



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0469 - Revise taxation of horizontally recompleted wells (Brewster, Larry)

Status: As Amended in Senate Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	unknown	unknown	unknown	unknown
State Special Revenue	unknown	unknown	unknown	unknown
Revenue:				
General Fund	unknown	unknown	unknown	unknown
State Special Revenue	unknown	unknown	unknown	unknown
Net Impact-General Fund Balance:	<u>unknown</u>	<u>unknown</u>	<u>unknown</u>	<u>unknown</u>

Description of fiscal impact: HB 469, as amended, lowers the tax rate assessed on the first 18 months of oil production from horizontally recompleted wells from 5.5% to 0.5%. The Montana Board of Oil and Gas Conservation (BOGC) must certify a horizontal well recompletion project for it to qualify for the specific associated tax rates. It is unknown how many of these projects the BOGC might certify during the FY 2024 – FY 2027 period; thus, the fiscal impact of HB 469 cannot be accurately quantified.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

1. HB 469, as amended, adds the volume of oil sourced from the recompletion of an existing horizontal well or existing horizontal drain hole to the definition of incremental production.
2. The tax rate for the first 18 months of oil production from horizontally recompleted wells is reduced from 5.5% to 0.5%.
3. For production from a horizontally recompleted well to qualify for the special, lower tax rates, the BOGC must certify the horizontal recompletion project to the department.

4. There are currently no active BOGC-certified horizontal recompletion projects. Projecting how many projects the BOGC might certify during the FY 2024 – FY 2027 analysis window, and the timing of such certifications, is subject to much uncertainty. Therefore, the fiscal impact of HB 469 cannot be comfortably quantified.
5. Only the incremental production from the recompletion of a horizontal well is subject to the reduced tax rate, as specified by the addition of new subsection (f) to 15-36-304(6), MCA.

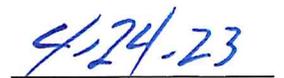
	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	unknown	unknown	unknown	unknown
State Special Revenue (02)	unknown	unknown	unknown	unknown
TOTAL Revenues	<u>unknown</u>	<u>unknown</u>	<u>unknown</u>	<u>unknown</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	unknown	unknown	unknown	unknown
State Special Revenue (02)	unknown	unknown	unknown	unknown



 Sponsor's Initials



 Budget Director's Initials



 Date