

SENATE BILL No. 881

November 6, 2007, Introduced by Senators McMANUS, ALLEN, VAN WOERKOM, PRUSI, BARCIA and GLEASON and referred to the Committee on Finance.

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 4u (MCL 205.54u), as amended by 2004 PA 173.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4u. (1) A sale of tangible personal property to an
2 extractive operator for use or consumption in extractive operations
3 is exempt from the tax under this act.

4 (2) The property under subsection (1) is exempt only to the
5 extent that the property is used for the exempt purposes stated in
6 this section. The exemption is limited to the percentage of exempt
7 use to total use determined by a reasonable formula or method
8 approved by the department.

9 (3) Extractive operations include the actual production of
10 oil, gas, brine, or other natural resources. Property eligible for
11 the exemption includes the following:

12 (a) Casing pipe or drive pipe.

1 (b) Tubing.

2 (c) Well-pumping equipment.

3 (d) Chemicals.

4 (e) Explosives or acids used in fracturing, acidizing, or
5 shooting wells.

6 (f) Christmas trees, derricks, or other wellhead equipment.

7 (g) Treatment tanks.

8 (h) Piping, valves, or pumps used before movement or
9 transportation of the natural resource from the production area.

10 (i) Chemicals or acids used in the treatment of crude oil,
11 gas, brine, or other natural resources.

12 (j) Tangible personal property used or consumed in depositing
13 tailings from hard rock mining processing.

14 (k) Tangible personal property used or consumed in extracting
15 the lithologic units necessary to process iron ore.

16 (4) The extractive operation exemption does not include the
17 following:

18 (a) Tangible personal property consumed or used in the
19 construction, alteration, improvement, or repair of buildings,
20 storage tanks, and storage and housing facilities.

21 (b) Tangible personal property consumed or used in
22 transporting the product from the place of extraction, except for
23 tangible personal property consumed or used in transporting
24 extracted materials from the extraction site to the place where the
25 extracted materials first come to rest in finished goods inventory
26 storage.

27 (c) Tangible personal property that is a product the

1 extractive operator produces and that is consumed or used by the
2 extractive operator for a purpose other than the manufacturing or
3 producing of a product for ultimate sale. The extractor shall
4 account for and remit the tax to this state based upon the
5 product's fair market value.

6 (d) Equipment, materials, and supplies used in exploring,
7 prospecting, or drilling for oil, gas, brine, or other natural
8 resources.

9 (e) Equipment, materials, and supplies used in the storing,
10 withdrawing, or distribution of oil, gas, or brine from a storage
11 facility.

12 (f) Vehicles, including special bodies or attachments,
13 required to display a vehicle permit or license plate to operate on
14 public highways.

15 (5) As used in this section:

16 (a) "Extractive operations" means the activity of taking or
17 extracting for resale ore, oil, gas, coal, timber, stone, gravel,
18 clay, minerals, or other natural resource material. An extractive
19 operation begins when contact is made with the actual type of
20 natural raw product being recovered. Extractive operation includes
21 all necessary processing operations before shipment from the place
22 of extraction. Extractive operations includes all necessary
23 processing operations and movement of the natural resource material
24 until the point at which the natural raw product being recovered
25 first comes to rest in finished goods inventory storage at the
26 extraction site. **EXTRACTIVE OPERATIONS FOR TIMBER INCLUDE**
27 **TRANSPORTING TIMBER FROM THE POINT OF EXTRACTION TO A PLACE OF**

1 TEMPORARY STORAGE AT THE EXTRACTION SITE AND TRANSPORTING TIMBER
2 FROM A PLACE OF TEMPORARY STORAGE AT THE EXTRACTION SITE TO A
3 VEHICLE OR OTHER EQUIPMENT THAT WILL REMOVE THE TIMBER FROM THE
4 EXTRACTION SITE.

5 (b) An extractive operator is a person who, either directly or
6 by contract, performs extractive operations.