

Natural Resource Taxes

Coal Severance Tax
Electrical Energy Tax
Federal Forest Receipts
Metalliferous Mines Tax

Oil & Natural Gas Production Tax
Resource Indemnity Tax
US Mineral Royalty
Wholesale Energy



Legislative Fiscal Division



www.leg.state.mt.us/fiscal/

Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Description: For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.

Applicable Tax Rate(s): 10.0% - on coal with a heating quality < 7,000 BTU
 15.0% - on coal with a heating quality > 7,000 BTU

Distribution: (Percentage)	Fiscal		Fiscal		Fiscal	
	1998-1999	2000-2002	2003	2004-2007		
Permanent Trust	25.00	0.00	0.00	0.00	12.50	
Treasure State Endowment		25.00	37.50	37.50		
TSEP Regional Water	0.00	12.50	12.50	12.50	12.50	
General Fund	25.25	26.79	33.04	27.40		
LRBP - Cash Account	12.00	12.00	10.00	12.00		
LRBP - Debt Service	1.30	0.00	0.00	0.00		
Park Acquisition Trust	1.27	1.27	0.00	1.27		
Cultural Trust	0.00	0.63	0.00	0.63		
Cultural & Aesthetic Projects	0.87	0.00	0.00	0.00		
Water Development	0.95	0.95	0.95	0.95		
Other Uses:	8.36	8.36	6.01	7.75		

“Other Uses” Include:

- Local Impact (Coal Board)
- Growth Through Agriculture
- State Library
- Conservation Districts
- County Land Planning*

* before FY 2004

Collection Frequency: Quarterly: The coal severance tax is due 30 days after the end of the quarter.

Applicable Assumptions and/or Relevant Indicators:

Montana Coal Production
 Montana Coal Price

Data Source(s): SABHRS, Department of Revenue Coal Tax Returns

Contacts: Coal Companies’ Financial Personnel

Statute: Title 15, Chapter 35, MCA

% of Total FY 2002 General Fund Revenue: 0.67%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

Major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. The taxable value is then computed for each company by taking anticipated production, less the annual tonnage deduction, and multiplying that number by the

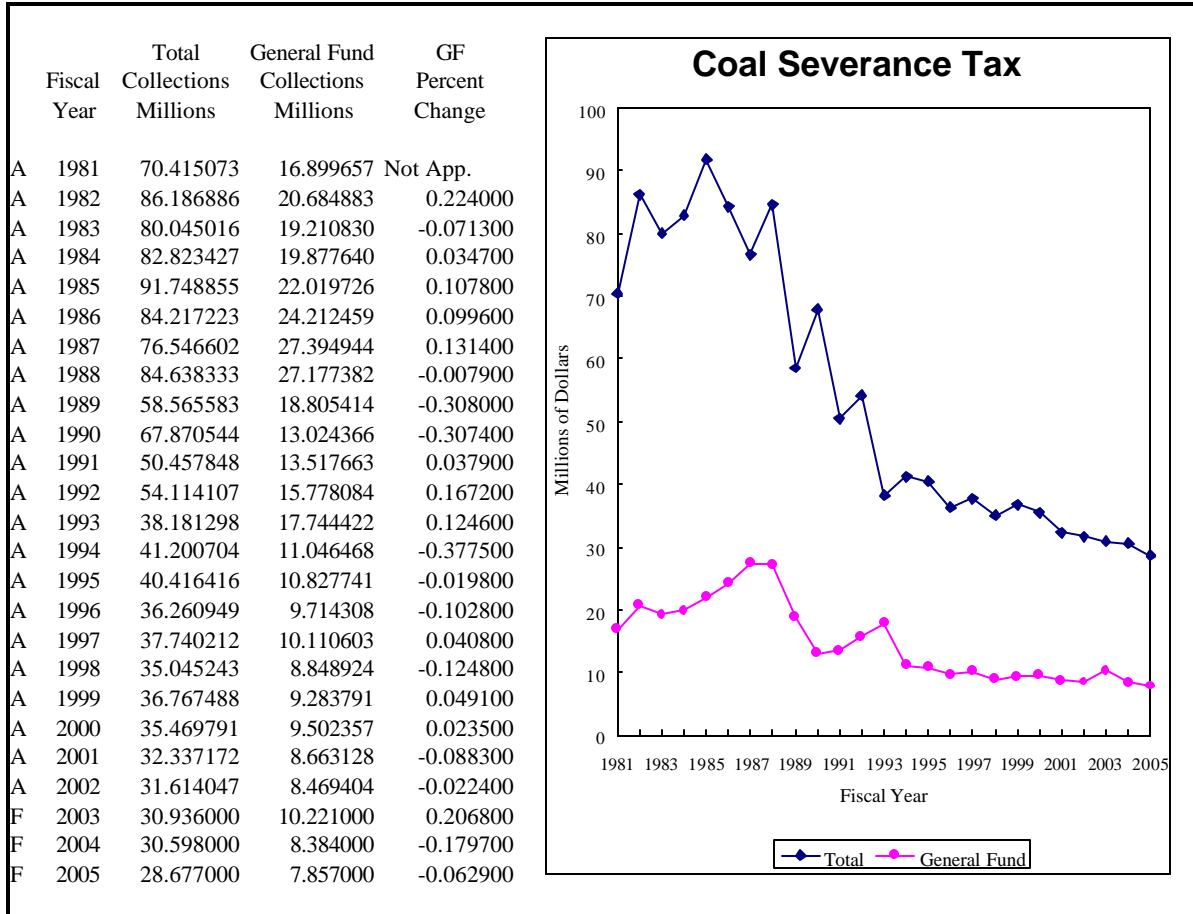
Legislative Fiscal Division

Revenue Estimate Profile

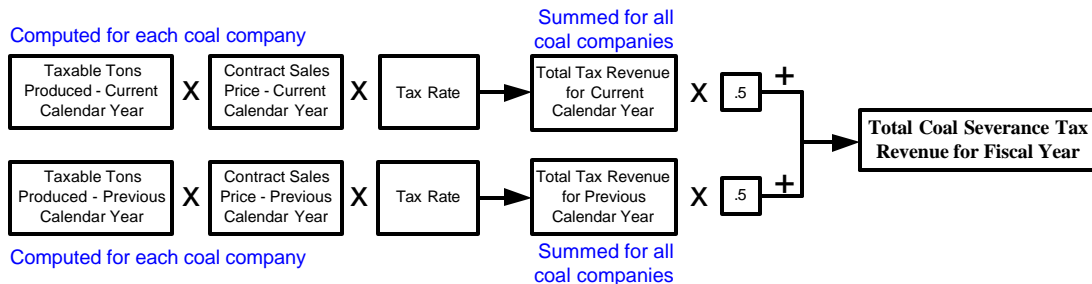
Coal Severance Tax

contract sales price. Taxable value is then multiplied by the applicable tax rate to determine tax revenue. The next step consists of converting total coal severance tax revenue, which is computed by adding the estimated revenue for all coal companies, from a calendar to a fiscal year basis. The final step involves applying the statutory tax distribution to anticipated fiscal year tax revenue.

Revenue Projection:



Forecast Methodology

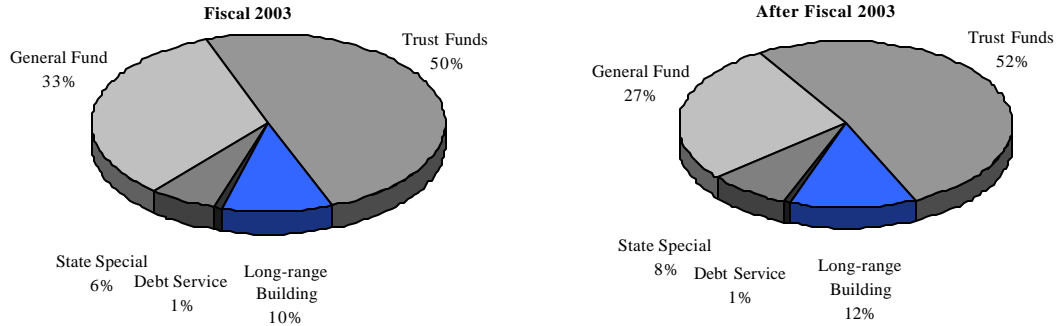


Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	GF Percent
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Allocation</u>
Actual	2000	35.469791	9.502357	0.267900
Actual	2001	32.337172	8.663128	0.267900
Actual	2002	31.614047	8.469404	0.267900
Forecast	2003	30.936000	10.221000	0.330400
Forecast	2004	30.598000	8.384000	0.274000
Forecast	2005	28.677000	7.857000	0.274000

	t	Tons (CY)	CSP (CY)	Tax	Tax	Calendar	Effective
	<u>Cal</u>	<u>Millions</u>	<u>Dollars</u>	<u>Rate</u>	<u>Rate</u>	<u>Tax</u>	<u>Rate</u>
Actual	2000	31.784308	6.588243	0.150000	0.100000	31.253448	0.149250
Actual	2001	32.961265	6.266994	0.150000	0.100000	30.883924	0.149510
Forecast	2002	33.392000	6.293003	0.150000	0.100000	31.393697	0.149397
Forecast	2003	32.806000	6.219197	0.150000	0.100000	30.477350	0.149379
Forecast	2004	33.065000	6.218829	0.150000	0.100000	30.717141	0.149384
Forecast	2005	29.950000	5.957245	0.150000	0.100000	26.636228	0.149290

Legislative Fiscal Division

Revenue Estimate Profile

Electrical Energy Tax

Revenue Description: The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).

Applicable Tax Rate(s): The tax of \$0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy.

Distribution: All proceeds are deposited into the general fund.

Collection Frequency: Quarterly: The electrical energy tax is due 30 days after the end of the quarter.

Applicable Assumptions and/or Relevant Indicators:

Kilowatt Hours Produced
Interest Differential Credit

Data Source(s): SABHRS, Department of Revenue Electrical Energy Tax Returns

Contacts: Electrical Companies' Financial Personnel

Statute: Title 15, Chapter 32 and Chapter 51, MCA

% of Total FY 2002 General Fund Revenue: 0.33%

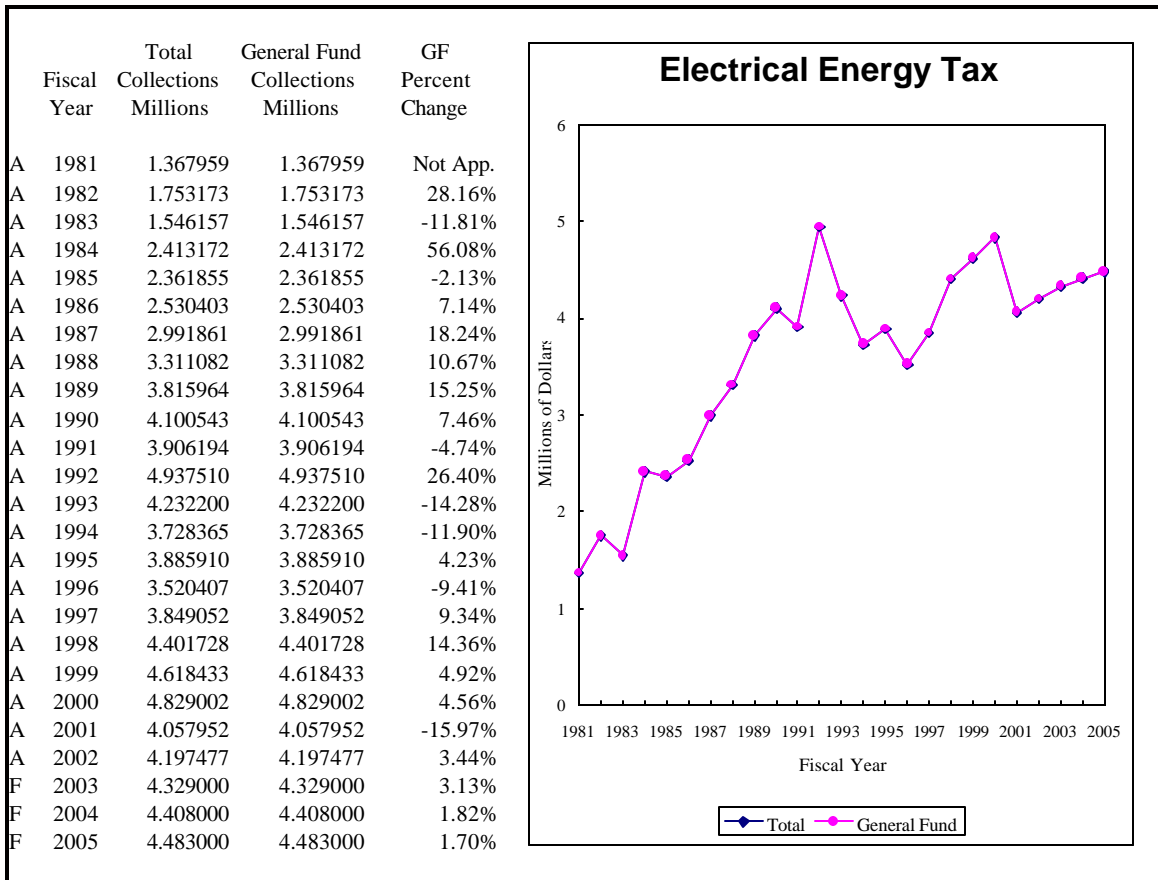
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD surveys major companies for anticipated kilowatt hours produced (KWH) as well as the likelihood of new generation capacity. The calendar year KWH projections are converted to a fiscal year basis. The estimated tax revenue is computed by multiplying fiscal year KWH by the tax rate then subtracting the interest differential credit. In recent years no credits have been claimed. All of the revenue is deposited into the general fund.

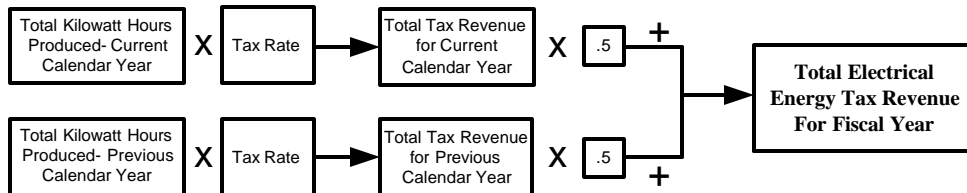
Legislative Fiscal Division

Revenue Estimate Profile Electrical Energy Tax

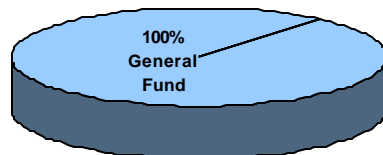
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Electrical Energy Tax

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	KWH CY	KWH FY	Credits	Tax
	Fiscal	Millions	Millions	Millions	Millions	Millions	Rate
Actual	2000	4.829002	4.829002	21518.947177	22937.761931	0.000189	0.000200
Actual	2001	4.057952	4.057952	21083.324572	20444.170990	0.000000	0.000200
Actual	2002	4.197477	4.197477	21440.954697	21642.219243	0.000000	0.000200
Forecast	2003	4.329000	4.329000	21849.848310	21645.401504	0.000000	0.000200
Forecast	2004	4.408000	4.408000	22231.633786	22040.741048	0.000000	0.000200
Forecast	2005	4.483000	4.483000	22602.771343	22417.202565	0.000000	0.000200

Legislative Fiscal Division

Revenue Estimate Profile Metalliferous Mines Tax

Revenue Description: The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced.

Applicable Tax Rate(s): The tax rate is as follows:

For concentrates shipped to a smelter, mill, or reduction work:	For gold, silver, or any platinum group metal that is dore*, bullion, or matte* and that is shipped to a refinery:
<u>Gross Value</u>	<u>Rate</u>
\$0-\$250,000	Exempt
\$250,001 and Above	1.81%
<u>Gross Value</u>	<u>Rate</u>
\$0-\$250,000	Exempt
\$250,001 and Above	1.6%
<small>* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals</small>	

Distribution: The distribution of the metal mines tax has been altered several times during the 1990s. The 2001 legislature enacted Senate Bill 484 (effective July 1, 2002) that creates a hard-rock mining reclamation debt service fund to pay debt service on the \$8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5 percent allocation of metalliferous mines tax revenue previously allocated to the orphan share account is now allocated to the hard-rock mining reclamation debt service fund. The table below shows recent historical distributions of the tax.

Distribution of Metalliferous Mines Tax (Percent)					
	<u>Fiscal</u> <u>1994-1995</u>	<u>Fiscal</u> <u>1996-1997</u>	<u>Fiscal</u> <u>1998-2002</u>	<u>Fiscal</u> <u>2003</u>	<u>Fiscal</u> <u>2004&Beyond</u>
General Fund	58.0	58.0	58.0	65.0	58.0
RIT Trust	15.5	0.0	0.0	0.0	0.0
Groundwater Assessment	0.0	2.2	0.0	0.0	0.0
Abandoned Mines	0.0	8.5	0.0	0.0	0.0
Orphan Share	0.0	0.0	8.5	0.0	0.0
Hard Rock Reclamation Debt Service	0.0	0.0	0.0	8.5	8.5
Reclamation & Dev. Grants	0.0	4.8	7.0	0.0	7.0
Hard Rock Mining	1.5	1.5	2.5	2.5	2.5
Counties	25.0	25.0	24.0	24.0	24.0

Collection Frequency: Annually

Applicable Assumptions and/or Relevant Indicators:

Prices for: copper, copper sulfide, silver, gold, lead, zinc, molybdenum, palladium, platinum, nickel, rhodium, sapphires and iron oxide

Production levels for: copper, copper sulfide, silver, gold, lead, zinc, molybdenum, palladium, platinum, nickel, rhodium, sapphires and iron oxide

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Data Source(s): SABHRS, Department of Revenue, *Wall Street Journal*, KITCO, COMEX, NYMEX

Contacts: Major Producers

Statute: Title 15, Chapter 37, MCA

% of Total FY 2002 General Fund Revenue: 0.26%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

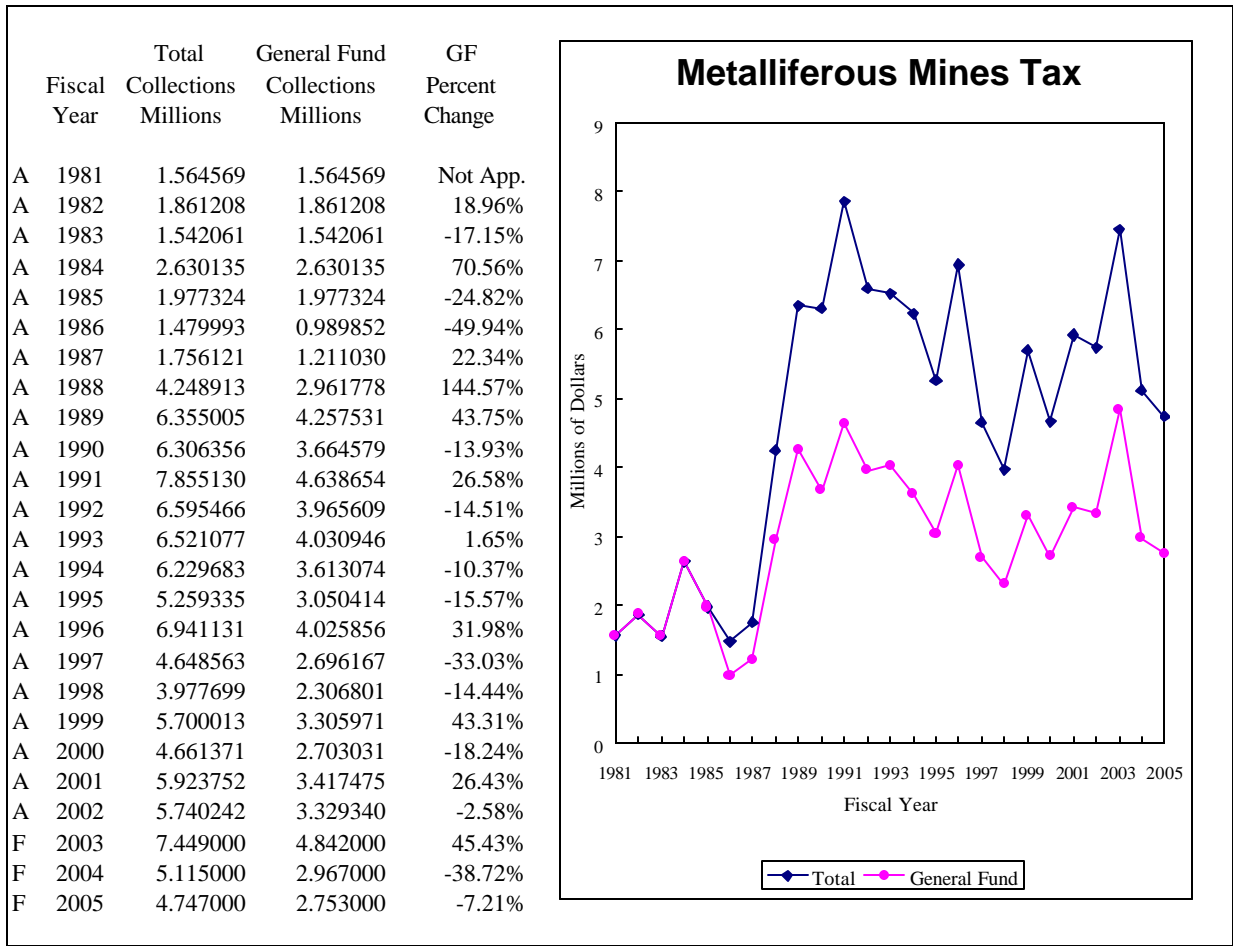
Major producers are surveyed to get anticipated production by commodity. In addition, a review is made of historical trends and current publications on price directions. The estimated tax is then computed for each commodity by multiplying anticipated production by sales price. This amount is then multiplied by the effective tax rate to determine tax revenue. The next step consists of converting total metalliferous mines tax revenue from a calendar to a fiscal year basis. The final step involves applying the statutory tax distribution to the anticipated fiscal year revenue.

Legislative Fiscal Division

Revenue Estimate Profile

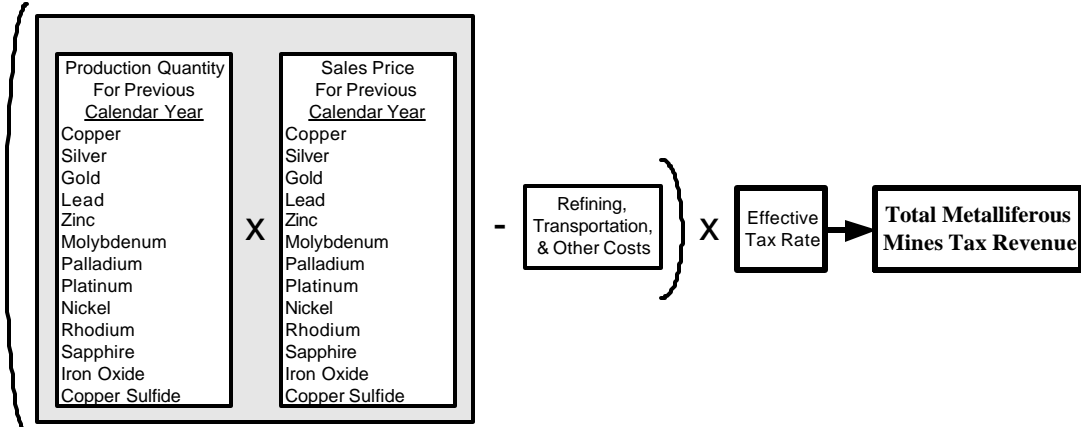
Metalliferous Mines Tax

Revenue Projection:



Forecast Methodology

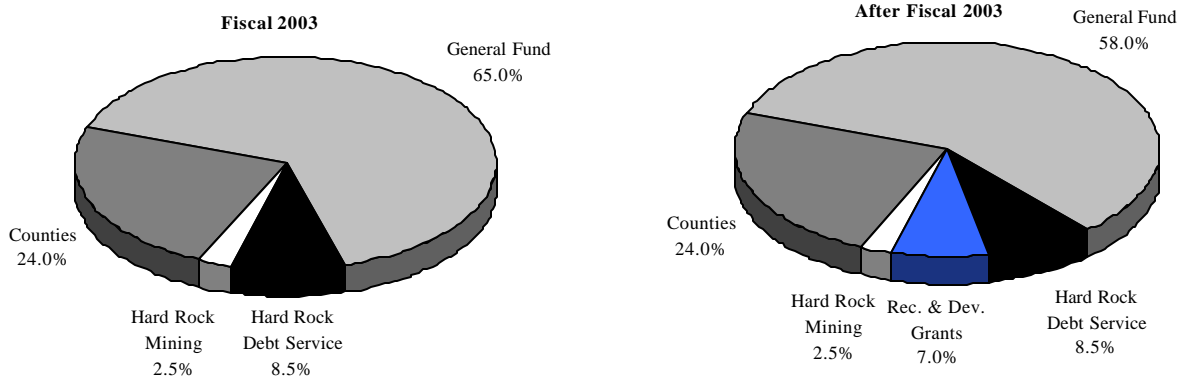
Summed by Each Mining Company



Legislative Fiscal Division

Revenue Estimate Profile Metalliferous Mines Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Tax Value CY	Effective	GF Percent
	Fiscal	Millions	Millions	Millions	Rate	Allocation
Actual	2000	4.661371	2.703031	362.467734	0.016343	57.9879%
Actual	2001	5.923752	3.417475	355.643466	0.016140	57.6911%
Actual	2002	5.740242	3.329340	291.782345	0.016140	58.0000%
Forecast	2003	7.449000	4.842000	339.486841	0.016140	65.0000%
Forecast	2004	5.115000	2.967000	294.323795	0.016140	58.0000%
Forecast	2005	4.747000	2.753000	293.911407	0.016140	58.0000%

Comdty. Prod.	t Cal	Copper Millions	Silver Millions	Gold Millions	Lead Millions	Zinc Millions	Moly Millions	Palladium Millions
Actual	2000	4.311635	1.579330	0.291116	10.105733	21.461326	5.352760	0.332272
Actual	2001	0.279519	0.867094	0.273483	14.750164	24.383338	0.000000	0.403431
Forecast	2002	0.343066	0.747801	0.183919	10.768170	23.819168	0.000000	0.493164
Forecast	2003	0.391310	0.751251	0.218935	10.768170	23.819168	0.000000	0.562643
Forecast	2004	0.391310	0.738399	0.076006	10.768170	23.819168	0.000000	0.562643
Forecast	2005	0.391310	0.738399	0.076006	10.768170	23.819168	0.000000	0.562643

Comdty. Prod.	t Cal	Platinum Millions	Nickel Millions	Rhodium Millions	Sapphire Millions	Iron Oxide Millions	Copper Sul Millions	Refining Millions
Actual	2000	0.090566	0.000000	0.000000	0.000000	0.000000	63.532751	-10.330456
Actual	2001	0.118020	0.626935	0.003480	0.000000	0.000000	0.000000	-18.811518
Forecast	2002	0.146836	0.769465	0.004271	0.000000	0.000000	0.000000	-18.811518
Forecast	2003	0.167357	0.877671	0.004872	0.000000	0.000000	0.000000	-18.811518
Forecast	2004	0.167357	0.877671	0.004872	0.000000	0.000000	0.000000	-18.811518
Forecast	2005	0.167357	0.877671	0.004872	0.000000	0.000000	0.000000	-18.811518

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

<u>Comdty.</u> <u>Price</u>	<u>t</u> <u>Cal</u>	<u>Copper</u> <u>Dollars</u>	<u>Silver</u> <u>Dollars</u>	<u>Gold</u> <u>Dollars</u>	<u>Lead</u> <u>Dollars</u>	<u>Zinc</u> <u>Dollars</u>	<u>Moly</u> <u>Dollars</u>	<u>Palladium</u> <u>Dollars</u>
Actual	2000	0.646454	4.603820	276.279562	0.200607	0.502159	2.055080	532.358802
Actual	2001	0.624133	4.067554	267.641016	0.217897	0.377707	0.000000	547.982168
Forecast	2002	0.635294	4.630000	306.000000	0.218968	0.377707	0.000000	321.000000
Forecast	2003	0.629714	4.440000	322.000000	0.215118	0.377707	0.000000	321.000000
Forecast	2004	0.632504	4.680000	332.000000	0.213148	0.377707	0.000000	321.000000
Forecast	2005	0.631109	4.900000	324.000000	0.216283	0.377707	0.000000	321.000000

<u>Comdty.</u> <u>Price</u>	<u>t</u> <u>Cal</u>	<u>Platinum</u> <u>Dollars</u>	<u>Nickel</u> <u>Dollars</u>	<u>Rhodium</u> <u>Dollars</u>	<u>Sapphire</u> <u>Dollars</u>	<u>Iron Oxide</u> <u>Dollars</u>	<u>Copper Sul</u> <u>Dollars</u>
Actual	2000	534.518638			0.000000	0.000000	0.522703
Actual	2001	490.635630	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2002	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2003	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2004	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000
Forecast	2005	500.000000	2.024806	1404.394828	0.000000	0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Description: The oil and natural gas production tax is imposed on the production of petroleum and other mineral or crude oil in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production.

Applicable Tax Rate(s): The oil & natural gas production tax has numerous tax rates and distribution percentages depending on several factors. These factors include whether the oil or gas is produced from a stripper well, an incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or two, and whether the interest being taxed is the working interest or the royalty interest. The following table shows tax rates and distribution percentages for each type of pre-1999 oil and post-1999 oil. Tax rates were reduced by 0.04 percent beginning July 1, 2001 due to reduced revenue needs by the Board of Oil and Gas Conservation. Allocations were also changed July 1, 2001 in order to leave the general fund and the Resource Indemnity Trust with as much revenue as before the tax rate reduction. The 2001 legislature enacted House Bill 572 that further allocates the RIT share of the tax.

Oil and Natural Gas Production Tax Rates and Distribution of Revenue						
Beginning July 1, 2001						
	Tax Rate	Local Share	State Share	State Share		
				State Accounts*	P&L Share	Gen. Fund Share
Oil Production						
<u>Working Interests</u>						
Pre 99 after 12 Months	12.76%	60.91%	39.09%	8.75%	4.30%	86.95%
Post 99 First 12 Months	76.00%	0.00%	100.00%	63.48%	36.52%	0.00%
Post 99 after 12 months	9.26%	60.91%	39.09%	8.75%	4.30%	86.95%
Stripper 4-10 barrels per day	5.76%	86.31%	13.69%	63.48%	36.52%	0.00%
Stripper 11-15 barrels per day	9.26%	60.91%	39.09%	8.75%	4.30%	86.95%
Stripper Well Exemption	76.00%	0.00%	100.00%	63.48%	36.52%	0.00%
Pre99 Horizontal after 18 months	12.76%	60.91%	39.09%	8.75%	4.30%	86.95%
Post 99 Horizontal first 18 months	76.00%	0.00%	100.00%	63.48%	36.52%	0.00%
Post 99 Horizontal after 18 months	9.26%	60.91%	39.09%	8.75%	4.30%	86.95%
Incremental - secondary	8.76%	60.91%	39.09%	8.75%	4.30%	86.95%
Incremental - tertiary	6.06%	60.91%	39.09%	8.75%	4.30%	86.95%
Pre99 Horizontal Recomp - after 18 months	12.76%	60.91%	39.09%	8.75%	4.30%	86.95%
Post99 Horizontal Recomp - first 18 months	5.76%	0.00%	100.00%	8.75%	4.30%	86.95%
Post99 Horizontal Recomp - after 18 months	9.26%	60.91%	39.09%	8.75%	4.30%	86.95%
Royalty interests	15.06%	60.91%	39.09%	8.75%	4.30%	86.95%
Natural Gas Production						
<u>Working Interests</u>						
Pre-99 after 12 months	15.06%	86.27%	13.73%	14.99%	6.45%	78.56%
Post 99 first 12 months	0.76%	0.00%	100.00%	63.48%	36.52%	0.00%
Post 99 after 12 months	9.26%	86.00%	13.73%	14.99%	6.45%	78.56%
Pre 99 stripper wells	11.26%	86.27%	13.73%	14.99%	6.45%	78.56%
Horizontal first 18 months	0.76%	0.00%	100.00%	63.48%	36.52%	0.00%
Horizontal after 18 months	9.26%	86.27%	13.73%	14.99%	6.45%	78.56%
<u>Royalty Interests</u>	15.06%	86.27%	13.73%	14.99%	6.45%	78.56%

* Coal bed methane account (\$400,000 each year), general fund (all of the remainder in fiscal 2003 only), orphan share account (50% of the remainder after fiscal 2003), reclamation and development account (50% of the remainder after fiscal 2003). These further allocations terminate June 30, 2011.

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Distribution: Once the oil and natural gas production tax has been collected, it is divided into a local share and a state share. The state share is further allocated to the general fund and other state accounts. These other state accounts include the general fund (fiscal 2003 only), the coal bed methane protection account, the orphan share account, the reclamation and development account, and a state special revenue account for use by the Board of Oil and Gas Conservation. Specific distribution percentages are found in the table above. The local share is distributed to local and state mill levies in the jurisdiction in which the resource is produced (See the Nonlevy Revenue section).

Collection Frequency: Quarterly: The oil and natural gas production tax is due 60 days after the end of the production quarter.

Applicable Assumptions and/or Relevant Indicators:

Montana Oil Production	Montana Natural Gas Production
Montana Oil Price	Montana Natural Gas Prices

Data Source(s): SABHRS, Department of Revenue, DRI-WEFA, *Wall Street Journal*

Contacts: Department of Revenue

Statute: Title 15, Chapter 36, MCA

% of Total FY 2002 General Fund Revenue: 1.02%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

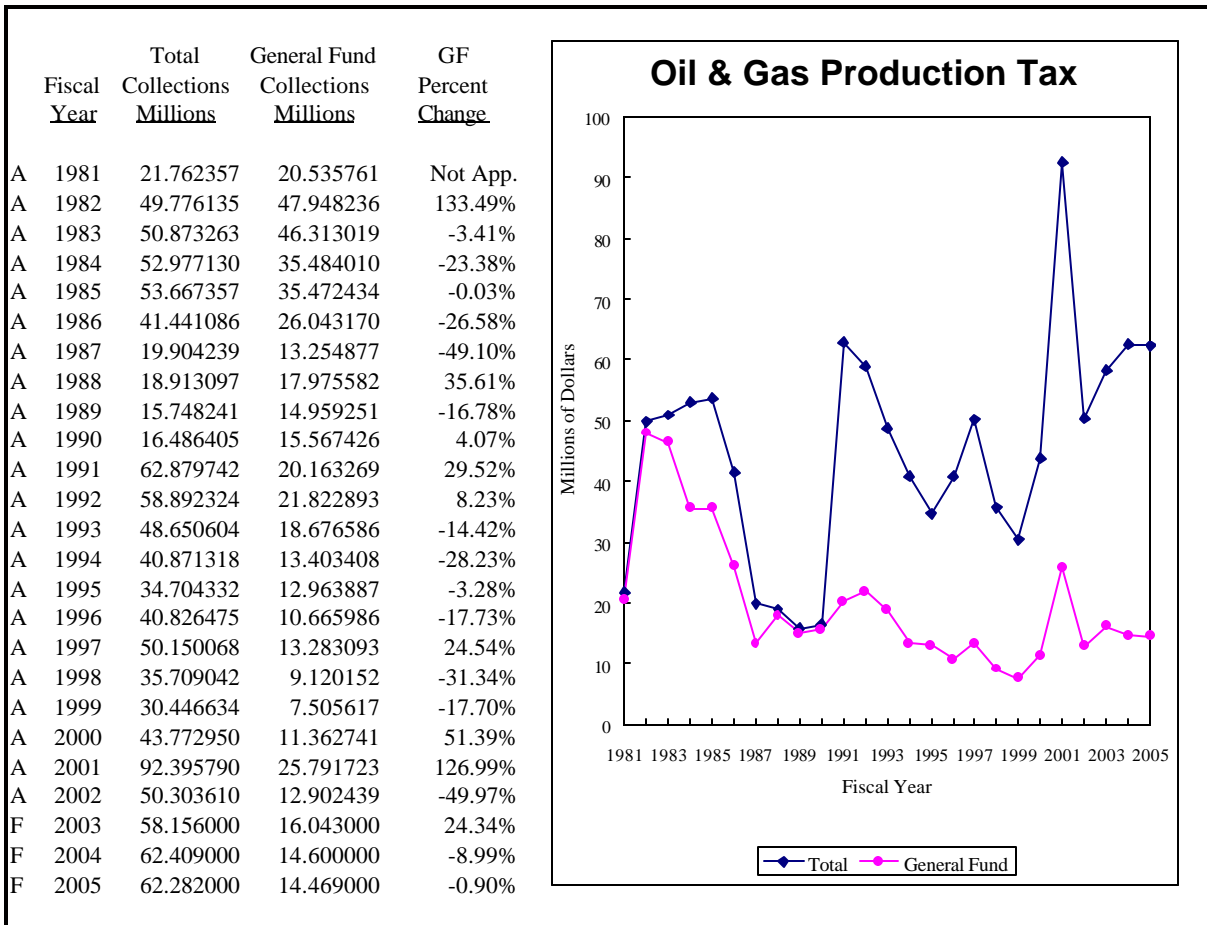
Taxable value is calculated for each oil or natural gas type by multiplying anticipated production by the relevant oil or natural gas price. Taxable value is then multiplied by the tax rate and allocated according to the state allocation percent for oil or natural gas type to determine tax revenue. The next step consists of converting natural gas revenue from a calendar to a fiscal year basis. The final step involves applying the statutory tax distribution to the state's share of anticipated fiscal year revenue.

Legislative Fiscal Division

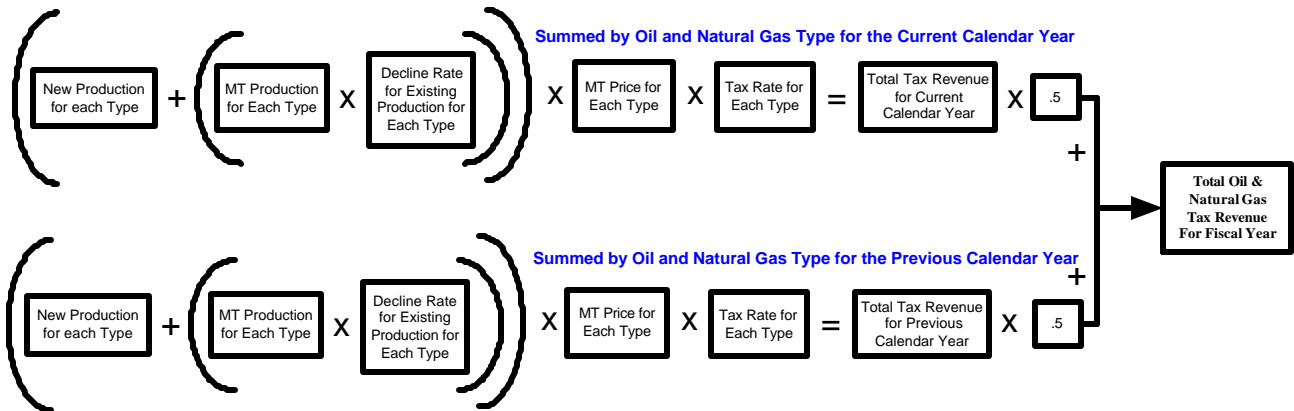
Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Projection:



Forecast Methodology

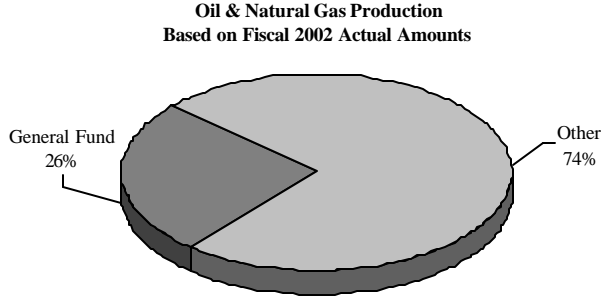


Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Distribution Methodology



Because the exact distribution of oil & natural gas revenue will vary depending on various factors, the chart only reflects fiscal 2002 actual distributions. Please see the table above for exact distribution percentages.

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Composite
	Fiscal	Millions	Millions	GF Allocation
Actual	2000	43.772950	11.362741	0.259584
Actual	2001	92.395790	25.791723	0.279144
Actual	2002	50.303610	12.902439	0.256491
Forecast	2003	58.156000	16.043000	0.275863
Forecast	2004	62.409000	14.600000	0.233937
Forecast	2005	62.282000	14.469000	0.232318

Oil	t	Barrels	Price	Gross Value	Exempt Value	Effective	Total Tax
	Cal	Millions	Per Barrel	Millions	Millions	Tax Rate	Millions
Actual	2000	15.770217	27.666849	436.312212	15.727729	0.114821	48.291803
Actual	2001	15.981505	22.816391	364.640267	13.200286	0.102083	35.876151
Forecast	2002	16.190594	23.129670	374.483107	13.631898	0.102561	37.125766
Forecast	2003	16.382958	22.299670	365.334549	13.307896	0.101680	35.969943
Forecast	2004	16.559932	21.799670	361.001056	13.158059	0.100891	35.322105
Forecast	2005	16.811918	21.299670	358.088299	13.034953	0.099838	34.694787

Gas	t	MCF's	Price	Gross Value	Exempt Value	Effective	Total Tax
	Cal	Millions	Per Barrel	Millions	Millions	Tax Rate	Millions
Actual	2000	66.163277	2.901700	191.985981	9.066332	0.106032	19.395351
Actual	2001	76.713082	3.188642	244.610555	11.319744	0.104020	24.266868
Forecast	2002	84.503890	2.010000	169.852819	7.636583	0.104440	16.730885
Forecast	2003	91.671434	3.000000	275.014303	12.118831	0.102897	26.484492
Forecast	2004	98.265575	2.910000	285.952823	12.398641	0.101660	27.040177
Forecast	2005	104.332183	2.830000	295.260079	12.633415	0.100648	27.504855

Legislative Fiscal Division

Revenue Estimate Profile Resource Indemnity Tax

Revenue Description: The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal, as well as most minerals, excluding metals and oil and natural gas. Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the resource indemnity trust balance had reached \$100 million, a portion of oil and natural gas taxes had been distributed under the same methodology as the RIGWA tax. Once the RIT balance reached \$100 million, this portion of oil and natural gas taxes no longer has a connection to the RIGWA tax. The RIGWA tax on all other production is specific to each resource as described below.

Applicable Tax Rate(s): The applicable rates are as follows:

Coal: \$25 plus 0.4% of the gross value of coal produced in the preceding year in excess of \$6,250

Minerals: \$25 plus 0.5% of the gross value of minerals (excluding metals and excluding oil and natural gas because the resource indemnity trust has reached \$100 million) produced in the preceding year in excess of \$5,000

Talc: \$25 plus 0.4% of the gross value of talc produced in the preceding year in excess of \$625

Vermiculite: \$25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of \$1,250

Limestone: \$25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of \$250

Garnets: \$25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of \$2,500

Distribution: Beginning fiscal 2003, \$366,000 each year of RIGWA tax proceeds is deposited in the ground water assessment account. The remainder of RIGWA tax proceeds is distributed in the following order:

1. 50.0% to the reclamation and development grants account
2. \$150,000 a year to the natural resource worker scholarship account (enacted by the 2001 legislature in Senate Bill 322 and effective for five fiscal years)
3. the remainder to the orphan share account

Collection Frequency: Annually - the tax is paid on or before March 31 of the year following the production year.

Applicable Assumptions and/or Relevant Indicators:

Montana Coal Production

Montana Coal Price

Montana Mineral Production

Montana Mineral Price

Data Source(s): SABHRS, Department of Revenue, Surveys of Various Companies

Contacts: Department of Revenue

Statute: Title 15, Chapter 38, MCA

% of Total FY 2002 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this

Legislative Fiscal Division

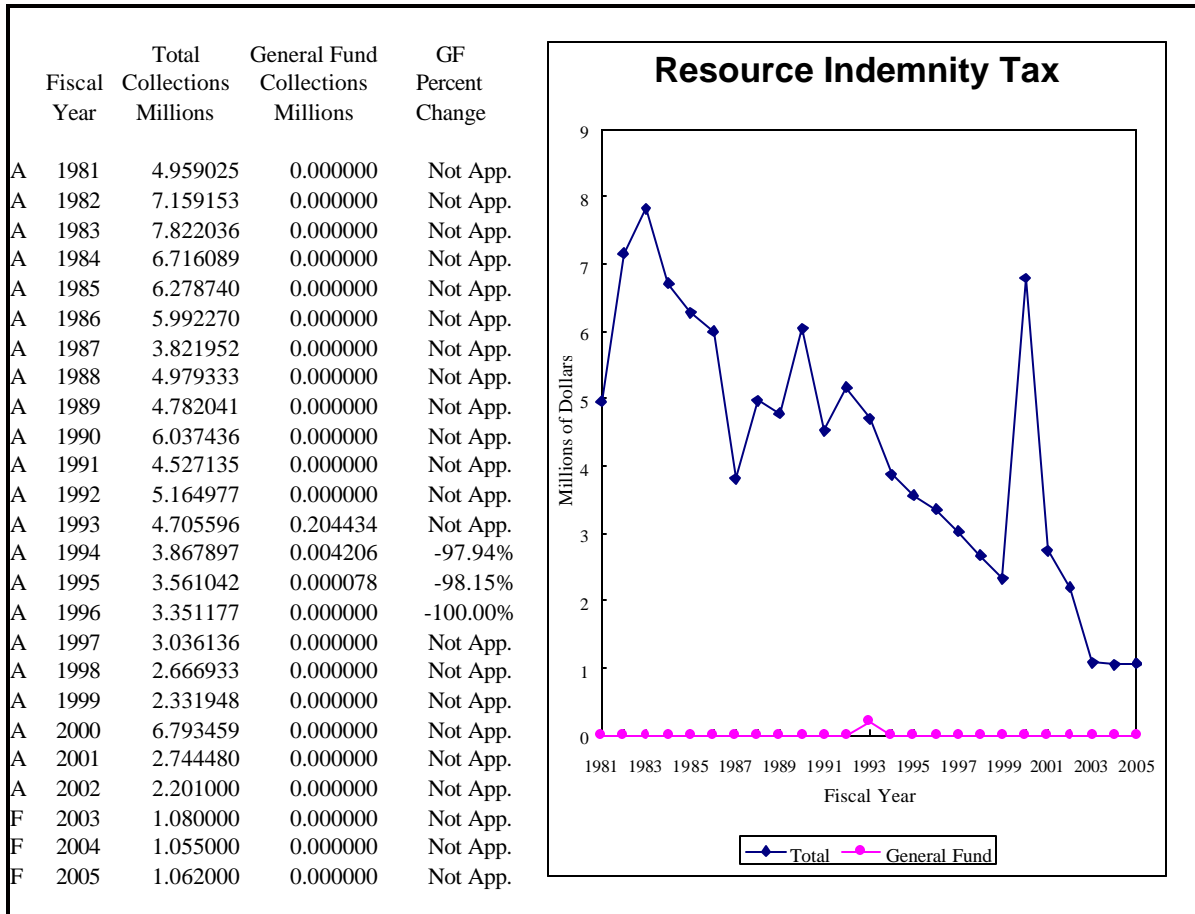
Revenue Estimate Profile

Resource Indemnity Tax

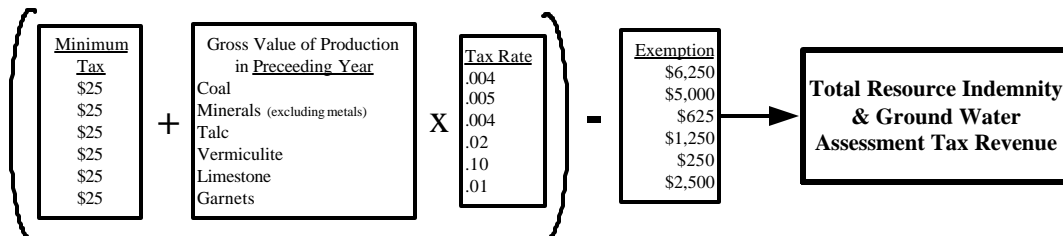
document. The following summarizes the LFD process used to develop the revenue estimate.

Total gross value of coal and the major minerals are forecast as described in the general fund source section. The tax rate is applied to the gross value to arrive at the revenue forecast. The allocation process distributes the revenue to the various non-general fund accounts.

Revenue Projection:



Forecast Methodology

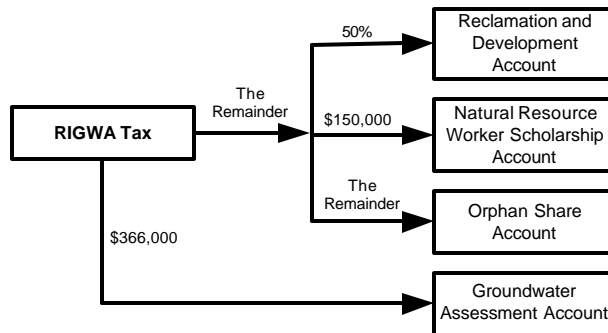


Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Oil	Natural Gas	Coal	Metals	Other
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	6.793459	0.000000	0.851792	0.159668	0.906413	0.000000	0.239000
Actual	2001	2.744480	0.000000	1.667407	0.000000	0.838000	0.000000	0.239000
Actual	2002	2.200785	0.000000	0.976477	0.000000	0.826000	0.000000	0.239000
Forecast	2003	1.080000	0.000000	0.000000	0.000000	0.841000	0.000000	0.239000
Forecast	2004	1.055000	0.000000	0.000000	0.000000	0.816000	0.000000	0.239000
Forecast	2005	1.062000	0.000000	0.000000	0.000000	0.823000	0.000000	0.239000

	t	Trust Other	Trust Metal	Renewable	Ground	Reclamation	Orphan	Trust Balance
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	3.391472	0.000000	0.000000	0.521579	1.440204	1.440204	96.404163
Actual	2001	2.205880	0.000000	0.000000	0.300000	0.119300	0.119300	100.373547
Actual	2002	1.588631	0.000000	0.000000	0.300000	0.156077	0.156077	102.065653
Forecast	2003	0.000000	0.000000	0.000000	0.366000	0.357000	0.207000	99.999990
Forecast	2004	0.000000	0.000000	0.000000	0.366000	0.345000	0.194000	99.999990
Forecast	2005	0.000000	0.000000	0.000000	0.366000	0.348000	0.198000	99.999990

Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Description: Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0 percent of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

Applicable Tax Rate(s): N/A

Distribution: All receipts are deposited into the general fund.

Collection Frequency: Monthly

Applicable Assumptions and/or Relevant Indicators:

Federal Lands:

Montana Oil Price	Montana Coal Price	Federal Royalty Rate for Coal
Montana Oil Production	Montana Coal Production	Other Federal Royalty Revenue
Montana Natural Gas Price	Federal Royalty Rate for Oil	Federal Rent and Bonus
Montana Natural Gas Production	Federal Royalty Rate for Natural Gas	Payments
		Federal Administrative Fees

Data Source(s): SABHRS, Department of Revenue

Contacts: U.S. Minerals Management Service

Statute: N/A

% of Total FY 2002 General Fund Revenue: 1.56%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

The revenue estimate for this source is calculated in several steps:

Federal royalty revenue is calculated for each of the minerals produced on federal land, as follows:

1. Federal coal royalty revenue = (Montana coal production x Montana coal price x federal royalty rate for coal)
2. Federal oil royalty revenue = (Montana oil production x Montana oil price x federal royalty rate for oil)
3. Federal natural gas royalty revenue = (Montana natural gas production x Montana natural gas price x federal royalty rate for natural gas)

Federal royalty revenue is then calculated for other federal royalty revenue. The sum of these four sources provides total federal royalty revenue.

Next, total federal royalty revenue is added to federal rent and bonus revenue, and the sum multiplied by 0.50 to determine

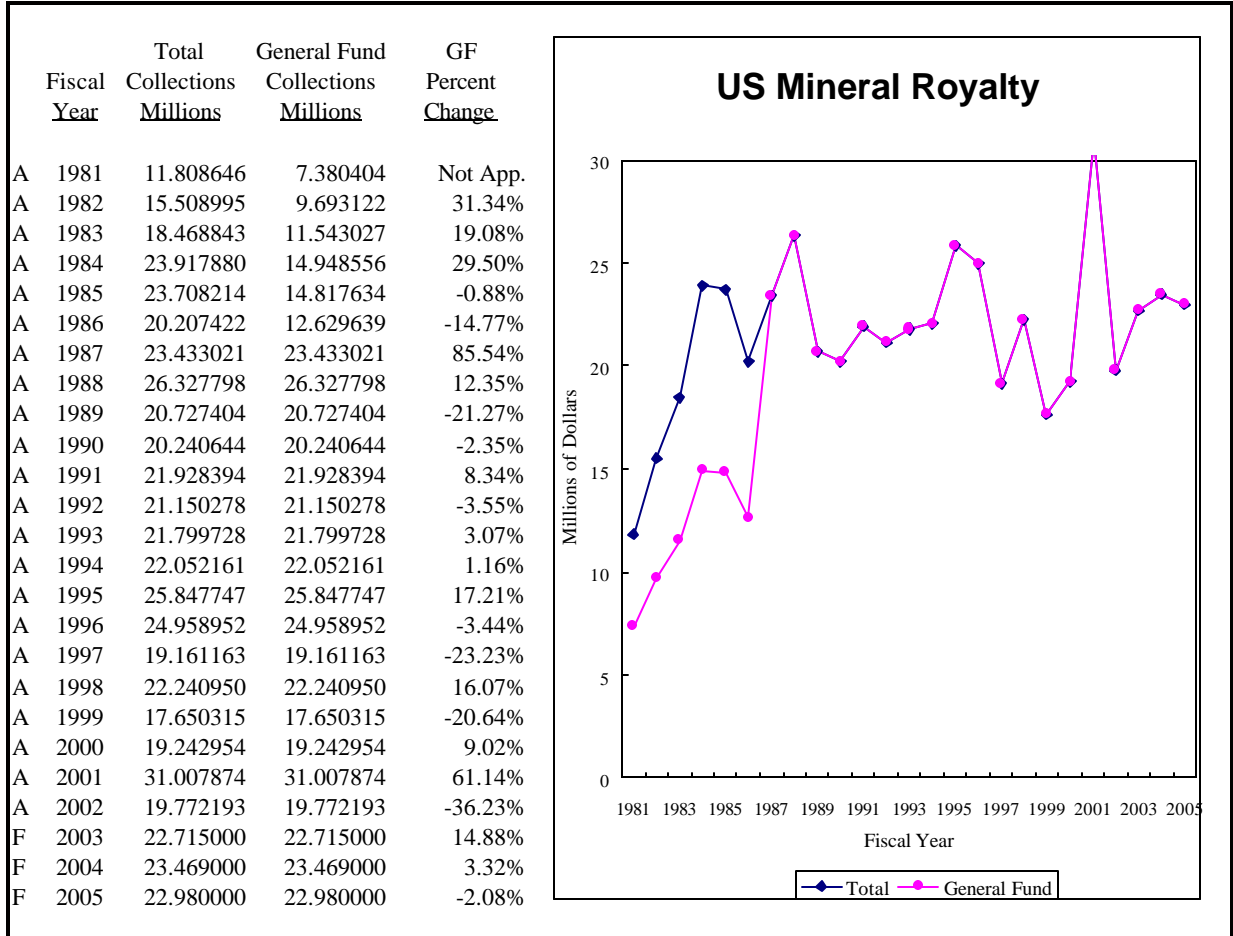
Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

the state's share. In the past, federal administrative fees were deducted from the state's share to compute the anticipated state revenue. However with the passage of federal legislation HR 2389, administrative fees are no longer deducted beginning October 2000. Finally, the anticipated state revenue is converted from a calendar to a fiscal year basis.

Revenue Projection:

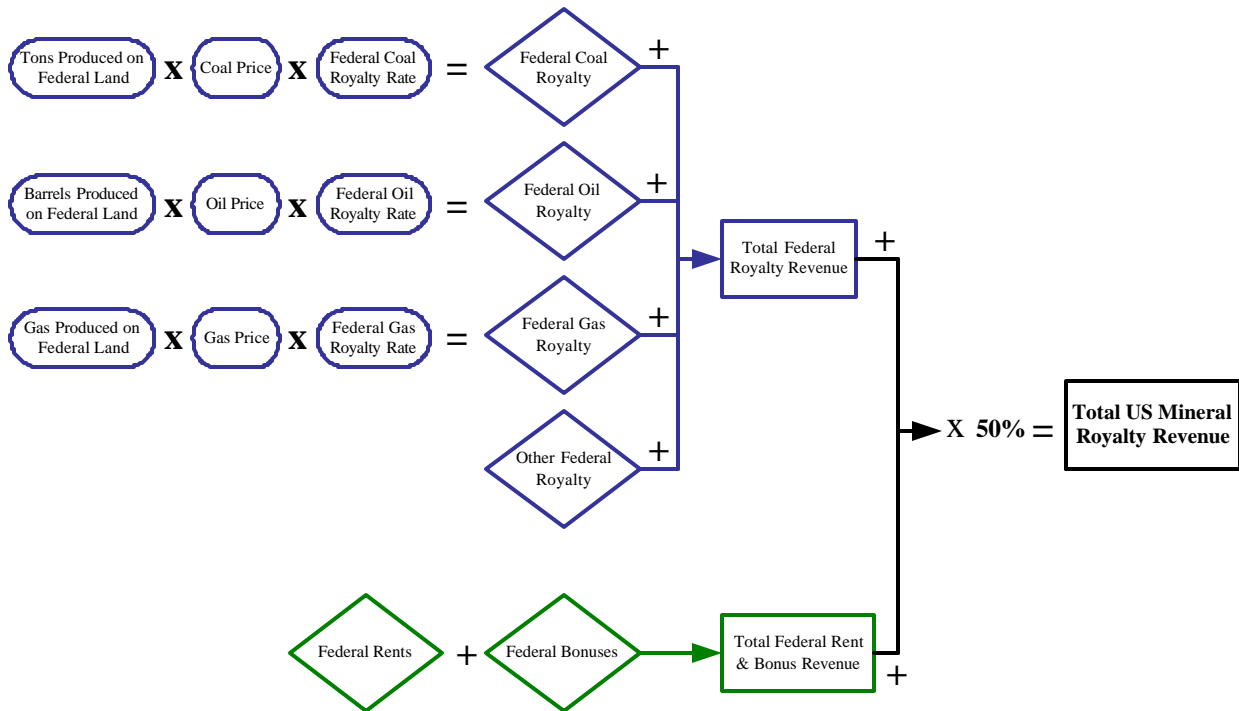


Legislative Fiscal Division

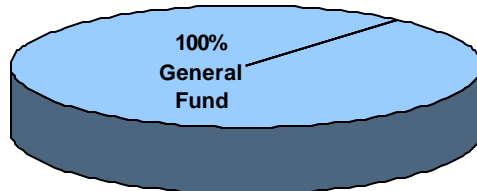
Revenue Estimate Profile

US Mineral Royalty

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Estimate Assumptions

	t	Total Rev.	GF Rev.	One-Time
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Settlement</u>
				<u>Millions</u>
Actual	2000	19.242954	19.242954	
Actual	2001	31.007874	31.007874	6.038000
Actual	2002	19.772193	19.772193	0.000000
Forecast	2003	22.715000	22.715000	0.000000
Forecast	2004	23.469000	23.469000	0.000000
Forecast	2005	22.980000	22.980000	0.000000

	t	Oil	Coal	Gas	Oil	Coal	Gas
	<u>Cal</u>	<u>Barrels</u>	<u>Tons</u>	<u>MCF's</u>	<u>Price</u>	<u>Price</u>	<u>Price</u>
Actual	2000	2.844204	23.263951	18.562337	26.936413	8.896481	3.716299
Actual	2001	2.882311	24.008898	21.522120	22.214013	8.184205	4.083795
Forecast	2002	2.920020	24.299180	23.707863	22.519021	8.464896	2.574271
Forecast	2003	2.954713	22.001140	25.718740	21.710934	8.300301	3.842195
Forecast	2004	2.986630	23.314760	27.568740	21.224134	8.194804	3.726929
Forecast	2005	3.101245	20.826560	29.270751	20.737335	7.729627	3.624471

	t	Oil	Coal	Gas	Oil	Coal	Gas
	<u>Cal</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>
Actual	2000	0.109451	0.122845	0.123153	8.385332	25.424898	8.495487
Actual	2001	0.109593	0.123490	0.123186	7.016987	24.265012	10.827055
Forecast	2002	0.109691	0.123400	0.122814	7.212840	25.382151	7.495395
Forecast	2003	0.109445	0.123229	0.122909	7.020851	22.503598	12.145427
Forecast	2004	0.109603	0.123186	0.122916	6.947585	23.535902	12.629218
Forecast	2005	0.109288	0.123337	0.123045	7.028481	19.854980	13.053966

	t	Other	Rent&Bonus	Total	Adm. Fee	State
	<u>Cal</u>	<u>Royalty</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Share</u>
Actual	2000	0.106007	2.538708	44.950432	1.039176	21.436040
Actual	2001	0.110419	5.361460	47.580933	0.259794	23.530673
Forecast	2002	0.107805	4.432048	44.630239	0.000000	22.315120
Forecast	2003	0.108077	4.449946	46.227899	0.000000	23.113950
Forecast	2004	0.107296	4.425656	47.645657	0.000000	23.822829
Forecast	2005	0.107726	4.226223	44.271376	0.000000	22.135688

Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

Revenue Description: The wholesale energy transaction tax, enacted by the 1999 legislature (HB 174) and effective January 1, 2000, is imposed on the amount of electricity transmitted by a transmission services provider in the state.

Applicable Tax Rate(s): The current tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; and 6) electricity that has been subject to the transmission tax in another state.

Distribution: All proceeds are deposited into the general fund.

Collection Frequency: Quarterly

Applicable Assumptions and/or Relevant Indicators:

- Kilowatt Hours Produced
- Line Loss
- Growth in electricity demand (DRI-WEFA)

Data Source(s): SABHRS, Department of Revenue Wholesale Energy Tax Returns, DRI-WEFA, *Wall Street Journal*

Contacts: Department of Revenue

Statute: Title 15, Chapter 72, MCA

% of Total FY 2002 General Fund Revenue: 0.23%

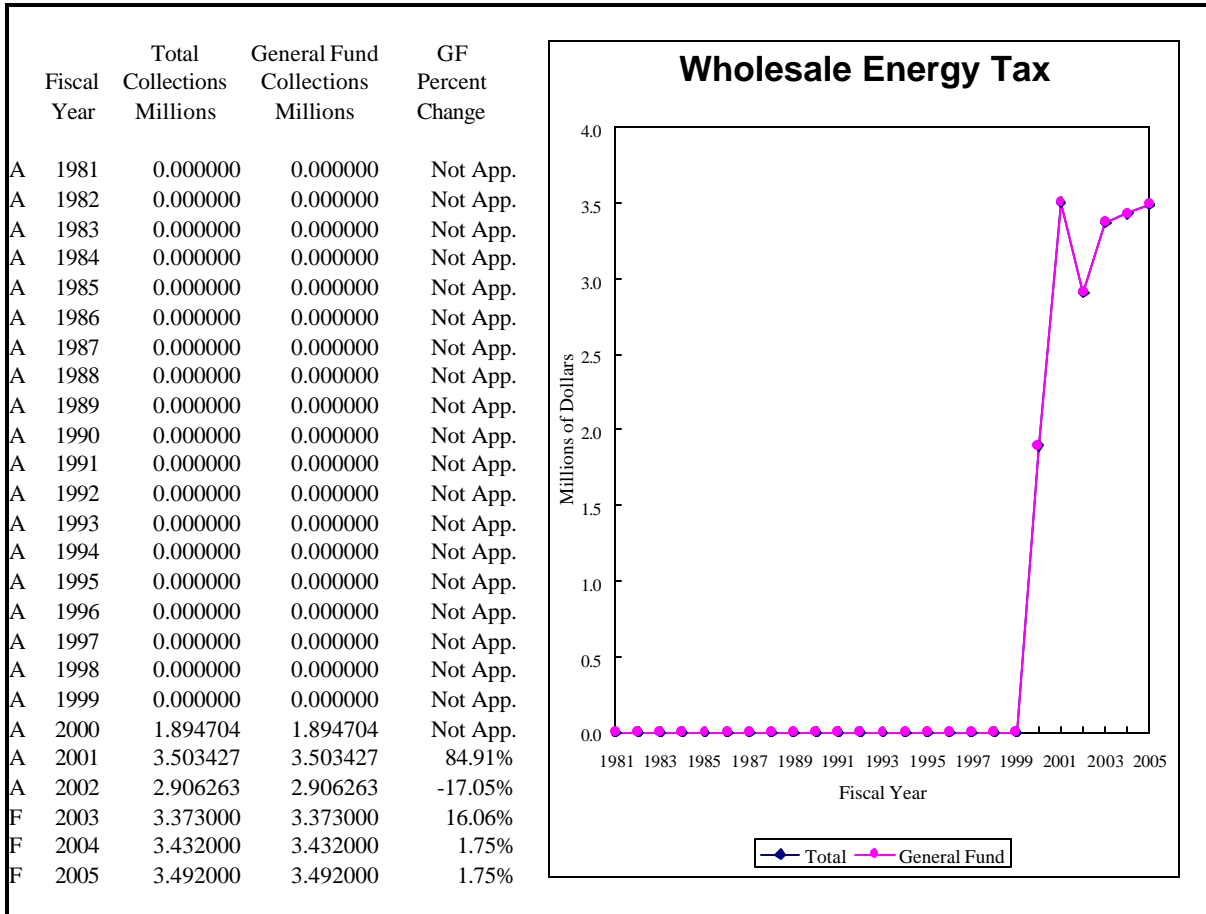
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD surveys major companies for anticipated total kilowatt hours produced (KWH) on a calendar basis and then converts KWH to a fiscal year basis. The survey results are for companies producing electricity in the state and their distributors. The estimated tax revenue is computed by multiplying total KWH, less line loss, by the tax rate.

Legislative Fiscal Division

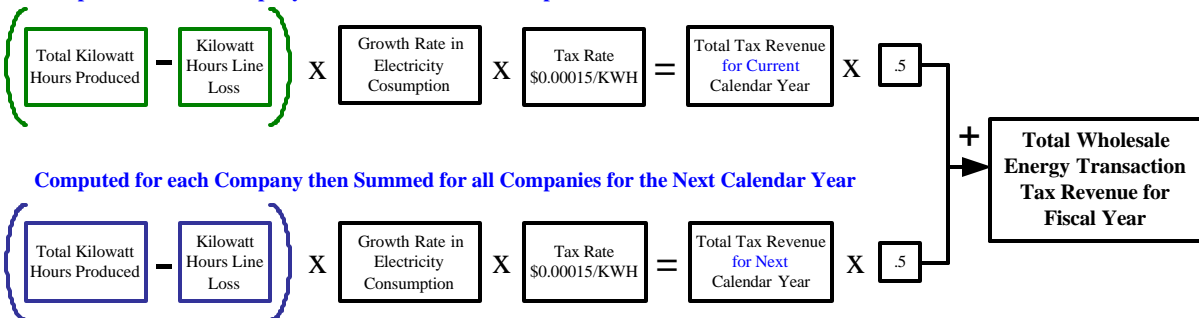
Revenue Estimate Profile Wholesale Energy Tax

Revenue Projection:



Forecast Methodology

Computed for each Company then Summed for all Companies for the Current Calendar Year

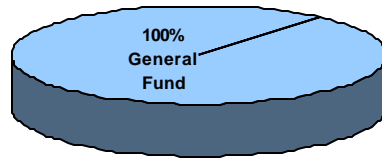


Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	KWH CY	KWH FY	Credits	Tax
	Fiscal	Millions	Millions	Millions	Millions	Millions	Rate
Actual	2000	1.894704	1.894704	24014.897114	12273.924051	0.000000	0.000150
Actual	2001	3.503427	3.503427	22620.081642	22658.110488	0.000000	0.000150
Actual	2002	2.906263	2.906263	22987.511582	22775.157501	0.000000	0.000150
Forecast	2003	3.373000	3.373000	23398.126899	22489.410171	0.000000	0.000150
Forecast	2004	3.432000	3.432000	23794.853518	22880.160110	0.000000	0.000150
Forecast	2005	3.492000	3.492000	24218.357593	23278.167335	0.000000	0.000150

