

# HOUSE BILL No. 6083

December 6, 2012, Introduced by Rep. Nesbitt 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:**

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

1 cash market value of the total production of gas or 6.6% of the  
2 gross cash market value of the total production of oil during the  
3 preceding monthly period, exclusive of the production or proceeds  
4 from the production attributable to ~~the~~**THIS** state, the government  
5 of the United States, or a political subdivision of ~~the~~**THIS** state  
6 or government of the United States. The value of all production  
7 shall 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) **BEGINNING DECEMBER 31, 2012, THE SEVERANCE TAX REQUIRED TO**

1 BE PAID BY EACH PRODUCER AT THE TIME OF RENDERING EACH MONTHLY  
2 REPORT, ON OIL OR GAS PRODUCED FROM A SECONDARY OR ENHANCED  
3 PRODUCTION PROJECT, SHALL BE 4.0% OF THE GROSS CASH MARKET VALUE  
4 FOR OIL AND 3.0% OF THE GROSS CASH MARKET VALUE FOR GAS.

5 (5) BEGINNING DECEMBER 31, 2012, THE SEVERANCE TAX REQUIRED TO  
6 BE PAID BY EACH PRODUCER AT THE TIME OF RENDERING EACH MONTHLY  
7 REPORT SHALL BE IN THE AMOUNT OF 3.0% OF THE GROSS CASH MARKET  
8 VALUE OF THE TOTAL PRODUCTION OF GAS, WHEN THE MONTHLY GAS VOLUME  
9 AS REPORTED BY THE PRODUCER TO THE MICHIGAN PUBLIC SERVICE  
10 COMMISSION AVERAGES LESS THAN 15 THOUSAND CUBIC FEET (MCF) PER DAY  
11 FOR A SINGLE GAS WELL, OR AVERAGES LESS THAN 15 THOUSAND CUBIC FEET  
12 (MCF) PER DAY FOR ALL GAS WELLS WHEN GAS VOLUMES ARE REPORTED ON A  
13 MULTIWELL PROJECT.

14 SEC. 11A. AS USED IN THIS ACT, "SECONDARY OR ENHANCED  
15 PRODUCTION" MEANS THE INJECTION INTO A RESERVOIR OF SUBSTANCES SUCH  
16 AS WATER, BRINE, NATURAL GAS, NITROGEN, STEAM, OR CARBON DIOXIDE OR  
17 OTHER SUBSTANCE THAT DID NOT ORIGINATE IN THE RESERVOIR, TO  
18 INCREASE THE AMOUNT OF OIL OR GAS RECOVERABLE FROM THE RESERVOIR,  
19 PROVIDED THE INJECTION HAS BEEN APPROVED BY THE SUPERVISOR OF WELLS  
20 OF THE DEPARTMENT OF ENVIRONMENTAL QUALITY UNDER THE AUTHORITY OF  
21 PART 615 OF THE NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT,  
22 1994 PA 451, MCL 324.61501 TO 324.61527, OR PART 617 OF THE NATURAL  
23 RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL  
24 324.61701 TO 324.61738.