



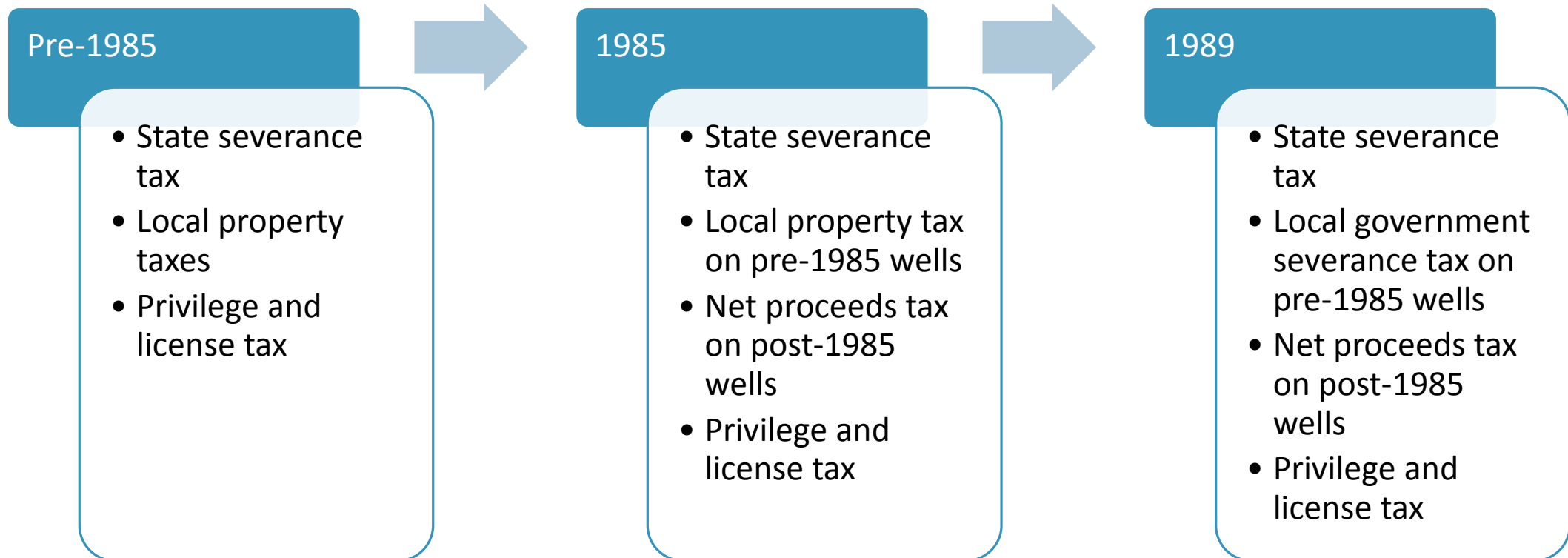
# Distribution of Oil and Natural Gas Production Tax Revenue

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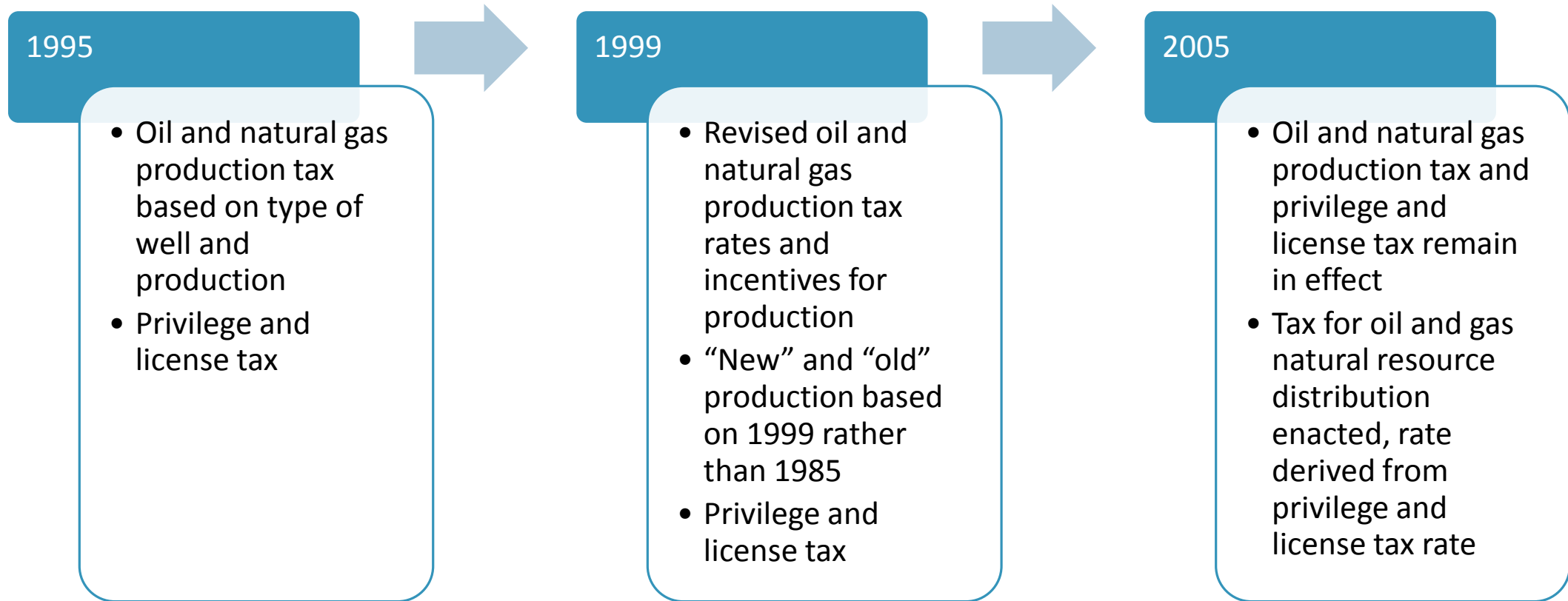
PREPARED BY MEGAN MOORE

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# Evolution of Oil and Natural Gas Taxes



# Evolution of Oil and Natural Gas Taxes



# Pre-2003 Oil and Natural Gas Revenue Distribution

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## State Share

**39.3%\*** of oil production taxes + 100% of oil production taxes from (A):

- 86.21% to the **General Fund**
- 5.17% to the **Board of Oil and Gas Conservation**
- 8.62% as follows:
  - 50% to the **Resource Indemnity Trust Fund**
  - 25% to the **Reclamation and Development Grants Special Revenue Account**
  - 25% to the **Orphan Share Account**

100% of oil production taxes from (C), (D), and (E) + 13.8% of oil production taxes from (B) + 100% of natural gas production taxes from (F) and (G):

- 37.5% to **Board of Oil and Gas Conservation**
- 62.5% as follows:
  - 50% to the **Resource Indemnity Trust Fund**
  - 25% to the **Reclamation And Development Grants Special Revenue Account**
  - 25% to **Orphan Share Account**

# Pre-2003 Oil and Natural Gas Revenue Distribution

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## State Share, continued

### **14%\*** of natural gas production taxes:

- 76.8% to the **General Fund**
- 8.7% to the **Board of Oil and Gas Conservation**
- 14.5% as follows:
  - 50% to the **Resource Indemnity Trust Fund**
  - 25% to the **Reclamation And Development Grants Special Revenue Account**
  - 25% to the **Orphan Share Account**

# Pre-2003 Oil and Natural Gas Revenue Distribution

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## County and School District Share

60.7%\* of oil production taxes + 86.2% of oil production taxes from (B) + 86%\* of natural gas production taxes:

To **counties** in proportion to the oil and natural gas production taxes attributable to the county

- Distribution to **counties** and **school districts** based on levies in the preceding fiscal year

5% of revenue identified above from pre-1999 wells to counties in proportion to the underfunding that would have occurred from the tax liability distribution of pre-1985 oil and natural gas production taxes for production in calendar year 1997

# HB 748 (2003) Distribution

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Statute specified county and school district share by county, remainder distributed to state-level entities

Revenue distributed to the **General Fund**, the **Reclamation and Development Grants Special Revenue Account**, the **Orphan Share Account**, the **Montana University System**, and, in fiscal years 2003 through 2011, to the **Coal Bed Methane Protection Account**.

**County** portion shared with **school districts** as provided in 15-36-332

- Allocations specified for:
  - elementary retirement
  - high school retirement
  - countywide transportation
  - **school districts**
- **County** retains remainder

# Current Oil and Gas Production Tax Distribution: State Share

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90.22% to the **General Fund**

2.16% to the Natural Resources Projects State Special Revenue Account

2.02% to the Natural Resources Operations State Special Revenue Account

2.95% to the **Orphan Share Account**

2.65% to the **Montana University System**

Revenue from privilege and license tax deposited in **Board of Oil and Gas Conservation** special revenue account



# Current Oil and Gas Production Tax Distribution: County and School District Share

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Unchanged from HB 748 (2003)

School district share calculated based on taxes generated within the school district

- Separate elementary and high school districts: distribution is based on relative mill levies
- Subject to 20-9-310 limits on maximum amount of oil and gas revenue a school district may retain

# Privilege and License Tax

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Set by Board of Oil and Gas Conservation “as the expenses chargeable against the oil and gas conservation fund may require” (82-11-131)

Maximum rate of 0.3%

Current rate is 0.3% (effective October 1, 2016)

- Previous rate was 0.09%

# Tax For Oil and Gas Natural Resource Distribution

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Tax rate derived from privilege and license tax

Current tax rate is 0%

- Rate was 0.17% for 10 years before Oct. 1, 2016

Tax for Oil and Gas Natural Resource Distribution is distributed to counties based on production

- County retains 1/3 of distribution
- Incorporated cities within county get 2/3 of distribution, split by population
  - Only oil and gas revenue distributed to cities

Cities not receiving any oil and gas revenue because of 0% rate

# FY 2017 Oil and Gas Distributions

	FY 2017 Distribution
General Fund	\$46,334,270
County Government	\$22,197,246
School Districts	\$17,992,126
Board of Oil and Gas Conservation	\$2,405,384
High School Retirement	\$2,270,364
Elementary Retirement	\$1,847,450
Orphan Share	\$1,515,030
University System	\$1,360,960
Natural Resource Projects	\$1,109,311
Excess O&G-Negotiated Rulemaking	\$1,083,642
Countywide Transportation	\$1,043,729
Natural Resource Operations	\$1,037,411
Tax For O&G Natural Resource Distribution	\$387,751
Community College	\$184,544
<b>Total</b>	<b>\$100,769,217</b>

