

several mineral properties as a single property, or to divide one mineral property into separate properties, shall be effective for purposes of this chapter.

"(b) GROSS INCOME FROM THE PROPERTY.—The term 'gross income from the property' means the gross income from the property derived by the holder of the working interest during his taxable period, computed in accordance with the provisions of section 613 subject to the following modifications:

"(1) There shall not be excluded any amount on account of rent or royalties or bonuses paid in respect of the property.

"(2) There shall be included in computing such gross income from the property an amount equal to any amount paid to the holder of a production payment in satisfaction or reduction of the production payment.

"(3) There shall be excluded in computing such gross income from the property any amount received from the sale of a production payment. The provisions of paragraphs (1) and (2) shall not apply with respect to any amount paid to the United States, or to any State or political subdivision thereof.

"(c) WORKING INTEREST.—The term 'working interest' in a mineral property includes only an interest which is an operating mineral interest as defined in section 614(d).

"(d) TAXABLE PERIOD.—The term 'taxable period' means, with respect to any mineral property, the taxable year (as defined in section 7701(a)(23)) of the person who holds the working interest in such property.

"(e) PERSON.—The term 'person' includes a trust, an estate, and a partnership (including a joint venture whose members have made the election provided for in section 761(a)).

"(f) STATE.—The term 'State' includes the District of Columbia.

"SEC 4943. CREDIT AGAINST TAX.

"(a) SEVERANCE TAXES PAID TO A STATE OR POLITICAL SUBDIVISION.—

"(1) The taxpayer may, to the extent provided in this section, credit against the tax imposed by section 4941 with respect to any mineral property the amount of severance taxes paid by him to any State or political subdivision as severance taxes with respect to such mineral property.

"(2) The credit shall be permitted against the tax for the taxable period only for the amount of severance taxes paid with respect to such period. The tax imposed by section 4941 on the gross income from one mineral property shall in no case be credited with severance taxes paid with respect to another mineral property.

"(3) The credit against the tax for any taxable period shall be permitted only for severance taxes paid on or before the last day upon which the taxpayer is required under section 6071 to file a return for such period; except that credits shall be permitted for severance taxes paid after such last day, but such credit shall not exceed 90 percent of the amount which would have been allowable as a credit on account of such severance taxes had they been paid on or before such last day.

"(4) For purposes of this section the term 'severance tax' includes a tax based on the gross income from the property (as defined in section 4942(b)) derived by the holder of the working interest in such property, but such term does not include—

"(A) any tax based on the severance of minerals from a mineral property located outside the territorial boundaries of the State or political subdivision imposing the tax,

"(B) any tax imposed on the severance of timber, or of any crop grown on the surface of the mineral property, or of any mineral with respect to which an allowance for percentage depletion is not allowable under section 613,

"(C) any tax imposed generally on gross sales or gross receipts,

or

"(D) an income tax applied generally to income from all or most sources.

"(5) Any severance tax paid by the holder of a royalty or other non-operating mineral interest with respect to production from a mineral property shall be treated, for the purposes of paragraph (1), as having been paid by the holder of the working interest.