



Senate Fiscal Agency
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House Bill 4885 (Substitute S-1 as reported)
House Bill 5254 (Substitute H-2 as reported without amendment)
House Bill 5255 (Substitute S-1 as reported)
House Bill 5274 (Substitute S-1 as reported)
Sponsor: Representative Aric Nesbitt (H.B. 4885)
Representative Rick Outman (H.B. 5254)
Representative Thomas F. Stallworth III (H.B. 5255)
Representative Peter Pettalia (H.B. 5274)
House Committee: Energy and Technology
Senate Committee: Energy and Technology

CONTENT

House Bill 4885 (S-1) would amend Public Act 48 of 1929, which provides for a severance tax on oil and gas, to establish a severance tax of 4.0% on oil or gas produced from a carbon dioxide secondary or enhanced recovery project approved after March 30, 2014.

(As a rule, the amount of the severance tax is 5.0% of the gross cash market value of the total production of gas or 6.6% of the gross cash market value of the total production of oil during the preceding monthly period, exclusive of the production or proceeds from the production attributable to the State, the U.S. government, or a political subdivision of Michigan or the U.S.)

"Carbon dioxide secondary or enhanced recovery project" would mean operations designed to increase the amount of oil or natural gas recoverable from a reservoir by injection of carbon dioxide, either alone or as a primary component of a mixture with other substances, provided the project has been approved as a secondary or enhanced recovery project by order of the supervisor of wells under the authority of Part 615 (Supervisor of Wells) or 617 (Unitization) of the Natural Resources and Environmental Protection Act.

House Bill 5254 (H-2) would amend Public Act 16 of 1929, which regulates the transportation and sale of crude oil and petroleum through pipelines, to include a pipeline transporting carbon dioxide substances in the Act's definition of "pipeline".

House Bill 5255 (S-1) would amend Public Act 16 of 1929 to include carbon dioxide substances in provisions regarding the use of eminent domain for the acquisition of pipeline rights-of-way, and to require condemnation procedures to be conducted in accordance with the Uniform Condemnation Procedures Act.

House Bill 5274 (S-1) would amend Public Act 16 of 1929 to include references to carbon dioxide substances in provisions regarding the following:

- The rights of a person exercising or claiming the right to transport or store crude oil or petroleum or engaging in the business of buying, selling, or dealing in crude oil or petroleum.
- The regulatory authority of the Public Service Commission.
- Discrimination by a common purchaser or common carrier of crude oil or petroleum.

The bill would define "carbon dioxide substance" as a gaseous or liquid substance, consisting primarily of carbon dioxide, that will be put in storage or that has been or will be used to produce hydrocarbons in a secondary or enhanced recovery operation.

House Bills 4885 (S-1), 5254 (H-2), and 5255 (S-1) are tie-barred to each other. House Bill 5274 (S-1) is tie-barred to all of the other bills.

MCL 205.303 (H.B. 4885)
483.2a (H.B. 5254)
483.2 (H.B. 5255)
483.1 et al. (H.B. 5274)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

House Bill 4885 (S-1)

The bill would have an unknown impact on State revenue. To the extent that the lower severance tax rate proposed by the bill for new carbon dioxide secondary or enhanced recovery projects resulted in oil and gas production that would not otherwise occur, State revenue would increase. If the additional production would take place without the incentive of a lower tax rate, then the bill would decrease State revenue. The revenue from the oil and gas severance tax is deposited in the General Fund. Revenue from the oil and gas severance tax was \$59.5 million in FY 2012-13 and is estimated to be \$62.0 million in FY 2013-14, based on estimates adopted at the January 2014 Consensus Revenue Estimating Conference.

House Bills 5254 (H-2), 5255 (S-1), & 5274 (S-1)

The bills would have no fiscal impact on State or local government.

Date Completed: 3-5-14

Fiscal Analyst: Elizabeth Pratt
Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.