



ADMINISTRATIVE RULES OF MONTANA



42.25.1507 COMPUTATION OF GROSS VALUE

- (1) For all minerals except oil and gas, gross value of product for purposes of the resource indemnity trust tax will be determined at the time of extraction from the ground. The time of extraction is after loading the raw mineral product and before any hauling or transportation occurs.
- (2) Gross value of product at the time of extraction will be determined using one of the following methods for each product produced as noted:
 - (a) For coal, the gross value of the product is the "contract sales price" for the coal severance as stated in 15-35-102, MCA, times the tons produced; except the tonnage exemption defined in 15-35-103, MCA, cannot be claimed in computing the resource indemnity trust tax.
 - (i) If the department imputes a value for coal pursuant to 15-35-107, MCA, the same imputed value will be used in computing the resource indemnity trust tax.
 - (b) For talc, the gross value of the product is the tons produced in the year for which a return is filed times the value stated in 15-23-515, MCA.
 - (c) For vermiculite, the gross value of the product is the tons produced in the year for which a return is filed times the value stated in 15-23-516, MCA.
 - (d) For gold, silver, copper, lead, or any other metal or metals, or precious, semiprecious gems or stones, of any kind for which a resource indemnity trust tax return is filed, the gross value of the product is the "receipts received" as defined in 15-23-801, MCA.
 - (e) For lime rock, granite, marble, travertine, phosphate, bentonite, barite and other minerals, rock or stone extracted from underground mines, quarries, or open pits, gross value at the time of extraction will be determined using one of the following methods which are listed in the order they are to be considered:
 - (i) The producer's actual sales prices for mineral products sold at the time of extraction will be considered the best evidence of value provided the sales are arm's length and represent more than 30 percent of total mineral production. Sales of less than 30 percent of total production may be acceptable indicators of value if the sales price per unit is corroborated with other representative market data for minerals of like kind and grade. Upon request, the producer must provide documentation for this method to the department.
 - (ii) If the producer does not have the sales information discussed in (2)(e)(i) above, a market survey of other producers' sales of like kind and grade mineral products may be done. If this method is used, the producer must obtain market data for three or more other producers. This data must represent the results of competitive

transactions in markets with a substantial number of unrelated buyers and sellers. The producer must document that all values used are for minerals of comparable quality sold in quantities approximating the producers level of production. It may also be necessary to consider the geographic area served by the markets used for comparison. All information obtained by the producer to support this method must be provided to the department on request.

- (iii) If the information required by (2)(e)(i) or (ii) above is not available, the proportionate profits method may be used to compute a value in the absence of adequate market data. The general formula for this computation is stated below.

$$\text{Taxable value/unit} = \frac{\text{Direct costs through extraction}}{\text{Total direct costs}} \times \text{Sales price/unit}$$

- (A) Direct costs through extraction will include overburden removal, drilling, blasting, loading, mine reclamation, royalties and any other direct costs incurred through the loading process.
 - (B) Total direct costs will include, in addition to those noted above, all direct costs applied to the mineral products up to the point of production of the first marketable product or group of products that have not been manufactured or fabricated. These costs will typically include hauling, sorting, crushing, grinding, drying, smelting, refining, etc. Final reclamation costs related to dismantling facilities may also be included in total direct costs.
 - (C) The sales price per unit will be the weighted average price of the first marketable product or group of substantially similar products sold in significant quantities by the producer. The first marketable product or group of products will not include manufactured products. For example, a cement producer must use the sales price of bulk cement not the price of concrete blocks he may manufacture from the cement.
 - (D) Only direct costs may be used in computing the cost ratio for the formula. No costs that benefit the operation as a whole or are not directly related to a specific phase of the mining or processing of the mineral product will be included in the ratio.
- (iv) The department may use an alternative valuation method if warranted by an unusual situation.
- (3) For oil and gas, gross value of product for the purposes of the resource indemnity trust tax will be determined at the time of extraction at the wellhead. The gross value of product is the total value of all petroleum and other mineral or crude oil or natural gas produced each year. The value is determined by taking the total number of barrels or cubic feet produced each month during such

year at the average value at the mouth of the well during the month the product is produced. However, the total value shall be reduced for royalties paid to the United States, the state of Montana, Indians, Indian tribes, a county, or municipal government.

Authorizing statute(s): 15-1-201, MCA

Implementing statute(s): 15-38-104, 15-38-105, MCA

History: NEW, 1988 MAR p. 2411, Eff. 11/11/88; AMD, 1992 MAR p. 1766, Eff. 8/14/92; AMD, 2000 MAR p. 2988, Eff. 10/27/00; TRANS, from ARM 42.32.107, 2013 MAR p. 180, Eff. 2/1/13.