

By: Representatives Ellzey, Moak

To: Ways and Means

HOUSE BILL NO. 228

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

108 (l) "Production" means the total gross amount of oil
109 produced, including all royalty or other interest; that is, the



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

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

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

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

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

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

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



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

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

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

149 27-25-503. (1) Except as otherwise provided herein, there
150 is hereby levied, to be collected hereafter, as provided herein,
151 annual privilege taxes upon every interest owner who is producing,
152 or severing oil in this state, * * * from the soil or water for
153 sale, transport, storage, profit or for commercial use. The
154 amount of such tax shall be measured by the value of the oil
155 produced, and shall be levied and assessed at the rate of six
156 percent (6%) of the value thereof at the point of production.
157 However, such tax shall be levied and assessed at the rate of
158 three percent (3%) of the value of the oil at the point of
159 production on oil produced by an enhanced oil recovery method in
160 which carbon dioxide is used; provided, that such carbon dioxide
161 is transported by pipeline to the oil well site and on oil
162 produced by any other enhanced oil recovery method approved and
163 permitted by the State Oil and Gas Board on or after April 1,
164 1994, pursuant to Section 53-3-101 et seq.

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

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



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

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



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

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

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



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

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

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

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



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

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

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

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

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

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

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



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

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

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



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

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

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

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



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

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

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

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

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

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



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

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

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

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

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



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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

663 (3) Natural gas and condensate produced from any wells for
664 which drilling is commenced after March 15, 1987, and before July
665 1, 1990, shall be exempt from the tax levied under this section



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

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

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



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

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



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

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

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



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

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

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

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

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

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



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

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

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

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



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

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



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

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

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



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

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

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



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

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

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

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

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



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

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

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

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

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



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

999 **[With regard to any county which is required to operate on a**
1000 **countywide system of road administration as described in Section**
1001 **19-2-3, this section shall read as follows:]**

1002 27-25-705. All taxes herein levied and collected by the
1003 State Tax Commission shall be paid into the State Treasury on the
1004 same day in which such taxes are collected. The commissioner
1005 shall apportion all such tax collections to the state and to the
1006 county in which the gas was produced, in the proportion of
1007 sixty-six and two-thirds percent (66-2/3%) to the state and
1008 thirty-three and one-third percent (33-1/3%) to the county. * * *
1009 However, when the price of the gas subject to the tax levied in
1010 this article is increased, such increase is subject to approval by
1011 a federal regulatory board or commission, and when the interest
1012 owner and producer of the gas so requests, the State Treasurer
1013 is * * * authorized to hold the severance tax collected on the
1014 price increase in escrow until such time as the price increase or
1015 a portion thereof is finally granted or approved. The severance
1016 tax thus held in escrow shall be deposited by the State Treasurer
1017 to an account in a state depository to be invested in an
1018 interest-bearing account in the manner provided by law. When the
1019 price increase in question or a portion thereof is granted or
1020 approved, the commissioner shall compute the correct severance tax
1021 due on such increase and certify the amount of tax thus computed.
1022 This amount and interest earned from the depository shall be
1023 distributed to the General Fund and to the county or counties
1024 proportionately as herein provided. The balance, if any, of the
1025 tax and interest held in escrow on the price increase shall be
1026 returned to the taxpayer.



1027 The state's share of all gas severance taxes collected
1028 pursuant to this section shall be deposited as provided for in
1029 Section 27-25-506.

1030 The commissioner shall certify at the end of each month the
1031 apportionment to each county to the State Treasurer, who shall
1032 remit the county's share of said funds on or before the twentieth
1033 day of the month next succeeding the month in which such
1034 collections were made for division among the municipalities and
1035 taxing districts of the county. The commissioner shall submit a
1036 report to the State Treasurer for distribution to each county
1037 receiving such funds showing from whom said tax and interest, if
1038 any, were collected. Upon receipt of said funds, the board of
1039 supervisors of the county shall allocate the same to the
1040 municipalities and to the various maintenance and bond and
1041 interest funds of the county and school districts, as hereinafter
1042 provided.

1043 When there shall be any gas producing properties within the
1044 corporate limits of any municipality, then such municipality shall
1045 participate in the division of the tax and interest, if any,
1046 returned to the county in which the municipality is located in the
1047 proportion which the tax on production of gas from properties
1048 located within the municipal corporate limits bears to the tax on
1049 total production of gas in the county. In no event, however,
1050 shall the amount allocated to the municipalities exceed one-third
1051 (1/3) of the tax and interest produced in the municipality and
1052 returned to the county. Any amount received by any municipality
1053 as a result of the allocation herein provided shall be used for
1054 such purposes as are authorized by law.

1055 The balance remaining of any funds returned to the county
1056 after the allocation to municipalities shall be divided among the
1057 various maintenance and bond and interest funds of the county and
1058 school districts, in the discretion of the board of supervisors,
1059 and such board shall make the division in consideration of the



1060 needs of the various taxing districts. The funds so allocated
1061 shall be used only for such purposes as are authorized by law.

1062 **SECTION 13.** Section 27-25-707, Mississippi Code of 1972, is
1063 amended as follows:

1064 27-25-707. (1) The tax hereby imposed is levied upon the
1065 interest owners of such gas in the proportion of their ownership
1066 at the time of severance, but, except as otherwise herein
1067 provided, may be paid by the person in charge of the production
1068 operations, who, in such case, shall deduct from any amount due to
1069 interest owners of such production at the time of severance the
1070 proportionate amount of the tax herein levied before making
1071 payments to such interest owners. The tax shall become due and
1072 payable as provided by this article and * * * shall constitute a
1073 first lien upon the property from which the gas was produced. In
1074 the event the person in charge of production operations fails to
1075 pay the tax, then the commissioner shall proceed against the
1076 interest owner to collect the tax in accordance with the
1077 provisions made for the collection of delinquent taxes by the
1078 Mississippi Sales Tax Law.

1079 (2) When any person in charge of the production operations
1080 shall sell the gas produced by him to any person under contracts
1081 requiring such purchaser to pay all owners of such gas direct,
1082 then the person in charge of the production operations may not be
1083 required to deduct the tax herein levied, but in which event such
1084 deduction shall be made by the purchaser before making payments to
1085 each interest owner of such gas. * * * The purchaser in that case
1086 shall account for the tax; provided that nothing herein shall be
1087 construed as releasing the person in charge of production
1088 operations from liability for the payment of said tax.

1089 (3) When any person in charge of production operations shall
1090 sell gas produced by him on the open market, he shall withhold the
1091 tax imposed by this article, and if he is required to pay other
1092 interest holders, is hereby authorized, empowered and required to



1093 deduct from any amount due them, the amount of tax levied and due
1094 under the provisions of this article before making payment to
1095 them.

1096 (4) Every person in charge of production operations by which
1097 gas is severed from the soil or water in this state, who fails to
1098 deduct and withhold, as required herein, the amount of tax from
1099 sale or purchase price, when such gas is sold or purchased under
1100 contract or agreement, or on the open market, or otherwise, shall
1101 be liable to the state for the full amount of taxes, interest, and
1102 penalties which should have been deducted, withheld and remitted
1103 to the state. * * * The commissioner shall proceed to collect the
1104 tax from the person in charge of production operations, under the
1105 provisions of this article, as if he were the interest owner of
1106 the gas.

1107 **SECTION 14.** Section 27-25-709, Mississippi Code of 1972, is
1108 amended as follows:

1109 27-25-709. When the title to any gas being severed from the
1110 soil, or water, is in dispute, or whenever the producer or
1111 interest owner of such gas from the soil, or water, or purchaser
1112 thereof, shall be withholding payments on account of litigation,
1113 or for any other reason, such producer, interest owner, or
1114 purchaser shall deduct from the gross amount thus held the amount
1115 of the tax herein levied and imposed, and to make remittance
1116 thereof to the commissioner as provided by this article.

1117 **SECTION 15.** Section 27-25-711, Mississippi Code of 1972, is
1118 amended as follows:

1119 27-25-711. Every interest owner, producer or person in
1120 charge of production operations by which gas is severed from the
1121 soil, or water, in this state, when making the reports required by
1122 this article, shall file with the commissioner a statement, under
1123 oath, on forms prescribed by him, of the business conducted by
1124 such producer or person in charge of production operations, during
1125 the period for which the report is made, showing gross quantity of



1126 gas and the value thereof, so severed or produced, and such other
1127 reasonable and necessary information pertaining thereto as the
1128 commissioner may require for the proper enforcement of the
1129 provisions of this article.

1130 **SECTION 16.** Section 27-25-715, Mississippi Code of 1972, is
1131 amended as follows:

1132 27-25-715. The commissioner shall have the power to require
1133 any interest owner, producer or person in charge of production
1134 operations, or person purchasing any gas from the soil, or water,
1135 to furnish any additional information by him deemed to be
1136 necessary for the purpose of computing the amount of said tax; and
1137 for said purpose to examine the meter and other charts, books,
1138 records, and all files of such person; and, to that end, the
1139 commissioner shall have the power to examine witnesses, and if any
1140 such witness shall fail or refuse to appear at the request of the
1141 commissioner, or refuse access to books, records and files, said
1142 commissioner shall have the power and authority to proceed as
1143 provided by the Mississippi Sales Tax Law.

1144 **SECTION 17.** Section 27-25-719, Mississippi Code of 1972, is
1145 amended as follows:

1146 27-25-719. Every person who is an interest owner of gas, or
1147 who is engaged in the business of producing or purchasing any gas
1148 in this state, or who is in charge of production operations, and
1149 who is required to pay the tax imposed by this article, shall make
1150 and keep, for a period of three (3) years, a complete and accurate
1151 record, in the form required by the commissioner showing the gross
1152 quantity of gas produced and value of same, the names of the
1153 persons from whom purchased, and the time of purchase.

1154 **SECTION 18.** Section 27-25-721, Mississippi Code of 1972, is
1155 amended as follows:

1156 **[Until July 1, 2004, this section shall read as follows:]**

1157 27-25-721. (1) All gas and carbon dioxide produced or under
1158 the ground on producing properties within the State of Mississippi



1159 and all producing gas or carbon dioxide equipment, including
1160 wells, connections, pumps, derricks and other appurtenances
1161 actually owned by and belonging to the producer, and all leases in
1162 production, including mineral rights in producing properties,
1163 shall be exempt from all ad valorem taxes now levied or hereafter
1164 levied by the State of Mississippi, or any other taxing district
1165 within this state. This exemption shall not apply to drilling
1166 equipment, including derricks, machinery, and other materials
1167 necessary to drilling, nor to gas or carbon dioxide gathering
1168 systems, nor to the surface of lands leased for gas or carbon
1169 dioxide production or upon which gas or carbon dioxide producing
1170 properties are situated, but all such drilling equipment,
1171 gathering systems, and lands shall be assessed as are other
1172 properties and shall be subject to ad valorem tax. However, no
1173 additional assessment shall be added to the surface value of such
1174 lands by reason of the presence of gas or carbon dioxide
1175 thereunder or its production therefrom. The exemption herein
1176 granted shall apply to all ad valorem taxes levied in the year
1177 1948 and each year thereafter.

1178 (2) The exemption from ad valorem taxes granted in this
1179 section shall not apply to the percentage of ad valorem taxes that
1180 the owner or holder of a nonproducing gas interest in real estate,
1181 which is owned or held separately and apart from and independently
1182 of the rights owned in the surface of such real estate, must pay
1183 on the land under which the gas interest is located, under the
1184 provisions of Section 28 of this act.

1185 **[From and after July 1, 2004, this section shall read as**
1186 **follows:]**

1187 27-25-721. (1) All gas produced or under the ground on
1188 producing properties within the State of Mississippi and all
1189 producing gas equipment, including wells, connections, pumps,
1190 derricks and other appurtenances actually owned by and belonging
1191 to the producer, and all leases in production, including mineral



1192 rights in producing properties, shall be exempt from all ad
1193 valorem taxes now levied or hereafter levied by the State of
1194 Mississippi, or any other taxing district within this state. This
1195 exemption shall not apply to drilling equipment, including
1196 derricks, machinery, and other materials necessary to drilling,
1197 nor to gas gathering systems, nor to the surface of lands leased
1198 for gas production or upon which gas producing properties are
1199 situated, but all such drilling equipment, gathering systems, and
1200 lands shall be assessed as are other properties and shall be
1201 subject to ad valorem tax. However, no additional assessment
1202 shall be added to the surface value of such lands by reason of the
1203 presence of gas thereunder or its production therefrom. The
1204 exemption herein granted shall apply to all ad valorem taxes
1205 levied in the year 1948 and each year thereafter.

1206 (2) The exemption from ad valorem taxes granted in this
1207 section shall not apply to the percentage of ad valorem taxes that
1208 the owner or holder of a nonproducing gas interest in real estate,
1209 which is owned or held separately and apart from and independently
1210 of the rights owned in the surface of such real estate, must pay
1211 on the land under which the gas interest is located, under the
1212 provisions of Section 28 of this act.

1213 **SECTION 19.** Section 27-25-303, Mississippi Code of 1972, is
1214 amended as follows:

1215 27-25-303. The words, terms and phrases used in this article
1216 shall have the meanings ascribed to them herein.

1217 (a) "Tax Commission" means the Tax Commission of the
1218 State of Mississippi.

1219 (b) "Commissioner" means the Chairman of the State Tax
1220 Commission.

1221 (c) "Person" means and includes any individual, firm,
1222 copartnership, joint venture, association, corporation, estate,
1223 trust or other group or combination acting as a unit, and includes
1224 the plural as well as the singular in number.



1225 (d) "Taxpayer" means any person liable for or having
1226 paid any tax to the State of Mississippi under the provisions of
1227 this article.

1228 (e) "Producer" means any person who produces or severs
1229 or who is responsible for the production of salt from the earth or
1230 water for sale, profit or commercial use.

1231 (f) "Production" means the total amount or quantity of
1232 marketable salt produced by whatever measurement used.

1233 (g) "Value" means and includes the purchase price or
1234 royalty, cost, and any other expense as determined by generally
1235 accepted accounting principles of underground mining and handling
1236 of production to the point where processing begins.

1237 (h) "Processing" means an activity of an industrial or
1238 commercial nature wherein labor or skill is applied, by hand or
1239 machinery, to raw materials so that a more useful product or
1240 substance of trade or commerce is produced for sale.

1241 (i) "Engaging in business" means any act or acts
1242 engaged in by producers, or parties at interest which results in
1243 the production of salt from the soil or water, for storage,
1244 transport or further processing.

1245 (j) "Salt" means a substance which is chemically
1246 classified as sodium chloride.

1247 (k) "Interest owner" means any person owning any
1248 royalty or other interest in salt or its value.

1249 **SECTION 20.** Section 27-25-305, Mississippi Code of 1972, is
1250 amended as follows:

1251 27-25-305. There is * * * levied and assessed, and shall be
1252 collected by the commissioner, privilege taxes upon every interest
1253 owner who is mining, severing or otherwise producing salt or
1254 causing it to be produced in this state, for sale, profit or
1255 commercial use. The amount of such tax shall be three percent
1256 (3%) of the value of the entire production in this state.



1257 The tax is * * * levied upon the entire production in this
1258 state, regardless of whether the interest owner resides in this
1259 state, regardless of the place of sale, or regardless of the fact
1260 that delivery may be made to points outside the state, and the tax
1261 shall accrue at the time such salt is severed from the soil or
1262 water, and in its natural, unrefined or unprocessed state.

1263 The tax levied hereunder shall be a lien upon all products
1264 produced within this state and such lien shall be entitled to
1265 preference over all judgments, executions, encumbrances or liens
1266 whensoever created.

1267 **SECTION 21.** Section 27-25-307, Mississippi Code of 1972, is
1268 amended as follows:

1269 27-25-307. (1) All salt under the ground or salt produced
1270 or processed on producing properties and owned by the producer and
1271 all leases in production, including mineral rights in producing
1272 properties, shall be exempt from all ad valorem taxes now levied
1273 or hereafter levied by the State of Mississippi, or any county, or
1274 any other taxing district within this state.

1275 (2) The exemption from ad valorem taxes granted in this
1276 section shall not apply to the percentage of ad valorem taxes that
1277 the owner or holder of a nonproducing salt interest in real
1278 estate, which is owned or held separately and apart from and
1279 independently of the rights owned in the surface of such real
1280 estate, must pay on the land under which the salt interest is
1281 located, pursuant to the provisions of Section 28 of this act.

1282 **SECTION 22.** Section 27-25-309, Mississippi Code of 1972, is
1283 amended as follows:

1284 27-25-309. Every person who is an interest owner of salt or
1285 who is engaged in the business of producing salt in this state, or
1286 who is in charge of production operations, and who is required to
1287 pay the tax imposed by this article, shall make and keep, for a
1288 period of three (3) years, a complete and accurate record to
1289 substantiate all taxes accrued hereunder, showing the gross



1290 quantity of salt produced and the value of same, the names of the
1291 person or persons from whom purchased and the county in which
1292 located. All records shall be subject to examination by the
1293 commissioner.

1294 The commissioner may promulgate such rules and regulations
1295 not inconsistent with this article and the Mississippi Sales Tax
1296 Law for keeping records, making returns and for the ascertainment,
1297 assessment and collection of the tax imposed hereunder as he may
1298 deem necessary to enforce its provisions.

1299 **SECTION 23.** Section 27-31-73, Mississippi Code of 1972, is
1300 amended as follows:

1301 27-31-73. (1) To encourage the purchase of leases upon and
1302 interests in oil, gas and other minerals in the State of
1303 Mississippi, to encourage drilling for and production of such
1304 minerals, and to relieve the taxing officials of the counties of
1305 the state of the onerous duties of assessment for, collection of
1306 and sale for ad valorem taxes for such interests (which the
1307 Legislature finds are generally assessed at nominal values
1308 resulting in taxes not commensurate with the services required of
1309 such officers), all nonproducing leasehold interests upon all oil,
1310 gas and other minerals in, on or under lands lying within the
1311 State of Mississippi, created or assigned after the effective date
1312 of Sections 27-31-71 through 27-31-87, and also all nonproducing
1313 interests in such oil, gas and other minerals (including royalty
1314 interests therein) hereafter conveyed to a grantee or purchaser or
1315 excepted or reserved to a grantor separately and apart from the
1316 surface, shall be exempt from all ad valorem taxes levied on or
1317 after January 1, 1947, by the State of Mississippi, or any county,
1318 municipality, levee district, road district, school district,
1319 drainage district or other taxing district within the state or
1320 becoming a lien on or after said date. Any sale for taxes of the
1321 surface or of the remainder of the fee shall not in any manner
1322 whatsoever affect the interest or interests * * * exempted.



1323 (2) For the same purpose * * * there is * * * likewise
1324 exempted from such ad valorem taxation all such interests created
1325 prior to the passage of Sections 27-31-71 through 27-31-87 which
1326 are owned separately and apart from the surface, provided that as
1327 a condition precedent to obtaining such exemption upon existing
1328 interests the then owner thereof shall make application for
1329 exemption of the interest then owned by him as hereinafter
1330 provided and pay, by the purchase of documentary tax stamps, a sum
1331 equivalent to the tax herein levied by Section 27-31-77 on
1332 instruments hereafter executed creating, transferring or reserving
1333 corresponding or similar interests. If any such sum is paid after
1334 January 1, 1947, then such exemption shall apply only to taxes
1335 becoming a lien after such sum is thus paid.

1336 (3) The exemption from ad valorem taxes granted in this
1337 section shall not apply to the percentage of ad valorem taxes that
1338 the owner or holder of a nonproducing oil, gas or other mineral
1339 interest in real estate, which is owned or held separately and
1340 apart from and independently of the rights owned in the surface of
1341 such real estate, must pay on the land under which the oil, gas or
1342 other mineral interest is located, pursuant to the provisions of
1343 Section 28 of this act.

1344 **SECTION 24.** Section 27-35-51, Mississippi Code of 1972, is
1345 amended as follows:

1346 27-35-51. Whenever any buildings, improvements or
1347 structures, mineral, gas, oil, timber or similar interests in real
1348 estate, including building permits or reservations, are owned
1349 separately and apart from and independently of the rights and
1350 interests owned in the surface of such real estate, or when any
1351 person reserves any right or interest, or has any leasehold in the
1352 elements above enumerated, all of such interests shall be assessed
1353 and taxed separately from such surface rights and interests in
1354 said real estate, and shall be sold for taxes in the same manner
1355 and with the same effect as other interests in real estate are



1356 sold for taxes. Whenever the owner or holder of any separately
1357 owned or held nonproducing oil, gas or other mineral interest does
1358 not pay the percentage of ad valorem taxes that he or she is
1359 required to pay on the surface of the land under which the oil,
1360 gas or other mineral interest is located, the provisions of
1361 Section 28 of this act apply. All interests in real estate herein
1362 enumerated shall be returned to the tax assessor within the same
1363 time and in the same manner as the owners of land are now required
1364 by law to list lands for assessment and taxation and under like
1365 penalties. The tax assessor shall enter the assessment of the
1366 interests herein enumerated upon the assessment roll by entering
1367 the same upon the next succeeding line or lines of the roll
1368 following the assessment of the surface owner, the name of the
1369 owner and the name of the interest, and by placing the value in
1370 the appropriate column or columns on the roll; or the assessor may
1371 enter the assessment of any or all of such interests upon a page
1372 or pages in the land roll following the assessment of the lands of
1373 the county, and the value of all such interests shall be included
1374 in the recapitulation of the roll. And the value of said interest
1375 or interests shall be determined and fixed in the same manner and
1376 by the same officials now required by law to value and assess
1377 property for taxation.

1378 **SECTION 25.** Section 27-31-1, Mississippi Code of 1972, is
1379 amended as follows:

1380 27-31-1. The following shall be exempt from taxation:

1381 (a) All cemeteries used exclusively for burial
1382 purposes.

1383 (b) All property, real or personal, belonging to the
1384 State of Mississippi or any of its political subdivisions, except
1385 property of a municipality not being used for a proper municipal
1386 purpose and located outside the county or counties in which such
1387 municipality is located. A proper municipal purpose within the



1388 meaning of this section shall be any authorized governmental or
1389 corporate function of a municipality.

1390 (c) All property, real or personal, owned by units of
1391 the Mississippi National Guard, or title to which is vested in
1392 trustees for the benefit of any unit of the Mississippi National
1393 Guard; provided such property is used exclusively for such unit,
1394 or for public purposes, and not for profit.

1395 (d) All property, real or personal, belonging to any
1396 religious society, or ecclesiastical body, or any congregation
1397 thereof, or to any charitable society, or to any historical or
1398 patriotic association or society, or to any garden or pilgrimage
1399 club or association and used exclusively for such society or
1400 association and not for profit; not exceeding, however, the amount
1401 of land which such association or society may own as provided in
1402 Section 79-11-33. All property, real or personal, belonging to
1403 any rural waterworks system or rural sewage disposal system
1404 incorporated under the provisions of Section 79-11-1. All
1405 property, real or personal, belonging to any college or
1406 institution for the education of youths, used directly and
1407 exclusively for such purposes, provided that no such college or
1408 institution for the education of youths shall have exempt from
1409 taxation more than six hundred forty (640) acres of land;
1410 provided, however, this exemption shall not apply to commercial
1411 schools and colleges or trade institutions or schools where the
1412 profits of same inure to individuals, associations or
1413 corporations. All property, real or personal, belonging to an
1414 individual, institution or corporation and used for the operation
1415 of a grammar school, junior high school, high school or military
1416 school. All property, real or personal, owned and occupied by a
1417 fraternal and benevolent organization, when used by such
1418 organization, and from which no rentals or other profits accrue to
1419 the organization, but any part rented or from which revenue is
1420 received shall be taxed.



1421 (e) All property, real or personal, held and occupied
1422 by trustees of public schools, and school lands of the respective
1423 townships for the use of public schools, and all property kept in
1424 storage for the convenience and benefit of the State of
1425 Mississippi in warehouses owned or leased by the State of
1426 Mississippi, wherein said property is to be sold by the Alcoholic
1427 Beverage Control Division of the State Tax Commission of the State
1428 of Mississippi.

1429 (f) All property, real or personal, whether belonging
1430 to religious or charitable or benevolent organizations, which is
1431 used for hospital purposes, and nurses' homes where a part
1432 thereof, and which maintain one or more charity wards that are for
1433 charity patients, and where all the income from said hospitals and
1434 nurses' homes is used entirely for the purposes thereof and no
1435 part of the same for profit.

1436 (g) The wearing apparel of every person; and also
1437 jewelry and watches kept by the owner for personal use to the
1438 extent of One Hundred Dollars (\$100.00) in value for each owner.

1439 (h) Provisions on hand for family consumption.

1440 (i) All farm products grown in this state for a period
1441 of two (2) years after they are harvested, when in the possession
1442 of or the title to which is in the producer, except the tax of
1443 one-fifth of one percent (1/5 of 1%) per pound on lint cotton now
1444 levied by the Board of Commissioners of the Mississippi Levee
1445 District; and lint cotton for five (5) years, and cottonseed,
1446 soybeans, oats, rice and wheat for one (1) year regardless of
1447 ownership.

1448 (j) All guns and pistols kept by the owner for private
1449 use.

1450 (k) All poultry in the hands of the producer.

1451 (l) Household furniture, including all articles kept in
1452 the home by the owner for his own personal or family use; but this



1453 shall not apply to hotels, rooming houses or rented or leased
1454 apartments.

1455 (m) All cattle and oxen.

1456 (n) All sheep, goats and hogs.

1457 (o) All horses, mules and asses.

1458 (p) Farming tools, implements and machinery, when used
1459 exclusively in the cultivation or harvesting of crops or timber.

1460 (q) All property of agricultural and mechanical
1461 associations and fairs used for promoting their objects, and where
1462 no part of the proceeds is used for profit.

1463 (r) The libraries of all persons.

1464 (s) All pictures and works of art, not kept for or
1465 offered for sale as merchandise.

1466 (t) The tools of any mechanic necessary for carrying on
1467 his trade.

1468 (u) All state, county, municipal, levee, drainage and
1469 all school bonds or other governmental obligations, and all bonds
1470 and/or evidences of debts issued by any church or church
1471 organization in this state, and all notes and evidences of
1472 indebtedness which bear a rate of interest not greater than the
1473 maximum rate per annum applicable under the law; and all money
1474 loaned at a rate of interest not exceeding the maximum rate per
1475 annum applicable under the law; and all stock in or bonds of
1476 foreign corporations or associations shall be exempt from all ad
1477 valorem taxes.

1478 (v) All lands and other property situated or located
1479 between the Mississippi River and the levee shall be exempt from
1480 the payment of any and all road taxes levied or assessed under any
1481 road laws of this state.

1482 (w) Any and all money on deposit in either national
1483 banks, state banks or trust companies, on open account, savings
1484 account or time deposit.



1485 (x) All wagons, carts, drays, carriages and other horse
1486 drawn vehicles, kept for the use of the owner.

1487 (y) (1) Boats, seines and fishing equipment used in
1488 fishing and shrimping operations and in the taking or catching of
1489 oysters.

1490 (2) All towboats, tugboats and barges documented
1491 under the laws of the United States, except watercraft of every
1492 kind and character used in connection with gaming operations.

1493 (z) All materials used in the construction and/or
1494 conversion of vessels in this state; vessels while under
1495 construction and/or conversion; vessels while in the possession of
1496 the manufacturer, builder or converter, for a period of twelve
1497 (12) months after completion of construction and/or conversion,
1498 and as used herein the term "vessel" shall include ships, offshore
1499 drilling equipment, dry docks, boats and barges, except watercraft
1500 of every kind and character used in connection with gaming
1501 operations.

1502 (aa) Sixty-six and two-thirds percent (66-2/3%) of
1503 nuclear fuel and reprocessed, recycled or residual nuclear fuel
1504 by-products, fissionable or otherwise, used or to be used in
1505 generation of electricity by persons defined as public utilities
1506 in Section 77-3-3.

1507 (bb) All growing nursery stock.

1508 (cc) A semitrailer used in interstate commerce.

1509 (dd) All property, real or personal, used exclusively
1510 for the housing of and provision of services to elderly persons,
1511 disabled persons, mentally impaired persons or as a nursing home,
1512 which is owned, operated and managed by a not-for-profit
1513 corporation, qualified under Section 501(c)(3) of the Internal
1514 Revenue Code, whose membership or governing body is appointed or
1515 confirmed by a religious society or ecclesiastical body or any
1516 congregation thereof.



1517 (ee) All vessels while in the hands of bona fide
1518 dealers as merchandise and which are not being operated upon the
1519 waters of this state shall be exempt from ad valorem taxes. As
1520 used in this paragraph the terms "vessel" and "waters of this
1521 state" shall have the meaning ascribed to such terms in Section
1522 59-21-3.

1523 (ff) All property, real or personal, owned by a
1524 nonprofit organization that: (i) is qualified as tax exempt under
1525 Section 501(c)(4) of the Internal Revenue Code of 1986, as
1526 amended; (ii) assists in the implementation of the national
1527 contingency plan or area contingency plan, and which is created in
1528 response to the requirements of Title IV, Subtitle B of the Oil
1529 Pollution Act of 1990, Public Law 101-380; (iii) engages primarily
1530 in programs to contain, clean up and otherwise mitigate spills of
1531 oil or other substances occurring in the United States coastal or
1532 tidal waters; and (iv) is used for the purposes of the
1533 organization.

1534 (gg) If a municipality changes its boundaries so as to
1535 include within the boundaries of such municipality the project
1536 site of any project as defined in Section 57-75-5(f)(iv)1, all
1537 real and personal property located on the project site within the
1538 boundaries of such municipality that is owned by a business
1539 enterprise operating such project, shall be exempt from ad valorem
1540 taxation for a period of time not to exceed thirty (30) years upon
1541 receiving approval for such exemption by the Mississippi Major
1542 Economic Impact Authority. The provisions of this subsection
1543 shall not be construed to authorize a breach of any agreement
1544 entered into pursuant to Section 21-1-59.

1545 (hh) (i) Whenever any nonproducing oil, gas or other
1546 mineral interest in real estate is owned separately and apart from
1547 and independently of the rights owned in the surface of such real
1548 estate, or when any person reserves any right or interest or has
1549 any leasehold in any of the elements listed in this subparagraph



1550 (i), the owner of the surface estate shall be exempt from paying
1551 ten percent (10%) of the ad valorem taxes otherwise due on the
1552 real estate if the surface owner has complied with the provisions
1553 of subparagraph (ii) of this paragraph.

1554 (ii) It shall be the duty of every person who is
1555 eligible for and desires the exemption provided for in this
1556 paragraph (hh) to provide to the tax assessor on or before the
1557 first day of April each year, for the tax assessor's review and
1558 approval, an attorney's title opinion covering the person's real
1559 estate reflecting the ownership or reservation of any of the type
1560 interests listed in subparagraph (i) of this paragraph. The title
1561 opinion shall reflect the name and address of the owner(s) or
1562 holder(s) of such interest, the percentage of the interest owned
1563 or held and the duration of the interest. The attorney providing
1564 the title opinion must have been licensed to practice law in the
1565 State of Mississippi for at least two (2) years and must have
1566 professional liability insurance.

1567 (iii) If a person who is eligible for and desires
1568 the exemption provided for in this paragraph (hh) fails to comply
1569 with the requirements of subparagraph (ii) of this paragraph, that
1570 person shall not be granted such exemption and shall be liable for
1571 the full amount of the ad valorem taxes otherwise due on the real
1572 estate.

1573 **SECTION 26.** Section 27-41-79, Mississippi Code of 1972, is
1574 amended as follows:

1575 27-41-79. The tax collector shall on or before the second
1576 Monday of May and on or before the second Monday of October of
1577 each year, transmit to the clerk of the chancery court of the
1578 county separate certified lists of the lands struck off by him to
1579 the state and that sold to individuals, specifying to whom
1580 assessed, the date of sale, the amount of taxes for which sale was
1581 made, and each item of cost incident thereto, and where sold to
1582 individuals, the name of the purchaser, such sale to be separately



1583 recorded by the clerk in a book kept by him for that purpose. The
1584 tax collector shall also transmit to the clerk of the chancery
1585 court of the county separate lists of any nonproducing oil, gas or
1586 other mineral interests in real estate which are sold to persons
1587 for nonpayment of taxes or which are offered for sale and, because
1588 no person bids the whole amount of taxes and costs incident to the
1589 sale of such interest, revert to the owners of the surface estate
1590 under which such mineral interests are located. All such lists
1591 (except lists of nonproducing mineral interests that reverted to
1592 the owners of the surface estate under which such mineral
1593 interests are located) shall vest in the state or in the
1594 individual purchaser thereof a perfect title to the land or
1595 mineral interest, or both, sold for taxes, but without the right
1596 of possession for the period of and subject to the right of
1597 redemption. Lists of nonproducing mineral interests that reverted
1598 to the owners of the surface estate under which such mineral
1599 interests are located shall vest in such surface owners a perfect
1600 title to the mineral interests, not subject to the right of
1601 redemption. A failure to transmit or record a list or a defective
1602 list shall not affect or render the title void. If the tax
1603 collector or clerk shall fail to perform the duties herein
1604 prescribed, he shall be liable to the party injured by such
1605 default in the penal sum of Twenty-five Dollars (\$25.00), and also
1606 on his official bond for the actual damage sustained. The lists
1607 hereinabove provided shall, when filed with the clerk, be notice
1608 to all persons in the same manner as are deeds when filed for
1609 record. The lists of lands hereinabove referred to shall be filed
1610 by the tax collector in May for sales made in April and in October
1611 for sales made in September, respectively.

1612 **SECTION 27.** Section 27-41-81, Mississippi Code of 1972, is
1613 amended as follows:

1614 27-41-81. The tax collector shall on or before the first
1615 Monday of June transmit to the clerk of the chancery court of the



1616 county separate certified lists of the lands struck off by him to
1617 the state and that sold to individuals, specifying to whom
1618 assessed, the day of the sale, the amount of taxes for which the
1619 sale was made and each item of cost incidental thereto, and, where
1620 sold to individuals, the name of the purchaser, to be separately
1621 recorded by the clerk in books kept by him for that purpose. The
1622 tax collector shall also transmit to the clerk of the chancery
1623 court of the county separate lists of any nonproducing oil, gas or
1624 other mineral interests in real estate which are sold to persons
1625 for nonpayment of taxes or which are offered for sale and, because
1626 no person bids the whole amount of taxes and costs incident to the
1627 sale of such interest, revert to the owners of the surface estate
1628 under which such mineral interests are located. The * * * lists
1629 shall (except lists of nonproducing mineral interests that
1630 reverted to the owners of the surface estate under which such
1631 mineral interests are located) vest in the state or the individual
1632 purchaser thereof a perfect title to the land or mineral interest,
1633 or both, sold for taxes, but without the right of possession and
1634 subject to the right of redemption. Lists of nonproducing mineral
1635 interests that reverted to the owners of the surface estate under
1636 which such mineral interests are located shall vest in such
1637 surface owners a perfect title to the mineral interests, not
1638 subject to the right of redemption. A failure to transmit or
1639 record a list, or a defective list, shall not affect or render the
1640 title void. If the tax collector or clerk shall fail to perform
1641 the duties herein prescribed, he shall be liable to the party
1642 injured by such default in the penal sum of Twenty-five Dollars
1643 (\$25.00), and also on his bond for the actual damages sustained.

1644 The list hereinabove provided shall, when filed with the
1645 clerk, be notice to all persons in the same manner as are deeds
1646 when filed for record.

1647 **SECTION 28.** (1) Except as otherwise provided in subsection
1648 (2) of this section, the owner(s) or holder(s) of any nonproducing



1649 oil, gas or other mineral interest in real estate, which is owned
1650 or held separately and apart from and independently of the rights
1651 owned in the surface of such real estate, shall pay a percentage
1652 of the ad valorem taxes due on the land, as provided in this
1653 subsection. The owner(s) or holder(s) of all of the interests
1654 described in the preceding sentence collectively shall pay a total
1655 of ten percent (10%) of the ad valorem taxes due on the land under
1656 which the interests are located, and each individual owner or
1657 holder of any of the interests shall pay a prorated portion of the
1658 ten percent (10%) based on his or her percentage of ownership of
1659 the collective total of all oil, gas or other mineral interests
1660 that are nonproducing and owned separately and apart from and
1661 independently of the rights owned in the surface of the real
1662 estate. The percentage of ad valorem taxes which the owner(s) or
1663 holder(s) of any of the interests described in the first sentence
1664 of this subsection must pay shall be due and payable at the same
1665 time and in the same manner as the ad valorem taxes due on the
1666 land.

1667 (2) If the owner of the surface estate under which any
1668 separately owned or held, nonproducing oil, gas or other mineral
1669 interest is located fails to comply with the requirements of
1670 Section 25(hh)(ii) of this act, he or she shall be liable for the
1671 full amount of the ad valorem taxes otherwise due on the real
1672 estate, and the owner(s) or holder(s) of any of the interests
1673 described in the first sentence of subsection (1) shall not be
1674 liable for any percentage of the ad valorem taxes due on the real
1675 estate.

1676 **SECTION 29.** (1) If the owner or holder of any nonproducing
1677 oil, gas or other mineral interest in real estate, which is owned
1678 or held separately and apart from and independently of the rights
1679 owned in the surface of such real estate, does not pay the
1680 percentage of ad valorem taxes that he or she is required to pay
1681 on the surface of the land under which the oil, gas or mineral



1682 interest is located, the nonproducing, separately owned or held
1683 mineral interest shall be sold in the same manner and in
1684 accordance with the same procedure as prescribed by law for the
1685 sale of lands for nonpayment of taxes.

1686 (2) In addition to the parties which the chancery clerk is
1687 required to provide with notice of a tax sale pursuant to Section
1688 27-43-1 et seq., the chancery clerk shall provide notice to the
1689 owner of the surface estate under which the separately owned or
1690 held, nonproducing oil, gas or other mineral interest sold for
1691 nonpayment of taxes is located that such interest was sold for
1692 taxes. In addition to the owner or holder of the oil, gas or
1693 other mineral interest sold for nonpayment of taxes, or any person
1694 for him with his consent or any person interested in the oil, gas
1695 or other mineral interest, the owner of the surface estate under
1696 which the interest is located shall have the right, secondary only
1697 to the preceding parties, to redeem the oil, gas or other mineral
1698 interest sold for nonpayment of taxes.

1699 (3) If the owner of the surface estate pays the amount
1700 necessary to redeem the oil, gas or mineral interest sold for
1701 nonpayment of taxes, the chancery clerk shall notify the owner or
1702 holder of the interest sold for nonpayment of taxes that the owner
1703 of the surface estate has tendered the amount necessary to redeem
1704 the interest from the tax sale, and that such tender of the amount
1705 necessary to redeem the interest does not operate to redeem the
1706 interest from the tax sale. The chancery clerk shall notify the
1707 owner or holder of the oil, gas or other mineral interest sold for
1708 nonpayment of taxes that if such owner or holder, or any persons
1709 for him with his consent, or any person interested in the oil, gas
1710 other mineral interest does not redeem the interest before the
1711 expiration of the time of redemption, title to the oil, gas or
1712 other mineral interest shall vest in the owner of the surface
1713 estate who tendered the amount necessary to redeem the interest
1714 from the tax sale. If the owner or holder of the oil, gas or



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

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

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

1740 **SECTION 31.** This act shall take effect and be in force from
1741 and after July 1, 2003.

