

**SEVERANCE TAX ON OIL OR GAS (EXCERPT)**  
**Act 48 of 1929**

**205.303 Severance tax; rate; computing value of production; payment; lien; withholding; deduction; reimbursement; exception; carbon dioxide secondary or enhanced recovery projects.**

Sec. 3.

(1) Except as provided in subsections (2), (3), and (4), the severance tax required to be paid by each producer at the time of rendering each monthly report, or by a pipeline company, common carrier, or common purchaser, for and on behalf of a producer, shall be in the amount of 5% of the gross cash market value of the total production of gas or 6.6% of the gross cash market value of the total production of oil during the preceding monthly period, exclusive of the production or proceeds from the production attributable to this state, the government of the United States, or a political subdivision of this state or government of the United States. The value of all production shall be computed as of the time when and at the place where the production was severed or taken from the soil immediately after the severance. Except as otherwise provided in this section, the payment of the severance tax shall be required of each producer. If the production is sold or delivered to a pipeline company and is transported by the pipeline company through lines connected with the oil or gas well of the owner, or of a common purchaser, the pipeline company, or common purchaser shall receive and accept all the oil and gas, subject to a lien, and the pipeline company shall withhold out of the proceeds or price to be paid for the products severed, the proportionate parts of the tax due by the respective owners of the oil and gas at the time of severance and, at the time required for the filing of the monthly reports required in section 2, shall pay to the department of treasury all the tax money collected or withheld. Each pipeline company, common carrier, or common purchaser shall deduct from the purchase price paid to a producer from whom it may receive the oil or gas the amount of the severance tax levied in this section before making the payment. If under the terms of a contract the pipeline company, common carrier, or common purchaser is required to reimburse a producer of oil or gas for the amount of the severance tax or a part of the severance tax, the tax reimbursement shall not be considered a part of the gross cash market value of the total production of the oil or gas.

(2) The severance tax required to be paid by each producer at the time of rendering each monthly report, or by a pipeline company, common carrier, or common purchaser, for and on behalf of a producer, on stripper well crude oil, as defined in former section 8 of the emergency petroleum allocation act of 1973, 15 USC 757 and on crude oil from marginal properties as defined in former part 212, subpart D, of chapter II of title 10 of the code of federal regulations 10 CFR 212.72 to 212.77, shall be in the amount of 4% of the gross cash market value of the total production of the oil, during the preceding monthly period, exclusive of the production or proceeds from the production attributable to this state, the government of the United States, or a political subdivision of this state or government of the United States. The value of all production shall be computed as of the time when and at the place where the production was severed or taken from the soil immediately after the severance.

(3) A producer is not required to pay a severance tax on income received from the hydrocarbons produced from devonian or antrim shale qualifying for the nonconventional fuel credit contained in section 45k of the internal revenue code, 26 USC 45k and acquired pursuant to a royalty interest sold by this state under section 503 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.503.

(4) For carbon dioxide secondary or enhanced recovery projects approved after March 30, 2014, the severance tax required to be paid by each producer at the time of rendering each monthly report, on oil or gas produced from a carbon dioxide secondary or enhanced recovery project, shall be 4.0% of the gross cash market value for oil and 4.0% of the gross cash market value for gas. This subsection does not apply to a producer convicted of an antitrust violation or conspiracy to commit an antitrust violation that is a crime under the laws of this state.

**History:** 1929, Act 48, Eff. Aug. 28, 1929 ;-- CL 1929, 3606 ;-- CL 1948, 205.303 ;-- Am. 1965, Act 299, Imd. Eff. July 22, 1965 ;-- Am. 1975, Act 5, Imd. Eff. Mar. 25, 1975 ;-- Am. 1979, Act 198, Eff. Jan. 1, 1980 ;-- Am. 1996, Act 135, Imd. Eff. Mar. 19, 1996 ;-- Am. 2014, Act 82, Imd. Eff. Apr. 1, 2014