

By: Representative Boyd

To: Ways and Means

## HOUSE BILL NO. 583

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 25% 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 25% 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 25% 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" or "department" means the  
45 Department of Revenue of the State of Mississippi.

46 (b) "Commissioner" means the Commissioner of Revenue of  
47 the Department of Revenue.

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 the 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  
94 on behalf of an interest owner of oil produced, whether produced  
95 by 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.



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

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

(s) "Horizontally drilled well" means a well in which the deviation of the borehole is at least eighty degrees (80°) from vertical so that the borehole penetrates a productive formation in a manner parallel to the formation and in which there is at least one thousand (1,000) feet of lateral penetration through productive reservoirs.

(t) "Horizontally drilled recompletion well" means an existing well in which the deviation of the borehole is at least eighty degrees (80°) from vertical so that the borehole penetrates a productive formation in a manner parallel to the formation and in which there is at least one thousand (1,000) feet of lateral penetration through productive reservoirs.

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

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



27-25-503. (1) (a) Except as otherwise provided in this section, there is levied, to be collected as provided in this article, annual privilege taxes upon every \* \* \* interest owner who is producing, or severing oil in this state, from the soil or water for sale, transport, storage, profit or for commercial use. The amount of the tax shall be measured by the value of the oil produced, and shall be levied and assessed at the rate of six percent (6%) of the value of the oil at the point of production.

(b) The tax shall be levied and assessed at the rate of three percent (3%) of the value of the oil at the point of production on oil produced by an enhanced oil recovery method in which carbon dioxide is used; provided, that such carbon dioxide is transported by pipeline to the oil well site and on oil produced by any other enhanced oil recovery method approved and permitted by the State Oil and Gas Board on or after April 1, 1994, pursuant to Section 53-3-101 et seq.

(c) (i) The tax shall be levied and assessed at the rate of one and three-tenths percent (1.3%) of the value of the oil at the point of production on oil produced from a horizontally drilled well or from any horizontally drilled recompletion well from which production commences from and after July 1, 2013, for a period of thirty (30) months beginning on the date of first sale of production or until payout of the well cost is achieved, whichever first occurs. Thereafter, the tax shall be levied and assessed as provided for in paragraph (a) of this subsection.



(ii) Payout of a horizontally drilled well or horizontally drilled recompletion well shall be deemed to have occurred the first day of the next month after gross revenues, less royalties and severance taxes, equal to the cost to drill and complete the well.

(iii) Each operator must apply by letter to the State Oil and Gas Board for the reduced rate provided in this paragraph (c), and shall provide the board with the status of payout on a semiannual basis of any horizontally drilled well or horizontally drilled recompletion well by signed affidavit executed by a company representative.

(iv) This paragraph (c) shall be repealed from and after July 1, 2023; however, any horizontally drilled well or horizontally drilled recompletion well from which production commences before July 1, 2023, shall be taxed as provided for in this paragraph (c) notwithstanding that the repeal of this paragraph (c) has become effective.

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





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



234 (b) Oil produced from a discovery well for which  
235 drilling or re-entry commenced on or after July 1, 1999, shall be  
236 assessed at the rate of three percent (3%) of the value of the oil  
237 at the point of production for a period of five (5) years  
238 beginning on the date of first sale of production from such well,  
239 provided that the average monthly sales price of such oil does not  
240 exceed Twenty Dollars (\$20.00) per barrel. The reduced rate of  
241 assessment of oil produced from a discovery well as described in  
242 this paragraph (b) shall be repealed from and after July 1, 2003,  
243 provided that any such production for which a permit was granted  
244 by the board before July 1, 2003, shall be assessed at the reduced  
245 rate for an entire period of five (5) years, notwithstanding that  
246 the repeal of this provision has become effective. Oil produced  
247 from development wells or replacement wells drilled in connection  
248 with discovery wells for which drilling commenced on or after July  
249 1, 1999, shall be assessed at the rate of three percent (3%) of  
250 the value of the oil at the point of production for a period of  
251 three (3) years. The reduced rate of assessment of oil produced  
252 from development wells or replacement wells as described in this  
253 paragraph (b) shall be repealed from and after January 1, 2003,  
254 provided that any such production for which drilling commenced  
255 before July 1, 2003, shall be assessed at the reduced rate for an  
256 entire period of three (3) years, notwithstanding that the repeal  
257 of this provision has become effective.



258           (4)   (a)   Oil produced from a development well for which  
259   drilling commenced on or after April 1, 1994, but before July 1,  
260   1999, and for which three-dimensional seismic was utilized in  
261   connection with the drilling of such well shall be assessed at the  
262   rate of three percent (3%) of the value of the oil at the point of  
263   production for a period of five (5) years, provided that the  
264   average monthly sales price of such oil does not exceed  
265   Twenty-five Dollars (\$25.00) per barrel. The reduced rate of  
266   assessment of oil produced from a development well as described in  
267   this paragraph (a) and for which three-dimensional seismic was  
268   utilized shall be repealed from and after July 1, 2003, provided  
269   that any such production for which a permit was granted by the  
270   board before July 1, 2003, shall be assessed at the reduced rate  
271   for an entire period of five (5) years, notwithstanding that the  
272   repeal of this provision has become effective.

273           (b)   Oil produced from a development well for which  
274   drilling commenced on or after July 1, 1999, and for which  
275   three-dimensional seismic was utilized in connection with the  
276   drilling of such well shall be assessed at the rate of three  
277   percent (3%) of the value of the oil at the point of production  
278   for a period of five (5) years, provided that the average monthly  
279   sales price of such oil does not exceed Twenty Dollars (\$20.00)  
280   per barrel. The reduced rate of assessment of oil produced from a  
281   development well as described in this paragraph (b) and for which  
282   three-dimensional seismic was utilized shall be repealed from and



283 after July 1, 2003, provided that any such production for which a  
284 permit was granted by the board before July 1, 2003, shall be  
285 assessed at the reduced rate for an entire period of five (5)  
286 years, notwithstanding that the repeal of this provision has  
287 become effective.

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

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



period of three (3) years, notwithstanding that the repeal of this provision has become effective.

(6) [Repealed]

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

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

27-25-507. When any regular monthly report required from \* \* \* producers or interest owners by this article, does not disclose the actual source of any oil taxable under this article, but does show such oil to have escaped from a well or wells and to have been recovered from streams, lakes, ravines, or other natural depressions, it shall be the duty of the commissioner to collect, in addition to the privilege tax herein imposed, an additional amount equal to fourteen percent (14%) of the gross value of such escaped oil. The commissioner shall hold such additional collection in a special escrow account for a period of twelve (12) months from the date of the collection, during which time any person or persons who claim to be the rightful owner or owners of any royalty interest in the escaped oil, shall present proper and satisfactory proof of such ownership to the commissioner. If the commissioner shall be satisfied as to the ownership of such escaped oil, then he shall pay to such claimant or claimants a proportionate part of such additional collection held in escrow,



333 according to their proper interest or interests. No payment to  
334 any claimant shall be made, however, before it is approved by the  
335 attorney general, or before it is ordered by any court having  
336 proper jurisdiction. After the lapse of twelve (12) months from  
337 the date of any additional collection, if no claim or claims have  
338 been made to it, or to the balance remaining of it after the  
339 payment by the commissioner of any claim or claims, the  
340 commissioner shall distribute the additional collection or any  
341 balance of it in the same manner as is herein provided for the  
342 distribution of the tax imposed by this article.

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

345       27-25-509. (1) The tax hereby imposed is levied upon  
346 the \* \* \* interest owners of such oil in the proportion of their  
347 ownership at the time of severance, but, except as otherwise  
348 herein provided, \* \* \* may be paid by the person in charge of the  
349 production operations, who \* \* \*, in such case, shall deduct from  
350 any amount due to \* \* \* interest owners of such production at the  
351 time of severance the proportionate amount of the tax herein  
352 levied before making payments to \* \* \* interest owners. \* \* \* The  
353 tax shall become due and payable as provided by this  
354 article, \* \* \* shall constitute a first lien upon any of the oil  
355 so produced, when in the hands of the \* \* \* interest owner, or any  
356 purchaser of such oil in its unmanufactured state or condition.  
357       \* \* \* If the person in charge of production operations fails to



pay the tax, then the commissioner shall proceed against the \* \* \* interest owner to collect the tax in accordance with the provisions made for the collection of delinquent taxes by the Mississippi Sales Tax Law.

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

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

(4) Every person in charge of production operations by which oil is severed from the soil or water in this state, who fails to deduct and withhold, as required herein, the amount of tax from sale or purchase price, when such oil is sold or purchased under contract, or agreement, or on the open market, or otherwise, shall



be liable to the state for the full amount of taxes, interest, and penalties which should have been deducted, withheld and remitted to the state, and the commissioner shall proceed to collect the tax from the person in charge of production operations, under the provisions of this article, as if he were the \* \* \* interest owner of the oil.

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

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

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

27-25-513. Every interest owner, producer or person in charge of production operations by which oil is severed from the soil, or water, in this state, when making the reports required by this article, shall file with the commissioner a statement, under oath, on forms prescribed by him, of the business conducted by such producer or person in charge of production operations, during the period for which the report is made, showing gross quantity of





408 oil and the value thereof, so severed or produced, and such other  
409 reasonable and necessary information pertaining thereto as the  
410 commissioner may require for the proper enforcement of the  
411 provisions of this article.

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

414       27-25-517. The commissioner shall have the power to require  
415 any interest owner producer, or person in charge of production  
416 operations, or person purchasing any oil from the soil, or water,  
417 to furnish any additional information by him deemed to be  
418 necessary for the purpose of computing the amount of \* \* \* the  
419 tax; and for said purpose to examine the books, records, and all  
420 files of such person; and, to that end, the commissioner shall  
421 have the power to examine witnesses, and if any such witness shall  
422 fail or refuse to appear at the request of the commissioner, or  
423 refuse access to books, records and files, \* \* \* the commissioner  
424 shall have the power and authority to proceed as provided by the  
425 Mississippi Sales Tax Law.

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

428       27-25-521. Every person who is an interest owner of oil or  
429 who is engaged in the business of producing or purchasing any oil  
430 in this state, or who is in charge of production operations, and  
431 who is required to pay the tax imposed by this article, shall make  
432 and keep, for a period of three (3) years, a complete and accurate



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

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

27-25-523. (1) All oil produced or under the ground on producing properties within the State of Mississippi and all producing oil equipment, including wells, connections, pumps, derricks and other appurtenances actually owned by and belonging to the producer, and all leases in production, including mineral



rights in producing properties, shall be exempt from all ad valorem taxes now levied or hereafter levied by the State of Mississippi, or any county, municipality, levee district, road, school or any other taxing district within this state. This exemption shall not apply to drilling equipment, including derricks, machinery, and other materials necessary to drilling, nor to oil gathering systems, nor to the surface of lands leased for oil production or upon which oil producing properties are situated, but all such drilling equipment, gathering systems, and lands shall be assessed as are other properties and shall be subject to ad valorem tax. However, no additional assessment shall be added to the surface value of such lands by reason of the presence of oil thereunder or its production therefrom. The exemption herein granted shall apply to all ad valorem taxes levied in the year 1944 and each year thereafter.

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

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



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

(a) "Tax commission" or "department" means the Department of Revenue of the State of Mississippi.

(b) "Commissioner" means the Commissioner of Revenue of the Department of Revenue.

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

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

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

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



well also productive of oil or any other product; provided,  
however, the term "gas" shall not include carbon dioxide.

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

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

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

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

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

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



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

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

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

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

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



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

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

(s) "Horizontally drilled well" means a well in which the deviation of the borehole is at least eighty degrees (80°) from vertical so that the borehole penetrates a productive formation in a manner parallel to the formation and in which there is at least one thousand (1,000) feet of lateral penetration through productive reservoirs.

(t) "Horizontally drilled recompletion well" means an existing well in which the deviation of the borehole is at least eighty degrees (80°) from vertical so that the borehole penetrates a productive formation in a manner parallel to the formation and in which there is at least one thousand (1,000) feet of lateral penetration through productive reservoirs.

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

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



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

(b) (i) The tax shall be levied and assessed at the rate of one and three-tenths percent (1.3%) of the value of the gas at the point of production on gas produced from a horizontally drilled well or from any horizontally drilled recompletion well from which production commences from and after July 1, 2013, for a period of thirty (30) months beginning on the date of first sale of production or until payout of the well cost is achieved, whichever first occurs. Thereafter, the tax shall be levied and assessed as provided for in paragraph (a) of this subsection.

(ii) Payout of a horizontally drilled well or horizontally drilled recompletion well shall be deemed to have occurred the first day of the next month after gross revenues, less royalties and severance taxes, equal to the cost to drill and complete the well.





605                   (iii) Each operator must apply by letter to the  
606 State Oil and Gas Board for the reduced rate provided in this  
607 paragraph (b), and shall provide the board with the status of  
608 payout on a semiannual basis of any horizontally drilled well or  
609 horizontally drilled recompletion well by signed affidavit  
610 executed by a company representative.

611                   (iv) This paragraph (b) shall be repealed from and  
612 after July 1, 2023; however, any horizontally drilled well or  
613 horizontally drilled recompletion well from which production  
614 commences before July 1, 2023, shall be taxed as provided for in  
615 this paragraph (b) notwithstanding that the repeal of this  
616 paragraph (b) has become effective.

617           (2) The tax is levied upon the entire production in this  
618 state, regardless of whether the interest owner resides in this  
619 state, regardless of the place of sale or to whom sold or by whom  
620 used, or regardless of the fact that the delivery may be made to  
621 points outside the state, but not levied upon that gas, lawfully  
622 injected into the earth for cycling, repressuring, lifting or  
623 enhancing the recovery of oil, nor upon gas lawfully vented or  
624 flared in connection with the production of oil, nor upon gas  
625 condensed into liquids on which the oil severance tax of six  
626 percent (6%) is paid; however, if any gas so injected into the  
627 earth is sold for such purposes, then the gas so sold shall not be  
628 excluded in computing the tax. The tax shall accrue at the time



the gas is produced or severed from the soil or water, and in its natural, unrefined or unmanufactured state.

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

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

(b) Any well which begins commercial production of occluded natural gas from coal seams on or after July 1, 2004, and before July 1, 2007, shall be taxed at the rate of three percent (3%) of the gross value of the occluded natural gas from coal seams at the point of production for a period of five (5) years beginning on the date of the first sale of production from such well.

(5) (a) Natural gas produced from discovery wells for which drilling or re-entry commenced on or after April 1, 1994, but before July 1, 1999, shall be exempt from the tax levied under this section for a period of five (5) years beginning on the earlier of one (1) year from completion of the well or the date of



654 first sale from such well, provided that the average monthly sales  
655 price of such gas does not exceed Three Dollars and Fifty Cents  
656 (\$3.50) per one thousand (1,000) cubic feet. The exemption for  
657 natural gas produced from discovery wells as described in this  
658 paragraph (a) shall be repealed from and after July 1, 2003,  
659 provided that any such production for which a permit was granted  
660 by the board before July 1, 2003, shall be exempt for an entire  
661 period of five (5) years, notwithstanding that the repeal of this  
662 provision has become effective. Natural gas produced from  
663 development wells or replacement wells drilled in connection with  
664 discovery wells for which drilling commenced on or after January  
665 1, 1994, shall be assessed at a rate of three percent (3%) of the  
666 value thereof at the point of production for a period of three (3)  
667 years. The reduced rate of assessment of natural gas produced  
668 from development wells or replacement wells as described in this  
669 paragraph (a) shall be repealed from and after January 1, 2003,  
670 provided that any such production for which drilling commenced  
671 before January 1, 2003, shall be assessed at the reduced rate for  
672 an entire period of three (3) years, notwithstanding that the  
673 repeal of this provision has become effective.

674 (b) Natural gas produced from discovery wells for which  
675 drilling or re-entry commenced on or after July 1, 1999, shall be  
676 assessed at a rate of three percent (3%) of the value thereof at  
677 the point of production for a period of five (5) years beginning  
678 on the earlier of one (1) year from completion of the well or the



679 date of first sale from such well, provided that the average  
680 monthly sales price of such gas does not exceed Two Dollars and  
681 Fifty Cents (\$2.50) per one thousand (1,000) cubic feet. The  
682 reduced rate of assessment of natural gas produced from discovery  
683 wells as described in this paragraph (b) shall be repealed from  
684 and after July 1, 2003, provided that any such production for  
685 which a permit was granted by the board before July 1, 2003, shall  
686 be assessed at the reduced rate for an entire period of five (5)  
687 years, notwithstanding that the repeal of this provision has  
688 become effective. Natural gas produced from development wells or  
689 replacement wells drilled in connection with discovery wells for  
690 which drilling commenced on or after July 1, 1999, shall be  
691 assessed at a rate of three percent (3%) of the value thereof at  
692 the point of production for a period of three (3) years. The  
693 reduced rate of assessment of natural gas produced from  
694 development wells or replacement wells as described in this  
695 paragraph (b) shall be repealed from and after January 1, 2003,  
696 provided that any such production for which drilling commenced  
697 before January 1, 2003, shall be assessed at the reduced rate for  
698 an entire period of three (3) years, notwithstanding that the  
699 repeal of this provision has become effective.

700 (6) (a) Gas produced from a development well for which  
701 drilling commenced on or after April 1, 1994, but before July 1,  
702 1999, and for which three-dimensional seismic was utilized in  
703 connection with the drilling of such well, shall be assessed at a



704 rate of three percent (3%) of the value of the gas at the point of  
705 production for a period of five (5) years, provided that the  
706 average monthly sales price of such gas does not exceed Three  
707 Dollars and Fifty Cents (\$3.50) per one thousand (1,000) cubic  
708 feet. The reduced rate of assessment of gas produced from a  
709 development well as described in this subsection and for which  
710 three-dimensional seismic was utilized shall be repealed from and  
711 after July 1, 2003, provided that any such production for which a  
712 permit was granted by the board before July 1, 2003, shall be  
713 assessed at the reduced rate for an entire period of five (5)  
714 years, notwithstanding that the repeal of this provision has  
715 become effective.

716 (b) Gas produced from a development well for which  
717 drilling commenced on or after July 1, 1999, and for which  
718 three-dimensional seismic was utilized in connection with the  
719 drilling of such well, shall be assessed at a rate of three  
720 percent (3%) of the value of the gas at the point of production  
721 for a period of five (5) years, provided that the average monthly  
722 sales price of such gas does not exceed Two Dollars and Fifty  
723 Cents (\$2.50) per one thousand (1,000) cubic feet. The reduced  
724 rate of assessment of gas produced from a development well as  
725 described in this paragraph (b) and for which three-dimensional  
726 seismic was utilized shall be repealed from and after July 1,  
727 2003, provided that any such production for which a permit was  
728 granted by the board before July 1, 2003, shall be assessed at the



reduced rate for an entire period of five (5) years,  
notwithstanding that the repeal of this provision has become  
effective.

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

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



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

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

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

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

27-25-705. (1) All taxes levied in this article and collected by the Department of Revenue shall be paid into the State Treasury on the same day in which the taxes are collected.

(2) Except as otherwise provided in this section, the commissioner shall apportion all the tax collections made pursuant to this article to the state and to the county in which the gas was produced, in the proportion of sixty-six and two-thirds percent (66-2/3%) to the state and thirty-three and one-third percent (33-1/3%) to the county.

(3) The commissioner shall apportion all the tax collections made pursuant to Section 27-25-703(1)(b) to the county in which the gas is produced.

(4) When the \* \* \* price of the gas subject to the tax levied in this article \* \* \* is increased, such increase is subject to approval by a federal regulatory board or commission, and when the interest owner and producer of the gas so requests,



the State Treasurer is \* \* \* authorized to hold the severance tax collected on the price increase in escrow until such time as the price increase or a portion thereof is finally granted or approved. The severance tax thus held in escrow shall be deposited by the State Treasurer to an account in a state depository to be invested in an interest-bearing account in the manner provided by law. When the price increase in question or a portion thereof is granted or approved, the commissioner shall compute the correct severance tax due on the increase and certify the amount of tax thus computed. This amount and interest earned from the depository shall be distributed to the General Fund and to the county or counties proportionately as provided in this subsection. The balance, if any, of the tax and interest held in escrow on the price increase shall be returned to the taxpayer.

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

(6) The commissioner shall certify at the end of each month the apportionment to each county to the State Treasurer, who shall remit the county's share of the funds on or before the twentieth day of the month next succeeding the month in which the collections were made for division among the municipalities and taxing districts of the county. The commissioner shall submit a report to the State Treasurer for distribution to each county receiving the funds showing from whom the tax and interest, if





any, were collected. Upon receipt of the funds, the board of supervisors of the county shall allocate the funds to the municipalities and to the various maintenance and bond and interest funds of the county, school districts, supervisors districts and road districts, as provided in this subsection.

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

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



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

27-25-705. (1) All taxes herein levied in this article and  
collected by the Department of Revenue shall be paid into the  
State Treasury on the same day in which the taxes are collected.

(2) Except as otherwise provided in this section, the  
commissioner shall apportion all the tax collections made pursuant  
to this article to the state and to the county in which the gas  
was produced, in the proportion of sixty-six and two-thirds  
percent (66-2/3%) to the state and thirty-three and one-third  
percent (33-1/3%) to the county.

(3) The commissioner shall apportion all the tax collections  
made pursuant to Section 27-25-703(1)(b) to the county in which  
the gas is produced.

(4) When the \* \* \* price of the gas subject to the tax  
levied in this article \* \* \* is increased, the increase is subject  
to approval by a federal regulatory board or commission, and when  
the interest owner and producer of the gas so requests, the State  
Treasurer is \* \* \* authorized to hold the severance tax collected  
on the price increase in escrow until such time as the price  
increase or a portion thereof is finally granted or approved. The  
severance tax thus held in escrow shall be deposited by the State  
Treasurer to an account in a state depository to be invested in an  
interest-bearing account in the manner provided by law. When the



854 price increase in question or a portion thereof is granted or  
855 approved, the commissioner shall compute the correct severance tax  
856 due on the increase and certify the amount of tax thus computed.  
857 This amount and interest earned from the depository shall be  
858 distributed to the General Fund and to the county or counties  
859 proportionately as provided in this subsection. The balance, if  
860 any, of the tax and interest held in escrow on the price increase  
861 shall be returned to the taxpayer.

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

865 (6) The commissioner shall certify at the end of each month  
866 the apportionment to each county to the State Treasurer, who shall  
867 remit the county's share of the funds on or before the twentieth  
868 day of the month next succeeding the month in which the  
869 collections were made for division among the municipalities and  
870 taxing districts of the county. The commissioner shall submit a  
871 report to the State Treasurer for distribution to each county  
872 receiving the funds showing from whom the tax and interest, if  
873 any, were collected. Upon receipt of the funds, the board of  
874 supervisors of the county shall allocate the funds to the  
875 municipalities and to the various maintenance and bond and  
876 interest funds of the county and school districts, as provided in  
877 this subsection.



878       When there are any gas producing properties within the  
879 corporate limits of any municipality, then the municipality shall  
880 participate in the division of the tax and interest, if any,  
881 returned to the county in which the municipality is located in the  
882 proportion which the tax on production of gas from properties  
883 located within the municipal corporate limits bears to the tax on  
884 total production of gas in the county. In no event, however,  
885 shall the amount allocated to the municipalities exceed one-third  
886 (1/3) of the tax and interest produced in the municipality and  
887 returned to the county. Any amount received by any municipality  
888 as a result of the allocation provided for in this subsection  
889 shall be used for such purposes as are authorized by law.

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

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

899       27-25-707. (1) The tax hereby imposed is levied upon  
900 the \* \* \* interest owners of such gas in the proportion of their  
901 ownership at the time of severance, but, except as otherwise  
902 herein provided, \* \* \* may be paid by the person in charge of the



903 production operations, who \* \* \*, in such case, shall deduct from  
904 any amount due to \* \* \* interest owners of such production at the  
905 time of severance the proportionate amount of the tax herein  
906 levied before making payments to \* \* \* interest owners. \* \* \* The  
907 tax shall become due and payable as provided by this article,  
908 and \* \* \* shall constitute a first lien upon the property from  
909 which the gas was produced. \* \* \* If the person in charge of  
910 production operations fails to pay the tax, then the commissioner  
911 shall proceed against the \* \* \* interest owner to collect the tax  
912 in accordance with the provisions made for the collection of  
913 delinquent taxes by the Mississippi Sales Tax Law.

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

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



928 deduct from any amount due them, the amount of tax levied and due  
929 under the provisions of this article before making payment to  
930 them.

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

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

944 27-25-709. When the title to any gas being severed from the  
945 soil, or water, is in dispute, or whenever the producer or  
946 interest owner of such gas from the soil, or water, or purchaser  
947 thereof, shall be withholding payments on account of litigation,  
948 or for any other reason, such producer, interest owner or  
949 purchaser \* \* \* shall deduct from the gross amount thus held the  
950 amount of the tax herein levied and imposed, and to make  
951 remittance thereof to the commissioner as provided by this  
952 article.



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

955           27-25-711. Every interest owner, producer or person in  
956 charge of production operations by which gas is severed from the  
957 soil, or water, in this state, when making the reports required by  
958 this article, shall file with the commissioner a statement, under  
959 oath, on forms prescribed by him, of the business conducted by  
960 such producer or person in charge of production operations, during  
961 the period for which the report is made, showing gross quantity of  
962 gas and the value thereof, so severed or produced, and such other  
963 reasonable and necessary information pertaining thereto as the  
964 commissioner may require for the proper enforcement of the  
965 provisions of this article.

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

968           27-25-715. The commissioner shall have the power to require  
969 any interest owner, producer or person in charge of production  
970 operations, or person purchasing any gas from the soil, or water,  
971 to furnish any additional information by him deemed to be  
972 necessary for the purpose of computing the amount of \* \* \* the  
973 tax; and for said purpose to examine the meter and other charts,  
974 books, records, and all files of such person; and, to that end,  
975 the commissioner shall have the power to examine witnesses, and if  
976 any such witness shall fail or refuse to appear at the request of  
977 the commissioner, or refuse access to books, records and



files, \* \* \* the commissioner shall have the power and authority to proceed as provided by the Mississippi Sales Tax Law.

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

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

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

27-25-721. (1) All gas \* \* \* produced or under the ground on producing properties within the State of Mississippi and all producing gas \* \* \* equipment, including wells, connections, pumps, derricks and other appurtenances actually owned by and belonging to the producer, and all leases in production, including mineral rights in producing properties, shall be exempt from all ad valorem taxes now levied or hereafter levied by the State of Mississippi, or any other taxing district within this state. This exemption shall not apply to drilling equipment, including derricks, machinery, and other materials necessary to drilling, nor to gas \* \* \* gathering systems, nor to the surface of lands





1003 leased for gas or carbon dioxide production or upon which gas or  
1004 carbon dioxide producing properties are situated, but all such  
1005 drilling equipment, gathering systems, and lands shall be assessed  
1006 as are other properties and shall be subject to ad valorem tax.  
1007 However, no additional assessment shall be added to the surface  
1008 value of such lands by reason of the presence of gas or carbon  
1009 dioxide thereunder or its production therefrom. The exemption  
1010 herein granted shall apply to all ad valorem taxes levied in the  
1011 year 1948 and each year thereafter.

1012 (2) The exemption from ad valorem taxes granted in this  
1013 section shall not apply to the percentage of ad valorem taxes that  
1014 the owner or holder of a nonproducing gas interest in real estate,  
1015 which is owned or held separately and apart from and independently  
1016 of the right owned in the surface owner of such real estate, must  
1017 pay on the land under which the gas interest is located, under the  
1018 provisions of Section 28 of this act.

1019 **SECTION 19.** Section 27-25-303, Mississippi Code of 1972, is  
1020 amended as follows:

1021 27-25-303. The words, terms and phrases used in this article  
1022 shall have the meanings ascribed to them herein.

1023 (a) "Tax commission," "State Tax Commission" or  
1024 "department" means the Department of Revenue of the State of  
1025 Mississippi.



1026                   (b) "Commissioner" or "Chairman of the State Tax  
1027 Commission" means the Commissioner of Revenue of the Department of  
1028 Revenue.

1029                   (c) "Person" means and includes any individual, firm,  
1030 copartnership, joint venture, association, corporation, estate,  
1031 trust or other group or combination acting as a unit, and includes  
1032 the plural as well as the singular in number.

1033                   (d) "Taxpayer" means any person liable for or having  
1034 paid any tax to the State of Mississippi under the provisions of  
1035 this article.

1036                   (e) "Producer" means any person who produces or severs  
1037 or who is responsible for the production of salt from the earth or  
1038 water for sale, profit or commercial use.

1039                   (f) "Production" means the total amount or quantity of  
1040 marketable salt produced by whatever measurement used.

1041                   (g) "Value" means and includes the purchase price or  
1042 royalty, cost, and any other expense as determined by generally  
1043 accepted accounting principles of underground mining and handling  
1044 of production to the point where processing begins.

1045                   (h) "Processing" means an activity of an industrial or  
1046 commercial nature wherein labor or skill is applied, by hand or  
1047 machinery, to raw materials so that a more useful product or  
1048 substance of trade or commerce is produced for sale.

1049                   (i) "Engaging in business" means any act or acts  
1050 engaged in by producers, or parties at interest which results in



1051 the production of salt from the soil or water, for storage,  
1052 transport or further processing.

1053 (j) "Salt" means a substance which is chemically  
1054 classified as sodium chloride.

1055 (k) "Interest owner" means any person owning any  
1056 royalty or other interest in salt or its value.

1057 **SECTION 20.** Section 27-25-305, Mississippi Code of 1972, is  
1058 amended as follows:

1059 27-25-305. There is \* \* \* levied and assessed, and shall be  
1060 collected by the commissioner, privilege taxes upon every \* \* \*  
1061 interest owner who is mining, severing or otherwise producing salt  
1062 or causing it to be produced in this state, for sale, profit or  
1063 commercial use. The amount of such tax shall be three percent  
1064 (3%) of the value of the entire production in this state.

1065 The tax is \* \* \* levied upon the entire production in this  
1066 state, regardless of whether the interest owner resides in this  
1067 state, regardless of the place of sale, or regardless of the fact  
1068 that delivery may be made to points outside the state, and the tax  
1069 shall accrue at the time such salt is severed from the soil or  
1070 water, and in its natural, unrefined or unprocessed state.

1071 The tax levied hereunder shall be a lien upon all products  
1072 produced within this state and such lien shall be entitled to  
1073 preference over all judgments, executions, encumbrances or liens  
1074 whensoever created.



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

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

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

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

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



1100 located. All records shall be subject to examination by the  
1101 commissioner.

1102 The commissioner may promulgate such rules and regulations  
1103 not inconsistent with this article and the Mississippi Sales Tax  
1104 Law for keeping records, making returns and for the ascertainment,  
1105 assessment and collection of the tax imposed hereunder as he may  
1106 deem necessary to enforce its provisions.

1107 **SECTION 23.** Section 27-31-73, Mississippi Code of 1972, is  
1108 amended as follows:

1109 27-31-73. (1) To encourage the purchase of leases upon and  
1110 interests in oil, gas and other minerals in the State of  
1111 Mississippi, to encourage drilling for and production of such  
1112 minerals, and to relieve the taxing officials of the counties of  
1113 the state of the onerous duties of assessment for, collection of  
1114 and sale for ad valorem taxes for such interests (which the  
1115 Legislature finds are generally assessed at nominal values  
1116 resulting in taxes not commensurate with the services required of  
1117 such officers), all nonproducing leasehold interests upon all oil,  
1118 gas and other minerals in, on or under lands lying within the  
1119 State of Mississippi, created or assigned after the effective date  
1120 of Sections 27-31-71 through 27-31-87, and also all nonproducing  
1121 interests in such oil, gas and other minerals (including royalty  
1122 interests therein) hereafter conveyed to a grantee or purchaser or  
1123 excepted or reserved to a grantor separately and apart from the  
1124 surface, shall be exempt from all ad valorem taxes levied on or



1125 after January 1, 1947, by the State of Mississippi, or any county,  
1126 municipality, levee district, road district, school district,  
1127 drainage district or other taxing district within the state or  
1128 becoming a lien on or after \* \* \* such date. Any sale for taxes  
1129 of the surface or of the remainder of the fee shall not in any  
1130 manner whatsoever affect the interest or interests \* \* \* exempted.

1131 (2) For the same purpose \* \* \* there is \* \* \* likewise  
1132 exempted from such ad valorem taxation all such interests created  
1133 prior to the passage of Sections 27-31-71 through 27-31-87 which  
1134 are owned separately and apart from the surface, provided that as  
1135 a condition precedent to obtaining such exemption upon existing  
1136 interests, the then owner thereof shall make application for  
1137 exemption of the interest then owned by him as hereinafter  
1138 provided and pay, in the manner provided under this chapter, a sum  
1139 equivalent to the tax herein levied by Section 27-31-77 on  
1140 instruments hereafter executed creating, transferring or reserving  
1141 corresponding or similar interests. If any such sum is paid after  
1142 January 1, 1947, then such exemption shall apply only to taxes  
1143 becoming a lien after such sum is thus paid.

1144 (3) The exemption from ad valorem taxes granted in this  
1145 section shall not apply to the percentage of ad valorem taxes that  
1146 the owner or holder of a nonproducing oil, gas or mineral interest  
1147 in real estate, which is owned or held separately and apart from  
1148 and independently of the right owned in the surface of such real  
1149 estate, must pay on the land under which the oil, gas or other



1150 mineral interest is located, pursuant to the provisions of Section  
1151 28 of this act.

1152       **SECTION 24.** Section 27-35-51, Mississippi Code of 1972, is  
1153 amended as follows:

1154       27-35-51. (1) Except as otherwise provided in subsection  
1155 (2) of this section, whenever any buildings, improvements or  
1156 structures, mineral, gas, oil, timber or similar interests in real  
1157 estate, including building permits or reservations, are owned  
1158 separately and apart from and independently of the rights and  
1159 interests owned in the surface of such real estate, or when any  
1160 person reserves any right or interest, or has any leasehold in the  
1161 elements above enumerated, all of such interests shall be assessed  
1162 and taxed separately from such surface rights and interests  
1163 in \* \* \* the real estate, and shall be sold for taxes in the same  
1164 manner and with the same effect as other interests in real estate  
1165 are sold for taxes. Whenever the owner or holder of any  
1166 separately owned or held nonproducing oil, gas or other mineral  
1167 interest does not pay the percentage of ad valorem taxes that he  
1168 or she is required to pay on the surface of the land under which  
1169 the oil, gas or other mineral interest is located, the provisions  
1170 of Section 28 of this act shall apply. All interests in real  
1171 estate herein enumerated shall be returned to the tax assessor  
1172 within the same time and in the same manner as the owners of land  
1173 are now required by law to list lands for assessment and taxation  
1174 and under like penalties. The tax assessor shall enter the



1175 assessment of the interests herein enumerated upon the assessment  
1176 roll by entering the same upon the next succeeding line or lines  
1177 of the roll following the assessment of the surface owner, the  
1178 name of the owner and the name of the interest, and by placing the  
1179 value in the appropriate column or columns on the roll; or the  
1180 assessor may enter the assessment of any or all of such interests  
1181 upon a page or pages in the land roll following the assessment of  
1182 the lands of the county, and the value of all such interests shall  
1183 be included in the recapitulation of the roll. And the value  
1184 of \* \* \* the interest or interests shall be determined and fixed  
1185 in the same manner and by the same officials now required by law  
1186 to value and assess property for taxation.

1187 (2) Pursuant to Section 65-43-3(2)(i), any contract entered  
1188 into under Section 65-43-3 by a governmental entity, as defined in  
1189 Section 65-43-1, with a company as defined in Section 65-43-3(1),  
1190 involving a franchise, license agreement, concession agreement,  
1191 operating agreement, construction agreement, design agreement  
1192 and/or any other similar contractual arrangement in connection  
1193 with the financing, design, construction, acquisition, maintenance  
1194 and/or operation of a toll road or toll bridge project pursuant to  
1195 Section 65-43-3, shall not constitute any right, title or interest  
1196 in land or other real property or real estate or in personal  
1197 property separate and apart and independent of the rights and  
1198 interests of the governmental entity for purposes of subsection  
1199 (1) of this section, in the toll road or toll bridge project,





1200 including tollbooths and related toll facilities, including, but  
1201 not limited to, land, pavement, drainage-related structures, and  
1202 other infrastructure and property related thereto in which a  
1203 governmental entity is the title owner of such property and/or  
1204 holder of easements, rights-of-way and/or other interests for such  
1205 toll road or toll bridge project.

1206       **SECTION 25.** Section 27-31-1, Mississippi Code of 1972, is  
1207 amended as follows:

1208       27-31-1. The following shall be exempt from taxation:

1209               (a) All cemeteries used exclusively for burial  
1210 purposes.

1211               (b) All property, real or personal, belonging to the  
1212 State of Mississippi or any of its political subdivisions, except  
1213 property of a municipality not being used for a proper municipal  
1214 purpose and located outside the county or counties in which such  
1215 municipality is located. A proper municipal purpose within the  
1216 meaning of this section shall be any authorized governmental or  
1217 corporate function of a municipality.

1218               (c) All property, real or personal, owned by units of  
1219 the Mississippi National Guard, or title to which is vested in  
1220 trustees for the benefit of any unit of the Mississippi National  
1221 Guard; provided such property is used exclusively for such unit,  
1222 or for public purposes, and not-for-profit.

1223               (d) All property, real or personal, belonging to any  
1224 religious society, or ecclesiastical body, or any congregation



1225 thereof, or to any charitable society, or to any historical or  
1226 patriotic association or society, or to any garden or pilgrimage  
1227 club or association and used exclusively for such society or  
1228 association and not for profit; not exceeding, however, the amount  
1229 of land which such association or society may own as provided in  
1230 Section 79-11-33. All property, real or personal, belonging to  
1231 any rural waterworks system or rural sewage disposal system  
1232 incorporated under the provisions of Section 79-11-1. All  
1233 property, real or personal, belonging to any college or  
1234 institution for the education of youths, used directly and  
1235 exclusively for such purposes, provided that no such college or  
1236 institution for the education of youths shall have exempt from  
1237 taxation more than six hundred forty (640) acres of land;  
1238 provided, however, this exemption shall not apply to commercial  
1239 schools and colleges or trade institutions or schools where the  
1240 profits of same inure to individuals, associations or  
1241 corporations. All property, real or personal, belonging to an  
1242 individual, institution or corporation and used for the operation  
1243 of a grammar school, junior high school, high school or military  
1244 school. All property, real or personal, owned and occupied by a  
1245 fraternal and benevolent organization, when used by such  
1246 organization, and from which no rentals or other profits accrue to  
1247 the organization, but any part rented or from which revenue is  
1248 received shall be taxed.



1249           (e) All property, real or personal, held and occupied  
1250 by trustees of public schools, and school lands of the respective  
1251 townships for the use of public schools, and all property kept in  
1252 storage for the convenience and benefit of the State of  
1253 Mississippi in warehouses owned or leased by the State of  
1254 Mississippi, wherein said property is to be sold by the Alcoholic  
1255 Beverage Control Division of the Department of Revenue of the  
1256 State of Mississippi.

1257           (f) All property, real or personal, whether belonging  
1258 to religious or charitable or benevolent organizations, which is  
1259 used for hospital purposes, and nurses' homes where a part  
1260 thereof, and which maintain one or more charity wards that are for  
1261 charity patients, and where all the income from said hospitals and  
1262 nurses' homes is used entirely for the purposes thereof and no  
1263 part of the same for profit.

1264           (g) The wearing apparel of every person; and also  
1265 jewelry and watches kept by the owner for personal use to the  
1266 extent of One Hundred Dollars (\$100.00) in value for each owner.

1267           (h) Provisions on hand for family consumption.

1268           (i) All farm products grown in this state for a period  
1269 of two (2) years after they are harvested, when in the possession  
1270 of or the title to which is in the producer, except the tax of  
1271 one-fifth of one percent (1/5 of 1%) per pound on lint cotton now  
1272 levied by the Board of Commissioners of the Mississippi Levee  
1273 District; and lint cotton for five (5) years, and cottonseed,



1274 soybeans, oats, rice and wheat for one (1) year regardless of  
1275 ownership.

1276 (j) All guns and pistols kept by the owner for private  
1277 use.

1278 (k) All poultry in the hands of the producer.

1279 (l) Household furniture, including all articles kept in  
1280 the home by the owner for his own personal or family use; but this  
1281 shall not apply to hotels, rooming houses or rented or leased  
1282 apartments.

1283 (m) All cattle and oxen.

1284 (n) All sheep, goats and hogs.

1285 (o) All horses, mules and asses.

1286 (p) Farming tools, implements and machinery, when used  
1287 exclusively in the cultivation or harvesting of crops or timber.

1288 (q) All property of agricultural and mechanical  
1289 associations and fairs used for promoting their objects, and where  
1290 no part of the proceeds is used for profit.

1291 (r) The libraries of all persons.

1292 (s) All pictures and works of art, not kept for or  
1293 offered for sale as merchandise.

1294 (t) The tools of any mechanic necessary for carrying on  
1295 his trade.

1296 (u) All state, county, municipal, levee, drainage and  
1297 all school bonds or other governmental obligations, and all bonds  
1298 and/or evidences of debts issued by any church or church



1299 organization in this state, and all notes and evidences of  
1300 indebtedness which bear a rate of interest not greater than the  
1301 maximum rate per annum applicable under the law; and all money  
1302 loaned at a rate of interest not exceeding the maximum rate per  
1303 annum applicable under the law; and all stock in or bonds of  
1304 foreign corporations or associations shall be exempt from all ad  
1305 valorem taxes.

1306 (v) All lands and other property situated or located  
1307 between the Mississippi River and the levee shall be exempt from  
1308 the payment of any and all road taxes levied or assessed under any  
1309 road laws of this state.

1310 (w) Any and all money on deposit in either national  
1311 banks, state banks or trust companies, on open account, savings  
1312 account or time deposit.

1313 (x) All wagons, carts, drays, carriages and other  
1314 horse-drawn vehicles, kept for the use of the owner.

1315 (y) (i) Boats, seines and fishing equipment used in  
1316 fishing and shrimping operations and in the taking or catching of  
1317 oysters.

1318 (ii) All towboats, tugboats and barges documented  
1319 under the laws of the United States, except watercraft of every  
1320 kind and character used in connection with gaming operations.

1321 (z) (i) All materials used in the construction and/or  
1322 conversion of vessels in this state;



1323 (ii) Vessels while under construction and/or  
1324 conversion;

1325 (iii) Vessels while in the possession of the  
1326 manufacturer, builder or converter, for a period of twelve (12)  
1327 months after completion of construction and/or conversion;  
1328 however, the twelve-month limitation shall not apply to:

1329 1. Vessels used for the exploration for, or  
1330 production of, oil, gas and other minerals offshore outside the  
1331 boundaries of this state; or

1332 2. Vessels that were used for the exploration  
1333 for, or production of, oil, gas and other minerals that are  
1334 converted to a new service for use outside the boundaries of this  
1335 state;

1336 (iv) 1. In order for a vessel described in  
1337 subparagraph (iii) of this paragraph (z) to be exempt for a period  
1338 of more than twelve (12) months, the vessel must:

1339 a. Be operating or operable, generating  
1340 or capable of generating its own power or connected to some other  
1341 power source, and not removed from the service or use for which  
1342 manufactured or to which converted; and

1343 b. The manufacturer, builder, converter  
1344 or other entity possessing the vessel must be in compliance with  
1345 any lease or other agreement with any applicable port authority or  
1346 other entity regarding the vessel and in compliance with all  
1347 applicable tax laws of this state and applicable federal tax laws.



1348                   2. A vessel exempt from taxation under  
1349 subparagraph (iii) of this paragraph (z) may not be exempt for a  
1350 period of more than three (3) years unless the board of  
1351 supervisors of the county and/or governing authorities of the  
1352 municipality, as the case may be, in which the vessel would  
1353 otherwise be taxable adopts a resolution or ordinance authorizing  
1354 the extension of the exemption and setting a maximum period for  
1355 the exemption.

1356                   (v) As used in this paragraph (z), the term  
1357 "vessel" includes ships, offshore drilling equipment, dry docks,  
1358 boats and barges, except watercraft of every kind and character  
1359 used in connection with gaming operations.

1360                   (aa) Sixty-six and two-thirds percent (66-2/3%) of  
1361 nuclear fuel and reprocessed, recycled or residual nuclear fuel  
1362 by-products, fissionable or otherwise, used or to be used in  
1363 generation of electricity by persons defined as public utilities  
1364 in Section 77-3-3.

1365                   (bb) All growing nursery stock.

1366                   (cc) A semitrailer used in interstate commerce.

1367                   (dd) All property, real or personal, used exclusively  
1368 for the housing of and provision of services to elderly persons,  
1369 disabled persons, mentally impaired persons or as a nursing home,  
1370 which is owned, operated and managed by a not-for-profit  
1371 corporation, qualified under Section 501(c)(3) of the Internal  
1372 Revenue Code, whose membership or governing body is appointed or



1373 confirmed by a religious society or ecclesiastical body or any  
1374 congregation thereof.

1375 (ee) All vessels while in the hands of bona fide  
1376 dealers as merchandise and which are not being operated upon the  
1377 waters of this state shall be exempt from ad valorem taxes. As  
1378 used in this paragraph, the terms "vessel" and "waters of this  
1379 state" shall have the meaning ascribed to such terms in Section  
1380 59-21-3.

1381 (ff) All property, real or personal, owned by a  
1382 nonprofit organization that: (i) is qualified as tax exempt under  
1383 Section 501(c)(4) of the Internal Revenue Code of 1986, as  
1384 amended; (ii) assists in the implementation of the national  
1385 contingency plan or area contingency plan, and which is created in  
1386 response to the requirements of Title IV, Subtitle B of the Oil  
1387 Pollution Act of 1990, Public Law 101-380; (iii) engages primarily  
1388 in programs to contain, clean up and otherwise mitigate spills of  
1389 oil or other substances occurring in the United States coastal or  
1390 tidal waters; and (iv) is used for the purposes of the  
1391 organization.

1392 (gg) If a municipality changes its boundaries so as to  
1393 include within the boundaries of such municipality the project  
1394 site of any project as defined in Section 57-75-5(f)(iv)1, Section  
1395 57-75-5(f)(xxi) or Section 57-75-5(f)(xxviii) or Section  
1396 57-75-5(f)(xxix), all real and personal property located on the  
1397 project site within the boundaries of such municipality that is





1398 owned by a business enterprise operating such project, shall be  
1399 exempt from ad valorem taxation for a period of time not to exceed  
1400 thirty (30) years upon receiving approval for such exemption by  
1401 the Mississippi Major Economic Impact Authority. The provisions  
1402 of this paragraph shall not be construed to authorize a breach of  
1403 any agreement entered into pursuant to Section 21-1-59.

1404 (hh) All leases, lease contracts or lease agreements  
1405 (including, but not limited to, subleases, sublease contracts and  
1406 sublease agreements), and leaseholds or leasehold interests  
1407 (including, but not limited to, subleaseholds and subleasehold  
1408 interests), of or with respect to any and all property (real,  
1409 personal or mixed) constituting all or any part of a facility for  
1410 the manufacture, production, generation, transmission and/or  
1411 distribution of electricity, and any real property related  
1412 thereto, shall be exempt from ad valorem taxation during the  
1413 period as the United States is both the title owner of the  
1414 property and a sublessee of or with respect to the property;  
1415 however, the exemption authorized by this paragraph (hh) shall not  
1416 apply to any entity to whom the United States sub-subleases its  
1417 interest in the property nor to any entity to whom the United  
1418 States assigns its sublease interest in the property. As used in  
1419 this paragraph, the term "United States" includes an agency or  
1420 instrumentality of the United States of America. This paragraph  
1421 (hh) shall apply to all assessments for ad valorem taxation for  
1422 the 2003 calendar year and each calendar year thereafter.



1423           (ii) All property, real, personal or mixed, including  
1424 fixtures and leaseholds, used by Mississippi nonprofit entities  
1425 qualified, on or before January 1, 2005, under Section 501(c)(3)  
1426 of the Internal Revenue Code to provide support and operate  
1427 technology incubators for research and development startup  
1428 companies, telecommunication startup companies and/or other  
1429 technology startup companies, utilizing technology spun-off from  
1430 research and development activities of the public colleges and  
1431 universities of this state, State of Mississippi governmental  
1432 research or development activities resulting therefrom located  
1433 within the State of Mississippi.

1434           (jj) All property, real, personal or mixed, including  
1435 fixtures and leaseholds, of startup companies (as described in  
1436 paragraph (ii) of this section) for the period of time, not to  
1437 exceed five (5) years, that the startup company remains a tenant  
1438 of a technology incubator (as described in paragraph (ii) of this  
1439 section).

1440           (kk) All leases, lease contracts or lease agreements  
1441 (including, but not limited to, subleases, sublease contracts and  
1442 sublease agreements), and leaseholds or leasehold interests, of or  
1443 with respect to any and all property (real, personal or mixed)  
1444 constituting all or any part of an auxiliary facility, and any  
1445 real property related thereto, constructed or renovated pursuant  
1446 to Section 37-101-41, Mississippi Code of 1972.



1447           (11) Equipment brought into the state temporarily for  
1448 use during a disaster response period as provided in Sections  
1449 27-113-1 through 27-113-9 and subsequently removed from the state  
1450 on or before the end of the disaster response period as defined in  
1451 Section 27-113-5.

1452           (mm) For any lease or contractual arrangement to which  
1453 the Department of Finance and Administration and a nonprofit  
1454 corporation are a party to as provided in Section 39-25-1(5), the  
1455 nonprofit corporation shall, along with the possessory and  
1456 leasehold interests and/or real and personal property of the  
1457 corporation, be exempt from all ad valorem taxation, including,  
1458 but not limited to, school, city and county ad valorem taxes, for  
1459 the term or period of time stated in the lease or contractual  
1460 arrangement.

1461           (nn) (i) Whenever any nonproducing oil, gas or other  
1462 mineral interest in real estate is owned separately and apart from  
1463 and independently of the rights owned in the surface of such real  
1464 estate, or when any person reserves any right or interest or has  
1465 any leasehold in any of the elements listed in this subparagraph  
1466 (i), the owner of the surface estate shall be exempt from paying  
1467 twenty-five percent (25%) of the ad valorem taxes otherwise due on  
1468 the real estate if the surface owner has complied with the  
1469 provisions of subparagraph (ii) of this paragraph.

1470           (ii) It shall be the duty of every person who is  
1471 eligible for and desires the exemption provided for in this



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

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

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

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



1497 made, and each item of cost incident thereto, and where sold to  
1498 individuals, the name of the purchaser, such sale to be separately  
1499 recorded by the clerk in a book kept by him for that purpose.

1500 \* \* \* The tax collector shall also transmit to the clerk of the  
1501 chancery court of the county separate lists of any nonproducing  
1502 oil, gas or other mineral interests in real estate which are sold  
1503 to persons for nonpayment of taxes or which are offered for sale  
1504 and, because no person bids the whole amount of taxes and costs  
1505 incident to the sale of such interest, revert to the owners of the  
1506 surface estate under which such mineral interests are located.

1507 All such lists (except lists of nonproducing mineral interests  
1508 that reverted to the owners of the surface estate under which such  
1509 mineral interests are located) shall vest in the state or in the  
1510 individual purchaser thereof a perfect title to the land or  
1511 mineral interest, or both, sold for taxes, but without the right  
1512 of possession for the period of and subject to the right of  
1513 redemption \* \* \*. Lists of nonproducing mineral interests that  
1514 reverted to the owners of the surface estate under which such  
1515 mineral interests are located shall vest in such surface owners a  
1516 perfect title to the mineral interests, not subject to the right  
1517 of redemption. A failure to transmit or record a list or a  
1518 defective list shall not affect or render the title void. If the  
1519 tax collector or clerk shall fail to perform the duties herein  
1520 prescribed, he shall be liable to the party injured by such  
1521 default in the penal sum of Twenty-five Dollars (\$25.00), and also



1522 on his official bond for the actual damage sustained. The lists  
1523 hereinabove provided shall, when filed with the clerk, be notice  
1524 to all persons in the same manner as are deeds when filed for  
1525 record. The lists of lands hereinabove referred to shall be filed  
1526 by the tax collector in May for sales made in April and in October  
1527 for sales made in September, respectively.

1528       **SECTION 27.** Section 27-41-81, Mississippi Code of 1972, is  
1529 amended as follows:

1530       27-41-81. The tax collector shall on or before the first  
1531 Monday of June transmit to the clerk of the chancery court of the  
1532 county separate certified lists of the lands struck off by him to  
1533 the state and that sold to individuals, specifying to whom  
1534 assessed, the day of the sale, the amount of taxes for which the  
1535 sale was made and each item of cost incidental thereto, and, where  
1536 sold to individuals, the name of the purchaser, to be separately  
1537 recorded by the clerk in books kept by him for that purpose.

1538       \* \* \* The tax collector shall also transmit to the clerk of the  
1539 chancery court of the county separate lists of any nonproducing  
1540 oil, gas or other mineral interests in real estate which are sold  
1541 to persons for nonpayment of taxes or which are offered for sale  
1542 and, because no person bids the whole amount of taxes and costs  
1543 incident to the sale of such interest, revert to the owners of the  
1544 surface estate under which such mineral interests are located.  
1545 The lists shall (except lists of nonproducing mineral interests  
1546 that reverted to the owners of the surface estate under which such



1547 mineral interests are located) vest in the state or the individual  
1548 purchaser thereof a perfect title to the land or mineral interest,  
1549 or both, sold for taxes, but without the right of possession and  
1550 subject to the right of redemption \* \* \*. Lists of nonproducing  
1551 mineral interests that reverted to the owners of the surface  
1552 estate under which such mineral interests are located shall vest  
1553 in such surface owners a perfect title to the mineral interests,  
1554 not subject to the right of redemption. A failure to transmit or  
1555 record a list, or a defective list, shall not affect or render the  
1556 title void. If the tax collector or clerk shall fail to perform  
1557 the duties herein prescribed, he shall be liable to the party  
1558 injured by such default in the penal sum of Twenty-five Dollars  
1559 (\$25.00), and also on his bond for the actual damages sustained.

1560 The list hereinabove provided shall, when filed with the  
1561 clerk, be notice to all persons in the same manner as are deeds  
1562 when filed for record.

1563 **SECTION 28.** (1) Except as otherwise provided in subsection  
1564 (2) of this section, the owner(s) or holder(s) of any nonproducing  
1565 oil, gas or other mineral interest in real estate, which is owned  
1566 or held separately and apart from and independently of the rights  
1567 owned in the surface of such real estate, shall pay a percentage  
1568 of the ad valorem taxes due on the land, as provided in this  
1569 subsection. The owner(s) or holder(s) of all of the interests  
1570 described in the preceding sentence collectively shall pay a total  
1571 of twenty-five percent (25%) of the ad valorem taxes due on the



1572 land under which the interests are located, and each individual  
1573 owner or holder of any of the interests shall pay a prorated  
1574 portion of the twenty-five percent (25%) based on his or her  
1575 percentage of ownership of the collective total of all oil, gas or  
1576 other mineral interests that are nonproducing and owned separately  
1577 and apart from and independently of the rights owned in the  
1578 surface of the real estate. The percentage of ad valorem taxes,  
1579 which the owner(s) or holder(s) of any of the interests described  
1580 in the first sentence of this subsection must pay, shall be due  
1581 and payable at the same time and in the same manner as the ad  
1582 valorem taxes due on the land.

1583 (2) If the owner of the surface estate under which any  
1584 separately owned or held, nonproducing oil, gas or other mineral  
1585 interest is located fails to comply with the requirements of  
1586 Section 27-31-1(nn)(ii) of this act, he or she shall be liable for  
1587 the full amount of the ad valorem taxes otherwise due on the real  
1588 estate, and the owner(s) or holder(s) of any of the interests  
1589 described in the first sentence of subsection (1) shall not be  
1590 liable for any percentage of the ad valorem taxes due on the real  
1591 estate.

1592 **SECTION 29.** (1) If the owner or holder of any nonproducing  
1593 oil, gas or other mineral interest in real estate, which is owned  
1594 or held separately and apart from and independently of the rights  
1595 owned in the surface of such real estate, does not pay the  
1596 percentage of ad valorem taxes that he or she is required to pay





1597 on the surface of the land under which the oil, gas or mineral  
1598 interest is located, the nonproducing, separately owned or held  
1599 mineral interest shall be sold in the same manner and in  
1600 accordance with the same procedure as prescribed by law for the  
1601 sale of lands for nonpayment of taxes.

1602 (2) In addition to the parties which the chancery clerk is  
1603 required to provide with notice of a tax sale pursuant to Section  
1604 27-43-1 et seq., the chancery clerk shall provide notice to the  
1605 owner of the surface estate under which the separately owned or  
1606 held, nonproducing oil, gas or other mineral interest sold for  
1607 nonpayment of taxes is located that such interest was sold for  
1608 taxes. In addition to the owner or holder of the oil, gas or  
1609 other mineral interest sold for nonpayment of taxes, or any person  
1610 for him with his consent or any person interested in the oil, gas  
1611 or other mineral interest, the owner of the surface estate under  
1612 which the interest is located shall have the right, secondary only  
1613 to the preceding parties, to redeem the oil, gas or other mineral  
1614 interest sold for nonpayment of taxes.

1615 (3) If the owner of the surface estate pays the amount  
1616 necessary to redeem the oil, gas or mineral interest sold for  
1617 nonpayment of taxes, the chancery clerk shall notify the owner or  
1618 holder of the interest sold for nonpayment of taxes that the owner  
1619 of the surface estate has tendered the amount necessary to redeem  
1620 the interest from the tax sale, and that such tender of the amount  
1621 necessary to redeem the interest does not operate to redeem the



1622 interest from the tax sale. The chancery clerk shall notify the  
1623 owner or holder of the oil, gas or other mineral interest sold for  
1624 nonpayment of taxes that if such owner or holder, or any persons  
1625 for him with his consent, or any person interested in the oil, gas  
1626 or other mineral interest does not redeem the interest before the  
1627 expiration of the time of redemption, title to the oil, gas or  
1628 other mineral interest shall vest in the owner of the surface  
1629 estate who tendered the amount necessary to redeem the interest  
1630 from the tax sale. If the owner or holder of the oil, gas or  
1631 other mineral interest does not redeem the interest from the tax  
1632 sale before the expiration of the redemption period, after being  
1633 notified by the chancery clerk in accordance with the provisions  
1634 of this section, title to the interest shall vest in the owner of  
1635 the surface estate who tendered the amount necessary to redeem the  
1636 interest from the tax sale, and the chancery clerk shall execute a  
1637 deed of conveyance to such owner of the surface estate.

1638 (4) If any such nonproducing oil, gas or other mineral  
1639 interest in real estate of a delinquent taxpayer is offered for  
1640 sale, and no person bids the whole amount of taxes and costs  
1641 incident to the sale of the mineral interest, such mineral  
1642 interest shall revert to the owner of the surface estate under  
1643 which the mineral interest is located. The owner of the surface  
1644 estate to whom such mineral interest reverts shall be liable,  
1645 beginning with the next year of tax liability, for the amount of  
1646 delinquent taxes for which the mineral interest was offered for



1647 sale and for his prorated portion of the collective twenty-five  
1648 percent (25%) of ad valorem taxes due on the land as provided in  
1649 Section 28 of this act.

1650       **SECTION 30.** This act shall apply to any nonproducing oil,  
1651 gas or other mineral interest in real estate which is owned or  
1652 held separate and apart from and independently of the rights owned  
1653 in the surface of such real estate, regardless of whether such  
1654 interest was created or became nonproducing before or after the  
1655 effective date of this act.

1656       **SECTION 31.** This act shall take effect and be in force from  
1657 and after July 1, 2020.

