

By: Representative Hamilton

To: Oil, Gas and Other Minerals; Ways and Means

HOUSE BILL NO. 416

1 AN ACT TO AMEND SECTIONS 27-25-501, 27-25-503, 27-25-507,
2 27-25-509, 27-25-511, 27-25-513, 27-25-517, 27-25-521, 27-25-523,
3 27-25-701, 27-25-703, 27-25-705, 27-25-707, 27-25-709, 27-25-711,
4 27-25-715, 27-25-719, 27-25-721, 27-25-303, 27-25-305, 27-25-307,
5 27-25-309, 27-31-73, 27-35-51, 27-31-1, 27-41-79 AND 27-41-81,
6 MISSISSIPPI CODE OF 1972, TO PROVIDE THAT SEVERANCE TAXES ON OIL
7 AND GAS SHALL BE PAID BY THE INTEREST OWNER OF THE OIL AND GAS; TO
8 PROVIDE THAT SUCH TAXES SHALL BE PAID BY THE INTEREST OWNER
9 REGARDLESS OF WHETHER HE RESIDES IN THIS STATE; TO PROVIDE THAT
10 THE OWNER OF THE SURFACE RIGHTS IN REAL ESTATE UNDER WHICH OIL,
11 GAS OR OTHER MINERAL INTERESTS ARE OWNED OR HELD SEPARATELY MAY BE
12 EXEMPT FROM PAYING 10% OF THE AD VALOREM TAXES OTHERWISE DUE ON
13 THE REAL ESTATE, AND THE OWNER OR HOLDER OF ANY NONPRODUCING OIL,
14 GAS OR OTHER MINERAL INTEREST OWNED OR HELD SEPARATELY FROM THE
15 RIGHTS OWNED IN THE SURFACE ESTATE SHALL PAY A PRORATED PORTION OF
16 10% OF THE AD VALOREM TAXES DUE ON THE LAND; TO PROVIDE THAT IF
17 THE OWNER OR HOLDER OF ANY SEPARATELY OWNED OR HELD NONPRODUCING
18 OIL, GAS OR OTHER MINERAL INTEREST DOES NOT PAY THE PERCENTAGE OF
19 AD VALOREM TAXES THAT HE OR SHE IS REQUIRED TO PAY ON THE SURFACE
20 OF THE LAND UNDER WHICH THE OIL, GAS OR OTHER MINERAL INTEREST IS
21 LOCATED, THEN THE OIL, GAS OR OTHER MINERAL INTEREST SHALL BE SOLD
22 IN THE SAME MANNER AS LANDS ARE SOLD FOR NONPAYMENT OF TAXES; TO
23 PROVIDE THAT IF A SEPARATELY OWNED OR HELD NONPRODUCING OIL, GAS
24 OR OTHER MINERAL INTEREST IS OFFERED FOR SALE DUE TO NONPAYMENT OF
25 TAXES AND THE MINERAL INTEREST IS NOT PURCHASED AT SALE, THEN SUCH
26 MINERAL INTEREST SHALL REVERT TO THE OWNER OF THE SURFACE ESTATE
27 UNDER WHICH THE MINERAL INTEREST IS LOCATED, AND THE OWNER OF THE
28 SURFACE ESTATE SHALL BECOME LIABLE FOR THE AMOUNT OF DELINQUENT
29 TAXES FOR WHICH THE MINERAL INTEREST WAS OFFERED FOR SALE AND FOR
30 A PRORATED PORTION OF THE 10% OF AD VALOREM TAXES DUE ON THE LAND
31 THAT OWNERS OR HOLDERS OF SUCH SEPARATE MINERAL INTERESTS ARE
32 REQUIRED TO PAY; TO REQUIRE TAX COLLECTORS TO PROVIDE LISTS TO THE
33 CHANCERY COURT CLERK SPECIFYING MINERAL INTERESTS THAT WERE SOLD
34 FOR NONPAYMENT OF TAXES AND MINERAL INTERESTS THAT WERE OFFERED
35 FOR SALE AND WHICH REVERTED TO THE SURFACE OWNER DUE TO NOT BEING
36 PURCHASED AT SALE; AND FOR RELATED PURPOSES.

37 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

38 SECTION 1. Section 27-25-501, Mississippi Code of 1972, is
39 amended as follows:

40 27-25-501. Whenever used in this article, the following
41 words and terms shall have the definition and meaning ascribed to
42 them in this section, unless the intention to give a more limited
43 meaning is disclosed by the context:



44 (a) "Tax commission" means the Tax Commission of the
45 State of Mississippi.

46 (b) "Commissioner" means the Chairman of the State Tax
47 Commission.

48 (c) "Annual" means the calendar year or the taxpayer's
49 fiscal year when permission is obtained from the commissioner to
50 use a fiscal year as a tax period in lieu of a calendar year.

51 (d) "Value" means the sale price, or market value, at
52 the mouth of the well. If the oil is exchanged for something
53 other than cash, or if there is no sale at the time of severance,
54 or if the relation between the buyer and the seller is such that
55 the consideration paid, if any, is not indicative of the true
56 value or market price, then the commissioner shall determine the
57 value of the oil subject to tax, considering the sale price for
58 cash of oil of like quality. With respect to salvaged crude oil
59 as hereinafter defined, the term "value" shall mean the sale price
60 or market value of such salvaged crude oil at the time of its sale
61 after such salvaged crude oil has been processed or treated so as
62 to render it marketable.

63 (e) "Taxpayer" means any person liable for the tax
64 imposed by this article. With respect to the tax imposed upon
65 salvaged crude oil as hereafter defined, the term "taxpayer" shall
66 mean the person having title to the salvaged crude oil at the time
67 it is being processed or treated so as to render it marketable.

68 (f) "Oil" means petroleum, other crude oil, natural
69 gasoline, distillate, condensate, casinghead gasoline, asphalt or
70 other mineral oil which is mined, or produced, or withdrawn from
71 below the surface of the soil or water, in this state. Any type
72 of salvaged crude oil which, after any treatment, becomes
73 marketable shall be defined as crude oil which has been severed
74 from the soil or water.

75 (g) "Severed" means the extraction or withdrawing from
76 below the surface of the soil or water of any oil, whether such



77 extraction or withdrawal shall be by natural flow, mechanically
78 enforced flow, pumping or any other means employed to get the oil
79 from below the surface of the soil or water, and shall include the
80 withdrawing by any means whatsoever of oil upon which the tax has
81 not been paid, from any surface reservoir, natural or artificial,
82 or from a water surface. * * * However, * * * in the case of
83 salvaged crude oil, "severed" means the process of treating such
84 oil so that it will become marketable and the time of severance
85 shall occur upon completion of said treatment.

86 (h) "Person" means any natural person, firm,
87 copartnership, joint venture, association, corporation, estate,
88 trust or any other group, or combination acting as a unit, and the
89 plural as well as the singular number.

90 (i) "Producer" means any person * * * controlling,
91 managing or leasing any oil property, or oil well, and any person
92 who produces in any manner any oil by taking it from the earth or
93 water in this state, and shall include a person acting on behalf
94 of an interest owner of oil being produced, either by lease
95 contract or otherwise.

96 (j) "Engaging in business" means any act or acts
97 engaged in (personal or corporate) by producers, or parties at
98 interest, the result of which, oil is severed from the soil or
99 water, for storage, transport or manufacture, or by which there is
100 an exchange of money, or goods, or thing of value, for oil which
101 has been or is in process of being severed, from the soil or
102 water.

103 (k) "Barrel" for oil measurement, means a barrel of
104 forty-two (42) United States gallons of two hundred thirty-one
105 (231) cubic inches per gallon, computed at a temperature of sixty
106 (60) degrees Fahrenheit.

107 (l) "Production" means the total gross amount of oil
108 produced, including all royalty or other interest; that is, the
109 amount for the purpose of the tax imposed by this article shall be



110 measured or determined by tank tables compiled to show one hundred
111 percent (100%) of the full capacity of tanks without deduction for
112 overage or losses in handling. Allowance for any reasonable and
113 bona fide deduction for basic sediment and water, and for
114 correction of temperature to sixty (60) degrees Fahrenheit will be
115 allowed. If the amount of oil produced has been measured or
116 determined by tank tables compiled to show less than one hundred
117 percent (100%) of the full capacity of tanks, then such amount
118 shall be raised to a basis by one hundred percent (100%) for the
119 purpose of the tax imposed by this article.

120 (m) "Gathering system" means the pipelines, pumps and
121 other property used in gathering oil from the property on which it
122 is produced, the tanks used for storage at a central place,
123 loading racks and equipment for loading oil into tank cars or
124 other transporting media, and all other equipment and
125 appurtenances necessary to a gathering system for transferring oil
126 into trunk pipelines.

127 (n) "Discovery well" means any well producing oil from
128 a single pool in which a well has not been previously produced in
129 paying quantities after testing.

130 (o) "Development wells" means all oil producing wells
131 other than discovery wells and replacement wells.

132 (p) "Replacement well" means a well drilled on a
133 drilling and/or production unit to replace another well which is
134 drilled in the same unit and completed in the same pool.

135 (q) "Three-dimensional seismic" means data which is
136 regularly organized in three (3) orthogonal directions and thus
137 suitable for interpretation with a three-dimensional software
138 package on an interactive work station.

139 (r) "Two-year inactive well" means any oil or gas well
140 certified by the State Oil and Gas Board as having not produced
141 oil or gas in more than a total of thirty (30) days during a



142 twelve (12) consecutive month period in the two (2) years before
143 the date of certification.

144 (s) "Interest owner" means any person owning any
145 royalty or other interest in oil or its value.

146 SECTION 2. Section 27-25-503, Mississippi Code of 1972, is
147 amended as follows:

148 27-25-503. (1) Except as otherwise provided herein, there
149 is hereby levied, to be collected hereafter, as provided herein,
150 annual privilege taxes upon every interest owner who is producing,
151 or severing oil in this state, from the soil or water for sale,
152 transport, storage, profit or for commercial use. The amount of
153 such tax shall be measured by the value of the oil produced, and
154 shall be levied and assessed at the rate of six percent (6%) of
155 the value thereof at the point of production. However, such tax
156 shall be levied and assessed at the rate of three percent (3%) of
157 the value of the oil at the point of production on oil produced by
158 an enhanced oil recovery method in which carbon dioxide is used;
159 provided, that such carbon dioxide is transported by pipeline to
160 the oil well site and on oil produced by any other enhanced oil
161 recovery method approved and permitted by the State Oil and Gas
162 Board on or after April 1, 1994, pursuant to Section 53-3-101 et
163 seq.

164 (2) The tax is hereby levied upon the entire production in
165 this state regardless of whether the interest owner resides in
166 this state, regardless of the place of sale, or to whom sold, or
167 by whom used, or regardless of the fact that the delivery may be
168 made to points outside the state. The tax shall accrue at the
169 time such oil is severed from the soil, or water, and in its
170 natural, unrefined or unmanufactured state.

171 (3) (a) Oil produced from a discovery well for which
172 drilling or reentry commenced on or after April 1, 1994, but
173 before July 1, 1999, shall be exempt from the taxes levied under
174 this section for a period of five (5) years beginning on the date



175 of first sale of production from such well, provided that the
176 average monthly sales price of such oil does not exceed
177 Twenty-five Dollars (\$25.00) per barrel. The exemption for oil
178 produced from a discovery well as described in this paragraph (a)
179 shall be repealed from and after July 1, 2003, provided that any
180 such production for which a permit was granted by the board before
181 July 1, 2003, shall be exempt for an entire period of five (5)
182 years, notwithstanding that the repeal of this provision has
183 become effective. Oil produced from development wells or
184 replacement wells drilled in connection with discovery wells for
185 which drilling commenced on or after January 1, 1994, but before
186 July 1, 1999, shall be assessed at the rate of three percent (3%)
187 of the value of the oil at the point of production for a period of
188 three (3) years. The reduced rate of assessment of oil produced
189 from development wells or replacement wells as described in this
190 paragraph (a) shall be repealed from and after January 1, 2003,
191 provided that any such production for which drilling commenced
192 before January 1, 2003, shall be assessed at the reduced rate for
193 an entire period of three (3) years, notwithstanding that the
194 repeal of this provision has become effective.

195 (b) Oil produced from a discovery well for which
196 drilling or reentry commenced on or after July 1, 1999, shall be
197 assessed at the rate of three percent (3%) of the value of the oil
198 at the point of production for a period of five (5) years
199 beginning on the date of first sale of production from such well,
200 provided that the average monthly sales price of such oil does not
201 exceed Twenty Dollars (\$20.00) per barrel. The reduced rate of
202 assessment of oil produced from a discovery well as described in
203 this paragraph (b) shall be repealed from and after July 1, 2003,
204 provided that any such production for which a permit was granted
205 by the board before July 1, 2003, shall be assessed at the reduced
206 rate for an entire period of five (5) years, notwithstanding that
207 the repeal of this provision has become effective. Oil produced



208 from development wells or replacement wells drilled in connection
209 with discovery wells for which drilling commenced on or after July
210 1, 1999, shall be assessed at the rate of three percent (3%) of
211 the value of the oil at the point of production for a period of
212 three (3) years. The reduced rate of assessment of oil produced
213 from development wells or replacement wells as described in this
214 paragraph (b) shall be repealed from and after January 1, 2003,
215 provided that any such production for which drilling commenced
216 before July 1, 2003, shall be assessed at the reduced rate for an
217 entire period of three (3) years, notwithstanding that the repeal
218 of this provision has become effective.

219 (4) (a) Oil produced from a development well for which
220 drilling commenced on or after April 1, 1994, but before July 1,
221 1999, and for which three-dimensional seismic was utilized in
222 connection with the drilling of such well shall be assessed at the
223 rate of three percent (3%) of the value of the oil at the point of
224 production for a period of five (5) years, provided that the
225 average monthly sales price of such oil does not exceed
226 Twenty-five Dollars (\$25.00) per barrel. The reduced rate of
227 assessment of oil produced from a development well as described in
228 this paragraph (a) and for which three-dimensional seismic was
229 utilized shall be repealed from and after July 1, 2003, provided
230 that any such production for which a permit was granted by the
231 board before July 1, 2003, shall be assessed at the reduced rate
232 for an entire period of five (5) years, notwithstanding that the
233 repeal of this provision has become effective.

234 (b) Oil produced from a development well for which
235 drilling commenced on or after July 1, 1999, and for which
236 three-dimensional seismic was utilized in connection with the
237 drilling of such well shall be assessed at the rate of three
238 percent (3%) of the value of the oil at the point of production
239 for a period of five (5) years, provided that the average monthly
240 sales price of such oil does not exceed Twenty Dollars (\$20.00)



241 per barrel. The reduced rate of assessment of oil produced from a
242 development well as described in this paragraph (b) and for which
243 three-dimensional seismic was utilized shall be repealed from and
244 after July 1, 2003, provided that any such production for which a
245 permit was granted by the board before July 1, 2003, shall be
246 assessed at the reduced rate for an entire period of five (5)
247 years, notwithstanding that the repeal of this provision has
248 become effective.

249 (5) (a) Oil produced before July 1, 1999, from a two-year
250 inactive well as defined in Section 27-25-501 shall be exempt from
251 the taxes levied under this section for a period of three (3)
252 years beginning on the date of first sale of production from such
253 well, provided that the average monthly sales price of such oil
254 does not exceed Twenty-five Dollars (\$25.00) per barrel. The
255 exemption for oil produced from an inactive well shall be repealed
256 from and after July 1, 2003, provided that any such production
257 which began before July 1, 2003, shall be exempt for an entire
258 period of three (3) years, notwithstanding that the repeal of this
259 provision has become effective.

260 (b) Oil produced on or after July 1, 1999, from a
261 two-year inactive well as defined in Section 27-25-501 shall be
262 exempt from the taxes levied under this section for a period of
263 three (3) years beginning on the date of first sale of production
264 from such well, provided that the average monthly sales price of
265 such oil does not exceed Twenty Dollars (\$20.00) per barrel. The
266 exemption for oil produced from an inactive well shall be repealed
267 from and after July 1, 2003, provided that any such production
268 which began before July 1, 2003, shall be exempt for an entire
269 period of three (3) years, notwithstanding that the repeal of this
270 provision has become effective.

271 (6) (a) As used in this subsection the term "marginal well"
272 means:



273 (i) A well producing a monthly average of twenty
274 (20) barrels of oil a day or less from a depth of seven thousand
275 five hundred (7,500) feet or less; or

276 (ii) A well producing a monthly average of forty
277 (40) barrels of oil a day or less from a depth that is more than
278 seven thousand five hundred (7,500) feet.

279 (b) The owner of a marginal well shall be entitled to a
280 refund of two-thirds (2/3) of the taxes he pays monthly pursuant
281 to this section on oil produced from such well if the average
282 monthly sales price of oil he produces from such well does not
283 exceed Twelve Dollars (\$12.00) per barrel. In order to receive
284 the refund provided for in this subsection the owner shall present
285 the State Tax Commission with a statement from the State Oil and
286 Gas Board certifying that the well is a marginal well within the
287 meaning of this subsection. The State Tax Commission shall then
288 determine the average monthly sales price of the oil sold from
289 such well and pay the refund to the owner if it determines that
290 the owner is eligible for such refund. Funds for such refund
291 shall come from the General Fund.

292 (c) This subsection (6) shall stand repealed from and
293 after July 1, 2003.

294 (7) The State Oil and Gas Board shall have the exclusive
295 authority to determine the qualification of wells defined in
296 paragraphs (n) through (r) of Section 27-25-501.

297 SECTION 3. Section 27-25-507, Mississippi Code of 1972, is
298 amended as follows:

299 27-25-507. When any regular monthly report required from
300 producers or interest owners by this article, does not disclose
301 the actual source of any oil taxable under this article, but does
302 show such oil to have escaped from a well or wells and to have
303 been recovered from streams, lakes, ravines, or other natural
304 depressions, it shall be the duty of the commissioner to collect,
305 in addition to the privilege tax herein imposed, an additional



306 amount equal to fourteen percent (14%) of the gross value of such
307 escaped oil. The commissioner shall hold such additional
308 collection in a special escrow account for a period of twelve (12)
309 months from the date of the collection, during which time any
310 person or persons who claim to be the rightful owner or owners of
311 any royalty interest in the escaped oil, shall present proper and
312 satisfactory proof of such ownership to the commissioner. If the
313 commissioner shall be satisfied as to the ownership of such
314 escaped oil, then he shall pay to such claimant or claimants a
315 proportionate part of such additional collection held in escrow,
316 according to their proper interest or interests. No payment to
317 any claimant shall be made, however, before it is approved by the
318 Attorney General, or before it is ordered by any court having
319 proper jurisdiction. After the lapse of twelve (12) months from
320 the date of any additional collection, if no claim or claims have
321 been made to it, or to the balance remaining of it after the
322 payment by the commissioner of any claim or claims, the
323 commissioner shall distribute the additional collection or any
324 balance of it in the same manner as is herein provided for the
325 distribution of the tax imposed by this article.

326 SECTION 4. Section 27-25-509, Mississippi Code of 1972, is
327 amended as follows:

328 27-25-509. (1) The tax hereby imposed is levied upon the
329 interest owners of such oil in the proportion of their ownership
330 at the time of severance, but, except as otherwise herein
331 provided, may be paid by the person in charge of the production
332 operations, who, in such case shall deduct from any amount due to
333 interest owners of such production at the time of severance the
334 proportionate amount of the tax herein levied before making
335 payments to such interest owners. The tax shall become due and
336 payable as provided by this article and * * * shall constitute a
337 first lien upon any of the oil so produced, when in the hands of
338 the interest owner, or any purchaser of such oil in its



339 unmanufactured state or condition. In the event the person in
340 charge of production operations fails to pay the tax, then the
341 commissioner shall proceed against the interest owner to collect
342 the tax in accordance with the provisions made for the collection
343 of delinquent taxes by the Mississippi Sales Tax Law.

344 (2) When any person in charge of the production operations
345 shall sell the oil produced by him to any person under contracts
346 requiring such purchaser to pay all owners of such oil direct,
347 then the person in charge of the production operations may not be
348 required to deduct the tax herein levied, but in which event such
349 deduction shall be made by the purchaser before making payments to
350 each interest owner of such oil. * * * The purchaser in that case
351 shall account for the tax; provided that nothing herein shall be
352 construed as releasing the person in charge of production
353 operations from liability for the payment of said tax.

354 (3) When any person in charge of production operations shall
355 sell oil produced by him on the open market, he shall withhold the
356 tax imposed by this article, and if he is required to pay other
357 interest holders, * * * shall deduct from any amount due them, the
358 amount of tax levied and due under the provisions of this article
359 before making payment to them.

360 (4) Every person in charge of production operations by which
361 oil is severed from the soil or water in this state, who fails to
362 deduct and withhold, as required herein, the amount of tax from
363 sale or purchase price, when such oil is sold or purchased under
364 contract, or agreement, or on the open market, or otherwise, shall
365 be liable to the state for the full amount of taxes, interest, and
366 penalties which should have been deducted, withheld and remitted
367 to the state. * * * The commissioner shall proceed to collect the
368 tax from the person in charge of production operations, under the
369 provisions of this article, as if he were the interest owner of
370 the oil.



371 SECTION 5. Section 27-25-511, Mississippi Code of 1972, is
372 amended as follows:

373 27-25-511. When the title to any oil being severed from the
374 soil, or water, is in dispute, or whenever the producer, interest
375 owner of such oil from the soil, or water, or purchaser thereof,
376 shall be withholding payments on account of litigation, or for any
377 other reason, such producer, interest owner or purchaser shall
378 deduct from the gross amount thus held the amount of the tax
379 herein levied and imposed, and to make remittance thereof to the
380 commissioner as provided by this article.

381 SECTION 6. Section 27-25-513, Mississippi Code of 1972, is
382 amended as follows:

383 27-25-513. Every interest owner, producer or person in
384 charge of production operations by which oil is severed from the
385 soil, or water, in this state, when making the reports required by
386 this article, shall file with the commissioner a statement, under
387 oath, on forms prescribed by him, of the business conducted by
388 such producer or person in charge of production operations, during
389 the period for which the report is made, showing gross quantity of
390 oil and the value thereof, so severed or produced, and such other
391 reasonable and necessary information pertaining thereto as the
392 commissioner may require for the proper enforcement of the
393 provisions of this article.

394 SECTION 7. Section 27-25-517, Mississippi Code of 1972, is
395 amended as follows:

396 27-25-517. The commissioner shall have the power to require
397 any interest owner, producer, or person in charge of production
398 operations, or person purchasing any oil from the soil, or water,
399 to furnish any additional information by him deemed to be
400 necessary for the purpose of computing the amount of said tax; and
401 for said purpose to examine the books, records, and all files of
402 such person; and, to that end, the commissioner shall have the
403 power to examine witnesses, and if any such witness shall fail or



404 refuse to appear at the request of the commissioner, or refuse
405 access to books, records and files, said commissioner shall have
406 the power and authority to proceed as provided by the Mississippi
407 Sales Tax Law.

408 SECTION 8. Section 27-25-521, Mississippi Code of 1972, is
409 amended as follows:

410 27-25-521. Every person who is an interest owner of oil or
411 who is engaged in the business of producing or purchasing any oil
412 in this state, or who is in charge of production operations, and
413 who is required to pay the tax imposed by this article, shall make
414 and keep, for a period of three (3) years, a complete and accurate
415 record, in the form required by the commissioner, showing the
416 gross quantity of oil produced and value of same, the names of the
417 persons from whom purchased, and the time of purchase. It
418 is * * * the duty of such person to file quarterly with the
419 commissioner a statement, under oath, showing the names and
420 addresses of all persons from whom has been purchased any oil,
421 produced or severed from the soil, or water, in Mississippi during
422 the preceding quarter (three (3) months), and the county from
423 which the oil was severed, together with a total gross quantity
424 and value of oil so purchased, and any other information which the
425 commissioner may require. Said report shall begin with the first
426 calendar quarter after this article becomes effective and shall
427 thereafter be filed within thirty (30) days after the expiration
428 of each quarter and shall be made on such forms as may be
429 prescribed by the commissioner. Any person failing to make the
430 report required by this section shall be guilty of a misdemeanor
431 and be punished by a fine of not less than Fifty Dollars (\$50.00)
432 or more than Five Hundred Dollars (\$500.00) for each such offense.

433 SECTION 9. Section 27-25-523, Mississippi Code of 1972, is
434 amended as follows:

435 27-25-523. (1) All oil produced or under the ground on
436 producing properties within the State of Mississippi and all



437 producing oil equipment, including wells, connections, pumps,
438 derricks and other appurtenances actually owned by and belonging
439 to the producer, and all leases in production, including mineral
440 rights in producing properties, shall be exempt from all ad
441 valorem taxes now levied or hereafter levied by the State of
442 Mississippi, or any county, municipality, levee district, road,
443 school or any other taxing district within this state. This
444 exemption shall not apply to drilling equipment, including
445 derricks, machinery, and other materials necessary to drilling,
446 nor to oil gathering systems, nor to the surface of lands leased
447 for oil production or upon which oil producing properties are
448 situated, but all such drilling equipment, gathering systems, and
449 lands shall be assessed as are other properties and shall be
450 subject to ad valorem tax. However, no additional assessment
451 shall be added to the surface value of such lands by reason of the
452 presence of oil thereunder or its production therefrom. The
453 exemption herein granted shall apply to all ad valorem taxes
454 levied in the year 1944 and each year thereafter.

455 (2) The exemption from ad valorem taxes granted in this
456 section shall not apply to the percentage of ad valorem taxes that
457 the owner or holder of a nonproducing oil interest in real estate,
458 which is owned or held separately and apart from and independently
459 of the rights owned in the surface of such real estate, must pay
460 on the land under which the oil interest is located, in accordance
461 with the provisions of Section 28 of this act.

462 SECTION 10. Section 27-25-701, Mississippi Code of 1972, is
463 amended as follows:

464 **[Until July 1, 2004, this section shall read as follows:]**

465 27-25-701. Whenever used in this article, the following
466 words and terms shall have the definition and meaning ascribed to
467 them in this section, unless the intention to give a more limited
468 meaning is disclosed by the context:



469 (a) "Tax commission" means the Tax Commission of the
470 State of Mississippi.

471 (b) "Commissioner" means the Chairman of the State Tax
472 Commission.

473 (c) "Annual" means the calendar year or the taxpayer's
474 fiscal year when permission is obtained from the commissioner to
475 use a fiscal year as a tax period in lieu of a calendar year.

476 (d) "Value" means the sale price, or market value, at
477 the mouth of the well. If the gas is exchanged for something
478 other than cash, or if there is no sale at the time of severance,
479 or if the relation between the buyer and the seller is such that
480 the consideration paid, if any, is not indicative of the true
481 value or market price, then the commissioner shall determine the
482 value of the gas subject to tax, considering the sale price for
483 cash of gas of like quality in the same or nearest gas-producing
484 field.

485 (e) "Taxpayer" means any person liable for the tax
486 imposed by this article.

487 (f) "Gas" means natural and casinghead gas and any gas
488 or vapor taken from below the surface of the soil or water in this
489 state, regardless of whether produced from a gas well or from a
490 well also productive of oil or any other product; provided,
491 however, the term "gas" shall not include carbon dioxide.

492 (g) "Casinghead gas" means any gas or vapor indigenous
493 to an oil stratum and produced from such stratum with oil.

494 (h) "Severed" means the extraction or withdrawing by
495 any means whatsoever, from below the surface of the soil or water,
496 of any gas.

497 (i) "Person" means any natural person, firm,
498 copartnership, joint venture, association, corporation, estate,
499 trust, or any other group, or combination acting as a unit, and
500 the plural as well as the singular number.



501 (j) "Producer" means any person * * * controlling,
502 managing or leasing any oil or gas property, or oil or gas well,
503 and any person who produces in any manner any gas by taking it
504 from the earth or water in this state, and shall include a person
505 acting on behalf of an interest owner of gas being produced,
506 either by lease contract or otherwise.

507 (k) "Engaging in business" means any act or acts
508 engaged in (personal or corporate) by producers, or parties at
509 interest, the result of which gas is severed from the soil or
510 water, for storage, transport or manufacture, or by which there is
511 an exchange of money, or goods, or thing of value, for gas which
512 has been or is in process of being severed from the soil or water.

513 (l) "Production" means the total gross amount of gas
514 produced, including all royalty or other interest; that is, the
515 amount for the purpose of the tax imposed by this article shall be
516 measured or determined by meter readings showing one hundred
517 percent (100%) of the full volume expressed in cubic feet at a
518 standard base and flowing temperature of sixty (60) degrees
519 Fahrenheit and at the absolute pressure at which the gas is sold
520 and purchased; correction to be made for pressure according to
521 Boyle's law, and for specific gravity according to the gravity at
522 which the gas is sold and purchased or if not so specified,
523 according to test made by the balance method.

524 (m) "Gathering system" means the pipelines,
525 compressors, pumps, regulators, separators, dehydrators, meters,
526 metering installations and all other property used in gathering
527 gas from the well from which it is produced if such properties are
528 owned by other than the operator, and all such properties, if
529 owned by the operator, beyond the first metering installation that
530 is nearest the well.

531 (n) "Discovery well" means any well producing gas from
532 a single pool in which a well has not been previously produced in
533 paying quantities after testing.



534 (o) "Development wells" means all gas producing wells
535 other than discovery wells and replacement wells.

536 (p) "Replacement well" means a well drilled on a
537 drilling and/or production unit to replace another well which is
538 drilled in the same unit and completed in the same pool.

539 (q) "Three-dimensional seismic" means data which is
540 regularly organized in three (3) orthogonal directions and thus
541 suitable for interpretation with a three-dimensional software
542 package on an interactive work station.

543 (r) "Two-year inactive well" means any oil or gas well
544 certified by the State Oil and Gas Board as having not produced
545 oil or gas in more than a total of thirty (30) days during a
546 twelve (12) consecutive month period in the two (2) years before
547 the date of certification.

548 (s) "Interest owner" means any person owning any
549 royalty or other interest in any gas or its value.

550 **[From and after July 1, 2004, this section shall read as**
551 **follows:]**

552 27-25-701. Whenever used in this article, the following
553 words and terms shall have the definition and meaning ascribed to
554 them in this section, unless the intention to give a more limited
555 meaning is disclosed by the context:

556 (a) "Tax commission" means the Tax Commission of the
557 State of Mississippi.

558 (b) "Commissioner" means the Chairman of the State Tax
559 Commission.

560 (c) "Annual" means the calendar year or the taxpayer's
561 fiscal year when permission is obtained from the commissioner to
562 use a fiscal year as a tax period in lieu of a calendar year.

563 (d) "Value" means the sale price, or market value, at
564 the mouth of the well. If the gas is exchanged for something
565 other than cash, or if there is no sale at the time of severance,
566 or if the relation between the buyer and the seller is such that



567 the consideration paid, if any, is not indicative of the true
568 value or market price, then the commissioner shall determine the
569 value of the gas subject to tax, considering the sale price for
570 cash of gas of like quality in the same or nearest gas-producing
571 field.

572 (e) "Taxpayer" means any person liable for the tax
573 imposed by this article.

574 (f) "Gas" means natural and casinghead gas and any gas
575 or vapor taken from below the surface of the soil or water in this
576 state, regardless of whether produced from a gas well or from a
577 well also productive of oil or any other product.

578 (g) "Casinghead gas" means any gas or vapor indigenous
579 to an oil stratum and produced from such stratum with oil.

580 (h) "Severed" means the extraction or withdrawing by
581 any means whatsoever, from below the surface of the soil or water,
582 of any gas.

583 (i) "Person" means any natural person, firm,
584 copartnership, joint venture, association, corporation, estate,
585 trust, or any other group, or combination acting as a unit, and
586 the plural as well as the singular number.

587 (j) "Producer" means any person * * * controlling,
588 managing or leasing any oil or gas property, or oil or gas well,
589 and any person who produces in any manner any gas by taking it
590 from the earth or water in this state, and shall include a person
591 acting on behalf of an interest owner of gas being produced,
592 either by lease contract or otherwise.

593 (k) "Engaging in business" means any act or acts
594 engaged in (personal or corporate) by producers, or parties at
595 interest, the result of which gas is severed from the soil or
596 water, for storage, transport or manufacture, or by which there is
597 an exchange of money, or goods, or thing of value, for gas which
598 has been or is in process of being severed from the soil or water.



599 (1) "Production" means the total gross amount of gas
600 produced, including all royalty or other interest; that is, the
601 amount for the purpose of the tax imposed by this article shall be
602 measured or determined by meter readings showing one hundred
603 percent (100%) of the full volume expressed in cubic feet at a
604 standard base and flowing temperature of sixty (60) degrees
605 Fahrenheit and at the absolute pressure at which the gas is sold
606 and purchased; correction to be made for pressure according to
607 Boyle's law, and for specific gravity according to the gravity at
608 which the gas is sold and purchased or if not so specified,
609 according to test made by the balance method.

610 (m) "Gathering system" means the pipelines,
611 compressors, pumps, regulators, separators, dehydrators, meters,
612 metering installations and all other property used in gathering
613 gas from the well from which it is produced if such properties are
614 owned by other than the operator, and all such properties, if
615 owned by the operator, beyond the first metering installation that
616 is nearest the well.

617 (n) "Discovery well" means any well producing gas from
618 a single pool in which a well has not been previously produced in
619 paying quantities after testing.

620 (o) "Development wells" means all gas producing wells
621 other than discovery wells and replacement wells.

622 (p) "Replacement well" means a well drilled on a
623 drilling and/or production unit to replace another well which is
624 drilled in the same unit and completed in the same pool.

625 (q) "Three-dimensional seismic" means data which is
626 regularly organized in three (3) orthogonal directions and thus
627 suitable for interpretation with a three-dimensional software
628 package on an interactive work station.

629 (r) "Two-year inactive well" means any oil or gas well
630 certified by the State Oil and Gas Board as having not produced
631 oil or gas in more than a total of thirty (30) days during a



632 twelve (12) consecutive month period in the two (2) years before
633 the date of certification.

634 (s) "Interest owner" means any person owning any
635 royalty or other interest in any gas or its value.

636 SECTION 11. Section 27-25-703, Mississippi Code of 1972, is
637 amended as follows:

638 **[Until July 1, 2004, this section shall read as follows:]**

639 27-25-703. (1) Except as otherwise provided herein, there
640 is hereby levied, to be collected hereafter, as provided herein,
641 annual privilege taxes upon every interest owner, who is
642 producing, or severing gas, in this state, from below the soil or
643 water for sale, transport, storage, profit or for commercial use.
644 The amount of such tax shall be measured by the value of the gas
645 produced and shall be levied and assessed at a rate of six percent
646 (6%) of the value thereof at the point of production, except as
647 otherwise provided in subsection (4) of this section.

648 (2) The tax is hereby levied upon the entire production in
649 this state, regardless of whether the interest owner resides in
650 this state, regardless of the place of sale or to whom sold or by
651 whom used, or regardless of the fact that the delivery may be made
652 to points outside the state, but not levied upon that gas,
653 lawfully injected into the earth for cycling, repressuring,
654 lifting or enhancing the recovery of oil, nor upon gas lawfully
655 vented or flared in connection with the production of oil, nor
656 upon gas condensed into liquids on which the oil severance tax of
657 six percent (6%) is paid; save and except, however, if any gas so
658 injected into the earth is sold for such purposes, then the gas so
659 sold shall not be excluded in computing the tax. The tax shall
660 accrue at the time the gas is produced or severed from the soil or
661 water, and in its natural, unrefined or unmanufactured state.

662 (3) Natural gas and condensate produced from any wells for
663 which drilling is commenced after March 15, 1987, and before July
664 1, 1990, shall be exempt from the tax levied under this section



665 for a period of two (2) years beginning on the date of first sale
666 of production from such wells.

667 (4) Any well which begins commercial production of occluded
668 natural gas from coal seams on or after March 20, 1990, and before
669 July 1, 1993, shall be taxed at the rate of three and one-half
670 percent (3-1/2%) of the gross value of the occluded natural gas
671 from coal seams at the point of production for a period of five
672 (5) years after such well begins production.

673 (5) (a) Natural gas produced from discovery wells for which
674 drilling or reentry commenced on or after April 1, 1994, but
675 before July 1, 1999, shall be exempt from the tax levied under
676 this section for a period of five (5) years beginning on the
677 earlier of one (1) year from completion of the well or the date of
678 first sale from such well, provided that the average monthly sales
679 price of such gas does not exceed Three Dollars and Fifty Cents
680 (\$3.50) per one thousand (1,000) cubic feet. The exemption for
681 natural gas produced from discovery wells as described in this
682 paragraph (a) shall be repealed from and after July 1, 2003,
683 provided that any such production for which a permit was granted
684 by the board before July 1, 2003, shall be exempt for an entire
685 period of five (5) years, notwithstanding that the repeal of this
686 provision has become effective. Natural gas produced from
687 development wells or replacement wells drilled in connection with
688 discovery wells for which drilling commenced on or after January
689 1, 1994, shall be assessed at a rate of three percent (3%) of the
690 value thereof at the point of production for a period of three (3)
691 years. The reduced rate of assessment of natural gas produced
692 from development wells or replacement wells as described in this
693 paragraph (a) shall be repealed from and after January 1, 2003,
694 provided that any such production for which drilling commenced
695 before January 1, 2003, shall be assessed at the reduced rate for
696 an entire period of three (3) years, notwithstanding that the
697 repeal of this provision has become effective.



698 (b) Natural gas produced from discovery wells for which
699 drilling or reentry commenced on or after July 1, 1999, shall be
700 assessed at a rate of three percent (3%) of the value thereof at
701 the point of production for a period of five (5) years beginning
702 on the earlier of one (1) year from completion of the well or the
703 date of first sale from such well, provided that the average
704 monthly sales price of such gas does not exceed Two Dollars and
705 Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The
706 reduced rate of assessment of natural gas produced from discovery
707 wells as described in this paragraph (b) shall be repealed from
708 and after July 1, 2003, provided that any such production for
709 which a permit was granted by the board before July 1, 2003, shall
710 be assessed at the reduced rate for an entire period of five (5)
711 years, notwithstanding that the repeal of this provision has
712 become effective. Natural gas produced from development wells or
713 replacement wells drilled in connection with discovery wells for
714 which drilling commenced on or after July 1, 1999, shall be
715 assessed at a rate of three percent (3%) of the value thereof at
716 the point of production for a period of three (3) years. The
717 reduced rate of assessment of natural gas produced from
718 development wells or replacement wells as described in this
719 paragraph (b) shall be repealed from and after January 1, 2003,
720 provided that any such production for which drilling commenced
721 before January 1, 2003, shall be assessed at the reduced rate for
722 an entire period of three (3) years, notwithstanding that the
723 repeal of this provision has become effective.

724 (6) (a) Gas produced from a development well for which
725 drilling commenced on or after April 1, 1994, but before July 1,
726 1999, and for which three-dimensional seismic was utilized in
727 connection with the drilling of such well, shall be assessed at a
728 rate of three percent (3%) of the value of the gas at the point of
729 production for a period of five (5) years, provided that the
730 average monthly sales price of such gas does not exceed Three



731 Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic
732 feet. The reduced rate of assessment of gas produced from a
733 development well as described in this subsection and for which
734 three-dimensional seismic was utilized shall be repealed from and
735 after July 1, 2003, provided that any such production for which a
736 permit was granted by the board before July 1, 2003, shall be
737 assessed at the reduced rate for an entire period of five (5)
738 years, notwithstanding that the repeal of this provision has
739 become effective.

740 (b) Gas produced from a development well for which
741 drilling commenced on or after July 1, 1999, and for which
742 three-dimensional seismic was utilized in connection with the
743 drilling of such well, shall be assessed at a rate of three
744 percent (3%) of the value of the gas at the point of production
745 for a period of five (5) years, provided that the average monthly
746 sales price of such gas does not exceed Two Dollars and Fifty
747 Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced
748 rate of assessment of gas produced from a development well as
749 described in this paragraph (b) and for which three-dimensional
750 seismic was utilized shall be repealed from and after July 1,
751 2003, provided that any such production for which a permit was
752 granted by the board before July 1, 2003, shall be assessed at the
753 reduced rate for an entire period of five (5) years,
754 notwithstanding that the repeal of this provision has become
755 effective.

756 (7) (a) Natural gas produced before July 1, 1999, from a
757 two-year inactive well as defined in Section 27-25-701 shall be
758 exempt from the taxes levied under this section for a period of
759 three (3) years beginning on the date of first sale of production
760 from such well, provided that the average monthly sales price of
761 such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per
762 one thousand (1,000) cubic feet. The exemption for natural gas
763 produced from an inactive well as described in this subsection



764 shall be repealed from and after July 1, 2003, provided that any
765 such production which began before July 1, 2003, shall be exempt
766 for an entire period of three (3) years, notwithstanding that the
767 repeal of this provision has become effective.

768 (b) Natural gas produced on or after July 1, 1999, from
769 a two-year inactive well as defined in Section 27-25-701 shall be
770 exempt from the taxes levied under this section for a period of
771 three (3) years beginning on the date of first sale of production
772 from such well, provided that the average monthly sales price of
773 such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per
774 one thousand (1,000) cubic feet. The exemption for natural gas
775 produced from an inactive well as described in this paragraph (b)
776 shall be repealed from and after July 1, 2003, provided that any
777 such production which began before July 1, 2003, shall be exempt
778 for an entire period of three (3) years, notwithstanding that the
779 repeal of this provision has become effective.

780 (8) The State Oil and Gas Board shall have the exclusive
781 authority to determine the qualification of wells defined in
782 paragraphs (n) through (r) of Section 27-15-701.

783 **[From and after July 1, 2004, this section shall read as**
784 **follows:]**

785 27-25-703. (1) Except as otherwise provided herein, there
786 is hereby levied, to be collected hereafter, as provided herein,
787 annual privilege taxes upon every interest owner who is producing,
788 or severing gas in this state, from below the soil or water for
789 sale, transport, storage, profit or for commercial use. The
790 amount of such tax shall be measured by the value of the gas
791 produced and shall be levied and assessed at a rate of six percent
792 (6%) of the value thereof at the point of production, except as
793 otherwise provided in subsection (4) of this section.

794 (2) The tax is hereby levied upon the entire production in
795 this state, regardless of whether the interest owner resides in
796 this state, regardless of the place of sale or to whom sold or by



797 whom used, or regardless of the fact that the delivery may be made
798 to points outside the state, but not levied upon that gas,
799 including carbon dioxide, lawfully injected into the earth for
800 cycling, repressuring, lifting or enhancing the recovery of oil,
801 nor upon gas lawfully vented or flared in connection with the
802 production of oil, nor upon gas condensed into liquids on which
803 the oil severance tax of six percent (6%) is paid; save and
804 except, however, if any gas so injected into the earth is sold for
805 such purposes, then the gas so sold shall not be excluded in
806 computing the tax, unless such gas is carbon dioxide which is sold
807 to be used and is used in Mississippi in an enhanced oil recovery
808 method, in which event there shall be no severance tax levied on
809 carbon dioxide so sold and used. The tax shall accrue at the time
810 the gas is produced or severed from the soil or water, and in its
811 natural, unrefined or unmanufactured state.

812 (3) Natural gas and condensate produced from any wells for
813 which drilling is commenced after March 15, 1987, and before July
814 1, 1990, shall be exempt from the tax levied under this section
815 for a period of two (2) years beginning on the date of first sale
816 of production from such wells.

817 (4) Any well which begins commercial production of occluded
818 natural gas from coal seams on or after March 20, 1990, and before
819 July 1, 1993, shall be taxed at the rate of three and one-half
820 percent (3-1/2%) of the gross value of the occluded natural gas
821 from coal seams at the point of production for a period of five
822 (5) years after such well begins production.

823 (5) (a) Natural gas produced from discovery wells for which
824 drilling or reentry commenced on or after April 1, 1994, but
825 before July 1, 1999, shall be exempt from the tax levied under
826 this section for a period of five (5) years beginning on the
827 earlier of one (1) year from completion of the well or the date of
828 first sale from such well, provided that the average monthly sales
829 price of such gas does not exceed Three Dollars and Fifty Cents



830 (\$3.50) per one thousand (1,000) cubic feet. The exemption for
831 natural gas produced from discovery wells as described in this
832 paragraph (a) shall be repealed from and after July 1, 2003,
833 provided that any such production for which a permit was granted
834 by the board before July 1, 2003, shall be exempt for an entire
835 period of five (5) years, notwithstanding that the repeal of this
836 provision has become effective. Natural gas produced from
837 development wells or replacement wells drilled in connection with
838 discovery wells for which drilling commenced on or after January
839 1, 1994, shall be assessed at a rate of three percent (3%) of the
840 value thereof at the point of production for a period of three (3)
841 years. The reduced rate of assessment of natural gas produced
842 from development wells or replacement wells as described in this
843 paragraph (a) shall be repealed from and after January 1, 2003,
844 provided that any such production for which drilling commenced
845 before January 1, 2003, shall be assessed at the reduced rate for
846 an entire period of three (3) years, notwithstanding that the
847 repeal of this provision has become effective.

848 (b) Natural gas produced from discovery wells for which
849 drilling or reentry commenced on or after July 1, 1999, shall be
850 assessed at a rate of three percent (3%) of the value thereof at
851 the point of production for a period of five (5) years beginning
852 on the earlier of one (1) year from completion of the well or the
853 date of first sale from such well, provided that the average
854 monthly sales price of such gas does not exceed Two Dollars and
855 Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The
856 reduced rate of assessment of natural gas produced from discovery
857 wells as described in this paragraph (b) shall be repealed from
858 and after July 1, 2003, provided that any such production for
859 which a permit was granted by the board before July 1, 2003, shall
860 be assessed at the reduced rate for an entire period of five (5)
861 years, notwithstanding that the repeal of this provision has
862 become effective. Natural gas produced from development wells or



863 replacement wells drilled in connection with discovery wells for
864 which drilling commenced on or after July 1, 1999, shall be
865 assessed at a rate of three percent (3%) of the value thereof at
866 the point of production for a period of three (3) years. The
867 reduced rate of assessment of natural gas produced from
868 development wells or replacement wells as described in this
869 paragraph (b) shall be repealed from and after January 1, 2003,
870 provided that any such production for which drilling commenced
871 before January 1, 2003, shall be assessed at the reduced rate for
872 an entire period of three (3) years, notwithstanding that the
873 repeal of this provision has become effective.

874 (6) (a) Gas produced from a development well for which
875 drilling commenced on or after April 1, 1994, but before July 1,
876 1999, and for which three-dimensional seismic was utilized in
877 connection with the drilling of such well, shall be assessed at a
878 rate of three percent (3%) of the value of the gas at the point of
879 production for a period of five (5) years, provided that the
880 average monthly sales price of such gas does not exceed Three
881 Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic
882 feet. The reduced rate of assessment of gas produced from a
883 development well as described in this subsection and for which
884 three-dimensional seismic was utilized shall be repealed from and
885 after July 1, 2003, provided that any such production for which a
886 permit was granted by the board before July 1, 2003, shall be
887 assessed at the reduced rate for an entire period of five (5)
888 years, notwithstanding that the repeal of this provision has
889 become effective.

890 (b) Gas produced from a development well for which
891 drilling commenced on or after July 1, 1999, and for which
892 three-dimensional seismic was utilized in connection with the
893 drilling of such well, shall be assessed at a rate of three
894 percent (3%) of the value of the gas at the point of production
895 for a period of five (5) years, provided that the average monthly



896 sales price of such gas does not exceed Two Dollars and Fifty
897 Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced
898 rate of assessment of gas produced from a development well as
899 described in this paragraph (b) and for which three-dimensional
900 seismic was utilized shall be repealed from and after July 1,
901 2003, provided that any such production for which a permit was
902 granted by the board before July 1, 2003, shall be assessed at the
903 reduced rate for an entire period of five (5) years,
904 notwithstanding that the repeal of this provision has become
905 effective.

906 (7) (a) Natural gas produced before July 1, 1999, from a
907 two-year inactive well as defined in Section 27-25-701 shall be
908 exempt from the taxes levied under this section for a period of
909 three (3) years beginning on the date of first sale of production
910 from such well, provided that the average monthly sales price of
911 such gas does not exceed Three Dollars and Fifty Cents (\$3.50) per
912 one thousand (1,000) cubic feet. The exemption for natural gas
913 produced from an inactive well as described in this subsection
914 shall be repealed from and after July 1, 2003, provided that any
915 such production which began before July 1, 2003, shall be exempt
916 for an entire period of three (3) years, notwithstanding that the
917 repeal of this provision has become effective.

918 (b) Natural gas produced on or after July 1, 1999, from
919 a two-year inactive well as defined in Section 27-25-701 shall be
920 exempt from the taxes levied under this section for a period of
921 three (3) years beginning on the date of first sale of production
922 from such well, provided that the average monthly sales price of
923 such gas does not exceed Two Dollars and Fifty Cents (\$2.50) per
924 one thousand (1,000) cubic feet. The exemption for natural gas
925 produced from an inactive well as described in this paragraph (b)
926 shall be repealed from and after July 1, 2003, provided that any
927 such production which began before July 1, 2003, shall be exempt



928 for an entire period of three (3) years, notwithstanding that the
929 repeal of this provision has become effective.

930 (8) The State Oil and Gas Board shall have the exclusive
931 authority to determine the qualification of wells defined in
932 paragraphs (n) through (r) of Section 27-15-701.

933 SECTION 12. Section 27-25-705, Mississippi Code of 1972, is
934 amended as follows:

935 **[With regard to any county which is exempt from the**
936 **provisions of Section 19-2-3, this section shall read as follows:]**

937 27-25-705. All taxes herein levied and collected by the
938 State Tax Commission shall be paid into the State Treasury on the
939 same day in which such taxes are collected. The commissioner
940 shall apportion all such tax collections to the state and to the
941 county in which the gas was produced, in the proportion of
942 sixty-six and two-thirds percent (66-2/3%) to the state and
943 thirty-three and one-third percent (33-1/3%) to the county. * * *
944 However, when the price of the gas subject to the tax levied in
945 this article is increased, and such increase is subject to
946 approval by a federal regulatory board or commission, and when the
947 interest owner and producer of the gas so requests, the State
948 Treasurer is * * * authorized to hold the severance tax collected
949 on the price increase in escrow until such time as the price
950 increase or a portion thereof is finally granted or approved. The
951 severance tax thus held in escrow shall be deposited by the State
952 Treasurer to an account in a state depository to be invested in an
953 interest-bearing account in the manner provided by law. When the
954 price increase in question or a portion thereof is granted or
955 approved, the commissioner shall compute the correct severance tax
956 due on such increase and certify the amount of tax thus computed.
957 This amount and interest earned from the depository shall be
958 distributed to the General Fund and to the county or counties
959 proportionately as herein provided. The balance, if any, of the



960 tax and interest held in escrow on the price increase shall be
961 returned to the taxpayer.

962 The state's share of all gas severance taxes collected
963 pursuant to this section shall be deposited into a special fund
964 provided for in Section 27-25-506.

965 The commissioner shall certify at the end of each month the
966 apportionment to each county to the State Treasurer, who shall
967 remit the county's share of said funds on or before the twentieth
968 day of the month next succeeding the month in which such
969 collections were made for division among the municipalities and
970 taxing districts of the county. The commissioner shall submit a
971 report to the State Treasurer for distribution to each county
972 receiving such funds showing from whom said tax and interest, if
973 any, were collected. Upon receipt of said funds, the board of
974 supervisors of the county shall allocate the same to the
975 municipalities and to the various maintenance and bond and
976 interest funds of the county, school districts, supervisors
977 districts and road districts, as hereinafter provided.

978 When there shall be any gas producing properties within the
979 corporate limits of any municipality, then such municipality shall
980 participate in the division of the tax and interest, if any,
981 returned to the county in which the municipality is located in the
982 proportion which the tax on production of gas from properties
983 located within the municipal corporate limits bears to the tax on
984 total production of gas in the county. In no event, however,
985 shall the amount allocated to the municipalities exceed one-third
986 (1/3) of the tax and interest produced in the municipality and
987 returned to the county. Any amount received by any municipality
988 as a result of the allocation herein provided shall be used for
989 such purposes as are authorized by law.

990 The balance remaining of any funds returned to the county
991 after the allocation to municipalities shall be divided among the
992 various maintenance and bond and interest funds of the county,



993 school districts, supervisors districts and road districts, in the
994 discretion of the board of supervisors, and such board shall make
995 the division in consideration of the needs of the various taxing
996 districts. The funds so allocated shall be used only for such
997 purposes as are authorized by law.

998 **[With regard to any county which is required to operate on a**
999 **countywide system of road administration as described in Section**
1000 **19-2-3, this section shall read as follows:]**

1001 27-25-705. All taxes herein levied and collected by the
1002 State Tax Commission shall be paid into the State Treasury on the
1003 same day in which such taxes are collected. The commissioner
1004 shall apportion all such tax collections to the state and to the
1005 county in which the gas was produced, in the proportion of
1006 sixty-six and two-thirds percent (66-2/3%) to the state and
1007 thirty-three and one-third percent (33-1/3%) to the county. * * *
1008 However, when the price of the gas subject to the tax levied in
1009 this article is increased, and such increase is subject to
1010 approval by a federal regulatory board or commission, and when the
1011 interest owner and producer of the gas so requests, the State
1012 Treasurer is * * * authorized to hold the severance tax collected
1013 on said price increase in escrow until such time as the price
1014 increase or a portion thereof is finally granted or approved. The
1015 severance tax thus held in escrow shall be deposited by the State
1016 Treasurer to an account in a state depository to be invested in an
1017 interest-bearing account in the manner provided by law. When the
1018 price increase in question or a portion thereof is granted or
1019 approved, the commissioner shall compute the correct severance tax
1020 due on such increase and certify the amount of tax thus computed.
1021 This amount and interest earned from the depository shall be
1022 distributed to the General Fund and to the county or counties
1023 proportionately as herein provided. The balance, if any, of the
1024 tax and interest held in escrow on the price increase shall be
1025 returned to the taxpayer.



1026 The state's share of all gas severance taxes collected
1027 pursuant to this section shall be deposited into a special fund
1028 provided for in Section 27-25-506.

1029 The commissioner shall certify at the end of each month the
1030 apportionment to each county to the State Treasurer, who shall
1031 remit the county's share of said funds on or before the twentieth
1032 day of the month next succeeding the month in which such
1033 collections were made for division among the municipalities and
1034 taxing districts of the county. The commissioner shall submit a
1035 report to the State Treasurer for distribution to each county
1036 receiving such funds showing from whom said tax and interest, if
1037 any, were collected. Upon receipt of said funds, the board of
1038 supervisors of the county shall allocate the same to the
1039 municipalities and to the various maintenance and bond and
1040 interest funds of the county and school districts, as hereinafter
1041 provided.

1042 When there shall be any gas producing properties within the
1043 corporate limits of any municipality, then such municipality shall
1044 participate in the division of the tax and interest, if any,
1045 returned to the county in which the municipality is located in the
1046 proportion which the tax on production of gas from properties
1047 located within the municipal corporate limits bears to the tax on
1048 total production of gas in the county. In no event, however,
1049 shall the amount allocated to the municipalities exceed one-third
1050 (1/3) of the tax and interest produced in the municipality and
1051 returned to the county. Any amount received by any municipality
1052 as a result of the allocation herein provided shall be used for
1053 such purposes as are authorized by law.

1054 The balance remaining of any funds returned to the county
1055 after the allocation to municipalities shall be divided among the
1056 various maintenance and bond and interest funds of the county and
1057 school districts, in the discretion of the board of supervisors,
1058 and such board shall make the division in consideration of the



1059 needs of the various taxing districts. The funds so allocated
1060 shall be used only for such purposes as are authorized by law.

1061 SECTION 13. Section 27-25-707, Mississippi Code of 1972, is
1062 amended as follows:

1063 27-25-707. (1) The tax hereby imposed is levied upon the
1064 interest owners of such gas in the proportion of their ownership
1065 at the time of severance but, except as otherwise herein provided,
1066 may be paid by the person in charge of the production operations,
1067 who, in such case, shall deduct from any amount due to interest
1068 owners of such production at the time of severance the
1069 proportionate amount of the tax herein levied before making
1070 payments to such interest owners. The tax shall become due and
1071 payable as provided by this article and * * * shall constitute a
1072 first lien upon the property from which the gas was produced. In
1073 the event the person in charge of production operations fails to
1074 pay the tax, then the commissioner shall proceed against the
1075 interest owner to collect the tax in accordance with the
1076 provisions made for the collection of delinquent taxes by the
1077 Mississippi Sales Tax Law.

1078 (2) When any person in charge of the production operations
1079 shall sell the gas produced by him to any person under contracts
1080 requiring such purchaser to pay all owners of such gas direct,
1081 then the person in charge of the production operations may not be
1082 required to deduct the tax herein levied, but in which event such
1083 deduction shall be made by the purchaser before making payments to
1084 each interest owner of such gas. * * * The purchaser in that case
1085 shall account for the tax; provided that nothing herein shall be
1086 construed as releasing the person in charge of production
1087 operations from liability for the payment of said tax.

1088 (3) When any person in charge of production operations shall
1089 sell gas produced by him on the open market, he shall withhold the
1090 tax imposed by this article, and if he is required to pay other
1091 interest holders, is hereby authorized, empowered and required to



1092 deduct from any amount due them, the amount of tax levied and due
1093 under the provisions of this article before making payment to
1094 them.

1095 (4) Every person in charge of production operations by which
1096 gas is severed from the soil or water in this state, who fails to
1097 deduct and withhold, as required herein, the amount of tax from
1098 sale or purchase price, when such gas is sold or purchased under
1099 contract or agreement, or on the open market, or otherwise, shall
1100 be liable to the state for the full amount of taxes, interest, and
1101 penalties which should have been deducted, withheld and remitted
1102 to the state. * * * The commissioner shall proceed to collect the
1103 tax from the person in charge of production operations, under the
1104 provisions of this article, as if he were the interest owner of
1105 the gas.

1106 SECTION 14. Section 27-25-709, Mississippi Code of 1972, is
1107 amended as follows:

1108 27-25-709. When the title to any gas being severed from the
1109 soil, or water, is in dispute, or whenever the producer or
1110 interest owner of such gas from the soil, or water, or purchaser
1111 thereof, shall be withholding payments on account of litigation,
1112 or for any other reason, such producer, interest owner, or
1113 purchaser shall deduct from the gross amount thus held the amount
1114 of the tax herein levied and imposed, and to make remittance
1115 thereof to the commissioner as provided by this article.

1116 SECTION 15. Section 27-25-711, Mississippi Code of 1972, is
1117 amended as follows:

1118 27-25-711. Every interest owner, producer or person in
1119 charge of production operations by which gas is severed from the
1120 soil, or water, in this state, when making the reports required by
1121 this article, shall file with the commissioner a statement, under
1122 oath, on forms prescribed by him, of the business conducted by
1123 such producer or person in charge of production operations, during
1124 the period for which the report is made, showing gross quantity of



1125 gas and the value thereof, so severed or produced, and such other
1126 reasonable and necessary information pertaining thereto as the
1127 commissioner may require for the proper enforcement of the
1128 provisions of this article.

1129 SECTION 16. Section 27-25-715, Mississippi Code of 1972, is
1130 amended as follows:

1131 27-25-715. The commissioner shall have the power to require
1132 any interest owner, producer or person in charge of production
1133 operations, or person purchasing any gas from the soil, or water,
1134 to furnish any additional information by him deemed to be
1135 necessary for the purpose of computing the amount of said tax; and
1136 for said purpose to examine the meter and other charts, books,
1137 records, and all files of such person; and, to that end, the
1138 commissioner shall have the power to examine witnesses, and if any
1139 such witness shall fail or refuse to appear at the request of the
1140 commissioner, or refuse access to books, records and files, said
1141 commissioner shall have the power and authority to proceed as
1142 provided by the Mississippi Sales Tax Law.

1143 SECTION 17. Section 27-25-719, Mississippi Code of 1972, is
1144 amended as follows:

1145 27-25-719. Every person who is an interest owner of gas, or
1146 who is engaged in the business of producing or purchasing any gas
1147 in this state, or who is in charge of production operations, and
1148 who is required to pay the tax imposed by this article, shall make
1149 and keep, for a period of three (3) years, a complete and accurate
1150 record, in the form required by the commissioner showing the gross
1151 quantity of gas produced and value of same, the names of the
1152 persons from whom purchased, and the time of purchase.

1153 SECTION 18. Section 27-25-721, Mississippi Code of 1972, is
1154 amended as follows:

1155 **[Until July 1, 2004, this section shall read as follows:]**

1156 27-25-721. (1) All gas and carbon dioxide produced or under
1157 the ground on producing properties within the State of Mississippi



1158 and all producing gas or carbon dioxide equipment, including
1159 wells, connections, pumps, derricks and other appurtenances
1160 actually owned by and belonging to the producer, and all leases in
1161 production, including mineral rights in producing properties,
1162 shall be exempt from all ad valorem taxes now levied or hereafter
1163 levied by the State of Mississippi, or any other taxing district
1164 within this state. This exemption shall not apply to drilling
1165 equipment, including derricks, machinery, and other materials
1166 necessary to drilling, nor to gas or carbon dioxide gathering
1167 systems, nor to the surface of lands leased for gas or carbon
1168 dioxide production or upon which gas or carbon dioxide producing
1169 properties are situated, but all such drilling equipment,
1170 gathering systems, and lands shall be assessed as are other
1171 properties and shall be subject to ad valorem tax. However, no
1172 additional assessment shall be added to the surface value of such
1173 lands by reason of the presence of gas or carbon dioxide
1174 thereunder or its production therefrom. The exemption herein
1175 granted shall apply to all ad valorem taxes levied in the year
1176 1948 and each year thereafter.

1177 (2) The exemption from ad valorem taxes granted in this
1178 section shall not apply to the percentage of ad valorem taxes that
1179 the owner or holder of a nonproducing gas interest in real estate,
1180 which is owned or held separately and apart from and independently
1181 of the rights owned in the surface of such real estate, must pay
1182 on the land under which the gas interest is located in accordance
1183 with Section 28 of this act.

1184 **[From and after July 1, 2004, this section shall read as**
1185 **follows:]**

1186 27-25-721. (1) All gas produced or under the ground on
1187 producing properties within the State of Mississippi and all
1188 producing gas equipment, including wells, connections, pumps,
1189 derricks and other appurtenances actually owned by and belonging
1190 to the producer, and all leases in production, including mineral



1191 rights in producing properties, shall be exempt from all ad
1192 valorem taxes now levied or hereafter levied by the State of
1193 Mississippi, or any other taxing district within this state. This
1194 exemption shall not apply to drilling equipment, including
1195 derricks, machinery, and other materials necessary to drilling,
1196 nor to gas gathering systems, nor to the surface of lands leased
1197 for gas production or upon which gas producing properties are
1198 situated, but all such drilling equipment, gathering systems, and
1199 lands shall be assessed as are other properties and shall be
1200 subject to ad valorem tax. However, no additional assessment
1201 shall be added to the surface value of such lands by reason of the
1202 presence of gas thereunder or its production therefrom. The
1203 exemption herein granted shall apply to all ad valorem taxes
1204 levied in the year 1948 and each year thereafter.

1205 (2) The exemption from ad valorem taxes granted in this
1206 section shall not apply to the percentage of ad valorem taxes that
1207 the owner or holder of a nonproducing gas interest in real estate,
1208 which is owned or held separately and apart from and independently
1209 of the rights owned in the surface of such real estate, must pay
1210 on the land under which the gas interest is located in accordance
1211 with Section 28 of this act.

1212 SECTION 19. Section 27-25-303, Mississippi Code of 1972, is
1213 amended as follows:

1214 27-25-303. The words, terms and phrases used in this article
1215 shall have the meanings ascribed to them herein.

1216 (a) "Tax Commission" means the Tax Commission of the
1217 State of Mississippi.

1218 (b) "Commissioner" means the Chairman of the State Tax
1219 Commission.

1220 (c) "Person" means and includes any individual, firm,
1221 copartnership, joint venture, association, corporation, estate,
1222 trust or other group or combination acting as a unit, and includes
1223 the plural as well as the singular in number.



1224 (d) "Taxpayer" means any person liable for or having
1225 paid any tax to the State of Mississippi under the provisions of
1226 this article.

1227 (e) "Producer" means any person who produces or severs
1228 or who is responsible for the production of salt from the earth or
1229 water for sale, profit or commercial use.

1230 (f) "Production" means the total amount or quantity of
1231 marketable salt produced by whatever measurement used.

1232 (g) "Value" means and includes the purchase price or
1233 royalty, cost, and any other expense as determined by generally
1234 accepted accounting principles of underground mining and handling
1235 of production to the point where processing begins.

1236 (h) "Processing" means an activity of an industrial or
1237 commercial nature wherein labor or skill is applied, by hand or
1238 machinery, to raw materials so that a more useful product or
1239 substance of trade or commerce is produced for sale.

1240 (i) "Engaging in business" means any act or acts
1241 engaged in by producers, or parties at interest which results in
1242 the production of salt from the soil or water, for storage,
1243 transport or further processing.

1244 (j) "Salt" means a substance which is chemically
1245 classified as sodium chloride.

1246 (k) "Interest owner" means any person owning any
1247 royalty or other interest in salt or its value.

1248 SECTION 20. Section 27-25-305, Mississippi Code of 1972, is
1249 amended as follows:

1250 27-25-305. There is * * * levied and assessed, and shall be
1251 collected by the commissioner, privilege taxes upon every interest
1252 owner who is mining, severing or otherwise producing salt or
1253 causing it to be produced in this state, for sale, profit or
1254 commercial use. The amount of such tax shall be three percent
1255 (3%) of the value of the entire production in this state.



1256 The tax is * * * levied upon the entire production in this
1257 state, regardless of whether the interest owner resides in this
1258 state, regardless of the place of sale, or regardless of the fact
1259 that delivery may be made to points outside the state, and the tax
1260 shall accrue at the time such salt is severed from the soil or
1261 water, and in its natural, unrefined or unprocessed state.

1262 The tax levied hereunder shall be a lien upon all products
1263 produced within this state and such lien shall be entitled to
1264 preference over all judgments, executions, encumbrances or liens
1265 whensoever created.

1266 SECTION 21. Section 27-25-307, Mississippi Code of 1972, is
1267 amended as follows:

1268 27-25-307. (1) All salt under the ground or salt produced
1269 or processed on producing properties and owned by the producer and
1270 all leases in production, including mineral rights in producing
1271 properties, shall be exempt from all ad valorem taxes now levied
1272 or hereafter levied by the State of Mississippi, or any county, or
1273 any other taxing district within this state.

1274 (2) The exemption from ad valorem taxes granted in this
1275 section shall not apply to the percentage of ad valorem taxes that
1276 the owner or holder of a nonproducing salt interest in real
1277 estate, which is owned or held separately and apart from and
1278 independently of the rights owned in the surface of such real
1279 estate, must pay on the land under which the salt interest is
1280 located, pursuant to the provisions of Section 28 of this act.

1281 SECTION 22. Section 27-25-309, Mississippi Code of 1972, is
1282 amended as follows:

1283 27-25-309. Every person who is an interest owner of salt or
1284 who is engaged in the business of producing salt in this state, or
1285 who is in charge of production operations, and who is required to
1286 pay the tax imposed by this article, shall make and keep, for a
1287 period of three (3) years, a complete and accurate record to
1288 substantiate all taxes accrued hereunder, showing the gross



1289 quantity of salt produced and the value of same, the names of the
1290 person or persons from whom purchased and the county in which
1291 located. All records shall be subject to examination by the
1292 commissioner.

1293 The commissioner may promulgate such rules and regulations
1294 not inconsistent with this article and the Mississippi Sales Tax
1295 Law for keeping records, making returns and for the ascertainment,
1296 assessment and collection of the tax imposed hereunder as he may
1297 deem necessary to enforce its provisions.

1298 SECTION 23. Section 27-31-73, Mississippi Code of 1972, is
1299 amended as follows:

1300 27-31-73. (1) To encourage the purchase of leases upon and
1301 interests in oil, gas and other minerals in the State of
1302 Mississippi, and to relieve the taxing officials of the counties
1303 of the state of the onerous duties of assessment for, collection
1304 of and sale for ad valorem taxes for such interests (which the
1305 Legislature finds are generally assessed at nominal values
1306 resulting in taxes not commensurate with the services required of
1307 such officers), all nonproducing leasehold interests upon all oil,
1308 gas and other minerals in, on or under lands lying within the
1309 State of Mississippi, created or assigned after the effective date
1310 of Sections 27-31-71 to 27-31-87, and also all nonproducing
1311 interests in such oil, gas and other minerals (including royalty
1312 interests therein) hereafter conveyed to a grantee or purchaser or
1313 excepted or reserved to a grantor separately and apart from the
1314 surface, shall be exempt from all ad valorem taxes levied on or
1315 after January 1, 1947, by the State of Mississippi, or any county,
1316 municipality, levee district, road district, school district,
1317 drainage district or other taxing district within the state or
1318 becoming a lien on or after said date. Any sale for taxes of the
1319 surface or of the remainder of the fee shall not in any manner
1320 whatsoever affect the interest or interests * * * exempted.



1321 (2) For the same purpose * * * there is * * * likewise
1322 exempted from such ad valorem taxation all such interests created
1323 prior to the passage of Sections 27-31-71 to 27-31-87 which are
1324 owned separately and apart from the surface, provided that as a
1325 condition precedent to obtaining such exemption upon existing
1326 interests the then owner thereof shall make application for
1327 exemption of the interest then owned by him as hereinafter
1328 provided and pay, by the purchase of documentary tax stamps, a sum
1329 equivalent to the tax herein levied by Section 27-31-77 on
1330 instruments hereafter executed creating, transferring or reserving
1331 corresponding or similar interests. If any such sum is paid after
1332 January 1, 1947, then such exemption shall apply only to taxes
1333 becoming a lien after such sum is thus paid.

1334 (3) The exemption from ad valorem taxes granted in this
1335 section shall not apply to the percentage of ad valorem taxes that
1336 the owner or holder of a nonproducing oil, gas or other mineral
1337 interest in real estate, which is owned or held separately and
1338 apart from and independently of the rights owned in the surface of
1339 such real estate, must pay on the land under which the oil, gas or
1340 other mineral interest is located, pursuant to the provisions of
1341 Section 28 of this act.

1342 SECTION 24. Section 27-35-51, Mississippi Code of 1972, is
1343 amended as follows:

1344 27-35-51. Whenever any buildings, improvements or
1345 structures, mineral, gas, oil, timber or similar interests in real
1346 estate, including building permits or reservations, are owned
1347 separately and apart from and independently of the rights and
1348 interests owned in the surface of such real estate, or when any
1349 person reserves any right or interest, or has any leasehold in the
1350 elements above enumerated, all of such interests shall be assessed
1351 and taxed separately from such surface rights and interests in
1352 said real estate, and shall be sold for taxes in the same manner
1353 and with the same effect as other interests in real estate are



1354 sold for taxes. Whenever the owner or holder of any separately
1355 owned or held nonproducing oil, gas or other mineral interest does
1356 not pay the percentage of ad valorem taxes that he or she is
1357 required to pay on the surface of the land under which the oil,
1358 gas or other mineral interest is located, the provisions of
1359 Section 28 of this act apply. All interests in real estate herein
1360 enumerated shall be returned to the tax assessor within the same
1361 time and in the same manner as the owners of land are now required
1362 by law to list lands for assessment and taxation and under like
1363 penalties. The tax assessor shall enter the assessment of the
1364 interests herein enumerated upon the assessment roll by entering
1365 the same upon the next succeeding line or lines of the roll
1366 following the assessment of the surface owner, the name of the
1367 owner and the name of the interest, and by placing the value in
1368 the appropriate column or columns on the roll; or the assessor may
1369 enter the assessment of any or all of such interests upon a page
1370 or pages in the land roll following the assessment of the lands of
1371 the county, and the value of all such interests shall be included
1372 in the recapitulation of the roll. And the value of said interest
1373 or interests shall be determined and fixed in the same manner and
1374 by the same officials now required by law to value and assess
1375 property for taxation.

1376 SECTION 25. Section 27-31-1, Mississippi Code of 1972, is
1377 amended as follows:

1378 27-31-1. The following shall be exempt from taxation:

1379 (a) All cemeteries used exclusively for burial
1380 purposes.

1381 (b) All property, real or personal, belonging to the
1382 State of Mississippi or any of its political subdivisions, except
1383 property of a municipality not being used for a proper municipal
1384 purpose and located outside the county or counties in which such
1385 municipality is located. A proper municipal purpose within the



1386 meaning of this section shall be any authorized governmental or
1387 corporate function of a municipality.

1388 (c) All property, real or personal, owned by units of
1389 the Mississippi National Guard, or title to which is vested in
1390 trustees for the benefit of any unit of the Mississippi National
1391 Guard; provided such property is used exclusively for such unit,
1392 or for public purposes, and not for profit.

1393 (d) All property, real or personal, belonging to any
1394 religious society, or ecclesiastical body, or any congregation
1395 thereof, or to any charitable society, or to any historical or
1396 patriotic association or society, or to any garden or pilgrimage
1397 club or association and used exclusively for such society or
1398 association and not for profit; not exceeding, however, the amount
1399 of land which such association or society may own as provided in
1400 Section 79-11-33. All property, real or personal, belonging to
1401 any rural waterworks system or rural sewage disposal system
1402 incorporated under the provisions of Section 79-11-1. All
1403 property, real or personal, belonging to any college or
1404 institution for the education of youths, used directly and
1405 exclusively for such purposes, provided that no such college or
1406 institution for the education of youths shall have exempt from
1407 taxation more than six hundred forty (640) acres of land;
1408 provided, however, this exemption shall not apply to commercial
1409 schools and colleges or trade institutions or schools where the
1410 profits of same inure to individuals, associations or
1411 corporations. All property, real or personal, belonging to an
1412 individual, institution or corporation and used for the operation
1413 of a grammar school, junior high school, high school or military
1414 school. All property, real or personal, owned and occupied by a
1415 fraternal and benevolent organization, when used by such
1416 organization, and from which no rentals or other profits accrue to
1417 the organization, but any part rented or from which revenue is
1418 received shall be taxed.



1419 (e) All property, real or personal, held and occupied
1420 by trustees of public schools, and school lands of the respective
1421 townships for the use of public schools, and all property kept in
1422 storage for the convenience and benefit of the State of
1423 Mississippi in warehouses owned or leased by the State of
1424 Mississippi, wherein said property is to be sold by the Alcoholic
1425 Beverage Control Division of the State Tax Commission of the State
1426 of Mississippi.

1427 (f) All property, real or personal, whether belonging
1428 to religious or charitable or benevolent organizations, which is
1429 used for hospital purposes, and nurses' homes where a part
1430 thereof, and which maintain one or more charity wards that are for
1431 charity patients, and where all the income from said hospitals and
1432 nurses' homes is used entirely for the purposes thereof and no
1433 part of the same for profit.

1434 (g) The wearing apparel of every person; and also
1435 jewelry and watches kept by the owner for personal use to the
1436 extent of One Hundred Dollars (\$100.00) in value for each owner.

1437 (h) Provisions on hand for family consumption.

1438 (i) All farm products grown in this state for a period
1439 of two (2) years after they are harvested, when in the possession
1440 of or the title to which is in the producer, except the tax of
1441 one-fifth of one percent (1/5 of 1%) per pound on lint cotton now
1442 levied by the Board of Commissioners of the Mississippi Levee
1443 District; and lint cotton for five (5) years, and cottonseed,
1444 soybeans, oats, rice and wheat for one (1) year regardless of
1445 ownership.

1446 (j) All guns and pistols kept by the owner for private
1447 use.

1448 (k) All poultry in the hands of the producer.

1449 (l) Household furniture, including all articles kept in
1450 the home by the owner for his own personal or family use; but this



1451 shall not apply to hotels, rooming houses or rented or leased
1452 apartments.

1453 (m) All cattle and oxen.

1454 (n) All sheep, goats and hogs.

1455 (o) All horses, mules and asses.

1456 (p) Farming tools, implements and machinery, when used
1457 exclusively in the cultivation or harvesting of crops or timber.

1458 (q) All property of agricultural and mechanical
1459 associations and fairs used for promoting their objects, and where
1460 no part of the proceeds is used for profit.

1461 (r) The libraries of all persons.

1462 (s) All pictures and works of art, not kept for or
1463 offered for sale as merchandise.

1464 (t) The tools of any mechanic necessary for carrying on
1465 his trade.

1466 (u) All state, county, municipal, levee, drainage and
1467 all school bonds or other governmental obligations, and all bonds
1468 and/or evidences of debts issued by any church or church
1469 organization in this state, and all notes and evidences of
1470 indebtedness which bear a rate of interest not greater than the
1471 maximum rate per annum applicable under the law; and all money
1472 loaned at a rate of interest not exceeding the maximum rate per
1473 annum applicable under the law; and all stock in or bonds of
1474 foreign corporations or associations shall be exempt from all ad
1475 valorem taxes.

1476 (v) All lands and other property situated or located
1477 between the Mississippi River and the levee shall be exempt from
1478 the payment of any and all road taxes levied or assessed under any
1479 road laws of this state.

1480 (w) Any and all money on deposit in either national
1481 banks, state banks or trust companies, on open account, savings
1482 account or time deposit.



1483 (x) All wagons, carts, drays, carriages and other horse
1484 drawn vehicles, kept for the use of the owner.

1485 (y) (i) Boats, seines and fishing equipment used in
1486 fishing and shrimping operations and in the taking or catching of
1487 oysters.

1488 (ii) All towboats, tugboats and barges documented
1489 under the laws of the United States, except watercraft of every
1490 kind and character used in connection with gaming operations.

1491 (z) All materials used in the construction and/or
1492 conversion of vessels in this state; vessels while under
1493 construction and/or conversion; vessels while in the possession of
1494 the manufacturer, builder or converter, for a period of twelve
1495 (12) months after completion of construction and/or conversion,
1496 and as used herein the term "vessel" shall include ships, offshore
1497 drilling equipment, dry docks, boats and barges, except watercraft
1498 of every kind and character used in connection with gaming
1499 operations.

1500 (aa) Sixty-six and two-thirds percent (66-2/3%) of
1501 nuclear fuel and reprocessed, recycled or residual nuclear fuel
1502 by-products, fissionable or otherwise, used or to be used in
1503 generation of electricity by persons defined as public utilities
1504 in Section 77-3-3.

1505 (bb) All growing nursery stock.

1506 (cc) A semitrailer used in interstate commerce.

1507 (dd) All property, real or personal, used exclusively
1508 for the housing of and provision of services to elderly persons,
1509 disabled persons, mentally impaired persons or as a nursing home,
1510 which is owned, operated and managed by a not-for-profit
1511 corporation, qualified under Section 501(c)(3) of the Internal
1512 Revenue Code, whose membership or governing body is appointed or
1513 confirmed by a religious society or ecclesiastical body or any
1514 congregation thereof.



1515 (ee) All vessels while in the hands of bona fide
1516 dealers as merchandise and which are not being operated upon the
1517 waters of this state shall be exempt from ad valorem taxes. As
1518 used in this paragraph the terms "vessel" and "waters of this
1519 state" shall have the meaning ascribed to such terms in Section
1520 59-21-3.

1521 (ff) All property, real or personal, owned by a
1522 nonprofit organization that: (i) is qualified as tax exempt under
1523 Section 501(c)(4) of the Internal Revenue Code of 1986, as
1524 amended; (ii) assists in the implementation of the national
1525 contingency plan or area contingency plan, and which is created in
1526 response to the requirements of Title IV, Subtitle B of the Oil
1527 Pollution Act of 1990, Public Laws 101-380; (iii) engages
1528 primarily in programs to contain, clean up and otherwise mitigate
1529 spills of oil or other substances occurring in the United States
1530 coastal or tidal waters; and (iv) is used for the purposes of the
1531 organization.

1532 (gg) If a municipality changes its boundaries so as to
1533 include within the boundaries of such municipality the project
1534 site of any project as defined in Section 57-75-5(f)(iv)1, all
1535 real and personal property located on the project site within the
1536 boundaries of such municipality that is owned by a business
1537 enterprise operating such project, shall be exempt from ad valorem
1538 taxation for a period of time not to exceed thirty (30) years upon
1539 receiving approval for such exemption by the Mississippi Major
1540 Economic Impact Authority. The provisions of this subsection
1541 shall not be construed to authorize a breach of any agreement
1542 entered into pursuant to Section 21-1-59.

1543 (hh) (i) Whenever any nonproducing oil, gas or other
1544 mineral interest in real estate is owned separately and apart from
1545 and independently of the rights owned in the surface of such real
1546 estate, or when any person reserves any right or interest or has
1547 any leasehold in any of the elements listed in this subparagraph



1548 (i), the owner of the surface estate shall be exempt from paying
1549 ten percent (10%) of the ad valorem taxes otherwise due on the
1550 real estate if the surface owner has complied with the provisions
1551 of subparagraph (ii) of this paragraph.

1552 (ii) It shall be the duty of every person who is
1553 eligible for and desires the exemption provided for in this
1554 paragraph (hh) to provide to the tax assessor on or before the
1555 first day of April each year, for the tax assessor's review and
1556 approval, an attorney's title opinion covering the person's real
1557 estate reflecting the ownership or reservation of any of the type
1558 interests listed in subparagraph (i) of this paragraph. The title
1559 opinion shall reflect the name and address of the owner(s) or
1560 holder(s) of such interest, the percentage of the interest owned
1561 or held and the duration of the interest. The attorney providing
1562 the title opinion must have been licensed to practice law in the
1563 State of Mississippi for at least two (2) years and must have
1564 professional liability insurance.

1565 (iii) If a person who is eligible for and desires
1566 the exemption provided for in this paragraph (hh) fails to comply
1567 with the requirements of subparagraph (ii) of this paragraph, that
1568 person shall not be granted such exemption and shall be liable for
1569 the full amount of the ad valorem taxes otherwise due on the real
1570 estate.

1571 SECTION 26. Section 27-41-79, Mississippi Code of 1972, is
1572 amended as follows:

1573 27-41-79. The tax collector shall on or before the second
1574 Monday of May and on or before the second Monday of October of
1575 each year, transmit to the clerk of the chancery court of the
1576 county separate certified lists of the lands struck off by him to
1577 the state and that sold to individuals, specifying to whom
1578 assessed, the date of sale, the amount of taxes for which sale was
1579 made, and each item of cost incident thereto, and where sold to
1580 individuals, the name of the purchaser, such sale to be separately



1581 recorded by the clerk in a book kept by him for that purpose. The
1582 tax collector shall also transmit to the clerk of the chancery
1583 court of the county separate lists of any nonproducing oil, gas or
1584 other mineral interests in real estate which are sold to persons
1585 for nonpayment of taxes or which are offered for sale and, because
1586 no person bids the whole amount of taxes and costs incident to the
1587 sale of such interest, which revert to the owners of the surface
1588 estate under which such mineral interests are located. All such
1589 lists, except lists of nonproducing mineral interests that
1590 reverted to the owners of the surface estate under which such
1591 mineral interests are located, shall vest in the state or in the
1592 individual purchaser thereof a perfect title to the land or
1593 mineral interest, or both, sold for taxes, but without the right
1594 of possession for the period of and subject to the right of
1595 redemption. Lists of nonproducing mineral interests that reverted
1596 to the owners of the surface estate under which such mineral
1597 interests are located shall vest in such surface owners a perfect
1598 title to the mineral interests not subject to the right of
1599 redemption. A failure to transmit or record a list or a defective
1600 list shall not affect or render the title void. If the tax
1601 collector or clerk shall fail to perform the duties herein
1602 prescribed, he shall be liable to the party injured by such
1603 default in the penal sum of Twenty-five Dollars (\$25.00), and also
1604 on his official bond for the actual damage sustained. The lists
1605 hereinabove provided shall, when filed with the clerk, be notice
1606 to all persons in the same manner as are deeds when filed for
1607 record. The lists of lands hereinabove referred to shall be filed
1608 by the tax collector in May for sales made in April and in October
1609 for sales made in September, respectively.

1610 SECTION 27. Section 27-41-81, Mississippi Code of 1972, is
1611 amended as follows:

1612 27-41-81. The tax collector shall on or before the first
1613 Monday of June transmit to the clerk of the chancery court of the



1614 county separate certified lists of the lands struck off by him to
1615 the state and that sold to individuals, specifying to whom
1616 assessed, the day of the sale, the amount of taxes for which the
1617 sale was made and each item of cost incidental thereto, and, where
1618 sold to individuals, the name of the purchaser, to be separately
1619 recorded by the clerk in books kept by him for that purpose. The
1620 tax collector shall also transmit to the clerk of the chancery
1621 court of the county separate lists of any nonproducing oil, gas or
1622 other mineral interests in real estate which are sold to persons
1623 for nonpayment of taxes or which are offered for sale and, because
1624 no person bids the whole amount of taxes and costs incident to the
1625 sale of such interest, which revert to the owners of the surface
1626 estate under which such mineral interests are located. The * * *
1627 lists, except lists of nonproducing mineral interests that
1628 reverted to the owners of the surface estate under which such
1629 mineral interests are located, shall vest in the state or the
1630 individual purchaser thereof a perfect title to the land or
1631 mineral interest, or both, sold for taxes, but without the right
1632 of possession and subject to the right of redemption. Lists of
1633 nonproducing mineral interests that reverted to the owners of the
1634 surface estate under which such mineral interests are located
1635 shall vest in such surface owners a perfect title to the mineral
1636 interests not subject to the right of redemption. A failure to
1637 transmit or record a list, or a defective list, shall not affect
1638 or render the title void. If the tax collector or clerk shall fail
1639 to perform the duties herein prescribed, he shall be liable to the
1640 party injured by such default in the penal sum of Twenty-five
1641 Dollars (\$25.00), and also on his bond for the actual damages
1642 sustained.

1643 The list hereinabove provided shall, when filed with the
1644 clerk, be notice to all persons in the same manner as are deeds
1645 when filed for record.



1646 SECTION 28. (1) Except as otherwise provided in subsection
1647 (2) of this section, the owner(s) or holder(s) of any nonproducing
1648 oil, gas or other mineral interest in real estate, which is owned
1649 or held separately and apart from and independently of the rights
1650 owned in the surface of such real estate, shall pay a percentage
1651 of the ad valorem taxes due on the land, as provided in this
1652 subsection. The owner(s) or holder(s) of all of the interests
1653 described in the preceding sentence collectively shall pay a total
1654 of ten percent (10%) of the ad valorem taxes due on the land under
1655 which the interests are located, and each individual owner or
1656 holder of any of the interests shall pay a pro rated portion of
1657 the ten percent (10%) based on his or her percentage of ownership
1658 of the collective total of all oil, gas or other mineral interests
1659 that are nonproducing and owned separately and apart from and
1660 independently of the rights owned in the surface of the real
1661 estate. The percentage of ad valorem taxes which the owner(s) or
1662 holder(s) of any of the interests described in the first sentence
1663 of this subsection must pay shall be due and payable at the same
1664 time and in the same manner as the ad valorem taxes due on the
1665 land.

1666 (2) If the owner of the surface estate under which any
1667 separately owned or held nonproducing oil, gas or other mineral
1668 interest is located fails to comply with the requirements of
1669 Section 25(ff)(ii) of this act, he or she shall be liable for the
1670 full amount of the ad valorem taxes otherwise due on the real
1671 estate, and the owner(s) or holder(s) of any of the interests
1672 described in the first sentence of subsection (1) of this section
1673 shall not be liable for any percentage of the ad valorem taxes due
1674 on the real estate.

1675 SECTION 29. (1) If the owner or holder of any nonproducing
1676 oil, gas or other mineral interest in real estate, which is owned
1677 or held separately and apart from and independently of the rights
1678 owned in the surface of such real estate, does not pay the



1679 percentage of ad valorem taxes that he or she is required to pay
1680 on the surface of the land under which the oil, gas or mineral
1681 interest is located, the nonproducing, separately owned or held
1682 mineral interest shall be sold in the same manner and in
1683 accordance with the same procedure as prescribed by law for the
1684 sale of lands for nonpayment of taxes.

1685 (2) In addition to the parties which the chancery clerk is
1686 required to provide with notice of a tax sale pursuant to Section
1687 27-43-1 et seq., the chancery clerk shall provide notice to the
1688 owner of the surface estate under which the separately owned or
1689 held, nonproducing oil, gas or other mineral interest sold for
1690 nonpayment of taxes is located that such interest was sold for
1691 taxes. In addition to the owner or holder of the oil, gas or
1692 other mineral interest sold for nonpayment of taxes, or any person
1693 acting for him with his consent or any person interested in the
1694 oil, gas or other mineral interest, the owner of the surface
1695 estate under which the interest is located, secondary only to the
1696 preceding parties, may redeem the oil, gas or other mineral
1697 interest sold for nonpayment of taxes.

1698 (3) If the owner of the surface estate pays the amount
1699 necessary to redeem the oil, gas or mineral interest sold for
1700 nonpayment of taxes, the chancery clerk shall notify the owner or
1701 holder of the interest sold for nonpayment of taxes that the owner
1702 of the surface estate has tendered the amount necessary to redeem
1703 the interest from the tax sale, and that such tender of the amount
1704 necessary to redeem the interest does not operate to redeem the
1705 interest from the tax sale. The chancery clerk shall notify the
1706 owner or holder of the oil, gas or other mineral interest sold for
1707 nonpayment of taxes that if such owner or holder, or any persons
1708 acting for him with his consent, or any person interested in the
1709 oil, gas other mineral interest does not redeem the interest
1710 before the expiration of the time of redemption, title to the oil,
1711 gas or other mineral interest shall vest in the owner of the



1712 surface estate who tendered the amount necessary to redeem the
1713 interest from the tax sale. If the owner or holder of the oil,
1714 gas or other mineral interest does not redeem the interest from
1715 the tax sale before the expiration of the redemption period, after
1716 being notified by the chancery clerk in accordance with the
1717 provisions of this section, title to the interest shall vest in
1718 the owner of the surface estate who tendered the amount necessary
1719 to redeem the interest from the tax sale, and the chancery clerk
1720 shall execute a deed of conveyance to such owner of the surface
1721 estate.

1722 (4) If any such nonproducing oil, gas or other mineral
1723 interest in real estate of a delinquent taxpayer is offered for
1724 sale, and no person bids the whole amount of taxes and costs
1725 incident to the sale of the mineral interest, such mineral
1726 interest shall revert to the owner of the surface estate under
1727 which the mineral interest is located. The owner of the surface
1728 estate to whom such mineral interest reverts shall be liable,
1729 beginning with the next year of tax liability, for the amount of
1730 delinquent taxes for which the mineral interest was offered for
1731 sale and for his prorated portion of the collective ten percent
1732 (10%) of ad valorem taxes due on the land as provided in Section
1733 28 of this act.

1734 SECTION 30. This act shall apply to any nonproducing oil,
1735 gas or other mineral interest in real estate which is owned or
1736 held separate and apart from and independently of the rights owned
1737 in the surface of such real estate, regardless of whether such
1738 interest was created or became nonproducing before or after the
1739 effective date of this act.

1740 SECTION 31. This act shall take effect and be in force from
1741 and after July 1, 2001.

