SENATE BILL No. 786

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November 30, 1995, Introduced by Senators EMMONS, BENNETT and MC MANUS and referred to the Committee on Natural Resources and Environmental Affairs.

A bill to amend section 3 of Act No. 48 of the Public Acts of 1929, entitled as amended

"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,"

being section 205.303 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Section 1. Section 3 of Act No. 48 of the Public Acts of 1929, being section 205.303 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 3. (1) Except as provided in ~~subsection~~ SUBSECTIONS (2) AND (3), 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 the state, the government of the United States, or a political subdivision of the 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 as prescribed in section 8, 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 revenue all the tax money ~~so~~ 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 ~~shall be~~ IS required to reimburse a producer of oil or gas for the amount of the severance tax or a part ~~thereof~~ 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 section 8 of the emergency petroleum allocation act of 1973, 15 U.S.C. 757 and on crude oil from marginal properties as defined in 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 the state, the government of the United States, or a political subdivision of the 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 29 OF THE INTERNAL REVENUE CODE OF 1986, 26

U.S.C. 29 AND ACQUIRED PURSUANT TO A ROYALTY INTEREST SOLD BY THE STATE UNDER SECTION 503.

Section 2. This amendatory act shall not take effect unless all of the following bills of the 88th Legislature are enacted into law:

(a) Senate Bill No. 784.

(b) Senate Bill No. 785.