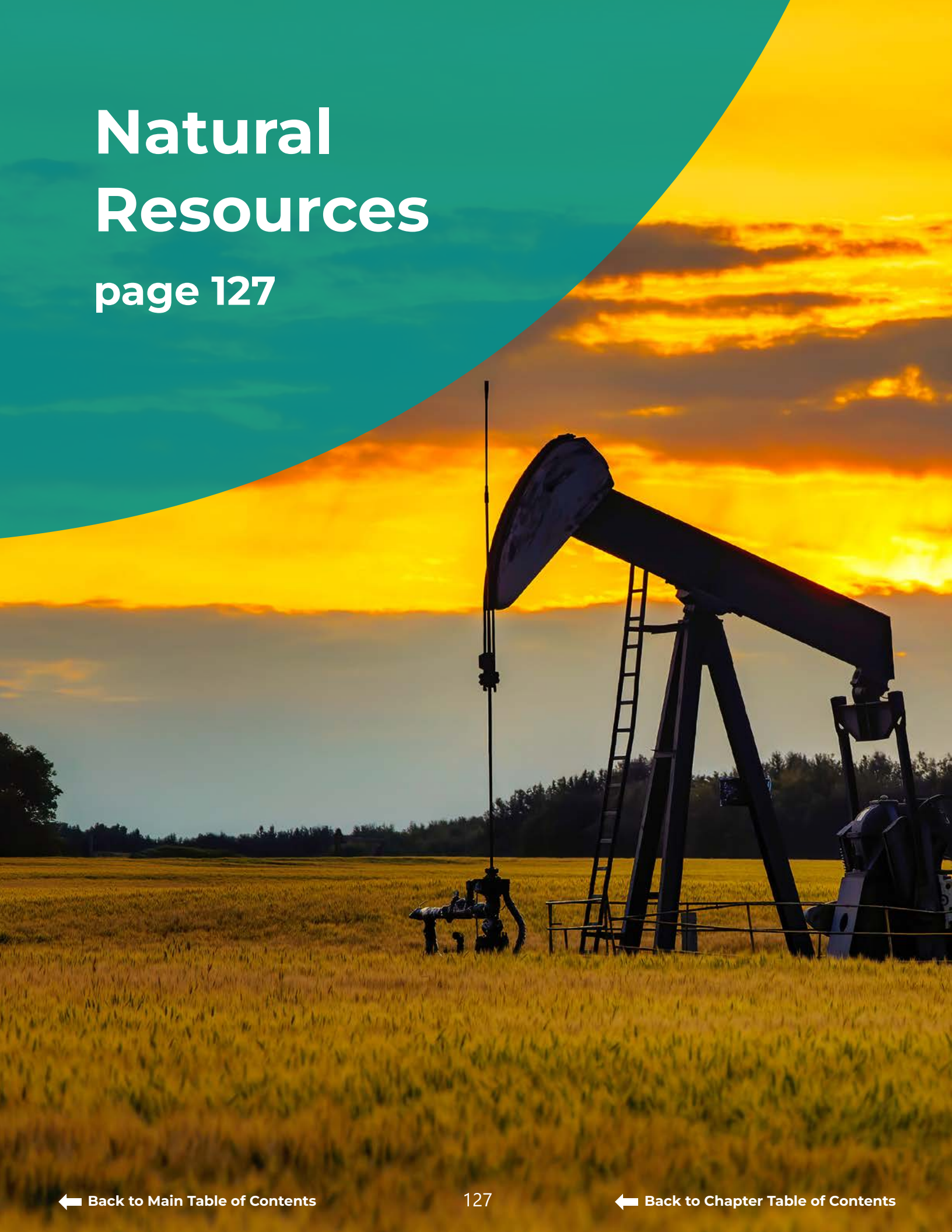


Natural Resources

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Overview

This section covers the natural resource taxes levied in Montana. Historically, Montana has relied on its natural resources as a primary source of tax revenue. Generally, natural resource taxes are categorized as severance or license taxes, or some form of ad valorem (property) taxes.

Tax rates, filing requirements, disposition of the tax, production tax incentives, recent revenue collections, and recent legislative changes are included for each tax.

Table 4.1 State Natural Resource Tax Collections - FY 2021-2024

| State Natural Resource Tax Revenue | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|--|----------------------|----------------------|----------------------|----------------------|
| Bentonite Production Tax | \$103,183 | \$173,986 | \$126,374 | \$481,940 |
| Cement and Gypsum Tax | \$154,070 | \$145,300 | \$140,991 | \$133,628 |
| Coal Gross Proceeds* | \$12,738,884 | \$9,281,559 | \$12,664,366 | \$22,405,041 |
| Coal Severance Tax | \$40,747,479 | \$61,549,181 | \$83,312,835 | \$72,676,525 |
| Electrical Energy Producer's License Tax | \$3,298,244 | \$3,929,711 | \$4,003,929 | \$4,089,882 |
| Metal Mines Gross Proceeds* | \$2,260,404 | \$2,634,938 | \$3,201,206 | \$4,222,714 |
| Metalliferous Mines License Tax | \$16,783,517 | \$16,885,939 | \$10,028,321 | \$9,090,082 |
| Miscellaneous Mines Net Proceeds* | \$479,220 | \$396,806 | \$442,369 | \$414,235 |
| Oil and Natural Gas Production | \$43,826,280 | \$78,153,444 | \$78,739,651 | \$71,386,333 |
| Oil and Natural Gas Production (Privilege and License Tax) | \$2,299,829 | \$4,085,298 | \$4,579,967 | \$4,440,997 |
| Resource Indemnity and Ground Water Assessment Tax | \$1,870,702 | \$2,470,720 | \$4,443,778 | \$5,052,738 |
| U.S. Mineral Royalties | \$12,081,725 | \$19,464,224 | \$37,507,600 | \$15,654,857 |
| Wholesale Energy Transaction Tax | \$2,981,105 | \$3,352,254 | \$3,455,287 | \$3,545,160 |
| Total State Collections | \$136,643,536 | \$199,171,106 | \$239,191,388 | \$210,048,971 |

Table 4.2 Local Natural Resource Tax Collections - FY 2021-2024

| Local Natural Resource Tax Revenue | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|--------------------------------------|---------------------|----------------------|----------------------|----------------------|
| Bentonite Production Tax | \$364,715 | \$615,068 | \$446,749 | \$1,703,728 |
| Coal Gross Proceeds* | \$11,141,266 | \$13,197,039 | \$11,658,348 | \$8,504,477 |
| Coal Severance Tax | \$2,508,868 | \$3,789,652 | \$5,129,665 | \$4,474,775 |
| Metal Mines Gross Proceeds* | \$10,786,936 | \$12,606,228 | \$14,376,573 | \$17,163,569 |
| Metalliferous Mines License Tax | \$9,037,278 | \$9,092,429 | \$5,399,865 | \$4,894,659 |
| Miscellaneous Mines Net Proceeds* | \$1,243,897 | \$997,983 | \$1,152,087 | \$968,756 |
| Oil and Natural Gas Production | \$40,765,364 | \$72,763,421 | \$72,934,170 | \$65,277,706 |
| Oil and Natural Gas Resource Account | \$459,404 | \$816,920 | \$915,793 | \$888,178 |
| U.S. Mineral Royalties | \$4,027,242 | \$6,488,075 | \$12,502,533 | \$5,218,286 |
| Total Local Collections | \$80,334,971 | \$120,366,815 | \$124,515,785 | \$109,094,133 |

Table 4.3 Total Natural Resource Tax Revenue

| Subtotals by Tax | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|--|----------------------|----------------------|----------------------|----------------------|
| Bentonite Production Tax | \$467,898 | \$789,054 | \$573,123 | \$2,185,667 |
| Cement and Gypsum Tax | \$154,070 | \$145,300 | \$140,991 | \$133,628 |
| Coal Gross Proceeds* | \$20,265,434 | \$23,292,893 | \$20,842,904 | \$15,109,671 |
| Coal Severance Tax | \$43,256,347 | \$65,338,834 | \$88,442,499 | \$77,151,301 |
| Electrical Energy Producer's License Tax | \$3,298,244 | \$3,929,711 | \$4,003,929 | \$4,089,882 |
| Metal Mines Gross Proceeds* | \$13,047,340 | \$15,241,166 | \$17,577,780 | \$21,386,283 |
| Metalliferous Mines License Tax | \$25,820,795 | \$25,978,368 | \$15,428,186 | \$13,984,741 |
| Miscellaneous Mines Net Proceeds* | \$479,220 | \$396,806 | \$1,594,457 | \$1,382,990 |
| Oil and Natural Gas Production | \$87,350,877 | \$155,819,083 | \$157,169,581 | \$141,993,213 |
| Resource Indemnity and Ground Water Assessment Tax | \$1,870,702 | \$2,470,720 | \$4,443,778 | \$5,052,738 |
| U.S. Mineral Royalties | \$16,108,967 | \$25,952,298 | \$50,010,134 | \$20,873,143 |
| Wholesale Energy Transaction Tax | \$2,981,105 | \$3,352,254 | \$3,455,287 | \$3,545,160 |
| Total State and Local Collections | \$215,100,999 | \$322,706,487 | \$363,682,649 | \$306,888,417 |

*Amounts may not match the property summary data in the Property Tax section.

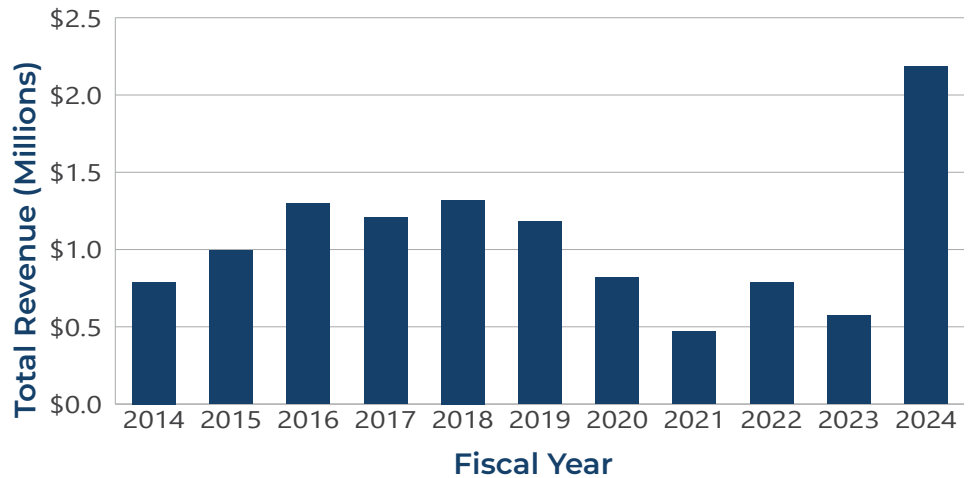
Bentonite Production Tax

Statute: Title 15, Chapter 39, MCA

Table 4.4 Bentonite Production

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$789,982 |
| 2015 | \$995,762 |
| 2016 | \$1,297,421 |
| 2017 | \$1,209,173 |
| 2018 | \$1,320,881 |
| 2019 | \$1,183,894 |
| 2020 | \$819,262 |
| 2021 | \$467,898 |
| 2022 | \$789,054 |
| 2023 | \$573,123 |
| 2024 | \$2,185,667 |

Figure 4.4



Tax Rate

Since Tax Year 2005, bentonite has been taxed at the rates prescribed in 15-39-101, MCA. For tax years starting after December 31, 2009, the rates are adjusted annually for inflation.

Table 4.5 Bentonite Tax

| Production Level | 2023 Tax (\$/Ton) | 2024 Tax (\$/Ton) |
|------------------------|-------------------|-------------------|
| 0-20,000 Tons | \$0.00 | \$0.00 |
| 20,001-100,000 Tons | \$2.01 | \$2.11 |
| 100,001-250,000 Tons | \$1.93 | \$2.03 |
| 250,001-500,000 Tons | \$1.80 | \$1.89 |
| 500,001-1,000,000 Tons | \$1.61 | \$1.69 |
| Over 1 Million Tons | \$1.29 | \$1.35 |
| Royalty Revenue | 15% | 15% |

Filing and Payment of Tax

Producers must 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.

Distribution

The tax revenue is distributed among state and local entities according to a statutory formula (15-39-110, MCA). For county level distribution data, see the Shared Revenue chapter of this report.

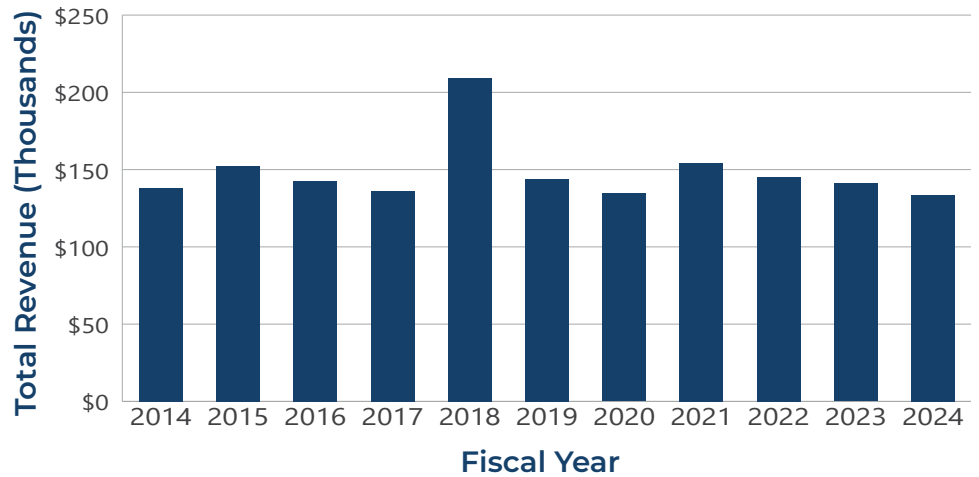
Cement and Gypsum Tax

Statute: Title 15, Chapter 59, MCA

Table 4.5 Cement and Gypsum

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$138,174 |
| 2015 | \$152,463 |
| 2016 | \$142,452 |
| 2017 | \$136,339 |
| 2018 | \$209,451 |
| 2019 | \$144,057 |
| 2020 | \$134,493 |
| 2021 | \$154,070 |
| 2022 | \$145,300 |
| 2023 | \$140,991 |
| 2024 | \$133,628 |

Figure 4.5



Tax Rate

Producers and importers of cement and cement products or gypsum and gypsum products must pay a license tax of \$0.22 or \$0.05 per ton, respectively. Before July 1, 1997, individuals retailing cement and gypsum products in Montana were also required to pay the tax for every ton that had not been paid under any other law. The tax on retailers was repealed during the 1997 Legislative Session.

Filing and Payment of Tax

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.

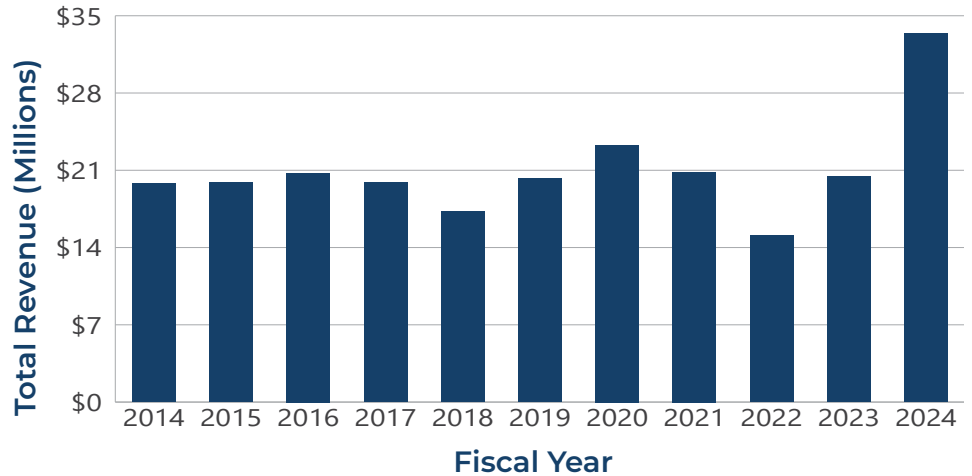
Coal Gross Proceeds

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

Table 4.6 Coal Gross Proceeds

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$19,826,095 |
| 2015 | \$19,857,482 |
| 2016 | \$20,756,877 |
| 2017 | \$19,856,903 |
| 2018 | \$17,286,920 |
| 2019 | \$20,265,434 |
| 2020 | \$23,292,893 |
| 2021 | \$20,842,904 |
| 2022 | \$15,109,671 |
| 2023 | \$20,469,628 |
| 2024 | \$33,376,581 |

Figure 4.6



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 5 percent is levied against the value of the reported gross proceeds for most coal mines.

Underground mines currently in operation pay a lower tax rate of 2.5 percent of value on production through 2030. Any new underground mine receives this lower rate for the lifetime of the mine.

Additionally, counties may opt to abate up to 50 percent of the local share liability for new or expanding coal mines; the state tax liability would continue to be 5 percent. No Montana county currently offers this abatement.

Filing and Payment of Tax

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.

Coal Gross Proceeds Tax 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. For county level distribution data, see the Shared Revenue section of this report.

Table 4.7 Coal Gross Proceeds Tax Distribution

| Fiscal Year | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Production Year | PY 2017 | PY 2018 | PY 2019 | PY 2020 | PY 2021 | PY 2022 |
| Tons Produced | 32,088,144 | 34,411,339 | 31,623,362 | 24,400,883 | 27,158,850 | 25,894,932 |
| Gross Value | \$609,331,465 | \$716,236,591 | \$649,228,342 | \$473,607,825 | \$655,732,828 | \$1,196,383,003 |
| Taxable Proceeds | \$475,688,495 | \$568,413,454 | \$515,492,392 | \$370,492,864 | \$514,570,558 | \$1,001,579,887 |
| Coal Gross Proceeds Tax | \$20,265,434 | \$23,292,893 | \$20,842,904 | \$15,109,671 | \$20,469,628 | \$33,376,581 |
| Local Share | \$11,141,266 | \$13,197,039 | \$11,658,348 | \$8,504,477 | \$11,623,664 | \$20,942,169 |
| University Share | \$1,073,432 | \$1,187,748 | \$1,080,536 | \$777,082 | \$1,040,702 | \$1,462,872 |
| State Share | \$8,050,737 | \$8,908,107 | \$8,104,020 | \$5,828,112 | \$7,805,262 | \$10,971,540 |

Coal Gross Proceeds History

The following is a select legislative history of the Coal Gross Proceeds Tax.

- 1975** Each coal mine is required to report gross yield and value of production to the department. The department provides this information to the counties, which then levy the property tax. Underground mines are now taxed at 33⅓ percent of their full and true value and strip mines are now taxed at 45 percent of their full and true value.
- 1983** The department is now responsible for assigning the value of the coal for severance tax; that computed value is then used for the purposes of property tax.
- 1989** The property tax previously implemented on the gross proceeds of coal is replaced by a flat 5 percent tax against the value of the reported gross proceeds.
- Property tax must now be distributed in the relative proportions required by the levies for state and county purposes.
- 1993** The department is now responsible for computing gross proceeds and then transmitting this information to the treasurer for levying the gross proceeds tax.
- 2011** New underground mines (that began operation after December 31, 2011) are now taxed at the 2.5 percent tax rate for mines, and will be taxed at this rate for the first 10 years of production.
- Authorized counties may choose to abate up to 50 percent of coal gross proceeds tax for new or expanding underground coal mines being taxed at the regular 5 percent rate.
- 2019** The existing tax rate of 2.5 percent for underground mines is extended an additional 10 years, sunseting December 31, 2030. Any coal mine may now potentially receive the local county abatement that was previously only available to underground coal mines.

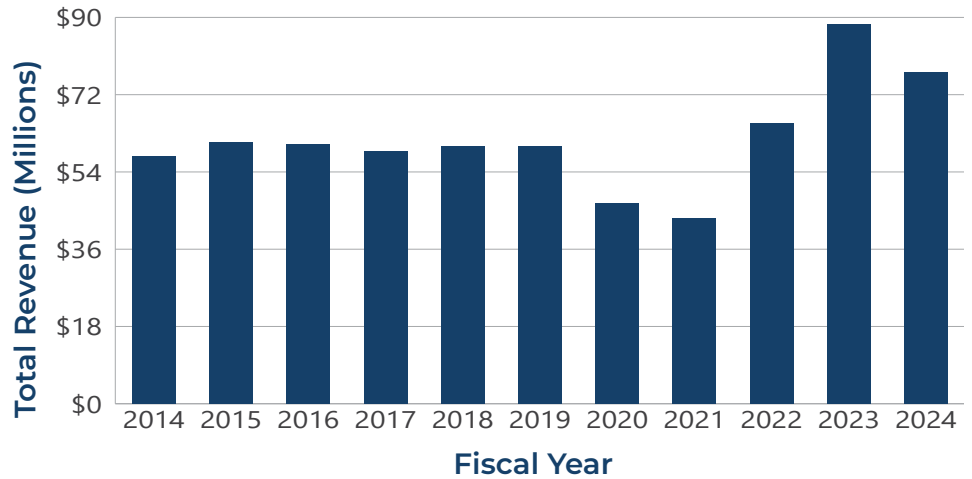
Coal Severance Tax

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

Table 4.8 Coal Severance

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$57,676,184 |
| 2015 | \$60,891,414 |
| 2016 | \$60,358,548 |
| 2017 | \$58,808,035 |
| 2018 | \$60,097,399 |
| 2019 | \$60,028,161 |
| 2020 | \$46,754,498 |
| 2021 | \$43,256,347 |
| 2022 | \$65,338,834 |
| 2023 | \$88,442,499 |
| 2024 | \$77,151,301 |

Figure 4.8



Tax Rate

Surface mined coal tax rates:

- 15 percent of value if rated as having 7,000 British Thermal Units (BTU) or more per pound.
- 10 percent of value if rated as having less than 7,000 BTU per pound

Coal mined underground tax rates:

- 4 percent if rated as having 7,000 BTU per pound or over
- 3 percent if rated as having less than 7,000 BTU per pound

Coal mined using auger technology tax rates:

- 5 percent of value if rated at 7,000 BTU per pound or over
- 3.75 percent of value if rated as under 7,000 BTU per pound

Filing and Payment of Tax

Coal mine operators must file quarterly statements containing information sufficient to calculate the tax due. These statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution

The distribution of revenue generated from the Coal Severance Tax has multiple stages. Initially, 50 percent of the total tax revenue is deposited into the Coal Trust Fund, as described in Article IX, Section 5, of the Montana Constitution. This revenue must remain untouched unless appropriated by a three-fourths majority of both chambers of the Legislature.

There are currently six sub-trusts that make up the Coal Trust Fund. These sub-trusts are:

- the Coal Tax Bond Fund
- the Treasure State Endowment Fund
- the Treasure State Endowment Regional Water Fund
- the Big Sky Economic Development Fund
- the School Facilities Fund
- the Permanent Fund.

All severance tax revenue allocated to the Coal Trust Fund is initially deposited in the Coal Tax Bond Fund. However, only a small portion of the trust fund revenue is retained in the bond fund because it must only maintain a balance sufficient to meet interest payments of outstanding Coal Severance Tax Bonds. These bonds are used to provide low-interest loans for renewable resource projects.

Any fund balance exceeding the interest obligations is then deposited to the School Facilities Fund (75 percent) and the Big Sky Economic Development Trust Fund (25 percent). These funds use the interest income as follows:

- The School Facilities Fund, to be used for school facility projects authorized by the legislature
- The Big Sky Economic Development Trust Fund, to be statutorily appropriated to the Department of Commerce for grants and loans to local governments for economic development purposes.

The Treasure State Endowment Fund, Treasure State Endowment Regional Water Fund, and Permanent Fund do not currently receive deposits from coal severance tax. These funds continue to hold their principal and generate interest income that is used as follows:

- The Treasure State Endowment Trust Fund interest is appropriated each legislative session and used to fund grants for local infrastructure projects.
- The Treasure State Endowment Regional Water Fund interest is used for regional water development. This fund will terminate in 2031 and its account holdings will be transferred to the Permanent Fund.
- The Permanent Fund interest is deposited into the general fund. The Permanent Fund is the original and default trust account.

Table 4.9 below shows the balance of each of these trust funds at end of Fiscal Year 2024.

Coal Trust Fund Balances

Table 4.9 Estimated Coal Trust Fund Ending Balance FY 2024

| Trust | Estimated Ending Balance |
|-------------------------------------|--------------------------|
| Treasure State Endowment Trust | \$289,393,855 |
| Treasure State Regional Water Trust | \$101,098,194 |
| Big Sky Economic Development Trust | \$159,238,173 |
| Coal Permanent Trust | \$568,661,547 |
| School Facilities Trust | \$227,916,933 |
| Total | \$1,346,308,703 |

Even though the interest from the 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 will expire at the end of Fiscal Year 2027.

Table 4.10 General Fund Coal Interest Earnings Statutory Appropriations FY 2024

| Department of Agriculture | Endowment |
|---|-----------|
| Cooperative Development Center | \$65,000 |
| Growth Through Agriculture | \$900,000 |
| Food and Agricultural Development Program | \$600,000 |

| Department of Commerce | Endowment |
|------------------------------------|-----------|
| Small Business Development Center | \$325,000 |
| Small Business Innovative Research | \$50,000 |
| Certified Development Corporations | \$625,000 |
| MT Manufacturing Center at MSU | \$500,000 |
| Export Trade Enhancement | \$300,000 |

The 50 percent of revenue that is not constitutionally allocated to the trust fund is deposited according to 15-35-108, MCA. The following table shows how this revenue was distributed for the last four fiscal years in proportion to the total severance tax revenue

Table 4.11 breaks down the dollar amount distribution of the coal severance tax over the last five fiscal years.

Table 4.11 Distribution of Coal Severance Tax

| Fund | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Coal Trust Fund (50%) | \$23,377,249 | \$21,628,173 | \$32,669,417 | \$44,221,250 | \$38,575,650 |
| Long Range Building (12%) | \$5,610,540 | \$5,190,762 | \$7,840,660 | \$10,613,100 | \$9,258,156 |
| Library Services (0.93%) | \$420,772 | \$402,181 | \$607,651 | \$822,515 | \$717,507 |
| Conservation Districts (3.71%) | \$1,762,699 | \$1,605,016 | \$2,424,071 | \$3,281,217 | \$2,862,313 |
| Growth Through Agriculture (0.82%) | \$369,324 | \$354,599 | \$535,778 | \$725,229 | \$632,641 |
| Park Acquisition Trust (1.27%) | \$593,782 | \$549,356 | \$829,803 | \$1,123,220 | \$979,822 |
| Renewable Res. Debt Service (0.95%) | \$444,168 | \$410,935 | \$620,719 | \$840,204 | \$732,937 |
| Cultural and Aesthetic Proj. (0.63%) | \$294,553 | \$272,515 | \$411,635 | \$557,188 | \$486,053 |
| Coal Board (5.8%) | \$2,711,761 | \$2,508,868 | \$3,789,652 | \$5,129,665 | \$4,474,775 |
| Coal & Uranium Program (\$250K) | \$250,000 | \$250,000 | \$250,000 | \$250,000 | \$250,000 |
| General Fund (Remainder) | \$10,919,650 | \$10,083,941 | \$15,359,447 | \$20,878,913 | \$18,181,446 |
| Total | \$46,754,498 | \$43,256,347 | \$65,338,834 | \$88,442,499 | \$77,151,301 |

Prior to 2017, a shared account received 5.46 percent of coal severance tax revenue to provide for library services, conservation districts, and programs created under the Montana Growth Through Agriculture Act. House Bill 648, enacted in 2017, directed that this shared account be split into its three interests, explicitly allocating a percentage of the coal severance tax to each account. This split was designed to change over time, though the sum of the three allocations will remain at 5.46 percent. Additionally, House Bill 188, enacted in 2023, changed the percent distribution of the coal natural resource account from 2.9% back to 5.8%, which is what it was prior to 2023.

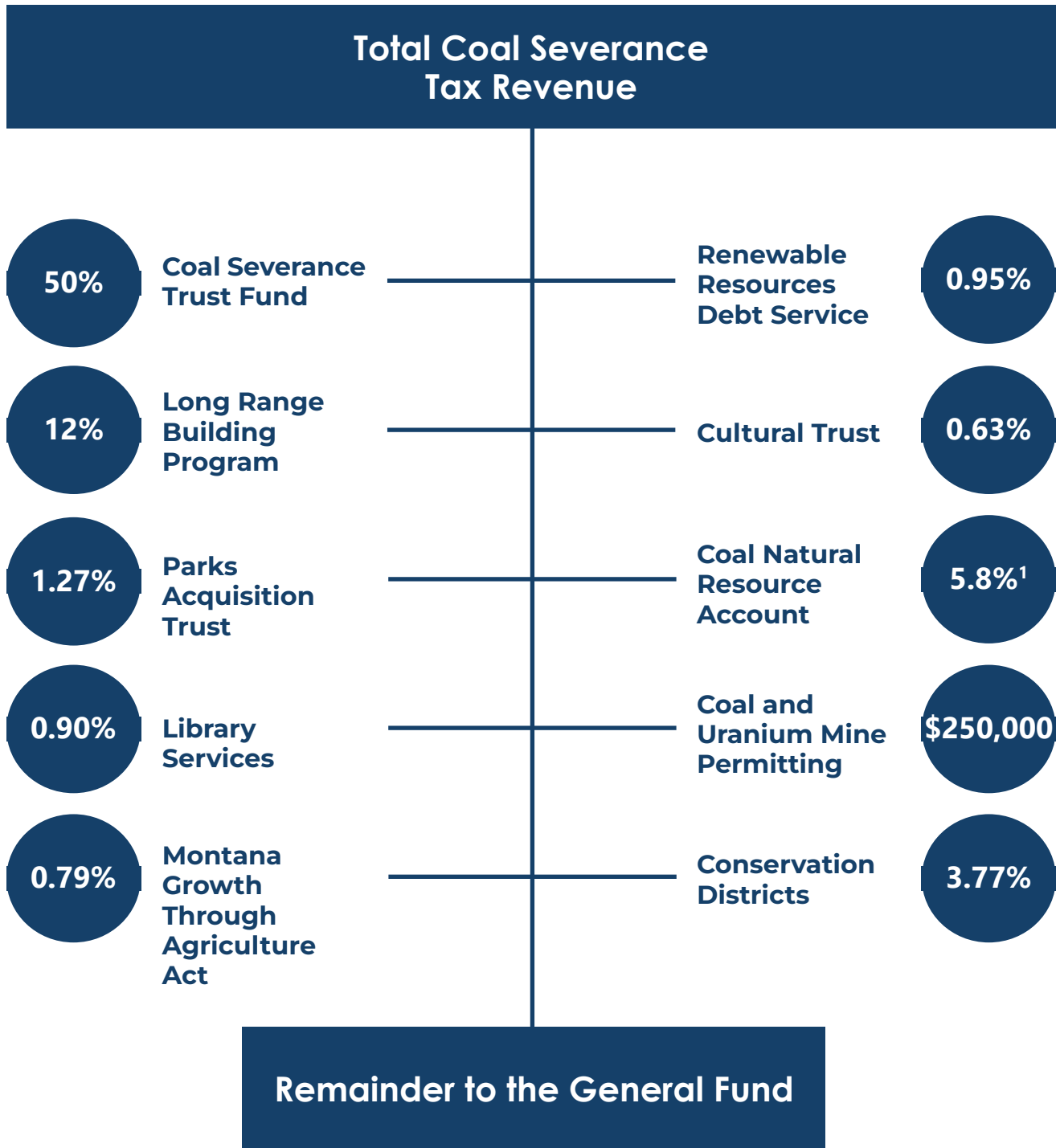
Coal Tax Comparison by State

The production, price, and reserves data were obtained from U.S. Energy Information Administration. Data used to calculate effective tax rates was provided by the respective states.

Table 4.12 Regional Coal Tax Comparison 2022

| Factors | Montana | Wyoming | North Dakota | Colorado | Utah | New Mexico | Units |
|--------------------------------|---------|---------|--------------|----------|--------|------------|--------------------|
| Effective Tax Rates | 10.33% | 9.00% | 1.91% | 1.45% | 1.56% | 2.57% | % Gross Revenue |
| Average Sales Price per Ton | 43.29 | 14.84 | 20.61 | 65.00 | 47.85 | 44.07 | USD |
| Production in 2022 | 28,233 | 244,73 | 26,731 | 12,793 | 10,723 | 10,55 | Million Short Tons |
| Currently Recoverable Reserves | 401 | 4161 | 599 | 281 | 150 | 36 | Million Short Tons |
| Estimated Recoverable Reserves | 74,283 | 34,246 | 6,445 | 9,407 | 697 | 6,701 | Million Short Tons |

Figure 4.9 Coal Severance Tax Revenue Distribution



These percentages are accurate as of Fiscal Year 2024

Figure 4. 10 Coal Severance Trust Fund Interest Income (Terminates June 30, 2027)

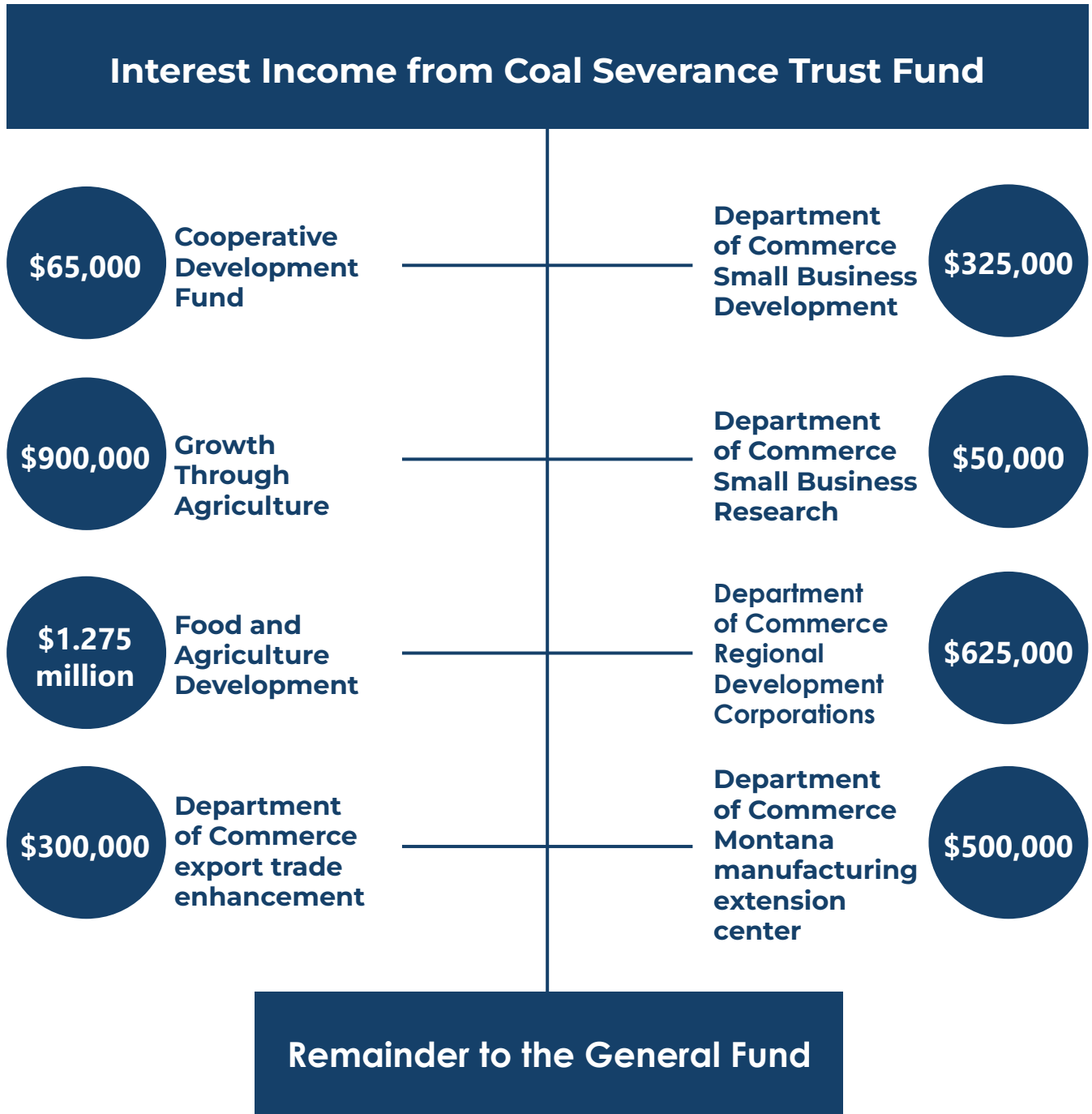
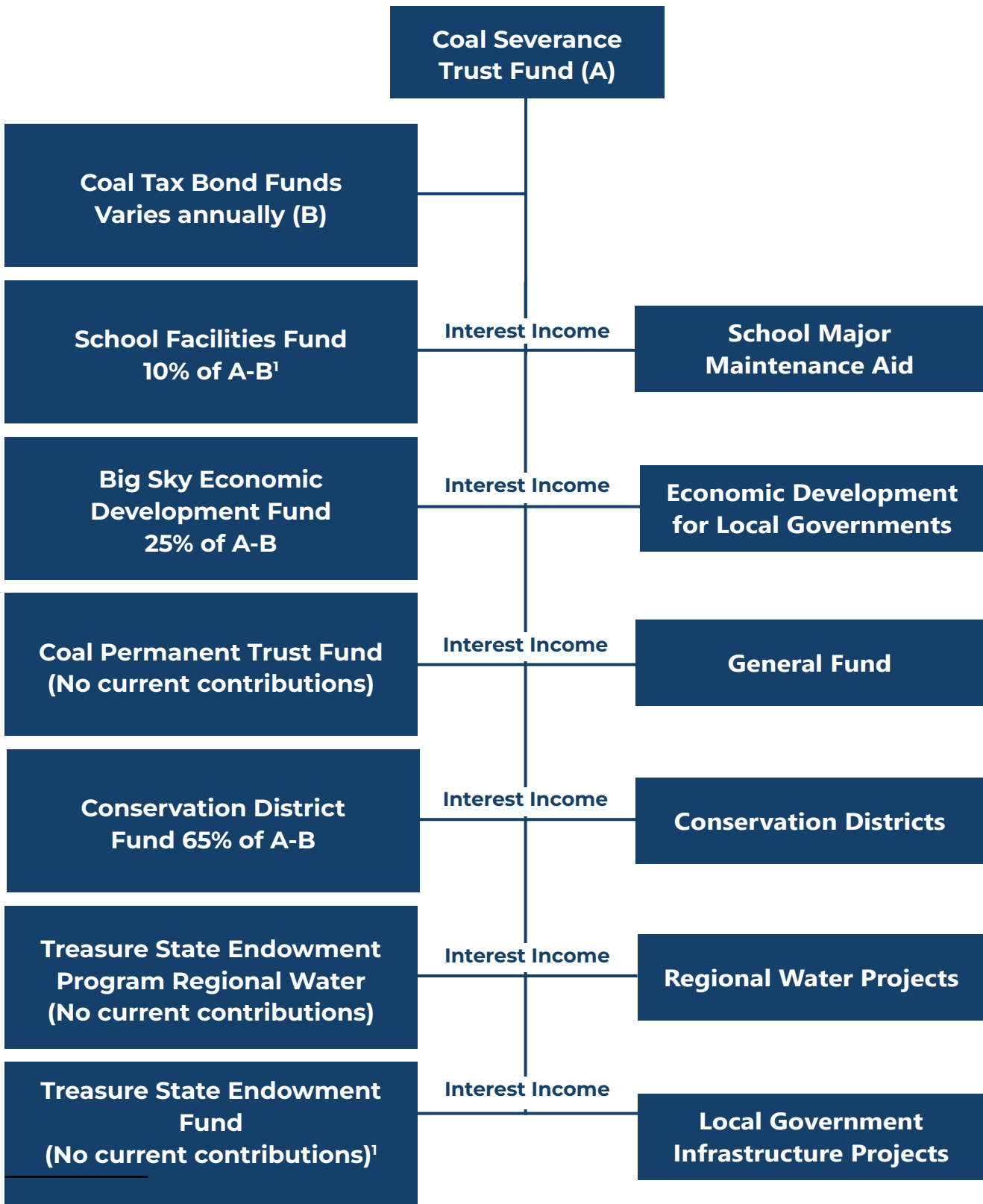


Figure 4.11 Coal Severance Trust Fund Distribution



¹ HB 321, which passed into law during the 2023 Legislative Session, lowered the School Facilities Fund from 75% to 10%. The 65% difference would go to the newly created conservation district fund.

The following is a select legislative history of the Coal Severance Tax rate and its implementation.

1921 The Coal Mines License Tax of 5 cents per ton is imposed on coal mined in Montana.

1939 The first 50,000 tons of a mine's annual production is exempted from the Coal Mines License Tax.

1971 The credit for on-site reclamation work is limited to a maximum of 1 cent per ton. The amount of coal exempt from taxation is reduced to 5,000 tons annually.

The license tax rates are revised based on BTU content per pound of coal:

- 4¢/ton for 6,000 BTU or less
- 6¢/ton for 6,001 to 7,500 BTU
- 8¢/ton for 7,501-9,000 BTU
- 10¢/ton for 9,001+ BTU.

1973 The credit for on-site reclamation work is discontinued. License tax rates based on the BTU of coal are increased:

- 12¢/ton for 7,000 BTU and lower
- 22¢/ton for 7,001 to 8,000 BTU
- 34¢/ton for 8,001 to 9,000 BTU
- 40¢/ton for 9,001 BTU and higher.

1975 A graduated severance tax on coal is imposed, applicable to any producer who produces 5,000 or more tons per calendar quarter:

- For surface coal: rates range from 12¢/ton or 20 percent of value to 40¢/ton or 30 percent of value.
- For underground coal: rates range from 5¢/ton or 3 percent of value to 12¢/ton or 4 percent of value.

Coal is removed from the application of the law on the net proceeds of mines and is now subject to gross proceeds under the property tax system.

Voters of Montana approved a constitutional amendment requiring a permanent trust fund for a portion of the newly imposed Coal Severance Tax proceeds (one fourth of the revenue until 1980, then one half).

1983 The Coal Severance Tax exemption is increased to 50,000 tons a year but requires any person/company who produced more than 50,000 tons a year to pay severance tax on all production over 20,000 tons.

1989 The Coal Severance Tax rate is reduced, beginning in Fiscal Year 1992, to 10 percent of value for under 7,000 BTU/lb. and 15 percent of value for 7,000 BTU/lb. and higher.

A production tax credit is now allowed on severance tax of 40 percent of incremental production for Fiscal Years 1989 and 1990 and 25 percent of production for Fiscal Year 1991.

- 1993** Extended depth auger mining is defined and a reduced severance tax rate of 7.5 percent of value is imposed.
- 2009** The Coal Severance Tax rate is reduced for coal recovered from a strip mine by auger mining to 3.75 percent of value for 7,000 BTU/lb. and lower, and 5 percent of value for 7,000 BTU/lb. and higher.
- 2023** Coal Severance Trust Fund distribution is changed so that the School Facilities Fund receives 10 percent instead of 75 percent. The 65 percent difference will go to the newly created conservation district fund.

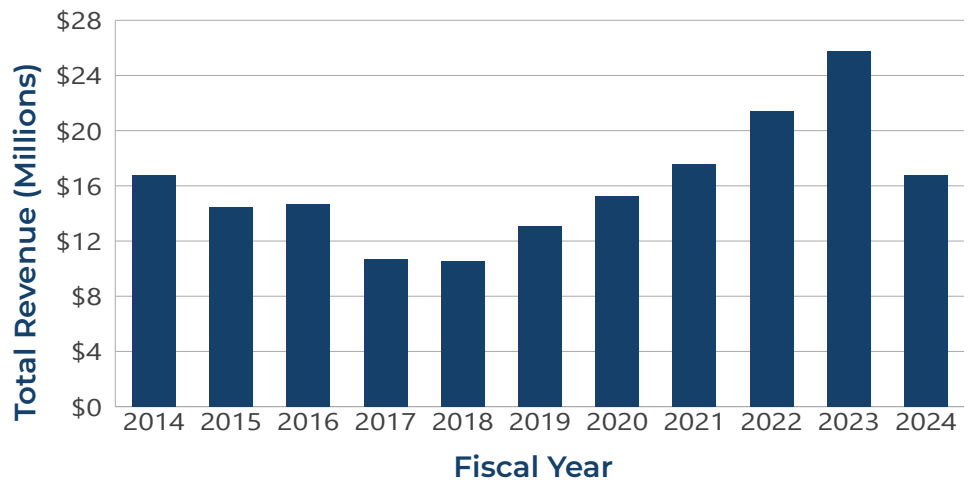
For more history on the Coal Severance Tax, see past biennial reports.

Electrical Energy Producers' License Tax

Table 4.13 Electrical Energy Producers' Licenses

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$4,279,845 |
| 2015 | \$5,132,926 |
| 2016 | \$4,536,484 |
| 2017 | \$4,313,577 |
| 2018 | \$4,301,551 |
| 2019 | \$4,184,978 |
| 2020 | \$3,910,294 |
| 2021 | \$3,298,244 |
| 2022 | \$3,929,711 |
| 2023 | \$4,003,929 |
| 2024 | \$4,089,882 |

Figure 4.13



Tax Rate

The tax was first enacted in 1933 and is \$.0002 per kilowatt hour (\$0.20 per MWh) of electrical energy generated, manufactured, or produced in the state for barter, sale, or exchange, other than for plant use.

Filing and Payment

Businesses that produce electrical energy pay the license tax. The license tax is due within 30 days after the end of each quarter.

Distribution

Revenues are deposited in the state general fund (15-51-103, MCA).

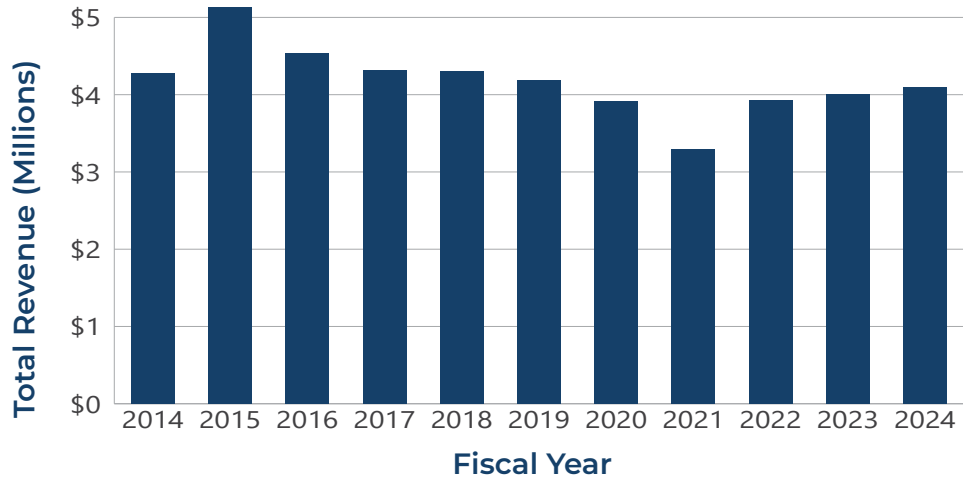
Metal Mines Gross Proceeds Tax

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

Table 4.14 Metal Mines Gross Proceeds

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$16,813,903 |
| 2015 | \$14,451,824 |
| 2016 | \$14,686,751 |
| 2017 | \$10,704,462 |
| 2018 | \$10,540,788 |
| 2019 | \$13,047,340 |
| 2020 | \$15,241,166 |
| 2021 | \$17,577,780 |
| 2022 | \$21,386,283 |
| 2023 | \$25,744,260 |
| 2024 | \$16,796,220 |

Figure 4.14



Tax Rate

The value of severed gold, silver, copper, lead, or other metals from any mine located in Montana is considered Class 2 property and is assessed local and state mills. The taxable value of metal mines is equal to 3 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 deduction
- price deduction
- interest
- penalty metal, impurity, and moisture deductions as specified by contract.

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

Filing and Payment of Tax

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 then records the new merchantable value in the property tax records. The mine producer pays half of the property tax levied and assessed by November 30 and the other half by May 31 of the following year.

Distribution

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

Table 4.15 Metal Mines Assessed and Taxable Value of Production

| Production Year | Fiscal Year | Assessed Value | Taxable Value for Local Mills | Taxable Value for State Mills |
|-----------------|-------------|-----------------|-------------------------------|-------------------------------|
| 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 |
| 2015 | 2017 | \$648,475,233 | \$19,454,258 | \$19,454,257 |
| 2016 | 2018 | \$596,330,812 | \$17,889,922 | \$17,889,924 |
| 2017 | 2019 | \$742,469,971 | \$22,274,100 | \$22,274,100 |
| 2018 | 2020 | \$865,966,541 | \$25,978,994 | \$25,978,994 |
| 2019 | 2021 | \$1,056,860,410 | \$31,705,812 | \$31,705,812 |
| 2020 | 2022 | \$1,393,634,973 | \$41,809,050 | \$41,809,050 |
| 2021 | 2023 | \$1,582,322,789 | \$47,469,685 | \$47,469,685 |
| 2022 | 2024 | \$1,133,348,198 | \$34,000,446 | \$34,000,446 |

Table 4.16 Gross Proceeds Property Taxes Assessed

| Fiscal Year | State Share | Local Share | Total Property Tax |
|-------------|--------------|-------------|--------------------|
| 2014 | \$13,635,896 | \$3,178,007 | \$16,813,903 |
| 2015 | \$11,858,376 | \$2,593,448 | \$14,451,824 |
| 2016 | \$11,996,094 | \$2,690,657 | \$14,686,751 |
| 2017 | \$8,731,816 | \$1,972,646 | \$10,704,462 |
| 2018 | \$8,725,640 | \$1,815,147 | \$10,540,788 |
| 2019 | \$10,786,936 | \$2,260,404 | \$13,047,340 |
| 2020 | \$12,606,228 | \$2,634,938 | \$15,241,166 |
| 2021 | \$14,376,573 | \$3,201,206 | \$17,577,780 |
| 2022 | \$17,163,569 | \$4,222,714 | \$21,386,283 |
| 2023 | \$20,932,045 | \$4,812,215 | \$25,744,260 |
| 2024 | \$13,347,014 | \$3,449,207 | \$16,796,220 |

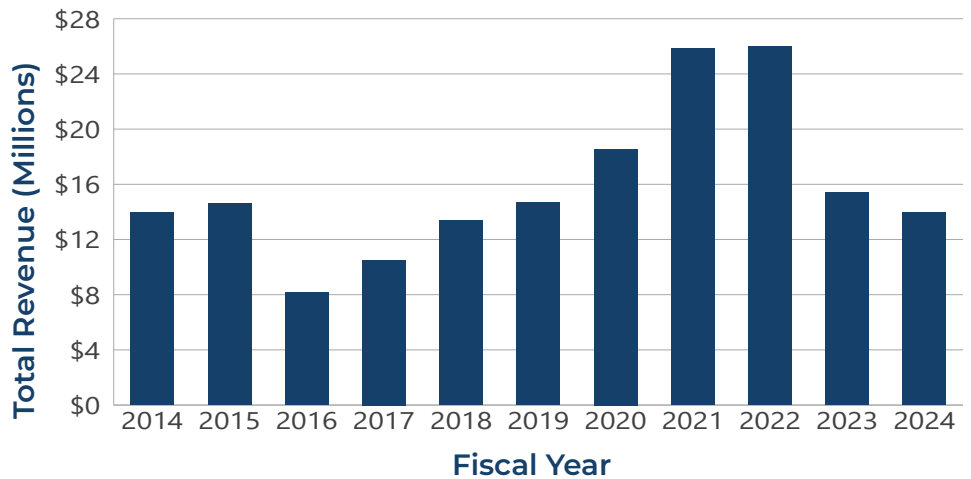
Metalliferous Mines License Tax

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

Table 4.17 Metalliferous Mines License Tax

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$13,943,131 |
| 2015 | \$14,597,270 |
| 2016 | \$8,164,499 |
| 2017 | \$10,515,966 |
| 2018 | \$13,385,537 |
| 2019 | \$14,694,886 |
| 2020 | \$18,562,366 |
| 2021 | \$25,820,795 |
| 2022 | \$25,978,368 |
| 2023 | \$15,428,186 |
| 2024 | \$13,984,741 |

Figure 4.17



Tax Rate

Mining operations in which metal or gems are extracted are subject to the metalliferous mines license tax; this tax 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 or mill for reduction work is taxed at 1.81 percent of gross value. Gold, silver, or any platinum-group metal that will be shipped to a refinery that is dore, bullion, or matte is taxed at 1.6 percent of gross value. Shipping and refining costs are deducted from revenue to determine gross value.

Gross Value

Gross value, to which the tax rate is applied, is the amount of payment the mining company receives from the metal trader, smelter, roaster, or refinery. The amount is calculated by:

- first, multiplying the quantity of metal received (by the metal trader, smelter, roaster or refinery) by the quoted price for the metal
- next, subtracting the basic treatment and refinery charges
- lastly, subtracting the quantity deductions, price deductions, interest, penalty metal, and 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.

Filing and Payment of Tax

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. For county level distribution data, see the Shared Revenue chapter of this report.

Table 4.18 Distribution of Metalliferous Mines Tax

| Fund | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---------------------------------------|-------------|--------------|--------------|-------------|-------------|
| General Fund (47%) ¹ | \$8,724,312 | \$12,135,774 | \$12,209,833 | \$7,251,248 | \$6,572,828 |
| Hard Rock Mining (2.5%) | \$464,059 | \$645,520 | \$649,459 | \$385,705 | \$349,619 |
| Hard Rock Debt Service (8.5%) | \$1,577,801 | \$2,194,768 | \$2,208,161 | \$1,311,396 | \$1,188,703 |
| Natural Resources Operations (7%) | \$1,299,366 | \$1,807,456 | \$1,818,486 | \$1,079,973 | \$978,932 |
| County Governments (35%) ¹ | \$6,496,828 | \$9,037,278 | \$9,092,429 | \$5,399,865 | \$4,894,659 |

¹ Starting July 1, 2027, the county distribution will change from 35% to 25%, and the 10% difference will increase the general fund's share from 47% to 57%.

Metalliferous Mines License Tax History

The following is a select legislative history of the Metalliferous Mines License Tax.

- 1925** The metalliferous mines license tax is enacted at the following rates:
- \$1 + 0.25 percent of gross value between \$100,000 and \$250,000
 - \$1 + 0.5 percent of gross value between \$250,001 and \$400,000
 - \$1 + 0.75 percent of gross value between \$400,001 and \$500,000
 - \$1 + 1 percent of gross value over \$500,000.

1958 The tax rate is increased on gross value exceeding \$500,000 to \$1 + 1.25 percent.

- 1969** The tax rate is increased to:
- 0.15 percent on the first \$100,000 of gross value
 - 0.575 percent on \$100,001-\$250,000 of gross value
 - 0.86 percent on \$250,001-\$400,000 of gross value
 - 1.15 percent on \$400,001-\$500,000 of gross value
 - 1.438 percent on \$500,000+ of gross value.

- 1983** The tax rates are revised as follows:
- 0 percent on first \$250,000 of gross value
 - 0.5 percent on \$250,001-\$500,000 of gross value
 - 1 percent on \$500,001-\$1,000,000 of gross value
 - 1.5 percent on \$1,000,000+ of gross value.

- 1989** The tax rates for concentrate shipped to a smelter or mill for reduction work are revised as follows:
- 0 percent on first \$250,000 of gross value
 - 1.81 percent on gross value over \$250,000.

The tax rates for shipped gold, silver, or any platinum-group metal that is dore, bullion, or matte are revised as follows:

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

- 2003** Other forms of processed concentrate are added (to include those 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** 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 is reduced from 57 percent to 47 percent; the revenue was distributed to impacted counties beginning with Fiscal Year 2016.

Micaceous Mines License Tax

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 Fiscal Year 1990 because there has been no production.

There is a tax of \$0.05 per ton of concentrates mined, extracted, or produced.

Filing and Payment of Tax

Operators of micaceous mineral mines must 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 (15-37-207, MCA).

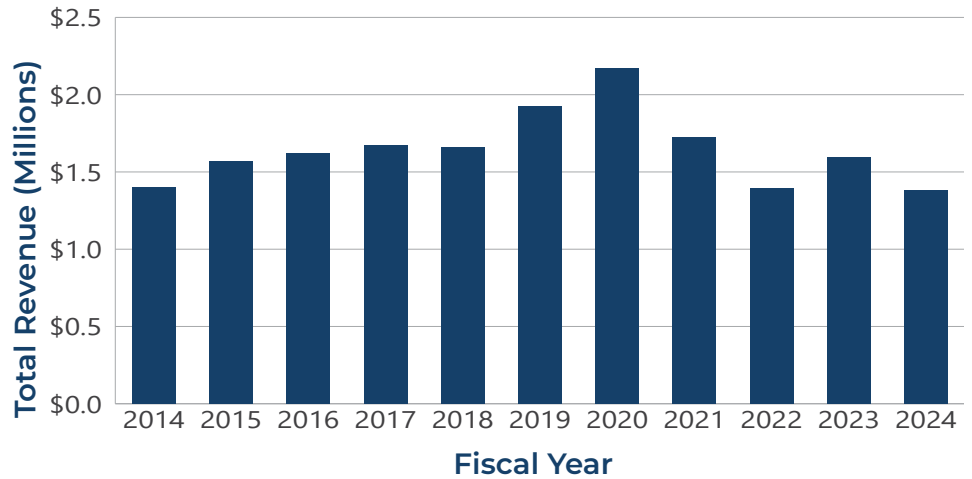
Miscellaneous Mines Net Proceeds Tax

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

Table 4.19 Miscellaneous Mines Net Proceeds

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$1,397,619 |
| 2015 | \$1,570,642 |
| 2016 | \$1,624,098 |
| 2017 | \$1,673,314 |
| 2018 | \$1,663,481 |
| 2019 | \$1,927,908 |
| 2020 | \$2,170,218 |
| 2021 | \$1,723,118 |
| 2022 | \$1,394,789 |
| 2023 | \$1,594,457 |
| 2024 | \$1,382,990 |

Figure 4.19



Tax Rate

Severed products of mines, except bentonite, coal, and metal, are considered Class 1 property and are levied statewide and local mills. The market value of the severed products is the annual net proceeds of mines and mining claims.

However, for some mining products extracted, the net proceeds are a statutory price multiplied by tonnage and are not based on actual net proceeds. Table 4.20 shows the statutory prices of these products for recent production years.

Table 4.20 Miscellaneous Production Tax Rates

| Mining Product | PY 2020/FY 2022 | PY 2021/FY 2023 | PY 2022/FY 2024 | PY 2023/FY 2025 |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| Talc | \$7.96 | \$8.14 | \$8.45 | \$8.38 |
| Vermiculite | \$47.05 | \$48.05 | \$49.92 | \$49.50 |
| Limestone | \$0.58 | \$0.59 | \$0.61 | \$0.61 |
| Industrial Garnets | \$31.80 | \$32.48 | \$33.75 | \$33.46 |
| Garnet Byproducts | 30% of Gross Rev. | 30% of Gross Rev. | 30% of Gross Rev. | 30% of Gross Rev. |

Note: PY is production year; FY is fiscal year.

Filing and Payment of Tax

Miscellaneous mines tax reports are due by March 31 of each year. The report includes total gross proceeds of minerals mined during the preceding calendar year and information on costs associated with the mining operation; this information allows the department to calculate the net proceeds from the mining operation.

On an annual basis, by July 1, the department calculates the net value by subtracting allowable deductions and then recording the value in property tax records. The mine producer pays the first half of the property tax levied and assessed by November 30 and the second half by May 31 of the following year.

Distribution

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

Table 4.21 Miscellaneous Mines Net Proceeds Taxes Assessed

| Production Year | Tax Year | Fiscal Year | Net Proceeds | State Share | Local Share | Total Tax |
|-----------------|----------|-------------|--------------|-------------|-------------|-------------|
| 2012 | 2013 | 2014 | \$3,271,953 | \$1,067,152 | \$330,467 | \$1,397,619 |
| 2013 | 2014 | 2015 | \$3,790,730 | \$1,187,778 | \$382,864 | \$1,570,642 |
| 2014 | 2015 | 2016 | \$3,737,426 | \$1,246,618 | \$377,480 | \$1,624,098 |
| 2015 | 2016 | 2017 | \$3,969,848 | \$1,261,220 | \$412,094 | \$1,673,314 |
| 2016 | 2017 | 2018 | \$3,983,884 | \$1,261,109 | \$402,372 | \$1,663,481 |
| 2017 | 2018 | 2019 | \$4,794,622 | \$1,443,651 | \$484,257 | \$1,927,908 |
| 2018 | 2019 | 2020 | \$5,584,426 | \$1,606,191 | \$564,027 | \$2,170,218 |
| 2019 | 2020 | 2021 | \$4,744,757 | \$1,243,897 | \$479,220 | \$479,220 |
| 2020 | 2021 | 2022 | \$3,928,770 | \$997,983 | \$396,806 | \$396,806 |
| 2021 | 2022 | 2023 | \$4,379,892 | \$1,152,087 | \$442,369 | \$1,594,457 |
| 2022 | 2023 | 2024 | \$4,101,335 | \$968,756 | \$414,235 | \$1,382,990 |

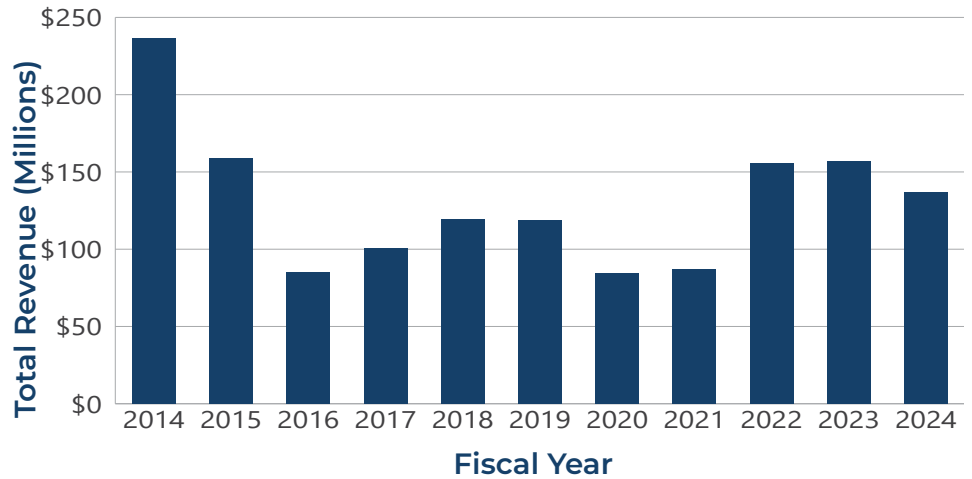
Oil and Natural Gas Tax

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

Table 4.22 Oil and Natural Gas

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$236,496,773 |
| 2015 | \$159,107,050 |
| 2016 | \$84,972,199 |
| 2017 | \$100,769,218 |
| 2018 | \$119,133,397 |
| 2019 | \$118,856,040 |
| 2020 | \$84,611,407 |
| 2021 | \$87,350,877 |
| 2022 | \$155,819,083 |
| 2023 | \$157,169,581 |
| 2024 | \$136,625,952 |

Figure 4.22



Tax Rates

The regular production tax rates for the working interest of oil production is 9.3 percent for wells drilled on or after January 1, 1999, and 12.8 percent for wells drilled before that time.

However, there are several preferential tax rates to incentivize production. New wells receive a preferential tax rate of 0.8 percent. This tax holiday lasts for 12 months for vertical wells and 18 months for horizontal wells.

There are several other lower tax rates designed to incentivize reinvestment in currently existing wells:

- Incremental production (additional production above an established production curve for a given well) from secondary recovery projects is taxed at 8.8 percent if the quarterly average sales price received for oil is below \$54 per barrel.
- Incremental production from tertiary recovery projects is taxed at 6.1 percent regardless of the sales price received.
- Recompleted horizontal wells are taxed at 0.8 percent for 18 months regardless of the price of oil.
- Low-producing wells may be classified as stripper or super-stripper wells and qualify for preferential tax rates.

Stripper wells:

- Post-1999 wells producing between 3 and 15 barrels per day in the prior calendar year are classified as stripper wells.
- If the quarterly average sales price received for oil is below \$30 per barrel, post-1999 wells are taxed at 5.3 percent for the first 10 barrels a day and the standard 9.3 percent for any production beyond that.
- If the price of oil is equal to or above \$30 a barrel, there is no reduced rate for post-1999 stripper well production.
- Pre-1999 wells producing between 3 and 10 barrels per day are classified as stripper wells and are taxed at 9.3 percent regardless of oil price.

Super-stripper wells:

- If a well produces an average of three barrels a day or less in the prior calendar year, then it qualifies as a super-stripper well.
- Production from super-stripper wells are taxed at a rate of 5.3 percent for both post-1999 wells and pre-1999 wells.
- If the average price received for the oil is below \$54 per barrel, the rate is further reduced to 0.8 percent for wells of all ages.

Natural gas producers receive the same holiday for new wells that oil producers receive. Regular production is taxed at a rate of 9.3 percent if the well was drilled after January 1, 1999, or 15.1 percent if drilled before that date.

Natural gas 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 11.3 percent if the well was drilled before 1999.

All taxable royalty owners of oil and natural gas production are taxed at a rate of 15.1 percent of the gross value of production. All government royalties and royalties received by an Indian tribe from on-reservation oil production pursuant to a lease entered under the Indian Mineral Leasing Act of 1938, are exempt from taxation.

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 may deduct the costs of any production that is used in the operation of the well.

All tax rates include the privilege and license tax and the tax levied for the Oil and Gas Natural Resource Distribution Account. The sum of these two additional taxes is always equal to 0.3 percent of total gross oil and natural gas value (15-36-304(7), MCA).

Table 4.23 and 4.24 illustrate how the varying tax rates apply in different scenarios.

Table 4.23 Oil Production Tax Rate

| Oil-Working Interest Tax Rates | Statutory Rate | Total Rate |
|---|-----------------------|-------------------|
| Pre-1999 Wells (Regular Production) | 12.5% | 12.8% |
| Post-1999 Wells (Regular Production) | 9.0% | 9.3% |
| Incremental Production from Secondary Recovery ^{†~} | 8.5% | 8.8% |
| Incremental Production from Tertiary Recovery | 5.8% | 6.1% |
| Horizontally Recompleted Wells - First 18 Months ¹ | 0.5% | 0.8% |
| Horizontally Completed Wells - First 18 Months | 0.5% | 0.8% |
| Post-1999 Stripper Wells - First 10 Barrels per Day - Oil under \$30 Per Barrel ^{2~} | 5.0% | 5.3% |
| Pre-1999 Stripper Wells ² | 9.0% | 9.3% |
| Super Stripper Wells - Oil under \$54 Per Barrel [~] | 0.5% | 0.8% |
| Post-1999 Super Stripper Wells - Oil \$54 per Barrel or Higher ^{2~} | 5.0% | 5.3% |
| Pre-1999 Super Stripper Wells - Oil \$54 per Barrel or Higher [~] | 5.0% | 5.3% |
| Vertically Completed Wells - First 12 Months | 0.5% | 0.8% |

Table 4.24 Natural Gas Production Tax Rates

| Natural Gas - Working Interest Tax Rates | Statutory Rate | Total Rate |
|---|-----------------------|-------------------|
| Pre-1999 Wells (Regular Production) | 14.8% | 15.1% |
| Post-1999 (Regular Production) | 9.0% | 9.3% |
| Horizontally Completed Wells | 9.0% | 9.3% |
| Pre-1999 Wells Producing Less Than 60 MCF per Day | 11.0% | 11.3% |
| Vertically Completed Wells - First 12 Months | 0.5% | 0.8% |
| Horizontally Completed Wells - First 12 Months | 0.5% | 0.8% |
| Royalty Interest Tax Rates | 14.8% | 15.1% |

Please note that the 2023 Legislative Session changed some rates on Table 4.23 for stripper wells and super stripper wells.

¹ HB 469 from the 2023 session changed this rate. Effective since January 1, 2024.

² HB 485 from the 2023 session changed these rates. Effective since January 1, 2024.

[†] These rates apply if the price is under \$54 per barrel.

[~] Oil price is the average price received by the individual producer.

Post-1999 stripper wells produce 3 to 15 barrels per day.

Pre-1999 stripper wells produce 3 to 10 barrels per day

Super-stripper wells produce less than 3 barrels per day.

The total rate includes 0.3% to fund the operations of the Board of Oil and Gas Conservation Division and the Oil and Natural Gas Resource Distribution Account.

Table 4.25 and 4.26 show summary information gathered from the tax returns of producers:

Table 4.25 Montana Oil Production Statistics 2018 - 2024

| Oil | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|-----------------------------|-----------------|-----------------|----------------|----------------|-----------------|--------------------|-----------------|
| Volume (barrels) | 19,384,205 | 22,860,019 | 21,229,404 | 18,770,853 | 19,446,728 | 21,958,477 | 21,116,476 |
| Total Gross Value | \$1,038,507,633 | \$1,216,466,565 | \$883,734,842 | \$866,350,633 | \$1,642,923,096 | \$1,712,353,282.21 | \$1,585,507,251 |
| Taxable Royalty Value | \$137,571,557 | \$171,226,963 | \$124,128,949 | \$119,383,352 | \$151,814,010 | \$246,118,461 | \$223,764,524 |
| Tax on Royalty Owners | \$20,773,306 | \$25,855,273 | \$18,743,472 | \$18,026,887 | \$35,413,936 | \$37,163,888 | \$33,788,444 |
| Working Interest Value | \$870,192,043 | \$1,009,738,455 | \$732,237,451 | \$722,397,652 | \$1,362,160,794 | \$1,420,470,092 | \$1,320,304,400 |
| Tax on the Working Interest | \$84,666,329 | \$83,074,271 | \$57,784,535 | \$62,888,562 | \$112,869,332 | \$105,170,225 | \$95,574,718 |
| Total Tax Revenue* | \$105,439,635 | \$108,929,543 | \$76,704,388 | \$80,915,449 | \$148,283,268 | \$142,334,113 | \$129,364,502 |
| Effective Tax Rate | 10.15% | 8.95% | 8.68% | 9.34% | 9.03% | 8.31% | 8.16% |

Table 4.26 Montana Gas Production Statistics 2018 - 2024

| Natural Gas | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Volume (MCF) | 38,071,657 | 38,209,549 | 36,379,123 | 34,214,074 | 34,814,573 | 37,461,575 | 33,914,573 |
| Total Gross Value | \$81,188,867 | \$79,039,876 | \$39,975,829 | \$75,039,187 | \$170,106,408 | \$153,925,786 | \$86,059,400 |
| Taxable Royalty Value | \$10,938,857 | \$10,932,908 | \$5,554,586 | \$9,817,653 | \$23,059,046 | \$21,328,445 | \$12,769,731 |
| Tax on Royalty Owners | \$1,651,769 | \$1,650,870 | \$838,743 | \$1,482,466 | \$3,481,917 | \$3,220,596 | \$1,928,230 |
| Working Interest Value | \$67,764,878 | \$65,750,774 | \$33,221,841 | \$62,687,497 | \$141,698,886 | \$127,836,011 | \$71,125,500 |
| Tax on the Working Interest | \$6,405,936 | \$5,878,147 | \$3,028,337 | \$5,946,433 | \$13,108,983 | \$10,672,381 | \$5,333,220 |
| Total Tax Revenue* | \$8,057,705 | \$7,529,017 | \$3,867,080 | \$7,428,900 | \$16,590,901 | \$13,892,976 | \$7,261,450 |
| Effective Tax Rate | 9.92% | 9.53% | 9.67% | 9.90% | 9.75% | 9.03% | 8.44% |

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

Fiscal years 2018-2022 numbers were updated along with the fiscal years 2023 and 2024 additions

Filing and Payment of Oil and Natural Gas Tax

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.

Distribution of Oil and Natural Gas Tax

The first distribution is to the Board of Oil and Gas Conservation (BOGC) to fund its operations, up to a maximum of 0.3 percent of taxable oil and gas tax revenue.

If the board does not use the full 0.3 percent, the remainder (up to 0.08 percent of the taxable revenue) goes to the Oil and Natural Gas Resource Distribution Account for distribution to cities and towns located in counties with impacts from oil and gas production.

So, if the BOGC uses less than 0.22 percent (0.3 percent minus 0.08 percent) of the total revenue, any remainder is held as reserves for the board or for the legislative, transfer-related impacts of oil and gas production (15-36-331(2), MCA).

The remaining tax revenue is distributed between the state and county governments. The specific allocation is dependent on which county the production occurred in and is set in statute. The percentage share between state and county is frozen at the relative millage rates when the legislature changed oil and gas taxes from an ad valorem property tax into a flat rate tax.

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 (90.22 percent) 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. For county-level oil and gas tax distributions, see the Oil and Gas Tax section of the Shared Revenue chapter of this report.

The advent of hydraulic fracturing and the subsequent oil boom in eastern Montana created a large amount of tax revenue for some school districts where oil was drilled, but left others with significant expenditures from workers (and their children) who lived and went to school in adjacent areas. There were several legislative fixes to solve this disparity. A history is available in past biennial reports.

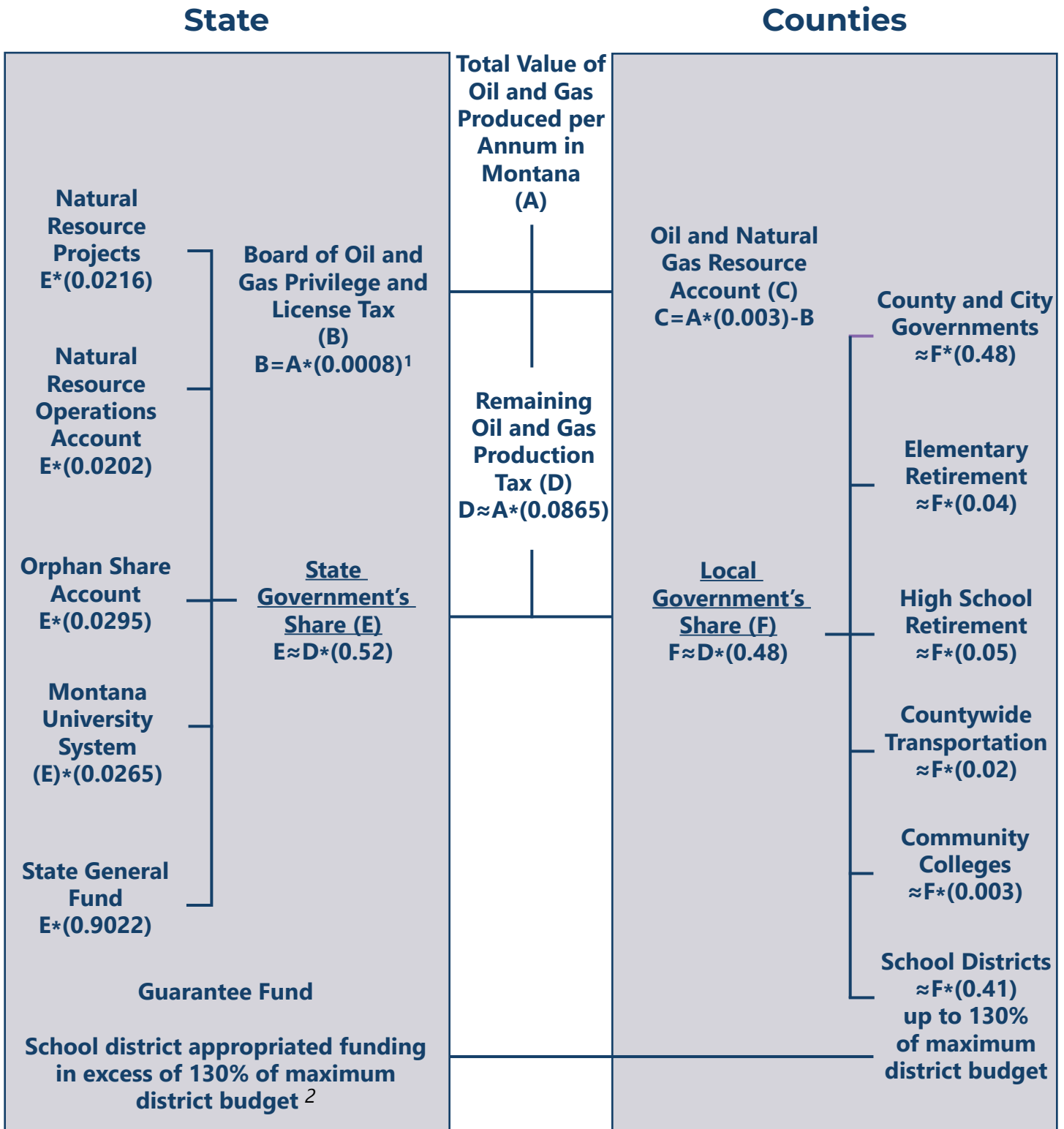
The current system for redistributing funds is to allow school districts to receive up to 130 percent of their maximum allowable budget in oil tax money, with any excess deposited into the State Guarantee Account, which generates interest for statewide school equalization.

Table 4.27 and Figure 4.20 illustrate the distribution of oil and gas revenue for Fiscal Years 2020 to 2024:

Table 4.27 Distribution of Oil and Gas Tax

| Fund | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|--------------------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| Total Revenue | \$80,571,468 | \$88,344,349 | \$164,874,169 | \$156,227,089 | \$141,993,213 |
| BOGC | \$241,714 | \$265,033 | \$494,623 | \$468,681 | \$4,440,997 |
| Oil & Gas Natural Resource Account | \$177,257 | \$194,358 | \$362,723 | \$343,700 | \$888,178 |
| Remainder | \$80,152,496 | \$87,884,958 | \$164,016,823 | \$155,414,708 | \$136,664,038 |
| County Revenue | | | | | |
| County Revenue | \$55,301,615 | \$55,010,644 | \$39,263,577 | \$40,765,364 | \$65,277,706 |
| Counties and Schools | \$53,618,550 | \$52,811,479 | \$38,026,449 | \$40,589,129 | \$60,287,772 |
| Guarantee Fund | \$1,683,066 | \$2,199,165 | \$1,237,128 | \$176,235 | \$4,989,934 |
| State Revenue | | | | | |
| State Revenue | \$42,540,475 | \$43,826,280 | \$78,153,444 | \$78,739,651 | \$71,386,333 |
| Natural Resources Projects (2.16%) | \$918,874 | \$946,646 | \$1,688,114 | \$1,700,776 | \$1,541,945 |
| Natural Resources Operations (2.02%) | \$859,318 | \$885,289 | \$1,578,700 | \$1,590,541 | \$1,442,004 |
| Orphan Share Fund (2.95%) | \$1,254,944 | \$1,292,876 | \$2,305,527 | \$2,322,820 | \$2,105,897 |
| Montana University System (2.65%) | \$1,127,323 | \$1,161,397 | \$2,071,066 | \$2,086,601 | \$1,891,738 |
| General Fund (remainder) | \$38,380,017 | \$39,540,071 | \$70,510,037 | \$71,038,914 | \$64,404,749 |

Figure 4.20 Oil Distribution Flow Chart



¹ This rate varies up to 0.08% based on necessary funding. The difference between this rate and 0.3% is sent to the Oil and Natural Gas Resource Account.

² There can be exceptions to this 130% of maximum district budget for school districts with unusual enrollment increases. All calculations with \approx are approximate; they represent averages across different counties which have different spending schedules, or in the case of (c), an average of taxes owed across different tax schedules. For accurate county-level tax shares by category, consult 15-36-331, MCA and 15-36-332, MCA.

Oil and Natural Gas State Tax Comparison

Individual states have different exemptions, deductions, and tax bases for their natural resources. These differences make it very difficult to compare tax structures between states, and differences in other taxes (such as sales and property tax) can skew the overall tax burden in each state. Table 4.28 provides a brief description of oil and gas taxes in other states.

Table 4.28 Oil and Natural Gas Tax Rates (Updated 2024)

| State | Type of Tax | Description of Tax Rates |
|------------|------------------------------------|--|
| Alaska | North Slope Oil Tax | 35% net profits tax rate less a per-taxable-barrel credit ranging from \$0 to \$8 per taxable barrel, with minimum tax floor of 4% gross value; production from new fields provide additional incentives for the first 3-7 years |
| | North Slope Gas Tax | 13% of gross value with a tax ceiling of 17.7 cents per mcf for qualifying as used in the state |
| | Cook Inlet Oil Tax | 35% net profits tax rate with a tax ceiling of \$1 per taxable barrel |
| | Cook Inlet Gas Tax | 13% of gross value with a tax ceiling that varies by lease or property; 17.7 cents per mcf is the tax ceiling that applies to new field |
| | Oil Conservation Surcharge | \$0.04 or \$0.05 per barrel of oil produced from each lease or property in the state, depending on the balance in the fund |
| | Ad Valorem Tax | 20 mills statewide on any oil or gas property |
| California | Oil and Gas Production Assessment | Oil barrels and 10,000 cubic feet of natural gas are taxed at the same rate, which changes every year. The rate was \$1.0107592 in Fiscal Year 2024 |
| Colorado | Severance Tax | Based on gross income with four brackets, which range from 2% for under \$25,000 and 5% for \$300,000 and over Fraction of tax imposed is 1/4 of gross proceeds the first year, 1/2 the second year, and 3/4 the third year |
| | Oil and Gas Conservation Levy | Maximum value of \$0.0017 at wellhead (i.e., 1.1 mills) |
| Louisiana | Oil and Condensate Severance Tax | Eight rates based on the type of well that range from 3.125% for reclaimed oil and strippers, 6.25% incapable rate, and 12.5% full rate |
| | Natural Gas Severance Tax | Adjusted annually on July 1 and may never be less than 7 cents; applies to incapable gas, inactive gas, orphan gas, and horizontal rate gas |
| Montana | Natural Gas and Oil Production Tax | For oil, rate varies from 0.5% to 12.8% depending on well type, age, and oil price; for gas, varies from 0.5% to 15.1% depending on well type, age, mcf production level |
| | Privilege and License Tax | 0.3% of market value per barrel of oil or 10,000 cubic feet of natural gas produced |

| State | Type of Tax | Description of Tax Rates |
|--------------|---|--|
| New Mexico | Oil and Gas Severance Tax | 1.875- 3.75% of taxable depending on type of production and price of oil |
| | Oil and Gas Conservation Levy | 0.19% or 0.24% varying on whether the previous quarter's oil barrel price is lower or higher than \$70 |
| | Oil and Gas Emergency School Tax | For oil, 3.15% of taxable value and 1.58-2.36% for stripper wells For gas, 4% of taxable value; 2-3% for stripper wells. The lower rates for stripper wells are dependent on price of oil |
| | Oil and Gas Production Equipment Ad Valorem Tax | The assessed value of the equipment is a percentage of its value as established under the Ad Valorem Production Tax multiplied by the uniform assessment ratio |
| | Natural Gas Processor's Tax | 0.0065 per mmbtu of natural gas, multiplied by an adjustment factor; this adjustment factor is equal to the annual taxable value per mcf of natural gas, divided by \$1.33 |
| North Dakota | Gas Gross Production Tax | An annually adjusted flat rate per mcf of all nonexempt gas produced; was \$0.0705 per mcf in 2022 |
| | Oil Gross Production Tax | 5% of the gross value |
| | Oil Extraction Tax | 5% of gross value at the point of extraction of oil. The rate is reduced to 2% based on qualified production and location |
| Ohio | Severance Tax | \$0.025 per mcf of gas; \$0.010 per barrel of oil |
| Oklahoma | Gross Production Severance Tax | 7% of gross value for both oil and gas |
| | Additional Excise Tax on Petroleum | Ninety-five one thousandths of one percent (0.095 of 1%) of gross value of each barrel of petroleum oil produced in the state |
| | Oil and Gas Production Fee | \$0.0035 on every barrel of oil and \$0.0015 on every thousand cubic feet of natural gas produced |
| Texas | Oil and Gas Production Tax | 7.5% of gas and liquid hydrocarbons market value; 4.6% of market value of oil |
| | Condensate Production Tax | 4.6% of market value of condensate |
| | Reduced Oil Production Tax Rate | Incentive rates and exemptions for inactive wells, marginal wells, and high-cost gas wells |
| | Oil and Gas Field Clean-Up Regulatory Fee | \$0.06625 per barrel of crude oil and \$0.000667 per mcf of gas |
| | Ad Valorem Tax | 7.5% levied on the fair market value of natural gas |
| Utah | Oil and Gas Severance Tax | 3% or 5% of value of oil if below or above \$13 per barrel, respectively |
| | | 3% or 5% of value of gas if below or above \$1.50 per mcf; 4% of value for natural gas liquids |
| | Oil and Gas Conservation Fee | \$0.002 of the value of oil and gas produced and saved, sold, or transported from the field |
| Wyoming | Oil and Gas Severance Tax | 6% on normal production; 4% on oil stripper wells |
| | Oil And Gas Conservation Tax | 0.05% |
| | Ad Valorem Tax | 6.8516% statewide mineral tax district average |

MCF stands for 1,000 cubic feet

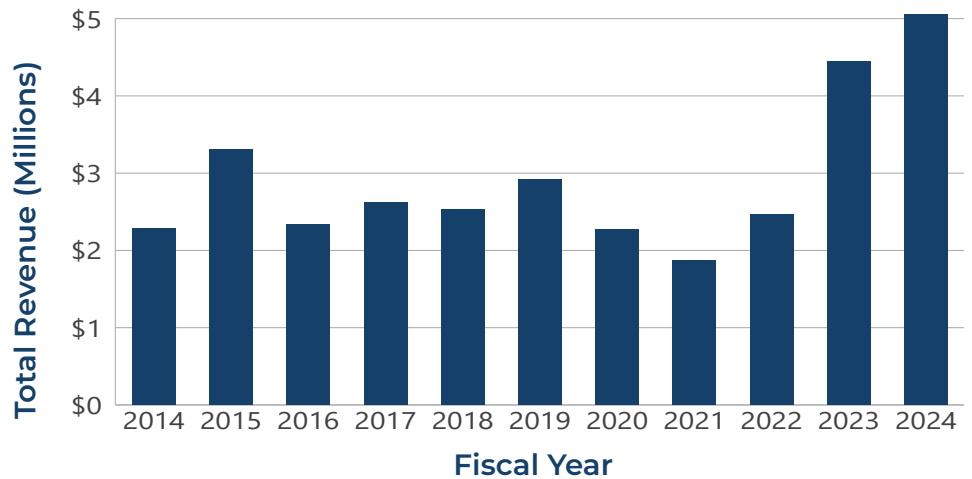
Resource Indemnity and Ground Water Assessment Tax

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

Table 4.29 Resource Indemnity and Groundwater Assessment

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$2,278,971 |
| 2015 | \$3,303,038 |
| 2016 | \$2,335,153 |
| 2017 | \$2,622,658 |
| 2018 | \$2,531,336 |
| 2019 | \$2,923,403 |
| 2020 | \$2,269,192 |
| 2021 | \$1,870,702 |
| 2022 | \$2,470,720 |
| 2023 | \$4,443,778 |
| 2024 | \$5,052,738 |

Figure 4.29



Tax Rate

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.

Table 4.30 Tax Rate

| Mineral | Tax Rate | Exemption |
|-------------|----------|---------------|
| Other* | 0.5% | First \$5,000 |
| Talc | 4.0% | First \$625 |
| Coal | 0.4% | First \$6,250 |
| Vermiculite | 2.0% | First \$1,250 |
| Limestone | 10.0% | First \$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, making 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 and Payment of Tax

All extractors and producers of minerals must file an annual statement showing the gross yield of product for each mineral mined. Metal producers must file on or before March 31. All other producers must file on or before 60 days following the end of the calendar year. The tax is due at the time of the statement filing.

Distribution

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 Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) debt service fund.
- \$366,000 to be deposited in the ground water assessment account
- \$150,000 to be deposited in the water storage state special revenue account each biennium in even fiscal years.
- The remaining revenue is then split:
 - 25 percent to the hazardous waste/CERCLA special revenue account
 - 25 percent to the environmental quality protection fund
 - 50 percent to the natural resources projects fund.

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

Table 4.31 Resource Indemnity and Ground Water Assessment Tax. (FY 2020 - 2024)

| Fund | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Revenue | \$2,269,192 | \$1,870,702 | \$2,470,720 | \$4,443,778 | \$5,052,738 |
| CERCLA Debt Service | \$145,025 | \$145,265 | \$145,211 | \$145,088 | \$0 |
| Groundwater Assessment | \$366,000 | \$366,000 | \$366,000 | \$366,000 | \$366,000 |
| Water Storage | \$150,000 | \$0 | \$150,000 | \$0 | \$150,000 |
| Remainder | \$1,608,167 | \$1,359,437 | \$1,809,509 | \$3,932,690 | \$4,536,738 |
| Hazardous Waste/ CERCLA (25%) | \$402,042 | \$339,859 | \$452,377 | \$983,173 | \$1,134,184 |
| Environmental Quality Protection (25%) | \$402,042 | \$339,859 | \$452,377 | \$983,173 | \$1,134,184 |
| Natural Resources Projects (50%) | \$804,083 | \$679,719 | \$904,754 | \$1,966,345 | \$2,268,369 |

Resource Indemnity and Ground Water Assessment Tax History

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

- 1973** The Resource Indemnity Trust Act was enacted, with a tax on mineral production of \$25 + 0.5 percent of the gross value exceeding \$5,000.
- 1977** The royalty owners' share may be deducted from the gross proceeds calculation for the Resource Indemnity Trust Tax.
- 1989** A special tax rate for talc production was implemented for \$25 + 4 percent of gross value.
- 1991** A special tax rate for coal production was implemented for \$25 + 0.4 percent of gross value.
A special tax rate for vermiculite production was implemented for \$25 + 2 percent of gross value.
- 1993** A special tax rate for quicklime production from limestone was implemented for \$25 + 10 percent of gross value.
- 1995** The tax on talc was changed to \$25 + 4 percent of gross value exceeding \$625.
The tax on coal was changed to \$25 + 0.4 percent of gross value exceeding \$6,250.
The tax on vermiculite was changed to \$25 + 2 percent of gross value exceeding \$1,250.
The tax on quicklime from limestone was changed to \$25 + 10 percent of gross value exceeding \$250.
A special tax rate for garnets was implemented for \$25 + 1 percent of gross value exceeding \$2,500.
- 2009** Counties, cities, towns, and people who paid the opencut mining fee are now exempted from RIGWAT.

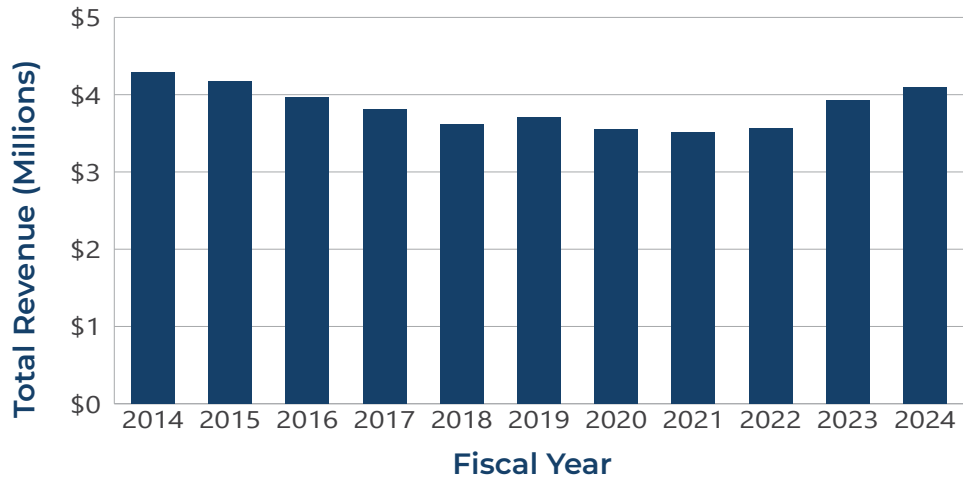
Resource Indemnity Fund Trust

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

Table 4.32 Total Revenue Indemnity Fund Trust

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$4,296,135 |
| 2015 | \$4,175,477 |
| 2016 | \$3,973,132 |
| 2017 | \$3,817,555 |
| 2018 | \$3,617,536 |
| 2019 | \$3,703,171 |
| 2020 | \$3,557,436 |
| 2021 | \$3,515,524 |
| 2022 | \$3,562,628 |
| 2023 | \$3,932,695 |
| 2024 | \$4,096,429 |

Figure 4.32



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. This is not a tax but has its own section due to the scope of its distribution process.

Interest from the resource indemnity trust is allocated in a two-stage process.

- First, several programs receive fixed allocations; the remaining funds are then divided between four programs on a percentage basis.
- Next, the distributions were then revised, starting Fiscal Year 2016, to increase the amount going to the Oil and Gas Damage Mitigation Account and to decrease the amount going to the Natural Resource Projects Account.

When there is insufficient interest income, money is allocated in relative proportions.

This is the case in all fiscal years, as displayed in Table 4.33, 4.34, and 4.35.

Table 4.33 Resource Indemnity Fund Interest Annual Distribution (FY2020-2024)

| Annual Distributions | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Natural Resources Projects | \$2,176,299 | \$2,812,419 | \$2,220,602 | \$3,146,156 | \$2,529,536 |
| Groundwater Assessment | \$204,028 | \$263,664 | \$208,181 | \$294,952 | \$237,144 |
| Native Fish Species Enhancement | \$340,047 | \$439,440 | \$346,969 | \$491,587 | \$395,240 |

Table 4.34 Resource Indemnity Fund Interest Biennial Distribution (FY2020-2024)

| Biennial Distributions | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Oil & Gas Damage Mitigation | \$378,000 | \$0 | \$318,467 | \$0 | \$400,935 |
| Water Storage | \$340,047 | \$0 | \$346,969 | \$0 | \$395,240 |
| Environmental Contingency RIT | \$119,016 | \$0 | \$121,439 | \$0 | \$138,334 |

Table 4.35 Resource Indemnity Fund Interest Distribution Remainder (FY2020-2024)

| Remainder | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Natural Resources Operations (65%) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Hazardous Waste-CERCLA (26%) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Environmental Quality Protection (9%) | \$0 | \$0 | \$0 | \$0 | \$0 |

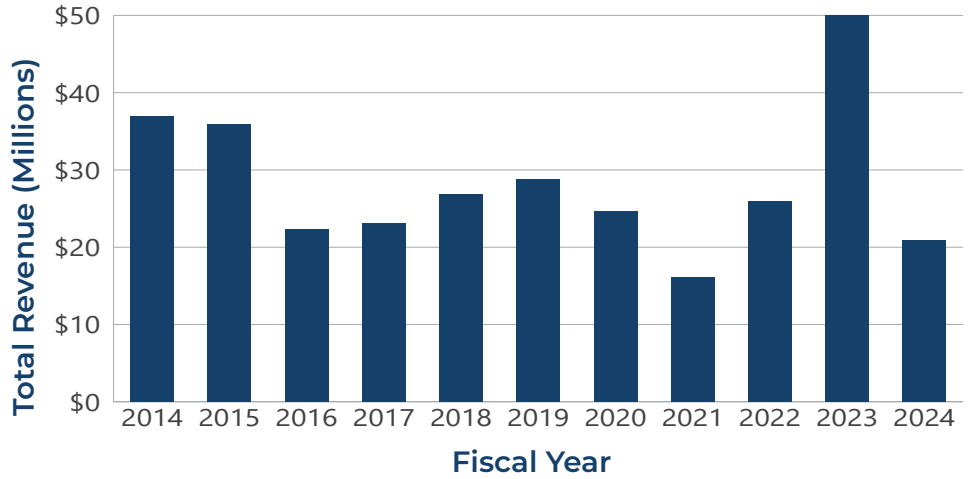
U.S. Mineral Royalties

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

Table 4.36 U.S. Mineral Royalties

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$36,991,806 |
| 2015 | \$35,947,238 |
| 2016 | \$22,345,284 |
| 2017 | \$23,096,354 |
| 2018 | \$26,852,265 |
| 2019 | \$28,760,237 |
| 2020 | \$24,702,715 |
| 2021 | \$16,108,967 |
| 2022 | \$25,952,298 |
| 2023 | \$50,010,134 |
| 2024 | \$20,873,143 |

Figure 4.36



Tax Rate

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 as of October 2007.

The Department of Revenue provides auditing and compliance services to the federal government for producers extracting minerals from federal lands within the state. The federal government reimburses the department for these services.

Distribution

The state general fund receives 75 percent of the U.S. Mineral Royalties revenue. 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. For county level distribution amounts, see the U.S. Mineral Royalties section of the Shared Revenue chapter.

Table 4.37 Table Funds (FY2020-2024)

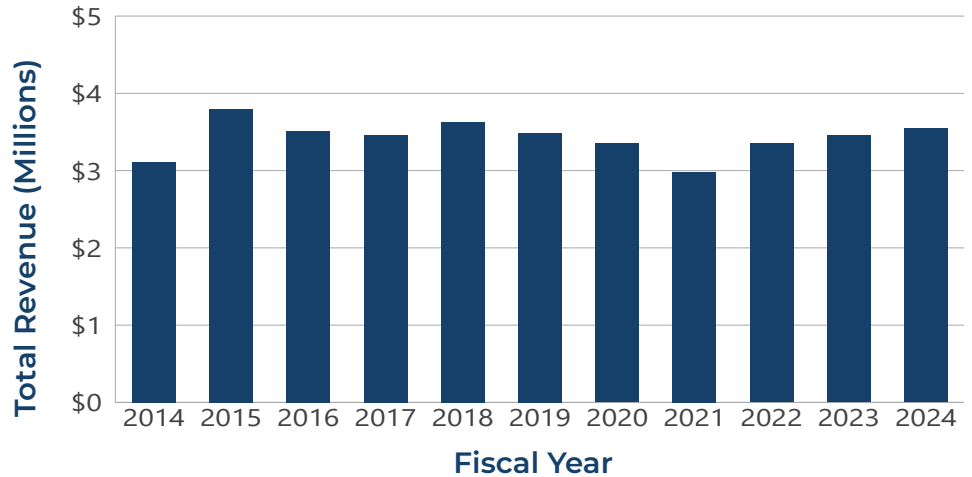
| Fund | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| General Fund (75%) | \$18,527,036 | \$12,081,725 | \$19,464,224 | \$37,507,600 | \$15,654,857 |
| Impacted Counties (25%) | \$5,928,652 | \$4,027,242 | \$6,228,552 | \$12,502,533 | \$5,218,286 |

Wholesale Energy Transaction Tax

Table 4.38 Wholesale Energy Transaction

| Fiscal Year | Total Revenue |
|-------------|---------------|
| 2014 | \$3,112,284 |
| 2015 | \$3,795,377 |
| 2016 | \$3,516,131 |
| 2017 | \$3,463,834 |
| 2018 | \$3,628,180 |
| 2019 | \$3,490,244 |
| 2020 | \$3,350,982 |
| 2021 | \$2,981,105 |
| 2022 | \$3,352,254 |
| 2023 | \$3,455,287 |
| 2024 | \$3,545,160 |

Figure 4.38



Tax Rate

The Wholesale Energy Transaction Tax is \$0.00015 per kilowatt hour (\$0.15 per MWh) on all electricity transmitted by a transmission service provider in the state. There is also a 5 percent exemption for electricity produced in the state to compensate for transmission line losses.

Filing and Payment

The tax went into effect on January 1, 2000, and is paid on a calendar quarter basis. Payment is due to the state within 30 days after the close of the quarter.

Distribution

Revenues are deposited into the state general fund (15-72-106, MCA).