

By: Representative Ellzey

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

HOUSE BILL NO. 96

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

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

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

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

44 (a) "Tax commission" means the Tax Commission of the

45 State of Mississippi.

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

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

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

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

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

75 (g) "Severed" means the extraction or withdrawing from
76 below the surface of the soil or water of any oil, whether such
77 extraction or withdrawal shall be by natural flow, mechanically
78 enforced flow, pumping or any other means employed to get the oil

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

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

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

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

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

107 (l) "Production" means the total gross amount of oil
108 produced, including all royalty or other interest; that is, the
109 amount for the purpose of the tax imposed by this article shall be
110 measured or determined by tank tables compiled to show one hundred
111 percent (100%) of the full capacity of tanks without deduction for
112 overage or losses in handling. Allowance for any reasonable and

113 bona fide deduction for basic sediment and water, and for
114 correction of temperature to sixty (60) degrees Fahrenheit will be
115 allowed. If the amount of oil produced has been measured or
116 determined by tank tables compiled to show less than one hundred
117 percent (100%) of the full capacity of tanks, then such amount
118 shall be raised to a basis by one hundred percent (100%) for the
119 purpose of the tax imposed by this article.

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

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

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

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

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

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

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

146 SECTION 2. Section 27-25-503, Mississippi Code of 1972, is

147 amended as follows:

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

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

171 (3) Oil produced from a discovery well for which drilling or
172 re-entry commenced on or after April 1, 1994, shall be exempt from
173 the taxes levied under this section for a period of five (5) years
174 beginning on the date of first sale of production from such well,
175 provided that the average monthly sales price of such oil does not
176 exceed Twenty-five Dollars (\$25.00) per barrel. The exemption for
177 oil produced from a discovery well as described in this subsection
178 shall be repealed from and after July 1, 1999, provided that any
179 such production for which a permit was granted by the board before
180 July 1, 1999, shall be exempt for an entire period of five (5)

181 years, notwithstanding that the repeal of this provision has
182 become effective. Oil produced from development wells or
183 replacement wells drilled in connection with discovery wells for
184 which drilling commenced on or after January 1, 1994, shall be
185 assessed at the rate of three percent (3%) of the value of the oil
186 at the point of production for a period of three (3) years. The
187 reduced rate of assessment of oil produced from development wells
188 or replacement wells as described in this subsection shall be
189 repealed from and after January 1, 1999, provided that any such
190 production for which drilling commenced before January 1, 1999,
191 shall be assessed at the reduced rate for an entire period of
192 three (3) years, notwithstanding that the repeal of this provision
193 has become effective.

194 (4) Oil produced from a development well for which drilling
195 commenced on or after April 1, 1994, and for which
196 three-dimensional seismic was utilized in connection with the
197 drilling of such well shall be assessed at the rate of three
198 percent (3%) of the value of the oil at the point of production
199 for a period of five (5) years, provided that the average monthly
200 sales price of such oil does not exceed Twenty-five Dollars
201 (\$25.00) per barrel. The reduced rate of assessment of oil
202 produced from a development well as described in this subsection
203 and for which three-dimensional seismic was utilized shall be
204 repealed from and after July 1, 1999, provided that any such
205 production for which a permit was granted by the board before July
206 1, 1999, shall be assessed at the reduced rate for an entire
207 period of five (5) years, notwithstanding that the repeal of this
208 provision has become effective.

209 (5) Oil produced from a two-year inactive well as defined in
210 Section 27-25-501 shall be exempt from the taxes levied under this
211 section for a period of three (3) years beginning on the date of
212 first sale of production from such well, provided that the average
213 monthly sales price of such oil does not exceed Twenty-five
214 Dollars (\$25.00) per barrel. The exemption for oil produced from

215 an inactive well shall be repealed from and after July 1, 1999,
216 provided that any such production which began before July 1, 1999,
217 shall be exempt for an entire period of three (3) years,
218 notwithstanding that the repeal of this provision has become
219 effective.

220 (6) The State Oil and Gas Board shall have the exclusive
221 authority to determine the qualification of wells defined in
222 paragraphs (n) through (r) of Section 27-15-501.

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

225 27-25-507. When any regular monthly report required from
226 producers or interest owners by this article, does not disclose
227 the actual source of any oil taxable under this article, but does
228 show such oil to have escaped from a well or wells and to have
229 been recovered from streams, lakes, ravines, or other natural
230 depressions, it shall be the duty of the commissioner to collect,
231 in addition to the privilege tax herein imposed, an additional
232 amount equal to fourteen percent (14%) of the gross value of such
233 escaped oil. The commissioner shall hold such additional
234 collection in a special escrow account for a period of twelve (12)
235 months from the date of the collection, during which time any
236 person or persons who claim to be the rightful owner or owners of
237 any royalty interest in the escaped oil, shall present proper and
238 satisfactory proof of such ownership to the commissioner. If the
239 commissioner shall be satisfied as to the ownership of such
240 escaped oil, then he shall pay to such claimant or claimants a
241 proportionate part of such additional collection held in escrow,
242 according to their proper interest or interests. No payment to
243 any claimant shall be made, however, before it is approved by the
244 Attorney General, or before it is ordered by any court having
245 proper jurisdiction. After the lapse of twelve (12) months from
246 the date of any additional collection, if no claim or claims have
247 been made to it, or to the balance remaining of it after the
248 payment by the commissioner of any claim or claims, the

249 commissioner shall distribute the additional collection or any
250 balance of it in the same manner as is herein provided for the
251 distribution of the tax imposed by this article.

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

254 27-25-509. (1) The tax hereby imposed is levied upon the
255 interest owners of such oil in the proportion of their ownership
256 at the time of severance, but, except as otherwise herein
257 provided, may be paid by the person in charge of the production
258 operations, who, in such case shall deduct from any amount due to
259 interest owners of such production at the time of severance the
260 proportionate amount of the tax herein levied before making
261 payments to such interest owners. The tax shall become due and
262 payable as provided by this article and * * * shall constitute a
263 first lien upon any of the oil so produced, when in the hands of
264 the interest owner, or any purchaser of such oil in its
265 unmanufactured state or condition. In the event the person in
266 charge of production operations fails to pay the tax, then the
267 commissioner shall proceed against the interest owner to collect
268 the tax in accordance with the provisions made for the collection
269 of delinquent taxes by the Mississippi Sales Tax Law.

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

280 (3) When any person in charge of production operations shall
281 sell oil produced by him on the open market, he shall withhold the
282 tax imposed by this article, and if he is required to pay other

283 interest holders, * * * shall deduct from any amount due them, the
284 amount of tax levied and due under the provisions of this article
285 before making payment to them.

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

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

299 27-25-511. When the title to any oil being severed from the
300 soil, or water, is in dispute, or whenever the producer, interest
301 owner of such oil from the soil, or water, or purchaser thereof,
302 shall be withholding payments on account of litigation, or for any
303 other reason, such producer, interest owner or purchaser shall
304 deduct from the gross amount thus held the amount of the tax
305 herein levied and imposed, and to make remittance thereof to the
306 commissioner as provided by this article.

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

309 27-25-513. Every interest owner, producer or person in
310 charge of production operations by which oil is severed from the
311 soil, or water, in this state, when making the reports required by
312 this article, shall file with the commissioner a statement, under
313 oath, on forms prescribed by him, of the business conducted by
314 such producer or person in charge of production operations, during
315 the period for which the report is made, showing gross quantity of
316 oil and the value thereof, so severed or produced, and such other

317 reasonable and necessary information pertaining thereto as the
318 commissioner may require for the proper enforcement of the
319 provisions of this article.

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

322 27-25-517. The commissioner shall have the power to require
323 any interest owner, producer, or person in charge of production
324 operations, or person purchasing any oil from the soil, or water,
325 to furnish any additional information by him deemed to be
326 necessary for the purpose of computing the amount of said tax; and
327 for said purpose to examine the books, records, and all files of
328 such person; and, to that end, the commissioner shall have the
329 power to examine witnesses, and if any such witness shall fail or
330 refuse to appear at the request of the commissioner, or refuse
331 access to books, records and files, said commissioner shall have
332 the power and authority to proceed as provided by the Mississippi
333 Sales Tax Law.

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

336 27-25-521. Every person who is an interest owner of oil or
337 who is engaged in the business of producing or purchasing any oil
338 in this state, or who is in charge of production operations, and
339 who is required to pay the tax imposed by this article, shall make
340 and keep, for a period of three (3) years, a complete and accurate
341 record, in the form required by the commissioner, showing the
342 gross quantity of oil produced and value of same, the names of the
343 persons from whom purchased, and the time of purchase. It
344 is * * * the duty of such person to file quarterly with the
345 commissioner a statement, under oath, showing the names and
346 addresses of all persons from whom has been purchased any oil,
347 produced or severed from the soil, or water, in Mississippi during
348 the preceding quarter (three (3) months), and the county from
349 which the oil was severed, together with a total gross quantity
350 and value of oil so purchased, and any other information which the

351 commissioner may require. Said report shall begin with the first
352 calendar quarter after this article becomes effective and shall
353 thereafter be filed within thirty (30) days after the expiration
354 of each quarter and shall be made on such forms as may be
355 prescribed by the commissioner. Any person failing to make the
356 report required by this section shall be guilty of a misdemeanor
357 and be punished by a fine of not less than Fifty Dollars (\$50.00)
358 or more than Five Hundred Dollars (\$500.00) for each such offense.

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

361 27-25-523. (1) All oil produced or under the ground on
362 producing properties within the State of Mississippi and all
363 producing oil equipment, including wells, connections, pumps,
364 derricks and other appurtenances actually owned by and belonging
365 to the producer, and all leases in production, including mineral
366 rights in producing properties, shall be exempt from all ad
367 valorem taxes now levied or hereafter levied by the State of
368 Mississippi, or any county, municipality, levee district, road,
369 school or any other taxing district within this state. This
370 exemption shall not apply to drilling equipment, including
371 derricks, machinery, and other materials necessary to drilling,
372 nor to oil gathering systems, nor to the surface of lands leased
373 for oil production or upon which oil producing properties are
374 situated, but all such drilling equipment, gathering systems, and
375 lands shall be assessed as are other properties and shall be
376 subject to ad valorem tax. However, no additional assessment
377 shall be added to the surface value of such lands by reason of the
378 presence of oil thereunder or its production therefrom. The
379 exemption herein granted shall apply to all ad valorem taxes
380 levied in the year 1944 and each year thereafter.

381 (2) The exemption from ad valorem taxes granted in this
382 section shall not apply to the percentage of ad valorem taxes that
383 the owner or holder of a nonproducing oil interest in real estate,
384 which is owned or held separately and apart from and independently

385 of the rights owned in the surface of such real estate, must pay
386 on the land under which the oil interest is located, pursuant to
387 the provisions of Section 28 of this act.

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

390 27-25-701. Whenever used in this article, the following
391 words and terms shall have the definition and meaning ascribed to
392 them in this section, unless the intention to give a more limited
393 meaning is disclosed by the context:

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

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

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

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

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

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

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

418 (h) "Severed" means the extraction or withdrawing by

419 any means whatsoever, from below the surface of the soil or water,
420 of any gas.

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

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

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

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

448 (m) "Gathering system" means the pipelines,
449 compressors, pumps, regulators, separators, dehydrators, meters,
450 metering installations and all other property used in gathering
451 gas from the well from which it is produced if such properties are
452 owned by other than the operator, and all such properties, if

453 owned by the operator, beyond the first metering installation that
454 is nearest the well.

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

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

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

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

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

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

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

476 27-25-703. (1) Except as otherwise provided herein, there
477 is hereby levied, to be collected hereafter, as provided herein,
478 annual privilege taxes upon every interest owner who is producing
479 or severing gas, in this state, from below the soil or water for
480 sale, transport, storage, profit or for commercial use. The
481 amount of such tax shall be measured by the value of the gas
482 produced and shall be levied and assessed at a rate of six percent
483 (6%) of the value thereof at the point of production, except as
484 otherwise provided in subsection (4) of this section.

485 (2) The tax is hereby levied upon the entire production in
486 this state, regardless of whether the interest owner resides in

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

503 (3) Natural gas and condensate produced from any wells for
504 which drilling is commenced after March 15, 1987, and before July
505 1, 1990, shall be exempt from the tax levied under this section
506 for a period of two (2) years beginning on the date of first sale
507 of production from such wells.

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

514 (5) Natural gas produced from discovery wells for which
515 drilling or re-entry commenced on or after April 1, 1994, shall be
516 exempt from the tax levied under this section for a period of five
517 (5) years beginning on the earlier of one (1) year from completion
518 of the well or the date of first sale from such well, provided
519 that the average monthly sales price of such gas does not exceed
520 Three Dollars and Fifty Cents (\$3.50) per one thousand (1,000)

521 cubic feet. The exemption for natural gas produced from discovery
522 wells as described in this subsection shall be repealed from and
523 after July 1, 1999, provided that any such production for which a
524 permit was granted by the board before July 1, 1999, shall be
525 exempt for an entire period of five (5) years, notwithstanding
526 that the repeal of this provision has become effective. Natural
527 gas produced from development wells or replacement wells drilled
528 in connection with discovery wells for which drilling commenced on
529 or after January 1, 1994, shall be assessed at a rate of three
530 percent (3%) of the value thereof at the point of production for a
531 period of three (3) years. The reduced rate of assessment of
532 natural gas produced from development wells or replacement wells
533 as described in this subsection shall be repealed from and after
534 January 1, 1999, provided that any such production for which
535 drilling commenced before January 1, 1999, shall be assessed at
536 the reduced rate for an entire period of three (3) years,
537 notwithstanding that the repeal of this provision has become
538 effective.

539 (6) Gas produced from a development well for which drilling
540 commenced on or after April 1, 1994, and for which
541 three-dimensional seismic was utilized in connection with the
542 drilling of such well, shall be assessed at a rate of three
543 percent (3%) of the value of the gas at the point of production
544 for a period of five (5) years, provided that the average monthly
545 sales price of such gas does not exceed Three Dollars and Fifty
546 Cents (\$3.50) per one thousand (1,000) cubic feet. The reduced
547 rate of assessment of gas produced from a development well as
548 described in this subsection and for which three-dimensional
549 seismic was utilized shall be repealed from and after July 1,
550 1999, provided that any such production for which a permit was
551 granted by the board before July 1, 1999, shall be assessed at the
552 reduced rate for an entire period of five (5) years,
553 notwithstanding that the repeal of this provision has become
554 effective.

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

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

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

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

574 27-25-705. All taxes herein levied and collected by the
575 State Tax Commission shall be paid into the State Treasury on the
576 same day in which such taxes are collected. The commissioner
577 shall apportion all such tax collections to the state and to the
578 county in which the gas was produced, in the proportion of
579 sixty-six and two-thirds percent (66-2/3%) to the state and
580 thirty-three and one-third percent (33-1/3%) to the county. * * *
581 However, when the price of the gas subject to the tax levied in
582 this article is increased, and such increase is subject to
583 approval by a federal regulatory board or commission, and when the
584 interest owner and producer of the gas so requests, the State
585 Treasurer is * * * authorized to hold the severance tax collected
586 on the price increase in escrow until such time as the price
587 increase or a portion thereof is finally granted or approved. The
588 severance tax thus held in escrow shall be deposited by the State

589 Treasurer to an account in a state depository to be invested in an
590 interest-bearing account in the manner provided by law. When the
591 price increase in question or a portion thereof is granted or
592 approved, the commissioner shall compute the correct severance tax
593 due on such increase and certify the amount of tax thus computed.

594 This amount and interest earned from the depository shall be
595 distributed to the General Fund and to the county or counties
596 proportionately as herein provided. The balance, if any, of the
597 tax and interest held in escrow on the price increase shall be
598 returned to the taxpayer.

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

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

615 When there shall be any gas producing properties within the
616 corporate limits of any municipality, then such municipality shall
617 participate in the division of the tax and interest, if any,
618 returned to the county in which the municipality is located in the
619 proportion which the tax on production of gas from properties
620 located within the municipal corporate limits bears to the tax on
621 total production of gas in the county. In no event, however,
622 shall the amount allocated to the municipalities exceed one-third

623 (1/3) of the tax and interest produced in the municipality and
624 returned to the county. Any amount received by any municipality
625 as a result of the allocation herein provided shall be used for
626 such purposes as are authorized by law.

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

635 **[With regard to any county which is required to operate on a**
636 **countywide system of road administration as described in Section**
637 **19-2-3, this section shall read as follows:]**

638 27-25-705. All taxes herein levied and collected by the
639 State Tax Commission shall be paid into the State Treasury on the
640 same day in which such taxes are collected. The commissioner
641 shall apportion all such tax collections to the state and to the
642 county in which the gas was produced, in the proportion of
643 sixty-six and two-thirds percent (66-2/3%) to the state and
644 thirty-three and one-third percent (33-1/3%) to the county. * * *

645 However, when the price of the gas subject to the tax levied in
646 this article is increased, and such increase is subject to
647 approval by a federal regulatory board or commission, and when the
648 interest owner and producer of the gas so requests, the State
649 Treasurer is * * * authorized to hold the severance tax collected
650 on said price increase in escrow until such time as the price
651 increase or a portion thereof is finally granted or approved. The
652 severance tax thus held in escrow shall be deposited by the State
653 Treasurer to an account in a state depository to be invested in an
654 interest-bearing account in the manner provided by law. When the
655 price increase in question or a portion thereof is granted or
656 approved, the commissioner shall compute the correct severance tax

657 due on such increase and certify the amount of tax thus computed.

658 This amount and interest earned from the depository shall be
659 distributed to the General Fund and to the county or counties
660 proportionately as herein provided. The balance, if any, of the
661 tax and interest held in escrow on the price increase shall be
662 returned to the taxpayer.

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

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

679 When there shall be any gas producing properties within the
680 corporate limits of any municipality, then such municipality shall
681 participate in the division of the tax and interest, if any,
682 returned to the county in which the municipality is located in the
683 proportion which the tax on production of gas from properties
684 located within the municipal corporate limits bears to the tax on
685 total production of gas in the county. In no event, however,
686 shall the amount allocated to the municipalities exceed one-third
687 (1/3) of the tax and interest produced in the municipality and
688 returned to the county. Any amount received by any municipality
689 as a result of the allocation herein provided shall be used for
690 such purposes as are authorized by law.

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

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

700 27-25-707. (1) The tax hereby imposed is levied upon the
701 interest owners of such gas in the proportion of their ownership
702 at the time of severance, but except as otherwise herein provided,
703 may be paid by the person in charge of the production operations,
704 who, in such case, shall deduct from any amount due to interest
705 owners of such production at the time of severance the
706 proportionate amount of the tax herein levied before making
707 payments to such interest owners. The tax shall become due and
708 payable as provided by this article and * * * shall constitute a
709 first lien upon the property from which the gas was produced. In
710 the event the person in charge of production operations fails to
711 pay the tax, then the commissioner shall proceed against the
712 interest owner to collect the tax in accordance with the
713 provisions made for the collection of delinquent taxes by the
714 Mississippi Sales Tax Law.

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

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

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

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

745 27-25-709. When the title to any gas being severed from the
746 soil, or water, is in dispute, or whenever the producer or
747 interest owner of such gas from the soil, or water, or purchaser
748 thereof, shall be withholding payments on account of litigation,
749 or for any other reason, such producer, interest owner, or
750 purchaser shall deduct from the gross amount thus held the amount
751 of the tax herein levied and imposed, and to make remittance
752 thereof to the commissioner as provided by this article.

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

755 27-25-711. Every interest owner, producer or person in
756 charge of production operations by which gas is severed from the
757 soil, or water, in this state, when making the reports required by
758 this article, shall file with the commissioner a statement, under

759 oath, on forms prescribed by him, of the business conducted by
760 such producer or person in charge of production operations, during
761 the period for which the report is made, showing gross quantity of
762 gas and the value thereof, so severed or produced, and such other
763 reasonable and necessary information pertaining thereto as the
764 commissioner may require for the proper enforcement of the
765 provisions of this article.

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

768 27-25-715. The commissioner shall have the power to require
769 any interest owner, producer or person in charge of production
770 operations, or person purchasing any gas from the soil, or water,
771 to furnish any additional information by him deemed to be
772 necessary for the purpose of computing the amount of said tax; and
773 for said purpose to examine the meter and other charts, books,
774 records, and all files of such person; and, to that end, the
775 commissioner shall have the power to examine witnesses, and if any
776 such witness shall fail or refuse to appear at the request of the
777 commissioner, or refuse access to books, records and files, said
778 commissioner shall have the power and authority to proceed as
779 provided by the Mississippi Sales Tax Law.

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

782 27-25-719. Every person who is an interest owner of gas, or
783 who is engaged in the business of producing or purchasing any gas
784 in this state, or who is in charge of production operations, and
785 who is required to pay the tax imposed by this article, shall make
786 and keep, for a period of three (3) years, a complete and accurate
787 record, in the form required by the commissioner showing the gross
788 quantity of gas produced and value of same, the names of the
789 persons from whom purchased, and the time of purchase.

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

792 27-25-721. (1) All gas produced or under the ground on

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

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

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

820 27-25-303. The words, terms and phrases used in this article
821 shall have the meanings ascribed to them herein.

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

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

826 (c) "Person" means and includes any individual, firm,

827 copartnership, joint venture, association, corporation, estate,
828 trust or other group or combination acting as a unit, and includes
829 the plural as well as the singular in number.

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

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

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

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

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

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

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

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

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

856 27-25-305. There is * * * levied and assessed, and shall be
857 collected by the commissioner, privilege taxes upon every interest
858 owner who is mining, severing or otherwise producing salt or
859 causing it to be produced in this state, for sale, profit or
860 commercial use. The amount of such tax shall be three percent

861 (3%) of the value of the entire production in this state.

862 The tax is * * * levied upon the entire production in this
863 state, regardless of whether the interest owner resides in this
864 state, regardless of the place of sale, or regardless of the fact
865 that delivery may be made to points outside the state, and the tax
866 shall accrue at the time such salt is severed from the soil or
867 water, and in its natural, unrefined or unprocessed state.

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

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

874 27-25-307. (1) All salt under the ground or salt produced
875 or processed on producing properties and owned by the producer and
876 all leases in production, including mineral rights in producing
877 properties, shall be exempt from all ad valorem taxes now levied
878 or hereafter levied by the State of Mississippi, or any county, or
879 any other taxing district within this state.

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

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

889 27-25-309. Every person who is an interest owner of salt or
890 who is engaged in the business of producing salt in this state, or
891 who is in charge of production operations, and who is required to
892 pay the tax imposed by this article, shall make and keep, for a
893 period of three (3) years, a complete and accurate record to
894 substantiate all taxes accrued hereunder, showing the gross

895 quantity of salt produced and the value of same, the names of the
896 person or persons from whom purchased and the county in which
897 located. All records shall be subject to examination by the
898 commissioner.

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

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

906 27-31-73. (1) To encourage the purchase of leases upon and
907 interests in oil, gas and other minerals in the State of
908 Mississippi, and to relieve the taxing officials of the counties
909 of the state of the onerous duties of assessment for, collection
910 of and sale for ad valorem taxes for such interests (which the
911 Legislature finds are generally assessed at nominal values
912 resulting in taxes not commensurate with the services required of
913 such officers), all nonproducing leasehold interests upon all oil,
914 gas and other minerals in, on or under lands lying within the
915 State of Mississippi, created or assigned after the effective date
916 of Sections 27-31-71 to 27-31-87, and also all nonproducing
917 interests in such oil, gas and other minerals (including royalty
918 interests therein) hereafter conveyed to a grantee or purchaser or
919 excepted or reserved to a grantor separately and apart from the
920 surface, shall be exempt from all ad valorem taxes levied on or
921 after January 1, 1947, by the State of Mississippi, or any county,
922 municipality, levee district, road district, school district,
923 drainage district or other taxing district within the state or
924 becoming a lien on or after said date. Any sale for taxes of the
925 surface or of the remainder of the fee shall not in any manner
926 whatsoever affect the interest or interests * * * exempted.

927 (2) For the same purpose * * * there is * * * likewise
928 exempted from such ad valorem taxation all such interests created

929 prior to the passage of Sections 27-31-71 to 27-31-87 which are
930 owned separately and apart from the surface, provided that as a
931 condition precedent to obtaining such exemption upon existing
932 interests the then owner thereof shall make application for
933 exemption of the interest then owned by him as hereinafter
934 provided and pay, by the purchase of documentary tax stamps, a sum
935 equivalent to the tax herein levied by Section 27-31-77 on
936 instruments hereafter executed creating, transferring or reserving
937 corresponding or similar interests. If any such sum is paid after
938 January 1, 1947, then such exemption shall apply only to taxes
939 becoming a lien after such sum is thus paid.

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

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

950 27-35-51. Whenever any buildings, improvements or
951 structures, mineral, gas, oil, timber or similar interests in real
952 estate, including building permits or reservations, are owned
953 separately and apart from and independently of the rights and
954 interests owned in the surface of such real estate, or when any
955 person reserves any right or interest, or has any leasehold in the
956 elements above enumerated, all of such interests shall be assessed
957 and taxed separately from such surface rights and interests in
958 said real estate, and shall be sold for taxes in the same manner
959 and with the same effect as other interests in real estate are
960 sold for taxes. Whenever the owner or holder of any separately
961 owned or held nonproducing oil, gas or other mineral interest does
962 not pay the percentage of ad valorem taxes that he or she is

963 required to pay on the surface of the land under which the oil,
964 gas or other mineral interest is located, the provisions of
965 Section 28 of this act apply. All interests in real estate herein
966 enumerated shall be returned to the tax assessor within the same
967 time and in the same manner as the owners of land are now required
968 by law to list lands for assessment and taxation and under like
969 penalties. The tax assessor shall enter the assessment of the
970 interests herein enumerated upon the assessment roll by entering
971 the same upon the next succeeding line or lines of the roll
972 following the assessment of the surface owner, the name of the
973 owner and the name of the interest, and by placing the value in
974 the appropriate column or columns on the roll; or the assessor may
975 enter the assessment of any or all of such interests upon a page
976 or pages in the land roll following the assessment of the lands of
977 the county, and the value of all such interests shall be included
978 in the recapitulation of the roll. And the value of said interest
979 or interests shall be determined and fixed in the same manner and
980 by the same officials now required by law to value and assess
981 property for taxation.

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

984 27-31-1. The following shall be exempt from taxation:

985 (a) All cemeteries used exclusively for burial
986 purposes.

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

994 (c) All property, real or personal, owned by units of
995 the Mississippi National Guard, or title to which is vested in
996 trustees for the benefit of any unit of the Mississippi National

997 Guard; provided such property is used exclusively for such unit,
998 or for public purposes, and not for profit.

999 (d) All property, real or personal, belonging to any
1000 religious society, or ecclesiastical body, or any congregation
1001 thereof, or to any charitable society, or to any historical or
1002 patriotic association or society, or to any garden or pilgrimage
1003 club or association and used exclusively for such society or
1004 association and not for profit; not exceeding, however, the amount
1005 of land which such association or society may own as provided in
1006 Section 79-11-33. All property, real or personal, belonging to
1007 any rural waterworks system or rural sewage disposal system
1008 incorporated under the provisions of Section 79-11-1. All
1009 property, real or personal, belonging to any college or
1010 institution for the education of youths, used directly and
1011 exclusively for such purposes, provided that no such college or
1012 institution for the education of youths shall have exempt from
1013 taxation more than six hundred forty (640) acres of land;
1014 provided, however, this exemption shall not apply to commercial
1015 schools and colleges or trade institutions or schools where the
1016 profits of same inure to individuals, associations or
1017 corporations. All property, real or personal, belonging to an
1018 individual, institution or corporation and used for the operation
1019 of a grammar school, junior high school, high school or military
1020 school. All property, real or personal, owned and occupied by a
1021 fraternal and benevolent organization, when used by such
1022 organization, and from which no rentals or other profits accrue to
1023 the organization, but any part rented or from which revenue is
1024 received shall be taxed.

1025 (e) All property, real or personal, held and occupied
1026 by trustees of public schools, and school lands of the respective
1027 townships for the use of public schools, and all property kept in
1028 storage for the convenience and benefit of the State of
1029 Mississippi in warehouses owned or leased by the State of
1030 Mississippi, wherein said property is to be sold by the Alcoholic

1031 Beverage Control Division of the State Tax Commission of the State
1032 of Mississippi.

1033 (f) All property, real or personal, whether belonging
1034 to religious or charitable or benevolent organizations, which is
1035 used for hospital purposes, and nurses' homes where a part
1036 thereof, and which maintain one or more charity wards that are for
1037 charity patients, and where all the income from said hospitals and
1038 nurses' homes is used entirely for the purposes thereof and no
1039 part of the same for profit.

1040 (g) The wearing apparel of every person; and also
1041 jewelry and watches kept by the owner for personal use to the
1042 extent of One Hundred Dollars (\$100.00) in value for each owner.

1043 (h) Provisions on hand for family consumption.

1044 (i) All farm products grown in this state for a period
1045 of two (2) years after they are harvested, when in the possession
1046 of or the title to which is in the producer, except the tax of
1047 one-fifth of one percent (1/5 of 1%) per pound on lint cotton now
1048 levied by the Board of Commissioners of the Mississippi Levee
1049 District; and lint cotton for five (5) years, and cottonseed,
1050 soybeans, oats, rice and wheat for one (1) year regardless of
1051 ownership.

1052 (j) All guns and pistols kept by the owner for private
1053 use.

1054 (k) All poultry in the hands of the producer.

1055 (l) Household furniture, including all articles kept in
1056 the home by the owner for his own personal or family use; but this
1057 shall not apply to hotels, rooming houses or rented or leased
1058 apartments.

1059 (m) All cattle and oxen.

1060 (n) All sheep, goats and hogs.

1061 (o) All horses, mules and asses.

1062 (p) Farming tools, implements and machinery, when used
1063 exclusively in the cultivation or harvesting of crops or timber.

1064 (q) All property of agricultural and mechanical

1065 associations and fairs used for promoting their objects, and where
1066 no part of the proceeds is used for profit.

1067 (r) The libraries of all persons.

1068 (s) All pictures and works of art, not kept for or
1069 offered for sale as merchandise.

1070 (t) The tools of any mechanic necessary for carrying on
1071 his trade.

1072 (u) All state, county, municipal, levee, drainage and
1073 all school bonds or other governmental obligations, and all bonds
1074 and/or evidences of debts issued by any church or church
1075 organization in this state, and all notes and evidences of
1076 indebtedness which bear a rate of interest not greater than the
1077 maximum rate per annum applicable under the law; and all money
1078 loaned at a rate of interest not exceeding the maximum rate per
1079 annum applicable under the law; and all stock in or bonds of
1080 foreign corporations or associations shall be exempt from all ad
1081 valorem taxes.

1082 (v) All lands and other property situated or located
1083 between the Mississippi River and the levee shall be exempt from
1084 the payment of any and all road taxes levied or assessed under any
1085 road laws of this state.

1086 (w) Any and all money on deposit in either national
1087 banks, state banks or trust companies, on open account, savings
1088 account or time deposit.

1089 (x) All wagons, carts, drays, carriages and other horse
1090 drawn vehicles, kept for the use of the owner.

1091 (y) (1) Boats, seines and fishing equipment used in
1092 fishing and shrimping operations and in the taking or catching of
1093 oysters.

1094 (2) All towboats, tugboats and barges documented
1095 under the laws of the United States, except watercraft of every
1096 kind and character used in connection with gaming operations.

1097 (z) All materials used in the construction and/or
1098 conversion of vessels in this state; vessels while under

1099 construction and/or conversion; vessels while in the possession of
1100 the manufacturer, builder or converter, for a period of twelve
1101 (12) months after completion of construction and/or conversion,
1102 and as used herein the term "vessel" shall include ships, offshore
1103 drilling equipment, dry docks, boats and barges, except watercraft
1104 of every kind and character used in connection with gaming
1105 operations.

1106 (aa) Sixty-six and two-thirds percent (66-2/3%) of
1107 nuclear fuel and reprocessed, recycled or residual nuclear fuel
1108 by-products, fissionable or otherwise, used or to be used in
1109 generation of electricity by persons defined as public utilities
1110 in Section 77-3-3.

1111 (bb) All growing nursery stock.

1112 (cc) A semitrailer used in interstate commerce.

1113 (dd) All property, real or personal, used exclusively
1114 for the housing of and provision of services to elderly persons,
1115 disabled persons, mentally impaired persons or as a nursing home,
1116 which is owned, operated and managed by a not-for-profit
1117 corporation, qualified under Section 501(c)(3) of the Internal
1118 Revenue Code, whose membership or governing body is appointed or
1119 confirmed by a religious society or ecclesiastical body or any
1120 congregation thereof.

1121 (ee) All vessels while in the hands of bona fide
1122 dealers as merchandise and which are not being operated upon the
1123 waters of this state shall be exempt from ad valorem taxes. As
1124 used in this paragraph the terms "vessel" and "waters of this
1125 state" shall have the meaning ascribed to such terms in Section
1126 59-21-3.

1127 (ff) (i) Whenever any nonproducing oil, gas or other
1128 mineral interest in real estate is owned separately and apart from
1129 and independently of the rights owned in the surface of such real
1130 estate, or when any person reserves any right or interest or has
1131 any leasehold in any of the elements listed in this subparagraph
1132 (i), the owner of the surface estate shall be exempt from paying

1133 ten percent (10%) of the ad valorem taxes otherwise due on the
1134 real estate if the surface owner has complied with the provisions
1135 of subparagraph (ii) of this paragraph.

1136 (ii) It shall be the duty of every person who is
1137 eligible for and desires the exemption provided for in this
1138 paragraph (ff) to provide to the tax assessor on or before the
1139 first day of April each year, for the tax assessor's review and
1140 approval, an attorney's title opinion covering the person's real
1141 estate reflecting the ownership or reservation of any of the type
1142 interests listed in subparagraph (i) of this paragraph. The title
1143 opinion shall reflect the name and address of the owner(s) or
1144 holder(s) of such interest, the percentage of the interest owned
1145 or held and the duration of the interest. The attorney providing
1146 the title opinion must have been licensed to practice law in the
1147 State of Mississippi for at least two (2) years and must have
1148 professional liability insurance.

1149 (iii) If a person who is eligible for and desires
1150 the exemption provided for in this paragraph (ff) fails to comply
1151 with the requirements of subparagraph (ii) of this paragraph, that
1152 person shall not be granted such exemption and shall be liable for
1153 the full amount of the ad valorem taxes otherwise due on the real
1154 estate.

1155 SECTION 26. Section 27-41-79, Mississippi Code of 1972, is
1156 amended as follows:

1157 27-41-79. The tax collector shall on or before the second
1158 Monday of May and on or before the second Monday of October of
1159 each year, transmit to the clerk of the chancery court of the
1160 county separate certified lists of the lands struck off by him to
1161 the state and that sold to individuals, specifying to whom
1162 assessed, the date of sale, the amount of taxes for which sale was
1163 made, and each item of cost incident thereto, and where sold to
1164 individuals, the name of the purchaser, such sale to be separately
1165 recorded by the clerk in a book kept by him for that purpose. The
1166 tax collector shall also transmit to the clerk of the chancery

1167 court of the county separate lists of any nonproducing oil, gas or
1168 other mineral interests in real estate, which are sold to persons
1169 for nonpayment of taxes or which are offered for sale and, because
1170 no person bids the whole amount of taxes and costs incident to the
1171 sale of such interest, revert to the owners of the surface estate
1172 under which such mineral interests are located. All such lists
1173 (except lists of nonproducing mineral interests that reverted to
1174 the owners of the surface estate under which such mineral
1175 interests are located) shall vest in the state or in the
1176 individual purchaser thereof a perfect title to the land or
1177 mineral interest, or both, sold for taxes, but without the right
1178 of possession for the period of and subject to the right of
1179 redemption. Lists of nonproducing mineral interests that reverted
1180 to the owners of the surface estate under which such mineral
1181 interests are located shall vest in such surface owners a perfect
1182 title to the mineral interests, not subject to the right of
1183 redemption. A failure to transmit or record a list or a defective
1184 list shall not affect or render the title void. If the tax
1185 collector or clerk shall fail to perform the duties herein
1186 prescribed, he shall be liable to the party injured by such
1187 default in the penal sum of Twenty-five Dollars (\$25.00), and also
1188 on his official bond for the actual damage sustained. The lists
1189 hereinabove provided shall, when filed with the clerk, be notice
1190 to all persons in the same manner as are deeds when filed for
1191 record. The lists of lands hereinabove referred to shall be filed
1192 by the tax collector in May for sales made in April and in October
1193 for sales made in September, respectively.

1194 SECTION 27. Section 27-41-81, Mississippi Code of 1972, is
1195 amended as follows:

1196 27-41-81. The tax collector shall on or before the first
1197 Monday of June transmit to the clerk of the chancery court of the
1198 county separate certified lists of the lands struck off by him to
1199 the state and that sold to individuals, specifying to whom
1200 assessed, the day of the sale, the amount of taxes for which the

1201 sale was made and each item of cost incidental thereto, and, where
1202 sold to individuals, the name of the purchaser, to be separately
1203 recorded by the clerk in books kept by him for that purpose. The
1204 tax collector shall also transmit to the clerk of the chancery
1205 court of the county separate lists of any nonproducing oil, gas or
1206 other mineral interests in real estate, which are sold to persons
1207 for nonpayment of taxes or which are offered for sale and, because
1208 no person bids the whole amount of taxes and costs incident to the
1209 sale of such interest, revert to the owners of the surface estate
1210 under which such mineral interests are located. The * * * said
1211 lists shall (except lists of nonproducing mineral interests that
1212 reverted to the owners of the surface estate under which such
1213 mineral interests are located) vest in the state or the individual
1214 purchaser thereof a perfect title to the land or mineral interest,
1215 or both, sold for taxes, but without the right of possession and
1216 subject to the right of redemption. Lists of nonproducing mineral
1217 interests that reverted to the owners of the surface estate under
1218 which such mineral interests are located shall vest in such
1219 surface owners a perfect title to the mineral interests, not
1220 subject to the right of redemption. A failure to transmit or
1221 record a list, or a defective list, shall not affect or render the
1222 title void. If the tax collector or clerk shall fail to perform
1223 the duties herein prescribed, he shall be liable to the party
1224 injured by such default in the penal sum of Twenty-five Dollars
1225 (\$25.00), and also on his bond for the actual damages sustained.

1226 The list hereinabove provided shall, when filed with the
1227 clerk, be notice to all persons in the same manner as are deeds
1228 when filed for record.

1229 SECTION 28. (1) Except as otherwise provided in subsection
1230 (2) of this section, the owner(s) or holder(s) of any nonproducing
1231 oil, gas or other mineral interest in real estate, which is owned
1232 or held separately and apart from and independently of the rights
1233 owned in the surface of such real estate, shall pay a percentage
1234 of the ad valorem taxes due on the land, as provided in this

1235 subsection. The owner(s) or holder(s) of all of the interests
1236 described in the preceding sentence collectively shall pay a total
1237 of ten percent (10%) of the ad valorem taxes due on the land under
1238 which the interests are located, and each individual owner or
1239 holder of any of the interests shall pay a pro rated portion of
1240 the ten percent (10%) based on his or her percentage of ownership
1241 of the collective total of all oil, gas or other mineral interests
1242 that are nonproducing and owned separately and apart from and
1243 independently of the rights owned in the surface of the real
1244 estate. The percentage of ad valorem taxes which the owner(s) or
1245 holder(s) of any of the interests described in the first sentence
1246 of this subsection must pay shall be due and payable at the same
1247 time and in the same manner as the ad valorem taxes due on the
1248 land.

1249 (2) If the owner of the surface estate under which any
1250 separately owned or held, nonproducing oil, gas or other mineral
1251 interest is located fails to comply with the requirements of
1252 Section 25(ff)(ii) of this act, he or she shall be liable for the
1253 full amount of the ad valorem taxes otherwise due on the real
1254 estate, and the owner(s) or holder(s) of any of the interests
1255 described in the first sentence of subsection (1) shall not be
1256 liable for any percentage of the ad valorem taxes due on the real
1257 estate.

1258 SECTION 29. (1) If the owner or holder of any nonproducing
1259 oil, gas or other mineral interest in real estate, which is owned
1260 or held separately and apart from and independently of the rights
1261 owned in the surface of such real estate, does not pay the
1262 percentage of ad valorem taxes that he or she is required to pay
1263 on the surface of the land under which the oil, gas or mineral
1264 interest is located, the nonproducing, separately owned or held
1265 mineral interest shall be sold in the same manner and in
1266 accordance with the same procedure as prescribed by law for the
1267 sale of lands for nonpayment of taxes.

1268 (2) In addition to the parties which the chancery clerk is

1269 required to provide with notice of a tax sale pursuant to Section
1270 27-43-1 et seq., the chancery clerk shall provide notice to the
1271 owner of the surface estate under which the separately owned or
1272 held, nonproducing oil, gas or other mineral interest sold for
1273 nonpayment of taxes is located that such interest was sold for
1274 taxes. In addition to the owner or holder of the oil, gas or
1275 other mineral interest sold for nonpayment of taxes, or any person
1276 for him with his consent or any person interested in the oil, gas
1277 or other mineral interest, the owner of the surface estate under
1278 which the interest is located shall have the right, secondary only
1279 to the preceding parties, to redeem the oil, gas or other mineral
1280 interest sold for nonpayment of taxes.

1281 (3) If the owner of the surface estate pays the amount
1282 necessary to redeem the oil, gas or mineral interest sold for
1283 nonpayment of taxes, the chancery clerk shall notify the owner or
1284 holder of the interest sold for nonpayment of taxes that the owner
1285 of the surface estate has tendered the amount necessary to redeem
1286 the interest from the tax sale, and that such tender of the amount
1287 necessary to redeem the interest does not operate to redeem the
1288 interest from the tax sale. The chancery clerk shall notify the
1289 owner or holder of the oil, gas or other mineral interest sold for
1290 nonpayment of taxes that if such owner or holder, or any persons
1291 for him with his consent, or any person interested in the oil, gas
1292 other mineral interest does not redeem the interest before the
1293 expiration of the time of redemption, title to the oil, gas or
1294 other mineral interest shall vest in the owner of the surface
1295 estate who tendered the amount necessary to redeem the interest
1296 from the tax sale. If the owner or holder of the oil, gas or
1297 other mineral interest does not redeem the interest from the tax
1298 sale before the expiration of the redemption period, after being
1299 notified by the chancery clerk in accordance with the provisions
1300 of this section, title to the interest shall vest in the owner of
1301 the surface estate who tendered the amount necessary to redeem the
1302 interest from the tax sale, and the chancery clerk shall execute a

1303 deed of conveyance to such owner of the surface estate.

1304 (4) If any such nonproducing oil, gas or other mineral
1305 interest in real estate of a delinquent taxpayer is offered for
1306 sale, and no person bids the whole amount of taxes and costs
1307 incident to the sale of the mineral interest, such mineral
1308 interest shall revert to the owner of the surface estate under
1309 which the mineral interest is located. The owner of the surface
1310 estate to whom such mineral interest reverts shall be liable,
1311 beginning with the next year of tax liability, for the amount of
1312 delinquent taxes for which the mineral interest was offered for
1313 sale, and for his prorated portion of the collective ten percent
1314 (10%) of ad valorem taxes due on the land as provided in Section
1315 28 of this act.

1316 SECTION 30. This act shall apply to any nonproducing oil,
1317 gas or other mineral interest in real estate which is owned or
1318 held separate and apart from and independently of the rights owned
1319 in the surface of such real estate, regardless of whether such
1320 interest was created or became nonproducing before or after the
1321 effective date of this act.

1322 SECTION 31. This act shall take effect and be in force from
1323 and after July 1, 1999.