



**House  
Legislative  
Analysis  
Section**

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**SEVERANCE TAXES: IN LIEU OF  
PROPERTY TAXES ONLY**

**House Bill 4574**

**Sponsor: Rep. Jack Minore**

**Committee: Tax Policy**

**Complete to 4-17-03**

**A SUMMARY OF HOUSE BILL 4574 AS INTRODUCED 4-10-03**

Under Public Act 48 of 1929, the state levies a severance tax upon each producer engaged in the business of “severing” oil and gas from the soil in the state. Generally speaking, the rate of the tax is 5 percent of the gross cash market value of the total gas production, and 6.6 percent of the gross cash market value of the total oil production.

The acts states that the severance tax is in lieu of all other taxes, state and local, upon the oil or gas, the property rights attached to or inherent in the oil or gas, or the values created by the oil or gas. The severance tax is also in lieu of taxes levied on all leases or rights to develop and operate lands for oil or gas and the values created by the leases or rights, and on the associated property rights. House Bill 4574 would amend this provision so that, except as otherwise provided, the severance tax would only be in lieu of ad valorem property taxes or specific taxes levied in lieu of ad valorem property taxes. [This means the severance tax would not be considered levied in lieu of other kinds of taxes.]

The bill would take effect for tax years starting on or after January 1, 2004.

MCL 205.315

House Bill 4574 (4-17-03)

Analyst: M. Wolf

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