



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

**Bulletin 6 of 2014**  
**June 11, 2014**  
**Oil and Gas Personal Property**

**TO:** Assessors, Equalization Directors and Interested Parties

**FROM:** State Tax Commission

**SUBJECT:** Reporting of Oil and Gas Personal Property

The purpose of this Bulletin is to provide guidance regarding the reporting and taxable status of Oil and Gas Well Personal Property. Bulletin 9 of 2012 is rescinded.

**A. Reporting Requirements**

Personal property (as identified in Section B below) associated with producing oil or gas wells, injection wells (including without limitation brine disposal wells), gas storage wells, or wells for the storage of liquid hydrocarbons, is reportable as machinery and equipment in Section B of Form 632. Personal property associated with multiple wells located within a township may be aggregated for personal property reporting and assessment purposes so long as all such wells which are included in Form 632 are also listed in the Oil and Gas Well Assessment Location Worksheet, Form 5018.

The status of a well (active, producing, shut-in, temporarily abandoned, plugging approved, etc.) may be determined from the Department of Environmental Quality Oil and Gas Database as of 12/31 each year. Wells that have been permanently abandoned (plugging approved) must be identified as such on Form 5018 for the year after abandonment and may then be omitted from future reporting. No assessment shall be made on the permanently abandoned (plugging approved) well personal property for the tax year after abandonment.

Requirements for reporting property as Construction in Progress vs. in service can be found in the instructions to Form 632; Personal Property Statement.

**B. Reportable Costs**

Costs to be reported would include tangible personal property costs. These costs include: casing and tubing and the cost for installing the casing and tubing in the well, including cementing costs. This installation cost should reflect the amount of drilling rig time associated with the placement of casing and tubing into the well bore.

Also to be included are the costs of platforms, laying gathering pipelines, installing processing plants and completing interconnections to the main pipeline system or the tank battery, pumps, meters, generators, compressors, scrubbers, dehydrators, separators, heater-treater equipment, communication equipment, furniture and fixtures, etc. Small equipment shelters (less than 600 SF) which may contain compressors, meters and pumpheads are to be reported as personal property. Larger structures greater than 600 SF, are expected to be valued and assessed as real estate.

The proper cost basis for reporting can be found in the instructions to Form 632; Personal Property Statement. Please note that as with any other personal property, oil and gas well property may be eligible for an idle equipment allowance provided that it meets all the idle equipment requirements.

### **C. Examples of Costs Not Reported**

The Commission advises the following are examples of costs that are not taxable and do not have to be reported:

Costs associated with: Drilling rig or other rig time other than to install casing or tubing in the well, acidizing, fracturing, frac plugs, frac truck rental/trucking, lease costs and title opinions, producing royalties, survey, local/surface damages, road and location construction, seismic work, flow testing, perforating, mud services, logging, daily equipment rentals, and all costs associated with dry holes. Also note that certain costs associated with Water Pollution Control Facilities are not reportable but must be disclosed according to the instructions to Form 632; Personal Property Statement.

### **D. Economic Obsolescence**

Assessors are advised that they may consider economic obsolescence for wells that are categorized as shut-in or temporarily abandoned. Assessor can check the status of a well on the Department of Environmental Quality website at [www.michigan.gov/deq](http://www.michigan.gov/deq) (not a live link) under Land, Oil, Gas and Minerals. The Commission advises that these wells may be considered for up to 50% economic obsolescence based upon the documentation provided to the assessor.