

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4885

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, and by adding section 11a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. (1) Except as provided in subsections (2), ~~and~~(3),
2 **AND (4)**, the severance tax required to be paid by each producer at
3 the time of rendering each monthly report, or by a pipeline
4 company, common carrier, or common purchaser, for and on behalf of
5 a producer, shall be in the amount of 5% of the gross cash market

1 value of the total production of gas or 6.6% of the gross cash
2 market value of the total production of oil during the preceding
3 monthly period, exclusive of the production or proceeds from the
4 production attributable to ~~the~~**THIS** state, the government of the
5 United States, or a political subdivision of ~~the~~**THIS** state or
6 government of the United States. The value of all production shall
7 be computed as of the time when and at the place where the
8 production was severed or taken from the soil immediately after the
9 severance. Except as otherwise provided in this section, the
10 payment of the severance tax shall be required of each producer. If
11 the production is sold or delivered to a pipeline company and is
12 transported by the pipeline company through lines connected with
13 the oil or gas well of the owner, or of a common purchaser, the
14 pipeline company, or common purchaser shall receive and accept all
15 the oil and gas, subject to a lien, ~~as prescribed in section 8,~~ and
16 the pipeline company shall withhold out of the proceeds or price to
17 be paid for the products severed, the proportionate parts of the
18 tax due by the respective owners of the oil and gas at the time of
19 severance and, at the time required for the filing of the monthly
20 reports required in section 2, shall pay to the department of
21 ~~revenue~~**TREASURY** all the tax money collected or withheld. Each
22 pipeline company, common carrier, or common purchaser shall deduct
23 from the purchase price paid to a producer from whom it may receive
24 the oil or gas the amount of the severance tax levied in this
25 section before making the payment. If under the terms of a contract
26 the pipeline company, common carrier, or common purchaser is
27 required to reimburse a producer of oil or gas for the amount of

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

4 (2) The severance tax required to be paid by each producer at
5 the time of rendering each monthly report, or by a pipeline
6 company, common carrier, or common purchaser, for and on behalf of
7 a producer, on stripper well crude oil, as defined in **FORMER**
8 section 8 of the emergency petroleum allocation act of 1973, 15
9 ~~U.S.C.—USC~~ 757 and on crude oil from marginal properties as defined
10 in **FORMER** part 212, subpart D, of chapter II of title 10 of the
11 code of federal regulations 10 CFR 212.72 to 212.77, shall be in
12 the amount of 4% of the gross cash market value of the total
13 production of the oil, during the preceding monthly period,
14 exclusive of the production or proceeds from the production
15 attributable to ~~the—THIS~~ state, the government of the United
16 States, or a political subdivision of ~~the—THIS~~ state or government
17 of the United States. The value of all production shall be computed
18 as of the time when and at the place where the production was
19 severed or taken from the soil immediately 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—45K~~ of the internal revenue code, ~~of 1986,~~
24 ~~26 U.S.C.—29—USC~~ **45K** and acquired pursuant to a royalty interest
25 sold by ~~the—THIS~~ state under section 503 **OF THE NATURAL RESOURCES**
26 **AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.503.**

27 (4) **FOR CARBON DIOXIDE SECONDARY OR ENHANCED RECOVERY PROJECTS**

House Bill No. 4885 as amended March 19, 2014

1 APPROVED AFTER MARCH 30, 2014, THE SEVERANCE TAX REQUIRED TO BE
2 PAID BY EACH PRODUCER AT THE TIME OF RENDERING EACH MONTHLY REPORT,
3 ON OIL OR GAS PRODUCED FROM A CARBON DIOXIDE SECONDARY OR ENHANCED
4 RECOVERY PROJECT, SHALL BE 4.0% OF THE GROSS CASH MARKET VALUE FOR
5 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.>>

6 SEC. 11A. AS USED IN THIS ACT, "CARBON DIOXIDE SECONDARY OR
7 ENHANCED RECOVERY PROJECT" MEANS OPERATIONS DESIGNED TO INCREASE
8 THE AMOUNT OF OIL OR GAS RECOVERABLE FROM A RESERVOIR BY INJECTION
9 OF CARBON DIOXIDE, EITHER ALONE OR AS A PRIMARY COMPONENT OF A
10 MIXTURE WITH OTHER SUBSTANCES, PROVIDED THE PROJECT HAS BEEN
11 APPROVED AS A SECONDARY OR ENHANCED RECOVERY PROJECT BY ORDER OF
12 THE SUPERVISOR OF WELLS UNDER THE AUTHORITY OF PART 615 OF THE
13 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451,
14 MCL 324.61501 TO 324.61527, OR PART 617 OF THE NATURAL RESOURCES
15 AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.61701 TO
16 324.61738.

17 Enacting section 1. This amendatory act does not take effect
18 unless all of the following bills of the 97th Legislature are
19 enacted into law:

20 (a) House Bill No. 5254.

21 (b) House Bill No. 5255.