

2020 Second Extraordinary Session

HOUSE BILL NO. 28

BY REPRESENTATIVE DEVILLIER

TAX/SEVERANCE TAX: Reduces the rate of severance tax on oil produced from incapable wells under certain conditions (Item #61)

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(b), relative to severance tax; to provide for the
3 severance tax rate on oil produced from an incapable well; to provide certain tax
4 rates; to reduce the rate applicable to oil produced from an incapable well from
5 severance tax under certain conditions; to require the secretary to make certain
6 determinations; to provide for an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(b) is hereby amended and reenacted to read as follows:

9 §633. Rates of tax

10 The taxes on natural resources severed from the soil or water levied by R.S.
11 47:631 shall be predicated on the quantity or value of the products or resources
12 severed and shall be paid at the following rates:

13	*	*	*
14	(7)		
15	*	*	*

16 (b)(i) On oil produced from a well classified by the commissioner of
17 conservation as an oil well, and determined by the ~~collector of revenue that such~~
18 Department of Revenue that the well is incapable of producing an average of more
19 than twenty-five barrels of oil per producing day during the entire taxable month, and
20 which also produces at least fifty percent salt water per day, the tax rate applicable

1 to the oil severed from ~~such the~~ well shall be one-half of the rate set forth in
 2 Subparagraph (a) of this Paragraph and ~~such the~~ well shall be defined, for severance
 3 tax purposes, as an incapable well, provided that ~~such the~~ well has been certified by
 4 the Department of Revenue as incapable of such production on or before the twenty-
 5 fifth day of the second month following the month of production. Oil severed from
 6 a multiple well lease or property is not subject to the reduced rate of tax provided for
 7 ~~herein in this Subparagraph~~, unless all such wells are certified as incapable.

8 (ii) Notwithstanding the reduced rate set forth in Item (i) of this
 9 Subparagraph, beginning on January 1, 2021, and continuing through December 31,
 10 2029, oil produced from a certified incapable well shall be subject to a reduced rate
 11 of tax of one-quarter of the rate set forth in Subparagraph (a) of this Paragraph in any
 12 month in which the average value set forth in this Item is less than seventy-five
 13 dollars per barrel provided all required reports have been timely submitted to the
 14 secretary verifying that the well did not produce an average of more than twenty-five
 15 barrels of oil per day during the entire calendar month. For purposes of this Item,
 16 the secretary shall determine on a quarterly basis the oil value upon which the
 17 exemption for an incapable well shall be based. This determination shall be based
 18 upon the average New York Mercantile Exchange Price per barrel of crude oil per
 19 month for the prior three months.

20 * * *

21 Section 2. This Act shall become effective upon signature by the governor or, if not
 22 signed by the governor, upon expiration of the time for bills to become law without signature
 23 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 24 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 25 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 28 Original

2020 Second Extraordinary Session

DeVillier

Abstract: Establishes a reduced severance tax rate for oil produced from incapable wells when the average price of oil is less than \$75 per barrel effective Jan. 1, 2021, through Dec. 31, 2029.

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed.

Present law establishes a severance tax on oil at a rate of 12.5% of its value at the time and place of severance. The value is the higher of: (1) gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees, or (2) the posted field price.

Present law defines an incapable well as an oil well that is incapable of producing an average of more than 25 barrels of oil per day and that produces at least 50% salt water per day.

Present law establishes a severance tax rate on oil produced from incapable wells at 6.25%.

Proposed law retains present law but, beginning Jan. 1, 2021, through Dec. 31, 2029, establishes reduced rate for severance taxes on oil produced from incapable wells when the average value of oil is less than \$75 per barrel. Further requires all reports to be timely submitted in order to qualify for the exemption in proposed law.

Present law requires the secretary to determine the value of oil for purposes of qualifying for certain severance tax exemptions based on the New York Mercantile Exchange Price (NYMEX) per barrel for the prior 12 months, July through June.

Proposed law retains present law but requires that the secretary determine on a quarterly basis, the value of oil produced from incapable wells based on the average NYMEX for the prior three months for purposes of qualifying for the severance tax exemption on oil produced from incapable wells as established in proposed law.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:633(7)(b))