

# Revenue Streams in Montana

Commodity	State & County Assessed Taxes <i>On Federal, State, and Private Land</i>		Rents, Bonuses, & Royalties <i>On State Land</i>			Federal Revenue Streams	
	<i>Severance &amp; License Taxes</i>	<i>Ad Valorem Taxes</i>	<i>Securing a Lease or Claim</i>	<i>Pre or Postponed Production</i>	<i>During or Post Production</i>	<i>Abandoned Mine Land (AML) Fees</i>	<i>U.S. Mineral Royalties</i>
<b>Oil &amp; Gas</b>	<p><b>Oil Production Tax:</b> 15.06% of the gross value of production for royalty owner; working interest tax rates vary depending on a number of factors including when the well was first drilled, how long its been producing, and its level of production. For more detail, see the section on the oil &amp; natural gas tax in the Department of Revenue's <a href="#">biennial report</a></p> <p><b>Natural Gas Production Tax:</b> 15.06% of the gross value of production for royalty owners; working interest tax rates vary depending on a number of factors including when the well was first drilled, how long its been producing, and its level of production. For more detail, see the section on the oil &amp; natural gas tax in the Department of Revenue's <a href="#">biennial report</a></p>		<p><b>Bonus:</b> amount paid by the highest bidder</p>	<p><b>Rents:</b> at least \$1.50 per acre and no less than \$100 per annum</p> <p><b>Delay Drilling Penalties:</b> an additional \$1.25 per acre in years 5-6 if no drilling has occurred and then \$2.50 per acre in years 7-10</p> <p><b>Seismic Permits:</b> \$10 application fee</p>	<p><b>Oil Royalties:</b> 16.67% of amount produced</p> <p><b>Gas Royalties:</b> 16.67% of amount produced and \$400/well for gas not sold or used off premises</p> <p><b>Shut-In Oil Royalties:</b> \$100 per lease per year or amount of annual lease rental (whichever is greater)</p> <p><b>Surface Damages:</b> calculated on a lease by lease basis</p>		
<b>Coal</b>	<p><b>Severance Tax:</b> Rates vary depending on quality and mining method range from 15% of value for surface-mined, &gt;7,000 BTU/pound coal to 3% of value for underground mined, &lt;7,000 BTU/pound coal. For more detail, see the section on the coal severance tax in the Department of Revenue's <a href="#">biennial report</a></p> <p><b>Resource Indemnity &amp; Groundwater Assessment Tax (RIGWAT):</b> 0.4% of gross value of taxable production</p>	<p><b>Coal Gross Proceeds Tax:</b> 5% flat tax on the value of reported gross proceeds</p>	<p><b>Bonus:</b> amount paid by the highest bidder</p>	<p><b>Rents:</b> at least \$2.00 per acre, the current amount set by the Board of Land Commissioners is \$3.00</p>	<p><b>Royalties:</b> at least 10% of fair market value of coal, current rates set by the Board of Land Commissioners at 12.5% for surface-mined coal and 10.0% for subsurface-mining</p>	<p><b>AML Fees:</b> 50% of fees collected in state by OSMRE (per-ton fees of \$0.28 for surface-mined coal; \$0.12 for deep-mined coal; \$0.08 for lignite)</p>	49% of royalty revenue collected by ONRR from extraction on federal lands in Montana
<b>Non-Energy Minerals</b>	<p><b>Metalliferous Mines License Tax:</b> 1.6% of gross value of ore/bullion/matte and 1.81% of gross value of concentrates</p> <p><b>Resource Indemnity &amp; Groundwater Assessment Tax (RIGWAT):</b> 4.0% (talc), 2.0% (vermiculite), 10.0% (limestone), 1.0% (garnets), 0.5% (other, excluding oil, gas, and metal production subject to the metal mines license tax) of gross value</p> <p><b>Micaceous Mines:</b> \$0.05/ton of concentrates mined, extracted, or produced</p>	<p><b>Metal Mines Gross Proceeds Tax</b> (Class 2 Property): 101 state mills (1.01%) and an average of 407 county mills (4.1%) assessed on 3% of the merchantable value of severed gold, silver, copper, lead, or other metals</p> <p><b>Miscellaneous Mines Net Proceeds Tax</b> (Class 1 Property): 101 state mills (1.01%) and an average of 319 county mills (3.2%) assessed on the net proceeds of talc, vermiculite, limestone, and industrial garnets and on the gross value for other mined products</p>	<p><b>Metalliferous Bonus:</b> amount paid by the highest bidder</p>	<p><b>Metalliferous Rents:</b> at least \$1.00 per acre for the first year, \$1.00 per acre for years 2-3, \$2.50 per acre for years 4-5, and \$3.00 per acre thereafter; at least \$100 per lease per year</p>	<p><b>Metalliferous Minerals or Gems Royalties:</b> rate determined by Board of Land Commissioners, no more than 8% of returns and no less than 5% of fair market value</p>		
<b>Renewables</b>	<p><b>Electrical Energy Producers' License Tax:</b> \$0.0002 tax per kilowatt hour of energy produced</p>	<p><b>Wind Generation Class 14 Property Tax:</b> 101 state mills (1.01%) and an average of 424 county mills (4.2%) assessed on 3% of the market value of production</p> <p><b>Wind Generation New &amp; Expanding Class 14 Property Tax:</b> 101 state mills (1.01%) and an average of 177 local mills (1.8%) assessed on varying rates of the market value of production</p> <p><b>Wind Generation Facility Impact Fee for Local Government Units and School Districts:</b> Rates vary but not to exceed 0.5% of the cost of construction</p>					

Sources for "State & County Assessed Taxes" and "Federal Transfers" sections: Montana Department of Revenue, "FY2014 Biennial Report;" for "Rents, Bonuses, & Royalties" section: Montana Department of Natural Resources & Conservation – Trust Land Management Division – Minerals Management Bureau, "Fiscal Year 2014 Annual Report;" for AML section: Office of Surface Mining Reclamation & Enforcement, "FY2017 Budget Justification;" for Wind Generation Facility Impact Fee: Montana Code 15-24-3004; for Oil & Gas Rents, Bonuses, and Rentals: DNRC Statutes and Rules for Governing the Leasing and Issuance of Oil and Gas Leases on State Lands

# How It Works in Montana

These state agencies regulate extraction and interact with industry across the five stages of extraction in Montana, particularly on state and private lands. On federal lands, state agencies will be involved, but to a lesser extent, as federal agencies are primarily responsible for managing the land. To see how extraction occurs on federal land, see the federal [“How it Works” section](#) for more information.

Plan



Lease



Explore



Develop



Decommission  
& Reclaim



Montana DNRC's [Board of Oil & Gas Conservation](#) permits all oil and gas wells while regulating the underground injecting program. It assists in remediation efforts and also inspects all oil and gas wells and operations to ensure they comply with all state environmental laws. For rules and regulations governing the Board of Oil & Gas Conservation, click [here](#).



Oil &  
Natural  
Gas



The Department of Revenue collects revenue from companies engaged in extraction. To see detailed explanations and authorizing statutes, click [here](#).



DEQ's [Waste Management & Remediation Division](#) administers and oversees investigation and cleanup of any necessary remediation of sites. Click [here](#) for rules & regulations.



DEQ's [Air, Energy, and Mining Division](#) issues air quality permits for oil & gas wells. Click [here](#) for more.



DEQ's [Air, Energy, and Mining Division](#) issues permits and monitors compliance for projects relating to coal and hard rock mines and applicable facilities, among other projects. It determines correct control measures and requirements needed to meet the laws and rules that have been enacted to protect the quality of the state's air, water, and land. If it finds violations, it provides technical assistance to bring violations back into compliance or prepares an enforcement request for the DEQ's [Enforcement Division](#). It also holds and reviews reclamation bonds for [coal](#) and [hard rock mining](#). For rules and regulations associated with coal, click [here](#), for hard rock mining, click [here](#).



Coal &  
Non-  
Energy  
Minerals



The Department of Revenue collects revenue from companies engaged in extraction. To see detailed explanations and authorizing statutes, click [here](#).



DEQ's [Waste Management & Remediation Division](#) administers and oversees investigation and cleanup of any necessary remediation of sites. Click [here](#) for rules & regulations.



The DNRC's [Reclamation & Development Grant Program](#) funds select abandoned mine projects.

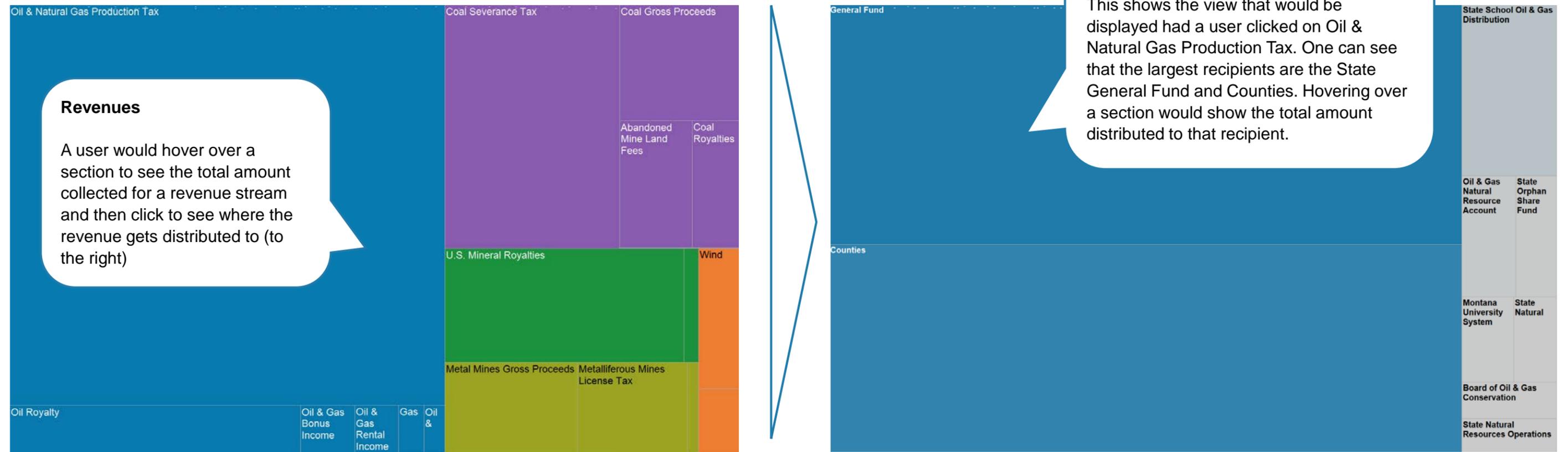
State  
Trust  
Land



DNRC's [Trust Land Management Division](#), specifically it's [Mineral Management Bureau](#), permits, regulates, and collects revenue for extraction on state trust lands. Their work complements that of the Board of Oil & Gas Conservation and the Department of Environmental Quality which still have regulatory authority over mines on state lands. To read more, see their [annual report](#) or the statutes and rules for [leasing state land](#).

# Revenue Mapping

**Revenue & Distribution Mapping:** The size of the area corresponds to relative amount of revenue generated by that revenue stream. The color indicates commodity type.



**Revenues**  
A user would hover over a section to see the total amount collected for a revenue stream and then click to see where the revenue gets distributed to (to the right)

**Distribution**  
This shows the view that would be displayed had a user clicked on Oil & Natural Gas Production Tax. One can see that the largest recipients are the State General Fund and Counties. Hovering over a section would show the total amount distributed to that recipient.

**Key:** Oil & Gas (blue), Coal (purple), Non-Energy Minerals (orange), Renewables (olive), Multiple Commodities (green)

SUM(Amount)  
2,454,052 110M

# Costs

In addition to generating government revenue, extractive activities also bring associated costs to state and local communities. The USEITI MSG prioritized four types of fiscal costs in last year's report: Transportation, Water, Reclamation, and Emergency Services. In Montana, these costs have been concentrated in eastern Montana due to increased activity in the Bakken Formation in Montana and in neighboring North Dakota. To read more about the impact on eastern Montana, you can read the Eastern Montana Impact Coalition's Regional Impact Analysis available [here](#).



## Transportation

Extraction can bring increased traffic to roads and highways that exceeds the capacity of existing infrastructure. This can necessitate investments in infrastructure improvements or increased maintenance costs.

The Montana Department of Transportation estimates an additional **\$52M per year in increased pavement needs** for highways in eastern Montana. Local governments in eastern Montana also saw increases in **budgets for streets and roads increase 44% to 345% from 2000 to 2013**. To read more, see the Department of Transportation's report on their efforts in response to the impacts from oil exploration and production in eastern Montana, available [here](#).



## Water

Increased extraction puts added demand on both water supplies and water infrastructure in communities. This can lead to increased rates and needs for infrastructure investments.

Surveyed communities in eastern Montana reported that **water rates increased an average of 86.4% from 2011 to 2014 and sewage rates increased 302.9%**. The Eastern Montana Impact Coalition also estimates that **\$33.8M to \$80.6M will be needed for incremental improvements to support growing demand** on water, sewage, and transportation systems. These figures don't include large projects.

Additionally, the Department of Environmental Quality plans, monitors, assesses, and enforces water quality in Montana. Activities it carries out relevant to the extractive industries include targeted water quality monitoring related to oil & gas development in eastern Montana and coal mining near Lake Koocanusa, and running the [Montana Ground Water Pollution Control System](#) and its permitting process. If you want to learn more, you can visit DEQ's water page [here](#) or read Montana's most recent Clean Water Act Integrated Report [here](#).



## Emergency Services

An uptick in extraction can lead to an increase in workers and the population around the area of extraction. These increases place demands on the emergency medical, fire, and police services of the state, counties, and towns.

Law enforcement at multiple jurisdictional levels in eastern Montana have increased efforts and seen costs rise related to increases in oil & gas activity. The **State Highway Patrol added a new detachment** to eastern Montana, county **sheriff offices have seen costs rise \$13.4M**, and surveyed **police departments have seen an average budget increase of 128.9% between 2000 and 2013**. Surveyed local governments also reported an **average increase of 169.2% in emergency spending from 2000 to 2013**.



## Reclamation

Multiple organizations in the Montana state government work on the reclamation and remediation of sites related to extraction.

DEQ's Waste Management and Remediation Division administers state and federal superfund sites as well as Montana's [Abandoned Mine Land Program](#). Montana has been "certified" by the federal Abandoned Mine Land Reclamation program (click [here](#) for more information), meaning that it has reclaimed its identified, high-priority abandoned coal mine areas. [Current projects](#) include addressing acid mine drainage in the Great Falls coal field, which is projected to cost \$96M, and managing subsidence events and the potential for subsidence in Red Lodge. To learn more about AML in Montana search [here](#) for Montana's most recent Annual Evaluation Report. To read more on bonding of active mines, click [here](#).

DNRC's Conservation and Resource Development Division runs the Reclamation and Development Grants program to fund projects that "compensate Montana citizens for the effects of exploration and mining on Montana lands." You can apply and read program abstracts [here](#).

The [Montana Department of Justice Natural Resources Damage Program](#) administers grants for the restoration of the Upper Clark Fork River Basin's natural resources "due to mining and mineral processing operations." **Between 2000 and 2011, the Governor approved 121 projects totaling \$121M**. You can read more [here](#).

# Laws & Regulations

Law Name & Code	Description
Montana Constitution	Montana's constitutions includes environmental protections including a right to a "clean and healthful environment" and provisions for environmental protection, improvement, and reclamation.
<a href="#">Title 82 Minerals, Oil, and Gas</a>	Section of the Montana Code Annotated that includes statutes related to minerals, oil, and gas
<a href="#">Title 15 Taxation</a>	Section of the Montana Code Annotated that covers taxation. Of particular relevance are Chapter 35 (Coal Severance), Chapter 36 (Oil & Gas Production Tax), Chapter 37 (Mining License Taxes), and Chapter 38 (RIGWAT Tax)
<a href="#">Title 77 State Lands</a>	Section of the Montana Code Annotated that covers state lands. Of particular relevance is Chapter 3 (Rock, Mineral, Coal, Oil, and Gas Resources)
Montana Environmental Policy Act (MCA §75-1-101, et seq.)	Aimed at the development and implementation of statewide policy and procedure to ensure that environmental impacts are considered in state planning, including environmental impact statements
Clean Air Act of Montana (MCA § 75-2-101, et seq.)	Seeks to "to achieve and maintain levels of air quality that will protect human health and safety and, to the greatest degree possible, prevent injury to plant and animal life"
Water Quality Act (MCA §75-5-101, et seq.)	Aims to "conserve water by protecting, maintaining, and improving the quality of water" throughout the state and to "provide a comprehensive program for the prevention, abatement, and control of water pollution."
Montana Metal Mine Reclamation Act (MCA §82-4-301, et seq.)	Provides for reclamation of hard rock and metal mines

Rules	Description
<a href="#">Title 36 Natural Resources and Conservation</a>	Section of the Administrative Rules of Montana covering the Department of Natural Resources & Conservation, of particular relevance are Chapter 19 (Reclamation and Development Grants Program), Chapter 22 (Board of Oil & Gas Conservation), and Chapter 25 (State Land Leasing)
<a href="#">Title 17 Environmental Quality</a>	Section of the Administrative Rules of Montana covering the Department of Environmental Quality, of particular relevance are Chapter 8 (Air Quality), Chapter 24 (Reclamation), and Chapter 30 (Water Quality)