AN ACT REVISING DISTRIBUTION OF CERTAIN OIL AND NATURAL GAS PRODUCTION TAXES; REVISING DEPOSITS TO THE OIL AND GAS PRODUCTION DAMAGE MITIGATION ACCOUNT; AMENDING SECTIONS 15-36-331 AND 82-11-161, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-36-331, MCA, is amended to read:

"**15-36-331. Distribution of taxes.** (1) (a) For each calendar quarter, the department shall determine the amount of tax, late payment interest, and penalties collected under this part.

(b) For the purposes of distribution of oil and natural gas production taxes to county and school district taxing units under 15-36-332 and to the state, the department shall determine the amount of oil and natural gas production taxes paid on production in the taxing unit.

(2) (a) The amount of oil and natural gas production taxes collected for the percentage of privilege and license tax established by the board pursuant to 82-11-131 must be deposited, in accordance with the provisions of 17-2-124, in the account in the state special revenue fund for the purpose of paying expenses of the board, as provided in 82-11-135.

(b) After the allocation provided for in subsection (2)(a), up to 0.08% of the tax collected pursuant to 15-36-304(7) must be deposited in the oil and gas natural resource distribution account established in 90-6-1001(1) for distribution pursuant to 15-36-332(7).

(c) (i) ~~Any~~ Except as provided in subsection (2)(c)(ii), any funds remaining after the allocations provided for in subsections (2)(a) and (2)(b) must be deposited in the oil and gas production damage mitigation account as provided in 82-11-161.

(ii) If the unobligated cash balance in the oil and gas production damage mitigation account equals or exceeds $10 million, then there is no deposit to the oil and gas production damage mitigation account, and the funds must remain in the board's expense account provided for in 82-11-135 as reserves for the board or for legislative transfer for purposes related to the impacts of oil and gas production.

(3) (a) For each tax year, the amount of oil and natural gas production taxes determined under subsection (1)(b) is allocated to each county according to the following schedule:

Big Horn	45.05%
Blaine	58.39%
Carbon	48.27%
Chouteau	58.14%
Custer	69.53%
Daniels	50.81%
Dawson	47.79%
Fallon	41.78%
Fergus	69.18%
Garfield	45.96%
Glacier	58.83%
Golden Valley	58.37%
Hill	64.51%
Liberty	57.94%
McCone	49.92%
Musselshell	48.64%
Petroleum	48.04%
Phillips	54.02%
Pondera	54.26%
Powder River	60.9%
Prairie	40.38%
Richland	47.47%
Roosevelt	45.71%

Rosebud	39.33%
Sheridan	47.99%
Stillwater	53.51%
Sweet Grass	61.24%
Teton	46.1%
Toole	57.61%
Valley	51.43%
Wibaux	49.16%
Yellowstone	46.74%
All other counties	50.15%

(b) The oil and natural gas production taxes allocated to each county must be deposited in the state special revenue fund and transferred to each county for distribution, as provided in 15-36-332.

(4) The department shall, in accordance with the provisions of 17-2-124, distribute the state portion of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3) as follows:

(a) 2.16% to the natural resources projects state special revenue account established in 15-38-302;

(b) 2.02% to the natural resources operations state special revenue account established in 15-38-301;

(c) 2.95% to the orphan share account established in 75-10-743;

(d) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the purposes of the state tax levy as provided in 15-10-109; and

(e) all remaining proceeds to the state general fund.

(5) A payment required pursuant to this section may be withheld if, for more than 90 days, a local government fails to:

(a) file a financial report required by 15-1-504;

(b) remit any amounts collected on behalf of the state as required by 15-1-504; or

(c) remit any other amounts owed to the state or another taxing jurisdiction."

Section 2. Section 82-11-161, MCA, is amended to read:

"**82-11-161. (Temporary) Oil and gas production damage mitigation account -- statutory appropriation.** (1) There is an oil and gas production damage mitigation account within the state special revenue fund established in 17-2-102. The oil and gas production damage mitigation account is controlled by the board.

(2) (a) At the beginning of each biennium, there must be allocated to the oil and gas production damage mitigation account $650,000 from the interest income of the resource indemnity trust fund, except that if at the beginning of a biennium the unobligated cash balance in the oil and gas production damage mitigation account:

(i) equals or exceeds $1 million, no allocation will be made; or

(ii) is less than $1 million, then an amount less than or equal to the difference between the unobligated cash balance and $1 million, but not more than $650,000, must be allocated to the oil and gas production damage mitigation account from the interest income of the resource indemnity trust fund.

(b) If $650,000 is not allocated pursuant to subsection (2)(a), the remainder must be deposited in the natural resources projects state special revenue account established in 15-38-302 for the purpose of making grants.

(3) In addition to the allocation provided in subsection (2), there must be deposited in the oil and gas production damage mitigation account all funds received by the board pursuant to <u>15-36-331(2)(c) and</u> 82-11-136.

(4) If a sufficient balance exists in the account, funds are statutorily appropriated, as provided in 17-7-502, from the oil and gas production damage mitigation account, upon the authorization of the board, to pay the reasonable costs of properly plugging a well and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations if the board determines that the well, sump, hole, drill site, or drilling or producing area has been abandoned and the responsible person cannot be identified or located or if the responsible person fails or refuses to properly plug, reclaim, or restore the well, sump, hole, drill site, or drilling or producing area within a reasonable time after demand by the board. The responsible person shall, however, pay costs to the extent of that person's available resources and is

subsequently liable to fully reimburse the account or is subject to a lien on property as provided in 82-11-164 for costs expended from the account to properly plug, reclaim, or restore the well, sump, hole, drill site, or drilling or producing area and to mitigate any damage for which the person is responsible.

(5) Interest from funds in the oil and gas production damage mitigation account accrues to that account.

82-11-161. (Effective on occurrence of contingency) Oil and gas production damage mitigation account -- statutory appropriation. (1) There is an oil and gas production damage mitigation account within the state special revenue fund established in 17-2-102. The oil and gas production damage mitigation account is controlled by the board.

(2) (a) At the beginning of each biennium, there must be allocated to the oil and gas production damage mitigation account $650,000 from the interest income of the resource indemnity trust fund, except that if at the beginning of a biennium the unobligated cash balance in the oil and gas production damage mitigation account:

(i) equals or exceeds $1 million, no allocation will be made; or

(ii) is less than $1 million, then an amount less than or equal to the difference between the unobligated cash balance and $1 million, but not more than $650,000, must be allocated to the oil and gas production damage mitigation account from the interest income of the resource indemnity trust fund.

(b) If $650,000 is not allocated pursuant to subsection (2)(a), the remainder must be deposited in the natural resources projects state special revenue account established in 15-38-302 for the purpose of making grants.

(3) In addition to the allocation provided in subsection (2), there must be deposited in the oil and gas production damage mitigation account all funds received by the board pursuant to <u>15-36-331(2)(c) and</u> 82-11-136(1).

(4) If a sufficient balance exists in the account, funds are statutorily appropriated, as provided in 17-7-502, from the oil and gas production damage mitigation account, upon the authorization of the board, to pay the reasonable costs of properly plugging a well and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations if the board determines that the well, sump, hole, drill site, or drilling or producing area has been abandoned and the responsible person cannot be

identified or located or if the responsible person fails or refuses to properly plug, reclaim, or restore the well, sump, hole, drill site, or drilling or producing area within a reasonable time after demand by the board. However, the responsible person shall pay costs to the extent of that person's available resources and is subsequently liable to fully reimburse the account or is subject to a lien on property as provided in 82-11-164 for costs expended from the account to properly plug, reclaim, or restore the well, sump, hole, drill site, or drilling or producing area and to mitigate any damage for which the person is responsible.

(5) Interest from funds in the oil and gas production damage mitigation account accrues to that account."

Section 3. Effective date. [This act] is effective July 1, 2025.

- END -

I hereby certify that the within bill,

SB 339, originated in the Senate.

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Secretary of the Senate

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President of the Senate

Signed this _________________________________ day

of ______________________________________, 2025.

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Speaker of the House

Signed this _________________________________ day

of ______________________________________, 2025.

SENATE BILL NO. 339

INTRODUCED BY D. ZOLNIKOV

AN ACT REVISING DISTRIBUTION OF CERTAIN OIL AND NATURAL GAS PRODUCTION TAXES; REVISING DEPOSITS TO THE OIL AND GAS PRODUCTION DAMAGE MITIGATION ACCOUNT; AMENDING SECTIONS 15-36-331 AND 82-11-161, MCA; AND PROVIDING AN EFFECTIVE DATE.”