

Regular Session, 2013

HOUSE BILL NO. 683

BY REPRESENTATIVE HENRY

TAX/SEVERANCE TAX: Provides relative to severance tax

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(b) and (c)(iii)(bb), relative to the general severance
3 tax; to provide with respect to exemptions and other special tax treatment for certain
4 types of oil and gas production; to provide for effectiveness; and to provide for
5 related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:633(7)(b) and (c)(iii)(bb) are hereby amended and reenacted to
8 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) 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 well
18 is incapable of producing an average of more than ~~twenty-five~~ thirty barrels of oil
19 per producing day during the entire taxable month, and which also produces at least
20 fifty percent salt water per day, the tax rate applicable to the oil severed from such

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

8 (c)

9 * * *

10 (iii) All severance tax shall be suspended, for a period of twenty-four months
11 or until payout of the well cost is achieved, whichever comes first, on any
12 horizontally drilled well, or, on any horizontally drilled recompletion well, from
13 which production commences after July 31, 1994.

14 * * *

15 (bb) Payout of well cost shall be the audited cost of completing the well to
16 the commencement of production as determined by the Department of Natural
17 Resources.

18 * * *

19 Section 2. This Act shall become effective on January 1, 2014.

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)]

Henry HB No. 683

Abstract: Provides for eligibility criteria for the severance tax exemptions on production from incapable and horizontal wells.

Present law imposes tax on the severance of oil and natural gas.

Proposed law retains present law with respect to general severance tax rates.

Present law provides for exemptions and special tax treatment with respect to severance tax liabilities related to oil and gas production.

Present law provides an exemption for oil production from an incapable well which also produces salt water. Such a well is defined as a well that is incapable of producing more than 25 barrels of oil per producing day during one month.

Proposed law changes present law for the incapable well exemption by changing the threshold for incapable well status from 25 or less barrels of oil per day to 30 or less barrels.

Present law provides an exemption for horizontally drilled wells through suspension of taxation for 24 months or until payout of the well cost is achieved.

Proposed law retains present law and adds a requirement for audited information relating to the payout of well costs.

Effective Jan. 1, 2014.

(Amends R.S. 47:633(7)(b) and (c)(iii)(bb))