

HOUSE BILL No. 4084

January 28, 1997, Introduced by Rep. McBryde and referred to the Committee on Tax Policy.

A bill to amend 1929 PA 48, entitled

"An act levying a specific tax to be known as the severance tax upon all producers engaged in the business of severing oil and gas from the soil; prescribing the method of collecting the tax; requiring all producers of such products or purchasers thereof to make reports; to provide penalties; to provide exemptions and refunds; to prescribe the disposition of the funds so collected; and to exempt those paying such specific tax from certain other taxes,"

by amending sections 3 and 15 (MCL 205.303 and 205.315), section 3 as amended by 1996 PA 135.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. (1) Except as provided in subsections (2) and (3),
2 the severance tax required to be paid by each producer at the
3 time of rendering each monthly report, or by a pipeline company,
4 common carrier, or common purchaser, for and on behalf of a
5 producer, ~~shall be in the amount of 5%~~ IS 2.5% of the gross
6 cash market value of the total production of gas or ~~6.6%~~ 3.3%

1 of the gross cash market value of the total production of oil
2 during the preceding monthly period, exclusive of the production
3 or proceeds from the production attributable to ~~the~~ THIS state,
4 ~~the government of~~ the United States, or a political subdivision
5 of ~~the~~ THIS state or ~~government of~~ the United States. The
6 value of all production shall be computed as of the time when and
7 at the place where the production was severed or taken from the
8 soil immediately after the severance. Except as otherwise pro-
9 vided in this section, the payment of the severance tax shall be
10 required of each producer. If the production is sold or deliv-
11 ered to a pipeline company and is transported by the pipeline
12 company through lines connected with the oil or gas well of the
13 owner, or of a common purchaser, the pipeline company, or common
14 purchaser shall receive and accept all the oil and gas ~~, subject~~
15 ~~to a lien as prescribed in section 8,~~ and the pipeline company
16 shall withhold out of the proceeds or price to be paid for the
17 products severed, the proportionate parts of the tax due by the
18 respective owners of the oil and gas at the time of severance
19 and, at the time required for the filing of the monthly reports
20 required in section 2, shall pay to the department of ~~revenue~~
21 TREASURY all the tax money collected or withheld. Each pipeline
22 company, common carrier, or common purchaser shall deduct from
23 the purchase price paid to a producer from whom it may receive
24 the oil or gas the amount of the severance tax levied in this
25 section before making the payment. If under the terms of a con-
26 tract the pipeline company, common carrier, or common purchaser
27 is required to reimburse a producer of oil or gas for the amount

1 of the severance tax or a part of the severance tax, the tax
2 reimbursement shall not be considered a part of the gross cash
3 market value of the total production of the oil or gas.

4 (2) The severance tax required to be paid by each producer
5 at the time of rendering each monthly report, or by a pipeline
6 company, common carrier, or common purchaser, for and on behalf
7 of a producer, on stripper well crude oil, as defined in section
8 8 of the emergency petroleum allocation act of 1973, PUBLIC LAW
9 93-159, 15 U.S.C. 757 and on crude oil from marginal properties
10 as defined in FORMER part 212, subpart D, of chapter II of title
11 10 of the code of federal regulations 10 ~~CFR~~ C.F.R. 212.72 to
12 212.77, ~~shall be in the amount of 4%~~ IS 2% of the gross cash
13 market value of the total production of the oil, during the pre-
14 ceding monthly period, exclusive of the production or proceeds
15 from the production attributable to ~~the~~ THIS state, ~~the gov-~~
16 ~~ernment of~~ the United States, or a political subdivision of
17 ~~the~~ THIS state or ~~government of~~ the United States. The value
18 of all production shall be computed as of the time when and at
19 the place where the production was severed or taken from the soil
20 immediately after the severance.

21 (3) A producer is not required to pay a severance tax on
22 income received from the hydrocarbons produced from devonian or
23 antrim shale qualifying for the nonconventional fuel credit con-
24 tained in section 29 of the internal revenue code of 1986, 26
25 U.S.C. 29 and acquired pursuant to a royalty interest sold by the
26 state under section 503 OF PART 5 (DEPARTMENT OF NATURAL

1 RESOURCES GENERAL POWERS AND DUTIES) OF THE NATURAL RESOURCES AND
2 ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.503.

3 Sec. 15. The severance tax ~~herein~~ provided ~~for shall be~~
4 IN THIS ACT IS in lieu of all ~~other~~ AD VALOREM PROPERTY taxes,
5 state or local, upon the oil or gas, the property rights attached
6 ~~thereto~~ TO or inherent ~~therein~~ IN THE OIL OR GAS, or the
7 values created ~~thereby~~ IN THE OIL OR GAS; upon all leases or
8 the rights to develop and operate any lands of this state for oil
9 or gas, the values created ~~thereby~~ IN THE OIL OR GAS and the
10 property rights attached to or inherent ~~therein~~: ~~Provided, how-~~
11 ~~ever, Nothing herein contained shall in anywise~~ IN THE OIL OR
12 GAS. THIS SECTION DOES NOT exempt the machinery, appliances,
13 pipe lines, tanks, and other equipment used in the development or
14 operation of ~~said~~ THE leases, or used to transmit or transport
15 the ~~said~~ oil or gas. ~~And provided further, That nothing~~
16 ~~herein contained shall in anywise~~ THIS SECTION DOES NOT relieve
17 any corporation or association from the payment of any franchise
18 or privilege taxes required by ~~the provisions of the state cor-~~
19 ~~poration laws~~ LAW.