MISSISSIPPI LEGISLATURE

REGULAR SESSION 2003

By: Representatives Ellzey, Moak

To: Ways and Means

HOUSE BILL NO. 228

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1 AN ACT TO AMEND SECTIONS 27-25-501, 27-25-503, 27-25-507,
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
38 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:
39
40 SECTION 1. Section 27-25-501, Mississippi Code of 1972, is
41 amended as follows:
42 27-25-501. Whenever used in this article, the following
43 words and terms shall have the definition and meaning ascribed to
44 them in this section, unless the intention to give a more limited
45 meaning is disclosed by the context:

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

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

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

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

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

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gasoline, distillate, condensate, casinghead gasoline, asphalt or other mineral oil which is mined, or produced, or withdrawn from below the surface of the soil or water, in this state.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

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

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

(i) "Producer" means any person owning, controlling, managing or leasing any oil property, or oil well, and any person who produces in any manner any oil by taking it from the earth or water in this state, and shall include a person acting on behalf of an interest owner of oil being produced, whether produced by him, or by some other person on his behalf, either by lease contract or otherwise.

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

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

(l) "Production" means the total gross amount of oil produced, including all royalty or other interest; that is, the
amount for the purpose of the tax imposed by this article shall be measured or determined by tank tables compiled to show one hundred percent (100%) of the full capacity of tanks without deduction for overage or losses in handling. Allowance for any reasonable and bona fide deduction for basic sediment and water, and for correction of temperature to sixty (60) degrees Fahrenheit will be allowed. If the amount of oil produced has been measured or determined by tank tables compiled to show less than one hundred percent (100%) of the full capacity of tanks, then such amount shall be raised to a basis by one hundred percent (100%) for the purpose of the tax imposed by this article.

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

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

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

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

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

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

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

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

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

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

(3) (a) Oil produced from a discovery well for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the taxes levied under this section for a period of five (5) years beginning on the date
of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty-five Dollars ($25.00) per barrel. The exemption for oil produced from a discovery well as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Oil produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, but before July 1, 1999, shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of three (3) years. The reduced rate of assessment of oil produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Oil produced from a discovery well for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of five (5) years beginning on the date of first sale of production from such well, provided that the average monthly sales price of such oil does not exceed Twenty Dollars ($20.00) per barrel. The reduced rate of assessment of oil produced from a discovery well as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Oil produced
from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of three (3) years. The reduced rate of assessment of oil produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before July 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

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

(b) Oil produced from a development well for which drilling commenced on or after July 1, 1999, and for which three-dimensional seismic was utilized in connection with the drilling of such well shall be assessed at the rate of three percent (3%) of the value of the oil at the point of production for a period of five (5) years, provided that the average monthly sales price of such oil does not exceed Twenty Dollars ($20.00)
per barrel. The reduced rate of assessment of oil produced from a
development well as described in this paragraph (b) and for which
three-dimensional seismic was utilized shall be repealed from and
after July 1, 2003, provided that any such production for which a
permit was granted by the board before July 1, 2003, shall be
assessed at the reduced rate for an entire period of five (5)
years, notwithstanding that the repeal of this provision has
become effective.

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

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

(6) (a) As used in this subsection the term "marginal well"
(i) A well producing a monthly average of twenty
20 barrels of oil a day or less from a depth of seven thousand
five hundred (7,500) feet or less; or

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

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

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

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

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

27-25-507. When any regular monthly report required from
producers or interest owners by this article, does not disclose
the actual source of any oil taxable under this article, but does
show such oil to have escaped from a well or wells and to have
been recovered from streams, lakes, ravines, or other natural
depressions, it shall be the duty of the commissioner to collect,
in addition to the privilege tax herein imposed, an additional
amount equal to fourteen percent (14%) of the gross value of such escaped oil. The commissioner shall hold such additional collection in a special escrow account for a period of twelve (12) months from the date of the collection, during which time any person or persons who claim to be the rightful owner or owners of any royalty interest in the escaped oil, shall present proper and satisfactory proof of such ownership to the commissioner. If the commissioner shall be satisfied as to the ownership of such escaped oil, then he shall pay to such claimant or claimants a proportionate part of such additional collection held in escrow, according to their proper interest or interests. No payment to any claimant shall be made, however, before it is approved by the Attorney General, or before it is ordered by any court having proper jurisdiction. After the lapse of twelve (12) months from the date of any additional collection, if no claim or claims have been made to it, or to the balance remaining of it after the payment by the commissioner of any claim or claims, the commissioner shall distribute the additional collection or any balance of it in the same manner as is herein provided for the distribution of the tax imposed by this article.

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

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

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

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

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

(4) Every person in charge of production operations by which oil is severed from the soil or water in this state, who fails to deduct and withhold, as required herein, the amount of tax from sale or purchase price, when such oil is sold or purchased under contract, or agreement, or on the open market, or otherwise, shall be liable to the state for the full amount of taxes, interest, and penalties which should have been deducted, withheld and remitted to the state. The commissioner shall proceed to collect the tax from the person in charge of production operations, under the provisions of this article, as if he were the interest owner of the oil.
SECTION 5. Section 27-25-511, Mississippi Code of 1972, is amended as follows:

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

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

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

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

27-25-517. The commissioner shall have the power to require any interest owner, producer, or person in charge of production operations, or person purchasing any oil from the soil, or water, to furnish any additional information by him deemed to be necessary for the purpose of computing the amount of said tax; and for said purpose to examine the books, records, and all files of such person; and, to that end, the commissioner shall have the power to examine witnesses, and if any such witness shall fail or
refuse to appear at the request of the commissioner, or refuse access to books, records and files, said commissioner shall have the power and authority to proceed as provided by the Mississippi Sales Tax Law.

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

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

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

27-25-523. (1) All oil produced or under the ground on producing properties within the State of Mississippi and all
producing oil equipment, including wells, connections, pumps,
derricks and other appurtenances actually owned by and belonging
to the producer, and all leases in production, including mineral
rights in producing properties, shall be exempt from all ad
valorem taxes now levied or hereafter levied by the State of
Mississippi, or any county, municipality, levee district, road,
school or any other taxing district within this state. This
exemption shall not apply to drilling equipment, including
derricks, machinery, and other materials necessary to drilling,
nor to oil gathering systems, nor to the surface of lands leased
for oil production or upon which oil producing properties are
situated, but all such drilling equipment, gathering systems, and
lands shall be assessed as are other properties and shall be
subject to ad valorem tax. However, no additional assessment
shall be added to the surface value of such lands by reason of the
presence of oil thereunder or its production therefrom. The
exemption herein granted shall apply to all ad valorem taxes
levied in the year 1944 and each year thereafter.

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

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

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

27-25-701. Whenever used in this article, the following
words and terms shall have the definition and meaning ascribed to
them in this section, unless the intention to give a more limited
meaning is disclosed by the context:
(a) "Tax commission" means the Tax Commission of the State of Mississippi.

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

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

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

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

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

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

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

(i) "Person" means any natural person, firm, copartnership, joint venture, association, corporation, estate, trust, or any other group, or combination acting as a unit, and the plural as well as the singular number.
(j) "Producer" means any person controlling, managing or leasing any oil or gas property, or oil or gas well, and any person who produces in any manner any gas by taking it from the earth or water in this state, and shall include a person acting on behalf of an interest owner of gas being produced either by lease contract or otherwise.

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

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

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

(n) "Discovery well" means any well producing gas from a single pool in which a well has not been previously produced in paying quantities after testing.
(o) "Development wells" means all gas producing wells other than discovery wells and replacement wells.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) "Engaging in business" means any act or acts
engaged in (personal or corporate) by producers, or parties at
interest, the result of which gas is severed from the soil or
water, for storage, transport or manufacture, or by which there is
an exchange of money, or goods, or thing of value, for gas which
has been or is in process of being severed from the soil or water.
(l) "Production" means the total gross amount of gas produced, including all royalty or other interest; that is, the amount for the purpose of the tax imposed by this article shall be measured or determined by meter readings showing one hundred percent (100%) of the full volume expressed in cubic feet at a standard base and flowing temperature of sixty (60) degrees Fahrenheit and at the absolute pressure at which the gas is sold and purchased; correction to be made for pressure according to Boyle's law, and for specific gravity according to the gravity at which the gas is sold and purchased or if not so specified, according to test made by the balance method.

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

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

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

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

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

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

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

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

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

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

(2) The tax is hereby levied upon the entire production in this state, regardless of whether the interest owner resides in this state, regardless of where the gas is for sale, transported, stored, profit, or commercial use. The tax shall accrue at the time the gas is produced or severed from the soil or water, and in its natural, unrefined or unmanufactured state.

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

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

(5) (a) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the tax levied under this section for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents ($3.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from discovery wells as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.
(b) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of natural gas produced from discovery wells as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

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

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

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

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

(8) The State Oil and Gas Board shall have the exclusive authority to determine the qualification of wells defined in paragraphs (n) through (r) of Section 27-25-701.

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

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

(2) The tax is hereby levied upon the entire production in this state, regardless of whether the interest owner resides in this state, regardless of the place of sale or to whom sold or by
whom used, or regardless of the fact that the delivery may be made to points outside the state, but not levied upon that gas, including carbon dioxide, lawfully injected into the earth for cycling, repressuring, lifting or enhancing the recovery of oil, nor upon gas lawfully vented or flared in connection with the production of oil, nor upon gas condensed into liquids on which the oil severance tax of six percent (6%) is paid; save and except, however, if any gas so injected into the earth is sold for such purposes, then the gas so sold shall not be excluded in computing the tax, unless such gas is carbon dioxide which is sold to be used and is used in Mississippi in an enhanced oil recovery method, in which event there shall be no severance tax levied on carbon dioxide so sold and used. The tax shall accrue at the time the gas is produced or severed from the soil or water, and in its natural, unrefined or unmanufactured state.

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

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

(5) (a) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the tax levied under this section for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Three Dollars and Fifty Cents
($3.50) per one thousand (1,000) cubic feet. The exemption for natural gas produced from discovery wells as described in this paragraph (a) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be exempt for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from discovery wells or replacement wells drilled in connection with discovery wells for which drilling commenced on or after January 1, 1994, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (a) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(b) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of first sale from such well, provided that the average monthly sales price of such gas does not exceed Two Dollars and Fifty Cents ($2.50) per one thousand (1,000) cubic feet. The reduced rate of assessment of natural gas produced from discovery wells as described in this paragraph (b) shall be repealed from and after July 1, 2003, provided that any such production for which a permit was granted by the board before July 1, 2003, shall be assessed at the reduced rate for an entire period of five (5) years, notwithstanding that the repeal of this provision has become effective. Natural gas produced from development wells or
replacement wells drilled in connection with discovery wells for which drilling commenced on or after July 1, 1999, shall be assessed at a rate of three percent (3%) of the value thereof at the point of production for a period of three (3) years. The reduced rate of assessment of natural gas produced from development wells or replacement wells as described in this paragraph (b) shall be repealed from and after January 1, 2003, provided that any such production for which drilling commenced before January 1, 2003, shall be assessed at the reduced rate for an entire period of three (3) years, notwithstanding that the repeal of this provision has become effective.

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

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

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

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

(8) The State Oil and Gas Board shall have the exclusive
authority to determine the qualification of wells defined in
paragraphs (n) through (r) of Section 27-25-701.

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

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

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

The state's share of all gas severance taxes collected
pursuant to this section shall be deposited as provided for in
Section 27-25-506.

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

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

The balance remaining of any funds returned to the county
after the allocation to municipalities shall be divided among the
various maintenance and bond and interest funds of the county,
school districts, supervisors districts and road districts, in the
discretion of the board of supervisors, and such board shall make
the division in consideration of the needs of the various taxing
districts. The funds so allocated shall be used only for such
purposes as are authorized by law.

[With regard to any county which is required to operate on a
countywide system of road administration as described in Section
19-2-3, this section shall read as follows:]  
27-25-705. All taxes herein levied and collected by the
State Tax Commission shall be paid into the State Treasury on the
same day in which such taxes are collected. The commissioner
shall apportion all such tax collections to the state and to the
county in which the gas was produced, in the proportion of
sixty-six and two-thirds percent (66-2/3%) to the state and
thirty-three and one-third percent (33-1/3%) to the county. * * *
However, when the price of the gas subject to the tax levied in
this article is increased, such increase is subject to approval by
a federal regulatory board or commission, and when the interest
owner and producer of the gas so requests, the State Treasurer
is * * * authorized to hold the severance tax collected on the
price increase in escrow until such time as the price increase or
a portion thereof is finally granted or approved. The severance
tax thus held in escrow shall be deposited by the State Treasurer
to an account in a state depository to be invested in an
interest-bearing account in the manner provided by law. When the
price increase in question or a portion thereof is granted or
approved, the commissioner shall compute the correct severance tax
due on such increase and certify the amount of tax thus computed.
This amount and interest earned from the depository shall be
distributed to the General Fund and to the county or counties
proportionately as herein provided. The balance, if any, of the
tax and interest held in escrow on the price increase shall be
returned to the taxpayer.
The state's share of all gas severance taxes collected pursuant to this section shall be deposited as provided for in Section 27-25-506.

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

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

The balance remaining of any funds returned to the county after the allocation to municipalities shall be divided among the various maintenance and bond and interest funds of the county and school districts, in the discretion of the board of supervisors, and such board shall make the division in consideration of the
needs of the various taxing districts. The funds so allocated shall be used only for such purposes as are authorized by law.

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

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

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

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

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

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

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

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

27-25-711. Every interest owner, producer or person in
charge of production operations by which gas is severed from the
soil, or water, in this state, when making the reports required by
this article, shall file with the commissioner a statement, under
oath, on forms prescribed by him, of the business conducted by
such producer or person in charge of production operations, during
the period for which the report is made, showing gross quantity of
gas and the value thereof, so severed or produced, and such other
reasonable and necessary information pertaining thereto as the
commissioner may require for the proper enforcement of the
provisions of this article.

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

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

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

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

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

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

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

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

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

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

27-25-721. (1) All gas produced or under the ground on producing properties within the State of Mississippi and all producing gas equipment, including wells, connections, pumps, derricks and other appurtenances actually owned by and belonging to the producer, and all leases in production, including mineral
rights in producing properties, shall be exempt from all ad
valorem taxes now levied or hereafter levied by the State of
Mississippi, or any other taxing district within this state. This
exemption shall not apply to drilling equipment, including
derricks, machinery, and other materials necessary to drilling,
nor to gas gathering systems, nor to the surface of lands leased
for gas production or upon which gas producing properties are
situated, but all such drilling equipment, gathering systems, and
lands shall be assessed as are other properties and shall be
subject to ad valorem tax. However, no additional assessment
shall be added to the surface value of such lands by reason of the
presence of gas thereunder or its production therefrom. The
exemption herein granted shall apply to all ad valorem taxes
levied in the year 1948 and each year thereafter.

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

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

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

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

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

(c) "Person" means and includes any individual, firm,
copartnership, joint venture, association, corporation, estate,
trust or other group or combination acting as a unit, and includes
the plural as well as the singular in number.
(d) "Taxpayer" means any person liable for or having paid any tax to the State of Mississippi under the provisions of this article.

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

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

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

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

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

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

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

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

27-25-305. There is * * * levied and assessed, and shall be collected by the commissioner, privilege taxes upon every interest owner who is mining, severing or otherwise producing salt or causing it to be produced in this state, for sale, profit or commercial use. The amount of such tax shall be three percent (3%) of the value of the entire production in this state.
The tax is *** levied upon the entire production in this state, regardless of whether the interest owner resides in this state, regardless of the place of sale, or regardless of the fact that delivery may be made to points outside the state, and the tax shall accrue at the time such salt is severed from the soil or water, and in its natural, unrefined or unprocessed state.

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

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

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

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

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

27-25-309. Every person who is an interest owner of salt or who is engaged in the business of producing salt in this state, or who is in charge of production operations, and who is required to pay the tax imposed by this article, shall make and keep, for a period of three (3) years, a complete and accurate record to substantiate all taxes accrued hereunder, showing the gross...
quantity of salt produced and the value of same, the names of the
person or persons from whom purchased and the county in which
located. All records shall be subject to examination by the
commissioner.

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

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

27-31-73. (1) To encourage the purchase of leases upon and
interests in oil, gas and other minerals in the State of
Mississippi, to encourage drilling for and production of such
minerals, and to relieve the taxing officials of the counties of
the state of the onerous duties of assessment for, collection of
and sale for ad valorem taxes for such interests (which the
Legislature finds are generally assessed at nominal values
resulting in taxes not commensurate with the services required of
such officers), all nonproducing leasehold interests upon all oil,
gas and other minerals in, on or under lands lying within the
State of Mississippi, created or assigned after the effective date
of Sections 27-31-71 through 27-31-87, and also all nonproducing
interests in such oil, gas and other minerals (including royalty
interests therein) hereafter conveyed to a grantee or purchaser or
excepted or reserved to a grantor separately and apart from the
surface, shall be exempt from all ad valorem taxes levied on or
after January 1, 1947, by the State of Mississippi, or any county,
municipality, levee district, road district, school district,
drainage district or other taxing district within the state or
becoming a lien on or after said date. Any sale for taxes of the
surface or of the remainder of the fee shall not in any manner
whatsoever affect the interest or interests ** exempted.
For the same purpose there is likewise exempted from such ad valorem taxation all such interests created prior to the passage of Sections 27-31-71 through 27-31-87 which are owned separately and apart from the surface, provided that as a condition precedent to obtaining such exemption upon existing interests the then owner thereof shall make application for exemption of the interest then owned by him as hereinafter provided and pay, by the purchase of documentary tax stamps, a sum equivalent to the tax herein levied by Section 27-31-77 on instruments hereafter executed creating, transferring or reserving corresponding or similar interests. If any such sum is paid after January 1, 1947, then such exemption shall apply only to taxes becoming a lien after such sum is thus paid.

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

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

27-35-51. Whenever any buildings, improvements or structures, mineral, gas, oil, timber or similar interests in real estate, including building permits or reservations, are owned separately and apart from and independently of the rights and interests owned in the surface of such real estate, or when any person reserves any right or interest, or has any leasehold in the elements above enumerated, all of such interests shall be assessed and taxed separately from such surface rights and interests in said real estate, and shall be sold for taxes in the same manner and with the same effect as other interests in real estate are
sold for taxes. Whenever the owner or holder of any separately
owned or held nonproducing oil, gas or other mineral interest does
not pay the percentage of ad valorem taxes that he or she is
required to pay on the surface of the land under which the oil,
gas or other mineral interest is located, the provisions of
Section 28 of this act apply. All interests in real estate herein
enumerated shall be returned to the tax assessor within the same
time and in the same manner as the owners of land are now required
by law to list lands for assessment and taxation and under like
penalties. The tax assessor shall enter the assessment of the
interests herein enumerated upon the assessment roll by entering
the same upon the next succeeding line or lines of the roll
following the assessment of the surface owner, the name of the
owner and the name of the interest, and by placing the value in
the appropriate column or columns on the roll; or the assessor may
enter the assessment of any or all of such interests upon a page
or pages in the land roll following the assessment of the lands of
the county, and the value of all such interests shall be included
in the recapitulation of the roll. And the value of said interest
or interests shall be determined and fixed in the same manner and
by the same officials now required by law to value and assess
property for taxation.

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

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

(a) All cemeteries used exclusively for burial
purposes.

(b) All property, real or personal, belonging to the
State of Mississippi or any of its political subdivisions, except
property of a municipality not being used for a proper municipal
purpose and located outside the county or counties in which such
municipality is located. A proper municipal purpose within the
meaning of this section shall be any authorized governmental or
corporate function of a municipality.

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

(d) All property, real or personal, belonging to any
religious society, or ecclesiastical body, or any congregation
thereof, or to any charitable society, or to any historical or
patriotic association or society, or to any garden or pilgrimage
club or association and used exclusively for such society or
association and not for profit; not exceeding, however, the amount
of land which such association or society may own as provided in
Section 79-11-33. All property, real or personal, belonging to
any rural waterworks system or rural sewage disposal system
incorporated under the provisions of Section 79-11-1. All
property, real or personal, belonging to any college or
institution for the education of youths, used directly and
exclusively for such purposes, provided that no such college or
institution for the education of youths shall have exempt from
taxation more than six hundred forty (640) acres of land;
provided, however, this exemption shall not apply to commercial
schools and colleges or trade institutions or schools where the
profits of same inure to individuals, associations or
corporations. All property, real or personal, belonging to an
individual, institution or corporation and used for the operation
of a grammar school, junior high school, high school or military
school. All property, real or personal, owned and occupied by a
fraternal and benevolent organization, when used by such
organization, and from which no rentals or other profits accrue to
the organization, but any part rented or from which revenue is
received shall be taxed.
(e) All property, real or personal, held and occupied by trustees of public schools, and school lands of the respective townships for the use of public schools, and all property kept in storage for the convenience and benefit of the State of Mississippi in warehouses owned or leased by the State of Mississippi, wherein said property is to be sold by the Alcoholic Beverage Control Division of the State Tax Commission of the State of Mississippi.

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

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

(h) Provisions on hand for family consumption.

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

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

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

(l) Household furniture, including all articles kept in the home by the owner for his own personal or family use; but this
shall not apply to hotels, rooming houses or rented or leased
apartments.

(m) All cattle and oxen.
(n) All sheep, goats and hogs.
(o) All horses, mules and asses.
(p) Farming tools, implements and machinery, when used
exclusively in the cultivation or harvesting of crops or timber.
(q) All property of agricultural and mechanical
associations and fairs used for promoting their objects, and where
no part of the proceeds is used for profit.
(r) The libraries of all persons.
(s) All pictures and works of art, not kept for or
offered for sale as merchandise.
(t) The tools of any mechanic necessary for carrying on
his trade.
(u) All state, county, municipal, levee, drainage and
all school bonds or other governmental obligations, and all bonds
and/or evidences of debts issued by any church or church
organization in this state, and all notes and evidences of
indebtedness which bear a rate of interest not greater than the
maximum rate per annum applicable under the law; and all money
loaned at a rate of interest not exceeding the maximum rate per
annum applicable under the law; and all stock in or bonds of
foreign corporations or associations shall be exempt from all ad
valorem taxes.
(v) All lands and other property situated or located
between the Mississippi River and the levee shall be exempt from
the payment of any and all road taxes levied or assessed under any
road laws of this state.
(w) Any and all money on deposit in either national
banks, state banks or trust companies, on open account, savings
account or time deposit.
(x) All wagons, carts, drays, carriages and other horse-drawn vehicles, kept for the use of the owner.

(y) (1) Boats, seines and fishing equipment used in fishing and shrimping operations and in the taking or catching of oysters.

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

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

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

(bb) All growing nursery stock.

(cc) A semitrailer used in interstate commerce.

(dd) All property, real or personal, used exclusively for the housing of and provision of services to elderly persons, disabled persons, mentally impaired persons or as a nursing home, which is owned, operated and managed by a not-for-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code, whose membership or governing body is appointed or confirmed by a religious society or ecclesiastical body or any congregation thereof.
(ee) All vessels while in the hands of bona fide dealers as merchandise and which are not being operated upon the waters of this state shall be exempt from ad valorem taxes. As used in this paragraph the terms "vessel" and "waters of this state" shall have the meaning ascribed to such terms in Section 59-21-3.

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

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

(hh) (i) Whenever any nonproducing oil, gas or other mineral interest in real estate is owned separately and apart from and independently of the rights owned in the surface of such real estate, or when any person reserves any right or interest or has any leasehold in any of the elements listed in this subparagraph
(i), the owner of the surface estate shall be exempt from paying ten percent (10%) of the ad valorem taxes otherwise due on the real estate if the surface owner has complied with the provisions of subparagraph (ii) of this paragraph.

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

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

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

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

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

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

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

county separate certified lists of the lands struck off by him to the state and that sold to individuals, specifying to whom assessed, the day of the sale, the amount of taxes for which the sale was made and each item of cost incidental thereto, and, where sold to individuals, the name of the purchaser, to be separately recorded by the clerk in books kept by him for that purpose. The tax collector shall also transmit to the clerk of the chancery court of the county separate lists of any nonproducing oil, gas or other mineral interests in real estate which are sold to persons for nonpayment of taxes or which are offered for sale and, because no person bids the whole amount of taxes and costs incident to the sale of such interest, revert to the owners of the surface estate under which such mineral interests are located. The * * * * lists shall (except lists of nonproducing mineral interests that reverted to the owners of the surface estate under which such mineral interests are located) vest in the state or the individual purchaser thereof a perfect title to the land or mineral interest, or both, sold for taxes, but without the right of possession and subject to the right of redemption. Lists of nonproducing mineral interests that reverted to the owners of the surface estate under which such mineral interests are located shall vest in such surface owners a perfect title to the mineral interests, not subject to the right of redemption. A failure to transmit or record a list, or a defective list, shall not affect or render the title void. If the tax collector or clerk shall fail to perform the duties herein prescribed, he shall be liable to the party injured by such default in the penal sum of Twenty-five Dollars ($25.00), and also on his bond for the actual damages sustained. The list hereinabove provided shall, when filed with the clerk, be notice to all persons in the same manner as are deeds when filed for record.

SECTION 28. (1) Except as otherwise provided in subsection (2) of this section, the owner(s) or holder(s) of any nonproducing
oil, gas or other mineral interest in real estate, which is owned
or held separately and apart from and independently of the rights
owned in the surface of such real estate, shall pay a percentage
of the ad valorem taxes due on the land, as provided in this
subsection. The owner(s) or holder(s) of all of the interests
described in the preceding sentence collectively shall pay a total
of ten percent (10%) of the ad valorem taxes due on the land under
which the interests are located, and each individual owner or
holder of any of the interests shall pay a prorated portion of the
ten percent (10%) based on his or her percentage of ownership of
the collective total of all oil, gas or other mineral interests
that are nonproducing and owned separately and apart from and
independently of the rights owned in the surface of the real
estate. The percentage of ad valorem taxes which the owner(s) or
holder(s) of any of the interests described in the first sentence
of this subsection must pay shall be due and payable at the same
time and in the same manner as the ad valorem taxes due on the
land.

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

SECTION 29. (1) If the owner or holder of any nonproducing
oil, gas or other mineral interest in real estate, which is owned
or held separately and apart from and independently of the rights
owned in the surface of such real estate, does not pay the
percentage of ad valorem taxes that he or she is required to pay
on the surface of the land under which the oil, gas or mineral
interest is located, the nonproducing, separately owned or held
mineral interest shall be sold in the same manner and in
accordance with the same procedure as prescribed by law for the
sale of lands for nonpayment of taxes.

(2) In addition to the parties which the chancery clerk is
required to provide with notice of a tax sale pursuant to Section
27-43-1 et seq., the chancery clerk shall provide notice to the
owner of the surface estate under which the separately owned or
held, nonproducing oil, gas or other mineral interest sold for
nonpayment of taxes is located that such interest was sold for
taxes. In addition to the owner or holder of the oil, gas or
other mineral interest sold for nonpayment of taxes, or any person
for him with his consent or any person interested in the oil, gas
or other mineral interest, the owner of the surface estate under
which the interest is located shall have the right, secondary only
to the preceding parties, to redeem the oil, gas or other mineral
interest sold for nonpayment of taxes.

(3) If the owner of the surface estate pays the amount
necessary to redeem the oil, gas or mineral interest sold for
nonpayment of taxes, the chancery clerk shall notify the owner or
holder of the interest sold for nonpayment of taxes that the owner
of the surface estate has tendered the amount necessary to redeem
the interest from the tax sale, and that such tender of the amount
necessary to redeem the interest does not operate to redeem the
interest from the tax sale. The chancery clerk shall notify the
owner or holder of the oil, gas or other mineral interest sold for
nonpayment of taxes that if such owner or holder, or any persons
for him with his consent, or any person interested in the oil, gas
other mineral interest does not redeem the interest before the
expiration of the time of redemption, title to the oil, gas or
other mineral interest shall vest in the owner of the surface
estate who tendered the amount necessary to redeem the interest
from the tax sale. If the owner or holder of the oil, gas or
other mineral interest does not redeem the interest from the tax sale before the expiration of the redemption period, after being notified by the chancery clerk in accordance with the provisions of this section, title to the interest shall vest in the owner of the surface estate who tendered the amount necessary to redeem the interest from the tax sale, and the chancery clerk shall execute a deed of conveyance to such owner of the surface estate.

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

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

**SECTION 31.** This act shall take effect and be in force from and after July 1, 2003.