



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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## U.S. Mineral Royalties

### Description and Tax Rate

Under the federal Mineral Lands Leasing Act ([30 USC, Section 191](#)), 50% of all sales, bonuses, royalties, and rentals received from extraction on federal lands in Montana must be paid to the state. The money is to be used as the legislature directs. The vast majority of revenue produced on federal public lands comes from royalties and bonuses on oil, gas, and coal. From July 2025 until September 2034, the maximum royalty rate for coal extracted on federal land is 7%. After that the minimum royalty rate for coal will be 12.5% [30 USC, Section 207\(a\)](#). The minimum royalty rate for oil and gas is 12.5% [30 USC, Section 226](#). Individual lease rates may vary.

### Distribution ([15-37-117, MCA](#))

- 75% to the state General Fund
- 25% to counties based on the proportion of revenue generated in the county

### Summary of Legislative Action

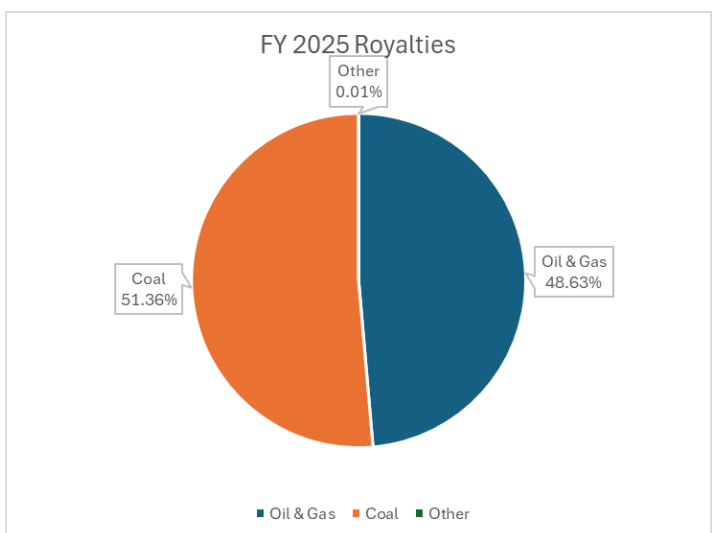
- The 69th Montana Legislature did not enact legislation impacting this source.

### Summary of HR 1 Action

- With the passing of HR 1 at the federal level, the maximum royalty rate for coal extracted on federal land was capped at 7%. Previously the minimum royalty rate was 12.5%. ***This change is retroactive and will affect all coal leases.*** This represents a 44% reduction in the royalty rate.
- Additionally, HR 1 changed the minimum royalty rate for Oil and gas from 16.6% to 12.5%. ***This change will only affect new oil leases.*** This represents a 25% decrease in the royalty rate.

### FY 2025 Collections & Distributions

Total distribution by county FY 2025			
Beaverhead	\$ 451.98	Hill	\$ 2,346.97
Big Horn	\$ 2,584,596.38	Liberty	\$ 3,867.80
Blaine	\$ 32,057.16	McCone	\$ 196.75
Carbon	\$ 129,044.88	Musselshell	\$ 17,360.26
Carter	\$ 5,519.00	Petroleum	\$ 6,014.87
Chouteau	\$ 2,074.32	Pondera	\$ 688.18
Custer	\$ 291.91	Powder River	\$ 292,608.57
Dawson	\$ 90,387.26	Prairie	\$ 25,597.05
Fallon	\$ 492,354.08	Richland	\$ 1,875,215.94
Fergus	\$ 738.43	Roosevelt	\$ 297,295.65
Garfield	\$ 1,213.09	Rosebud	\$ 938,890.17
Glacier	\$ 2,401.17	Sheridan	\$ 9,100.16
Treasure	\$ 190,860.35	Stillwater	\$ 4,056.86
Wibaux	\$ 96,644.70	Toole	\$ 27,820.95
Total Distribution		\$	7,129,694.89



## Effects of HR 1

The effect of HR 1 on state and county revenues from U.S. mineral royalties is ambiguous in theory. The 44% royalty rate reduction for all coal leases will have a substantial impact on revenues if there is not a similar increase in production. Big Horn county and Rosebud county will be impacted the most from this change. If the 7% royalty rate had been in place during fiscal year 2025, Big Horn county would have had a revenue reduction of \$1,137,222, Rosebud county would have lost \$413,111, and the state general fund revenues would have decreased by \$4,833,418. For Oil and Gas the new royalty rate will only impact new leases. Since FY 2022, there has been an average of 1.35 oil rigs operating in Montana every month. It is unclear if this rate reduction will impact the number of new wells drilled in the future. Wyoming will be facing much larger revenue reductions from these royalty rate changes and the impacts are detailed on the bottom of page 5 of [their July 2025 revenue update](#).