HOUSE BILL No. 4885

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June 20, 2013, Introduced by Reps. Nesbitt, Schmidt, Shirkey, Graves, Franz, Outman, Kurtz, Kelly, MacMaster, Rendon, Zorn, Howrylak, Victory, Lauwers, Johnson and Goike and referred to the Committee on Energy and Technology.

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:

Sec. 3. (1) Except as provided in subsections (2), ~~and~~ (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

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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~~ **THIS** state, the government of the United States, or a political subdivision of ~~the~~ **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**,** ~~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~~ **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 ~~U.S.C.~~ **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 ~~the~~ **THIS** state, the government of the United States, or a political subdivision of ~~the~~ **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 ~~29~~ **45K** of the internal revenue code**,** ~~of 1986,~~ 26 ~~U.S.C. 29~~ **USC 45K** and acquired pursuant to a royalty interest sold by ~~the~~ **THIS** state under section 503 **OF THE NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.503**.

(4) FOR OPERATIONS APPROVED AFTER SEPTEMBER 30, 2013, 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 SECONDARY OR ENHANCED PRODUCTION PROJECT, SHALL BE 3.3% OF THE GROSS CASH MARKET VALUE FOR OIL AND 3.0% OF THE GROSS CASH MARKET VALUE FOR GAS.

SEC. 11A. AS USED IN THIS ACT, "SECONDARY OR ENHANCED PRODUCTION" MEANS OPERATIONS DESIGNED TO INCREASE THE AMOUNT OF OIL OR GAS RECOVERABLE FROM THE RESERVOIR, AS COMPARED TO ORDINARY OPERATIONS, PROVIDED THE OPERATION HAS BEEN DESIGNATED AS A SECONDARY OR ENHANCED PRODUCTION OPERATION BY AND APPROVED BY ORDER OF THE SUPERVISOR OF WELLS OF THE DEPARTMENT OF ENVIRONMENTAL QUALITY UNDER THE AUTHORITY OF PART 615 OF THE NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.61501 TO 324.61527, OR PART 617 OF THE NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.61701 TO 324.61738.