

By: Representative Martinson

To: Ways and Means

HOUSE BILL NO. 38

1 AN ACT TO PROVIDE THAT EACH OF THE OWNERS OR HOLDERS OF ANY
 2 NONPRODUCING OIL, GAS OR OTHER MINERAL INTEREST IN REAL ESTATE,
 3 WHICH IS OWNED OR HELD SEPARATELY FROM THE RIGHTS OWNED IN THE
 4 SURFACE OF SUCH REAL ESTATE, SHALL PAY FIFTY CENTS PER MINERAL
 5 ACRE AS HIS PORTION OF THE AD VALOREM TAXES DUE ON THE LAND; TO
 6 PROVIDE THAT FAILURE TO PAY THE TAXES DUE SHALL RESULT IN A TAX
 7 SALE OF THE MINERAL INTEREST IN ACCORDANCE WITH THE SAME PROCEDURE
 8 AS PRESCRIBED BY LAW FOR THE SALE OF LANDS FOR NONPAYMENT OF
 9 TAXES; TO REPEAL SECTION 27-31-73, MISSISSIPPI CODE OF 1972, WHICH
 10 EXEMPTS NONPRODUCING OIL, GAS AND OTHER MINERAL INTERESTS, THAT
 11 ARE OWNED OR HELD SEPARATELY AND APART FROM THE RIGHTS OWNED IN
 12 THE SURFACE ESTATE, FROM ALL AD VALOREM TAXES; TO AMEND SECTIONS
 13 27-25-523, 27-25-721, 27-25-307 AND 27-35-51, MISSISSIPPI CODE OF
 14 1972, IN CONFORMITY THERETO; AND FOR RELATED PURPOSES.

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

16 **SECTION 1.** Each of the owner(s) or holder(s) of any
 17 nonproducing oil, gas or other mineral interest in real estate,
 18 which is owned or held separately and apart from and independently
 19 of the rights owned in the surface of such real estate, shall pay
 20 Fifty Cents (50¢) per mineral acre as his portion of the ad
 21 valorem taxes due on the land. The ad valorem taxes which the
 22 owner(s) or holder(s) of any of the interests described in the
 23 first sentence of this section must pay shall be due and payable
 24 at the same time and in the same manner as the ad valorem taxes
 25 due on the land.

26 **SECTION 2.** (1) If the owner or holder of any nonproducing
 27 oil, gas or other mineral interest in real estate, which is owned
 28 or held separately and apart from and independently of the rights
 29 owned in the surface of such real estate, does not pay the ad
 30 valorem taxes that he or she is required to pay on the surface of
 31 the land under which the oil, gas or mineral interest is located,
 32 the nonproducing, separately owned or held mineral interest shall
 33 be sold in the same manner and in accordance with the same



34 procedure as prescribed by law for the sale of lands for
35 nonpayment of taxes.

36 (2) In addition to the parties which the chancery clerk is
37 required to provide with notice of a tax sale pursuant to Section
38 27-43-1 et seq., the chancery clerk shall provide notice to the
39 owner of the surface estate under which the separately owned or
40 held, nonproducing oil, gas or other mineral interest sold for
41 nonpayment of taxes is located that such interest was sold for
42 taxes. In addition to the owner or holder of the oil, gas or
43 other mineral interest sold for nonpayment of taxes, or any person
44 for him with his consent or any person interested in the oil, gas
45 or other mineral interest, the owner of the surface estate under
46 which the interest is located shall have the right, secondary only
47 to the preceding parties, to redeem the oil, gas or other mineral
48 interest sold for nonpayment of taxes.

49 (3) If the owner of the surface estate pays the amount
50 necessary to redeem the oil, gas or mineral interest sold for
51 nonpayment of taxes, the chancery clerk shall notify the owner or
52 holder of the interest sold for nonpayment of taxes that the owner
53 of the surface estate has tendered the amount necessary to redeem
54 the interest from the tax sale, and that such tender of the amount
55 necessary to redeem the interest does not operate to redeem the
56 interest from the tax sale. The chancery clerk shall notify the
57 owner or holder of the oil, gas or other mineral interest sold for
58 nonpayment of taxes that if such owner or holder, or any persons
59 for him with his consent, or any person interested in the oil, gas
60 other mineral interest does not redeem the interest before the
61 expiration of the time of redemption, title to the oil, gas or
62 other mineral interest shall vest in the owner of the surface
63 estate who tendered the amount necessary to redeem the interest
64 from the tax sale. If the owner or holder of the oil, gas or
65 other mineral interest does not redeem the interest from the tax
66 sale before the expiration of the redemption period, after being



67 notified by the chancery clerk in accordance with the provisions
68 of this section, title to the interest shall vest in the owner of
69 the surface estate who tendered the amount necessary to redeem the
70 interest from the tax sale, and the chancery clerk shall execute a
71 deed of conveyance to such owner of the surface estate.

72 (4) If any such nonproducing oil, gas or other mineral
73 interest in real estate of a delinquent taxpayer is offered for
74 sale, and no person bids the whole amount of taxes and costs
75 incident to the sale of the mineral interest, such mineral
76 interest shall revert to the owner of the surface estate under
77 which the mineral interest is located. The owner of the surface
78 estate to whom such mineral interest reverts shall be liable,
79 beginning with the next year of tax liability, for the amount of
80 delinquent taxes for which the mineral interest was offered for
81 sale and for his portion of the ad valorem taxes due on the land
82 as provided in Section 1 of this act.

83 **SECTION 3.** This act shall apply to any nonproducing oil, gas
84 or other mineral interest in real estate which is owned or held
85 separate and apart from and independently of the rights owned in
86 the surface of such real estate, regardless of whether such
87 interest was created or became nonproducing before or after the
88 effective date of this act.

89 **SECTION 4.** Section 27-25-523, Mississippi Code of 1972, is
90 amended as follows:

91 27-25-523. (1) All oil produced or under the ground on
92 producing properties within the State of Mississippi and all
93 producing oil equipment, including wells, connections, pumps,
94 derricks and other appurtenances actually owned by and belonging
95 to the producer, and all leases in production, including mineral
96 rights in producing properties, shall be exempt from all ad
97 valorem taxes now levied or hereafter levied by the State of
98 Mississippi, or any county, municipality, levee district, road,
99 school or any other taxing district within this state. This



100 exemption shall not apply to drilling equipment, including
101 derricks, machinery, and other materials necessary to drilling,
102 nor to oil gathering systems, nor to the surface of lands leased
103 for oil production or upon which oil producing properties are
104 situated, but all such drilling equipment, gathering systems, and
105 lands shall be assessed as are other properties and shall be
106 subject to ad valorem tax. However, no additional assessment
107 shall be added to the surface value of such lands by reason of the
108 presence of oil thereunder or its production therefrom. The
109 exemption herein granted shall apply to all ad valorem taxes
110 levied in the year 1944 and each year thereafter.

111 (2) The exemption from ad valorem taxes granted in this
112 section shall not apply to the ad valorem taxes that the owner or
113 holder of a nonproducing oil interest in real estate, which is
114 owned or held separately and apart from and independently of the
115 rights owned in the surface of such real estate, must pay on the
116 land under which the oil interest is located, pursuant to the
117 provisions of Section 1 of this act.

118 **SECTION 5.** Section 27-25-721, Mississippi Code of 1972, is
119 amended as follows:

120 27-25-721. (1) All gas produced or under the ground on
121 producing properties within the State of Mississippi and all
122 producing gas equipment, including wells, connections, pumps,
123 derricks and other appurtenances actually owned by and belonging
124 to the producer, and all leases in production, including mineral
125 rights in producing properties, shall be exempt from all ad
126 valorem taxes now levied or hereafter levied by the State of
127 Mississippi, or any other taxing district within this state. This
128 exemption shall not apply to drilling equipment, including
129 derricks, machinery, and other materials necessary to drilling,
130 nor to gas gathering systems, nor to the surface of lands leased
131 for gas production or upon which gas producing properties are
132 situated, but all such drilling equipment, gathering systems, and



133 lands shall be assessed as are other properties and shall be
134 subject to ad valorem tax. However, no additional assessment
135 shall be added to the surface value of such lands by reason of the
136 presence of gas thereunder or its production therefrom. The
137 exemption herein granted shall apply to all ad valorem taxes
138 levied in the year 1948 and each year thereafter.

139 (2) The exemption from ad valorem taxes granted in this
140 section shall not apply to the ad valorem taxes that the owner or
141 holder of a nonproducing gas interest in real estate, which is
142 owned or held separately and apart from and independently of the
143 rights owned in the surface of such real estate, must pay on the
144 land under which the gas interest is located, under the provisions
145 of Section 1 of this act.

146 **SECTION 6.** Section 27-25-307, Mississippi Code of 1972, is
147 amended as follows:

148 27-25-307. (1) All salt under the ground or salt produced
149 or processed on producing properties and owned by the producer and
150 all leases in production, including mineral rights in producing
151 properties, shall be exempt from all ad valorem taxes now levied
152 or hereafter levied by the State of Mississippi, or any county, or
153 any other taxing district within this state.

154 (2) The exemption from ad valorem taxes granted in this
155 section shall not apply to the ad valorem taxes that the owner or
156 holder of a nonproducing salt interest in real estate, which is
157 owned or held separately and apart from and independently of the
158 rights owned in the surface of such real estate, must pay on the
159 land under which the salt interest is located, pursuant to the
160 provisions of Section 1 of this act.

161 **SECTION 7.** Section 27-35-51, Mississippi Code of 1972, is
162 amended as follows:

163 27-35-51. Whenever any buildings, improvements or
164 structures, mineral, gas, oil, timber or similar interests in real
165 estate, including building permits or reservations, are owned



166 separately and apart from and independently of the rights and
167 interests owned in the surface of such real estate, or when any
168 person reserves any right or interest, or has any leasehold in the
169 elements above enumerated, all of such interests shall be assessed
170 and taxed separately from such surface rights and interests in
171 said real estate, and shall be sold for taxes in the same manner
172 and with the same effect as other interests in real estate are
173 sold for taxes. Whenever the owner or holder of any separately
174 owned or held nonproducing oil, gas or other mineral interest does
175 not pay the ad valorem taxes that he or she is required to pay on
176 the surface of the land under which the oil, gas or other mineral
177 interest is located, the provisions of Section 2 of this act
178 apply. All interests in real estate herein enumerated shall be
179 returned to the tax assessor within the same time and in the same
180 manner as the owners of land are now required by law to list lands
181 for assessment and taxation and under like penalties. The tax
182 assessor shall enter the assessment of the interests herein
183 enumerated upon the assessment roll by entering the same upon the
184 next succeeding line or lines of the roll following the assessment
185 of the surface owner, the name of the owner and the name of the
186 interest, and by placing the value in the appropriate column or
187 columns on the roll; or the assessor may enter the assessment of
188 any or all of such interests upon a page or pages in the land roll
189 following the assessment of the lands of the county, and the value
190 of all such interests shall be included in the recapitulation of
191 the roll. And the value of said interest or interests shall be
192 determined and fixed in the same manner and by the same officials
193 now required by law to value and assess property for taxation.

194 **SECTION 8.** Section 27-31-73, Mississippi Code of 1972, which
195 exempts nonproducing oil, gas and other mineral interests that are
196 owned separately, apart and independently from the rights owned in
197 the surface estate from all ad valorem taxes, is repealed.



198 **SECTION 9.** This act shall take effect and be in force from
199 and after July 1, 2002.

