



MISSISSIPPI DEPARTMENT OF REVENUE

Sales and Use Tax Bureau

Notice 72-13-005

June 25, 2013

NOTICE TO TAXPAYERS CONCERNING THE SALE OF FUELS TO OIL AND GAS PRODUCERS

Effective July 1, 2013, House Bill 841 of the 2013 Regular Session amends Miss. Code Ann. Section 27-65-19 to provide the one and a half percent (1½%) industrial rate of tax when electricity, current, power, steam, coal, natural gas, liquefied petroleum gas or other fuel is sold to a producer of oil and gas **for use directly in enhanced oil recovery using carbon dioxide and/or the permanent sequestration of carbon dioxide in a geological formation**. Effective with the law change, oil and gas producers must provide a direct pay permit to the respective utility provider in order to be eligible for the reduced rate of tax. It is the direct pay permit holders responsibility to self accrue the correct rate of tax once the permit is provided to the utility provider. An application for a direct pay permit can be found on our website at www.dor.ms.gov.

The reduced rate of tax only applies when the "fuels", listed above, are used directly in enhanced oil recovery using carbon dioxide and/or the permanent sequestration of carbon dioxide in a geological formation. Any "fuels" used for office space or used in a way that does not adhere to all the requirements of the statute remains taxable at the regular seven percent (7%) rate of tax. Proper documentation must be retained in order to substantiate the reduced rate of tax.

The reduced rate of tax applies to sales of "fuels" beginning July 1, 2013 and does not apply to sales prior to July 1, 2013 even though the customer may be billed for sales prior to or after July 1, 2013.

Please contact the Sales and Use Tax Bureau should you need additional information.