



House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

## OIL AND GAS SEVERANCE TAX REVENUE

**House Bill 4232**

**Sponsor: Rep. David Mead**

**House Bill 4233**

**Sponsor: Rep. Ken Bradstreet**

**Committee: Conservation and Outdoor  
Recreation**

**Complete to 5-11-01**

### **A SUMMARY OF HOUSE BILLS 4232 AND 4233 AS INTRODUCED 2-14-01**

The bills would amend Public Act 49 of 1929 (MCL 205.301 et al.), which regulates the severance tax that is imposed on oil and gas production, to disburse 25 percent of the revenues from severance taxes to the local counties, cities, villages, and townships from which the oil or gas is removed. The bills are tie-barred to each other.

Currently, under the act, revenue received in severance taxes during each fiscal year is deposited as follows:

- At least \$1,000, or two percent of the revenue received, is deposited into the Orphan Well Fund established under Part 616 of the Natural Resources and Environmental Protection Act (MCL 324.61601 et al.). Whenever the unspent balance of the fund exceeds \$3 million, further revenues cannot be credited to the fund until the unspent balance falls below \$3 million.
- The remaining revenue received during each fiscal year that is not allocated for the Orphan Well Fund must be credited to the general fund, and must be made available for any purpose for which the general fund is currently made available.

House Bill 4233 would amend the act (MCL 205.314) to require that, effective October 1, 2000, 25 percent of the revenue received from the oil and gas severance tax during each fiscal year be disbursed to local units of government from which the oil or gas was removed. House Bill 4232 would add a new section to the act (MCL 205.314a) to specify that of that 25 percent, half would be returned to the county from which the oil or gas had been removed; and half would be returned to the city, village, or township from which the oil or gas had been removed.

The remaining 75 percent of the oil and gas severance tax revenue would be distributed as under current law.

Analyst: R. Young

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.