

SENATE BILL No. 597

June 16, 2005, Introduced by Senator BRATER and referred to the Committee on Appropriations.

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 section 3 (MCL 205.303), 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), the
2 severance tax required to be paid by each producer at the time of
3 rendering each monthly report, or by a pipeline company, common
4 carrier, or common purchaser, for and on behalf of a producer,
5 shall be in the amount of 5% of the gross cash market value of the
6 total production of gas or 6.6% of the gross cash market value of

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

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

3 (2) ~~The~~ **FOR MONTHS ENDING BEFORE SEPTEMBER 30, 2005, THE**
4 severance tax required to be paid by each producer at the time of
5 rendering each monthly report, or by a pipeline company, common
6 carrier, or common purchaser, for and on behalf of a producer, on
7 stripper well crude oil, as defined in **FORMER** section 8 of the
8 emergency petroleum allocation act of 1973, 15 ~~U.S.C.~~ **USC** 757 and
9 on crude oil from marginal properties as defined in **FORMER** part
10 212, subpart D, of chapter II of title 10 of the code of federal
11 regulations 10 CFR 212.72 to 212.77, shall be in the amount of 4%
12 of the gross cash market value of the total production of the oil,
13 during the preceding monthly period, exclusive of the production or
14 proceeds from the production attributable to the state, the
15 government of the United States, or a political subdivision of the
16 state or government of the United States. The value of all
17 production shall be computed as of the time when and at the place
18 where the production was severed or taken from the soil immediately
19 after the severance.

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