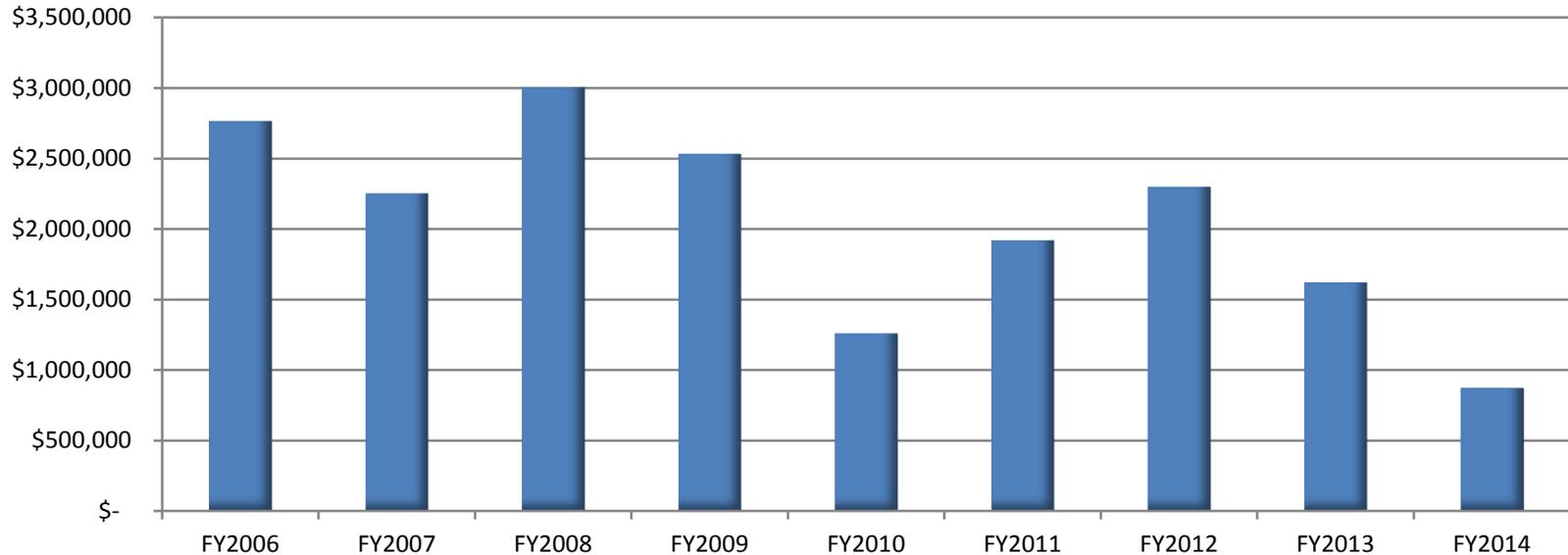
# Oil and Gas Tax Revenue

## FY2004 – FY2014



# Bentonite Tax

## Tax Revenue



Tax based on dollars per ton

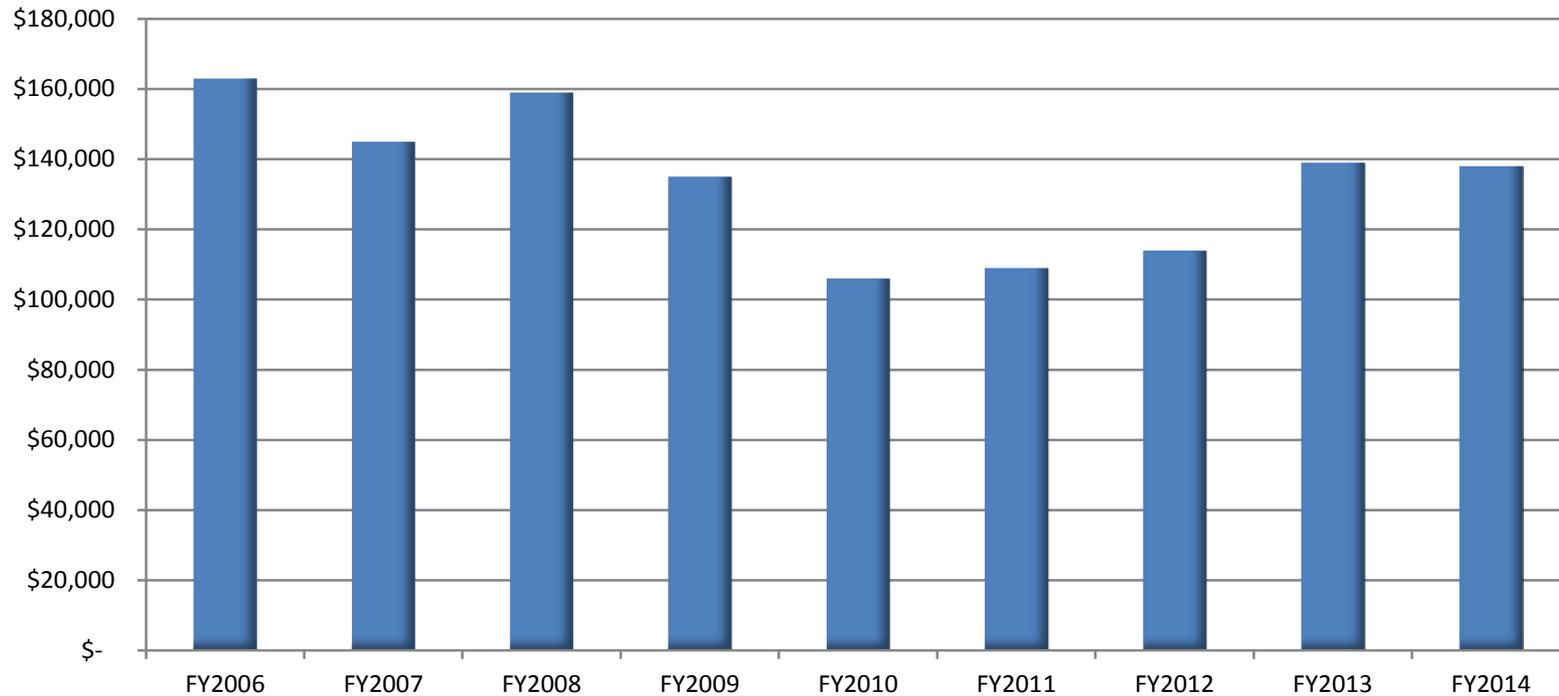
Number of Producers: <10

Tax distribution:

- 1.30% to special revenue fund to the University system
- 20.75% to state general fund
- 77.95% to the production county

# Cement & Gypsum Tax

## Total Revenue



Tax is based on dollars per ton

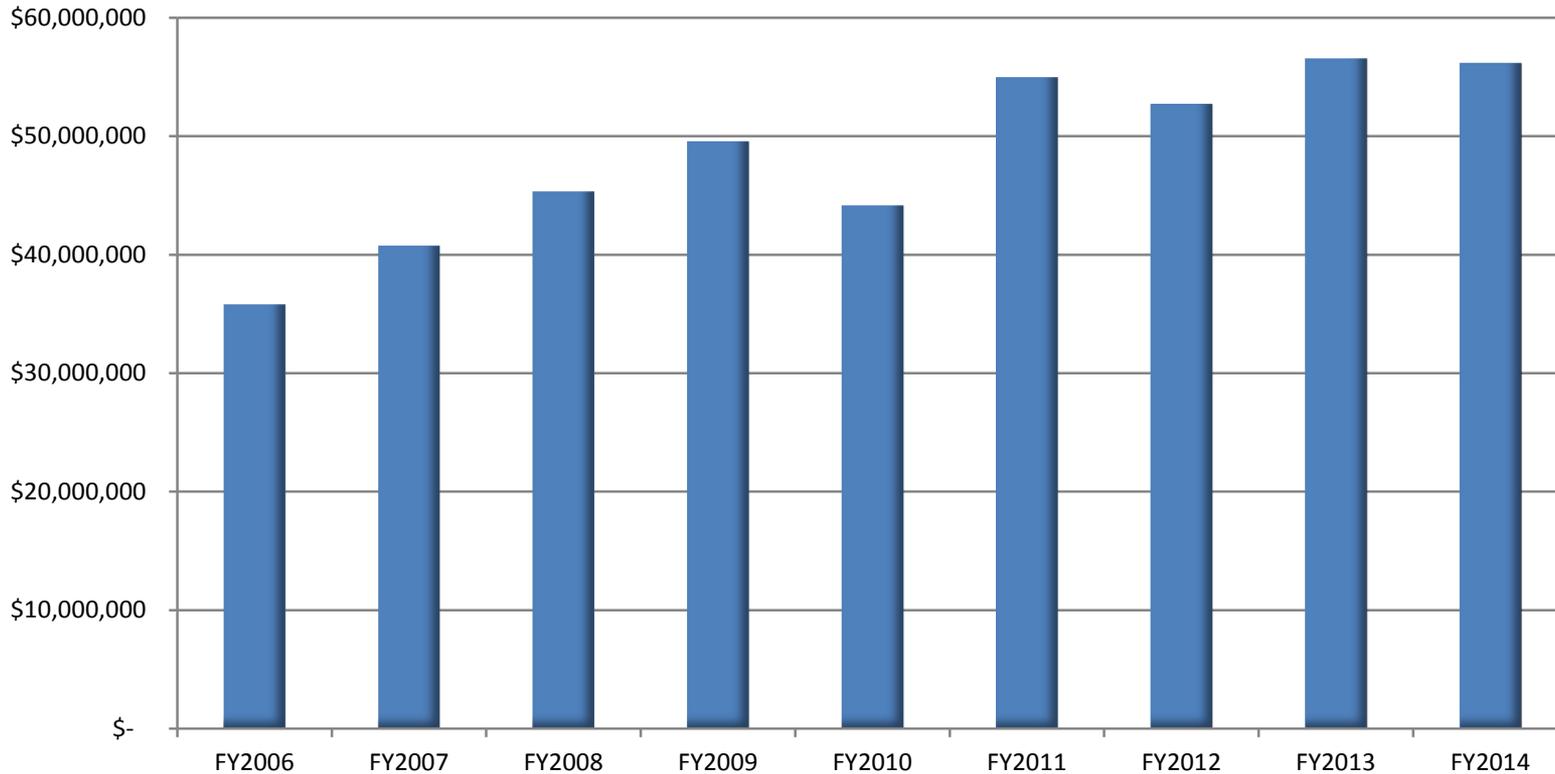
Number of producers: <10

Tax distribution:

- 100% to state general fund

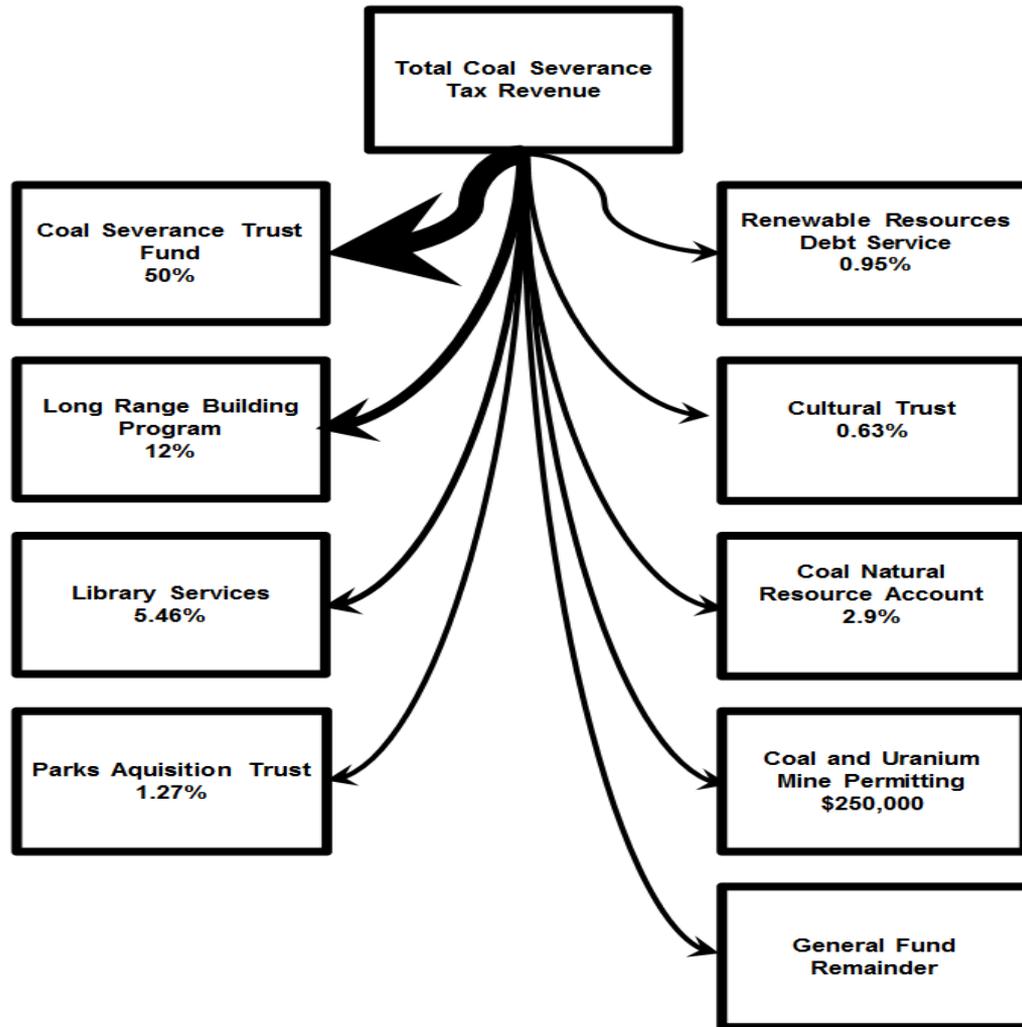
# Coal Severance Tax

## Total Revenue



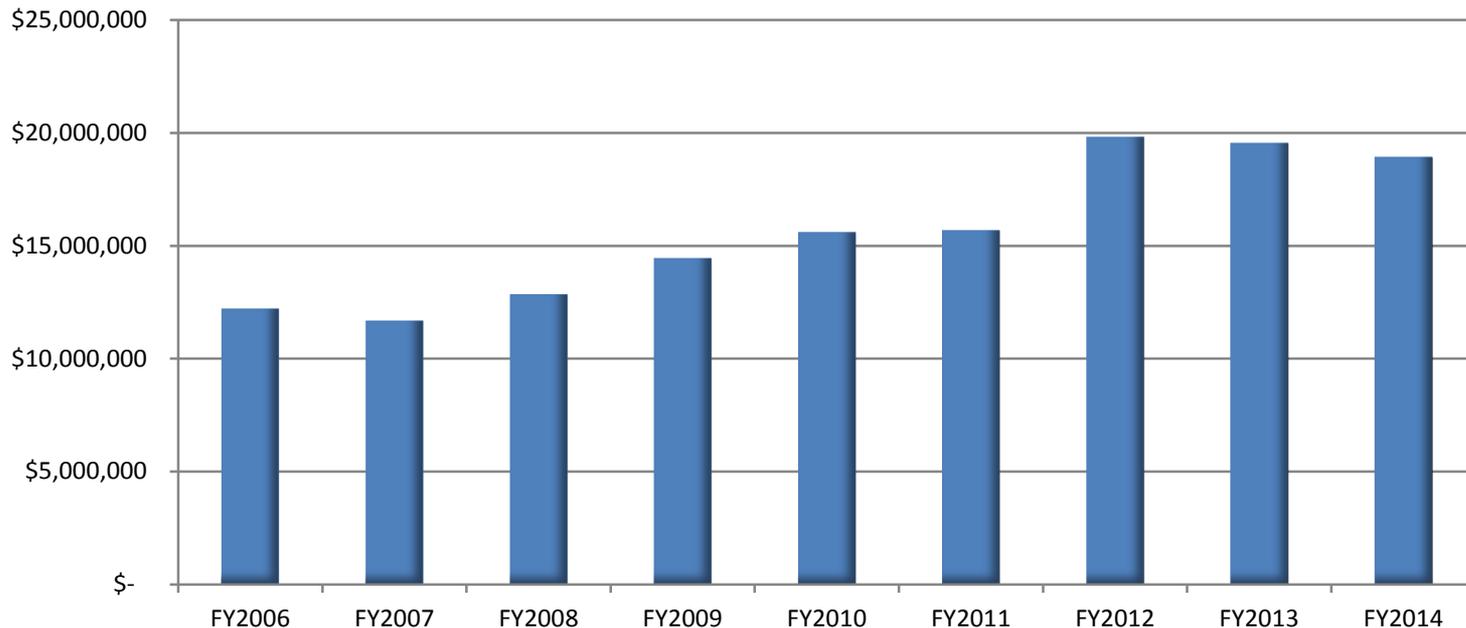
Tax based on a percentage per ton  
Number of producers: <10

# Coal Severance Tax Revenue Distribution



# Coal Gross Proceeds Tax

## Total Revenue



Tax is based on a percent of gross proceeds

Number of producers: <10

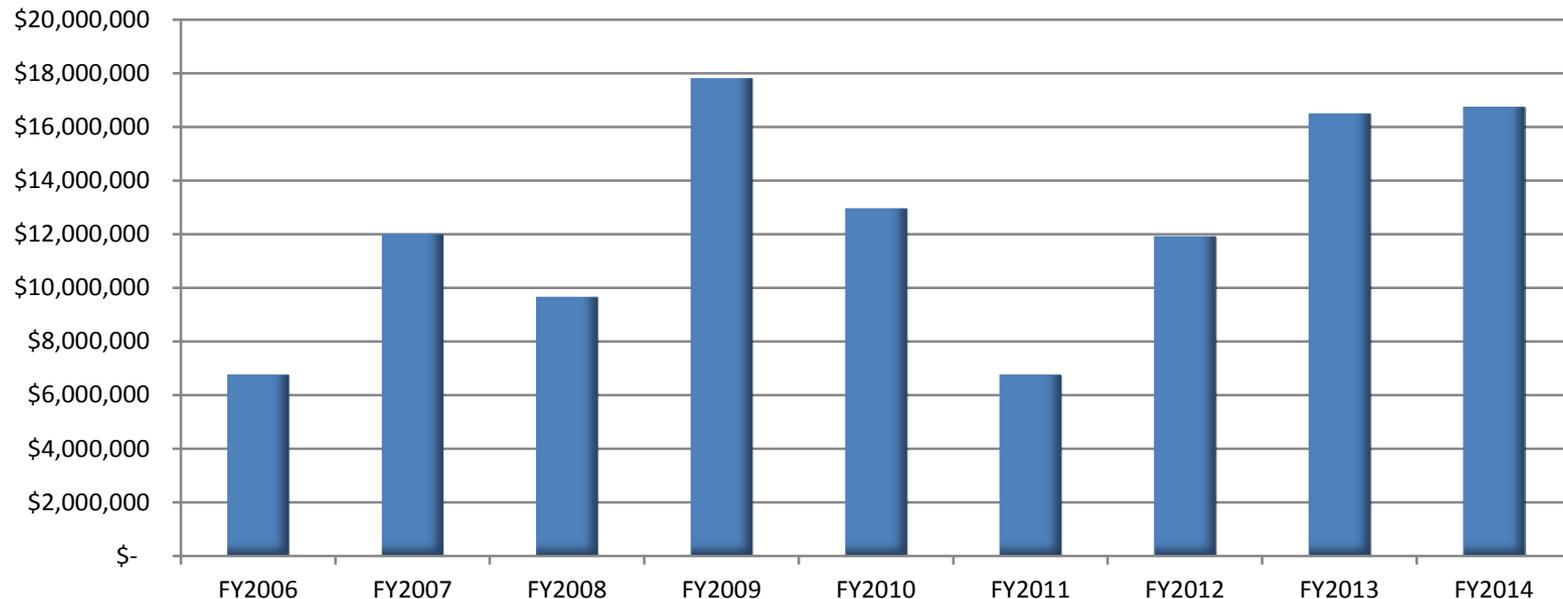
Tax distribution:

- Distributed proportionally to the appropriate jurisdictions in which the production occurred based on the total mills levied in fiscal year 1990

# Metal Mines Gross Proceeds Tax

Class 2 property - All Metals; e.g. Gold, Silver, Copper, Platinum, etc.

**Total Revenue**



The tax is based on a percent of merchantable value

Number of producers: <10

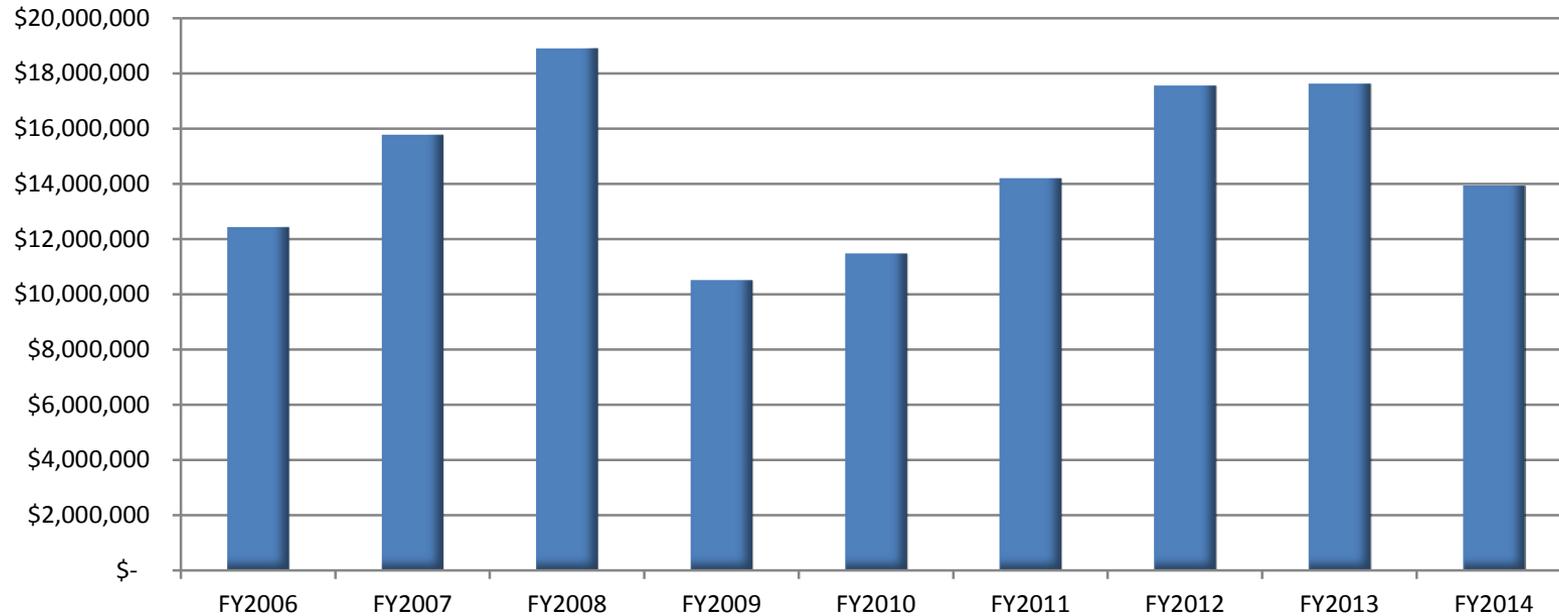
Tax distribution:

- The taxable value of metal mines gross proceeds is allocated to the local jurisdictions where the mine is located.

# Metalliferous Mines License Tax

All metals; e.g. Gold, Silver, Copper, Platinum, etc.

## Total Revenue



Tax is based on a percentage of gross value of the product.

Number of producers: <10

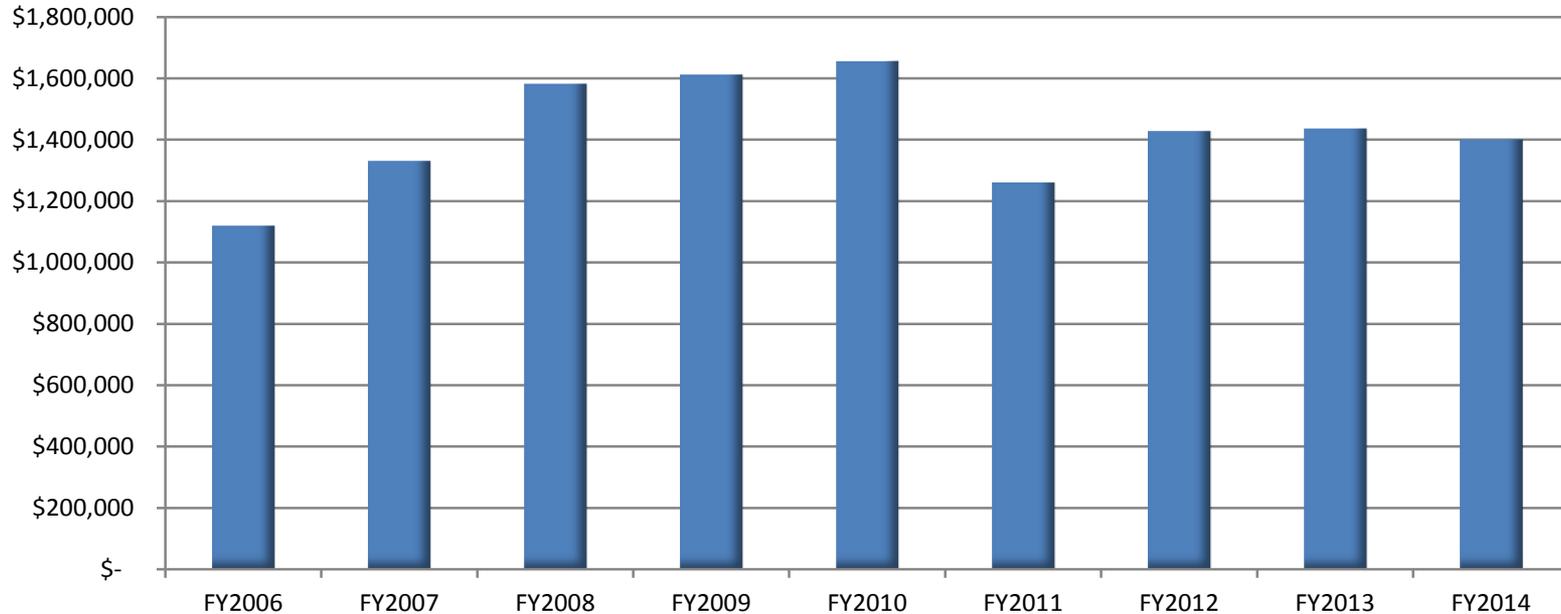
Tax distributed as follows:

- 57% to State general fund
- 2.5% to hard rock mining impact trust account
- 8.5% to hard rock mining reclamation debt service fund
- 7% to natural resources operations account
- 25% to county governments

# Miscellaneous Mines Net Proceeds Tax

Class 1 property – Talc, Vermiculite, Limestone and Garnets

**Total Revenue**



Tax is based on a flat rate per ton of product mined.

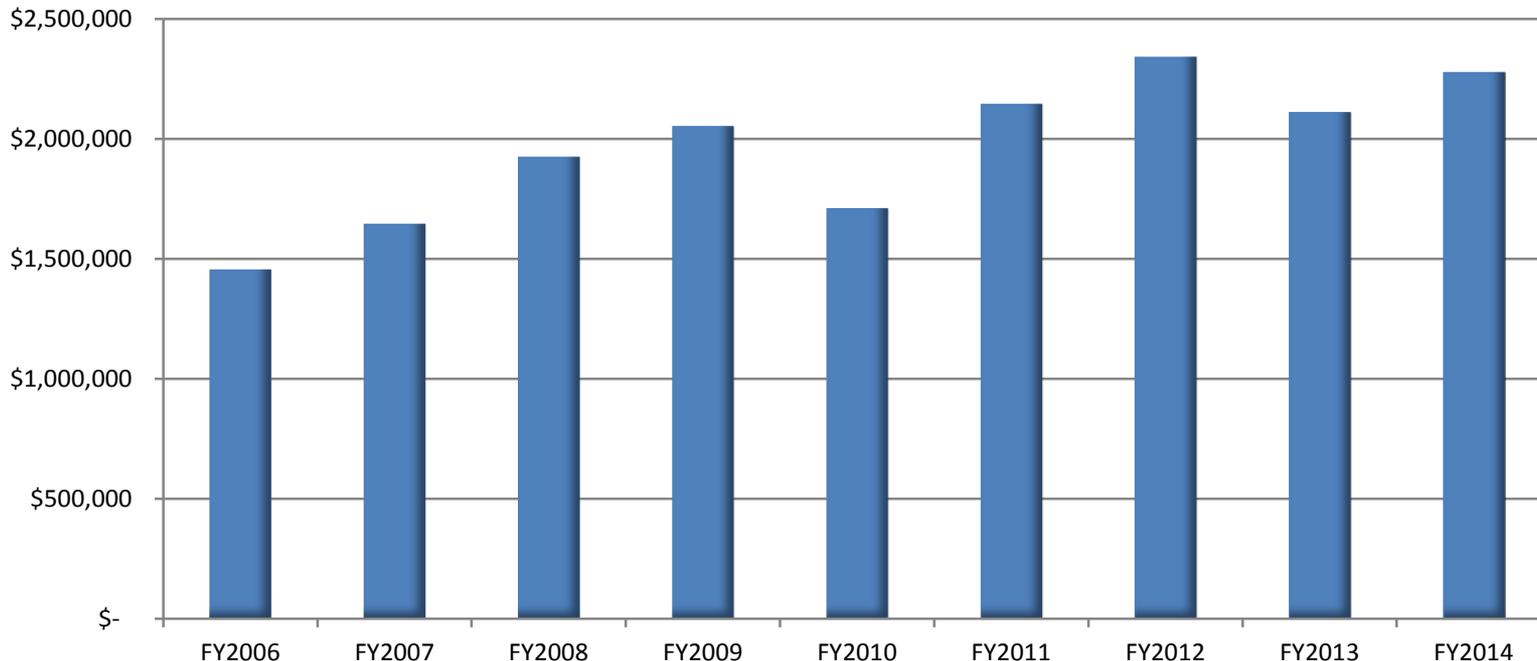
Number of producers: 11

Tax distributed as follows:

- The taxable value of miscellaneous mines net proceeds is allocated to the local jurisdictions where the mine is located.

# Resource Indemnity and Ground Water Assessment Tax

**Total Revenue**



Tax is based on a percentage of the gross yield of the product mined. The percentage varies depending on the type of production.

Number of producers: 30

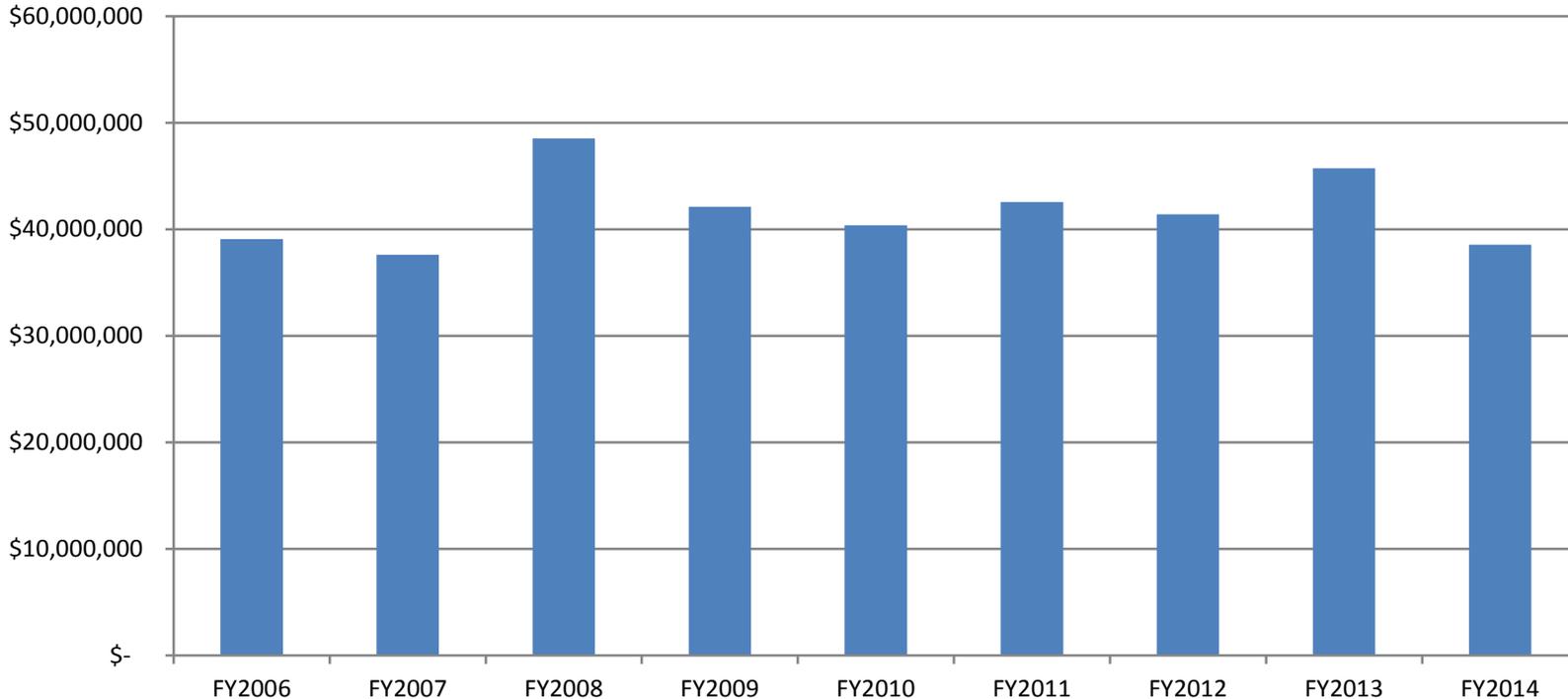
Tax distribution:

- The tax is distributed to the reclamation project accounts.



# US Mineral Royalties

## Total Revenue



Royalties are based on a percentage of value  
Royalties are paid on mineral extraction on Federal lands  
Tax distribution:

- 75% to the general fund
- 25% to the counties of the production



# Questions?