HLS 19RS-601 ORIGINAL

2019 Regular Session

HOUSE BILL NO. 256

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BY REPRESENTATIVES JIM MORRIS AND ABRAMSON

TAX/SEVERANCE TAX: Provides with respect to the rate and exemption for the severance tax on oil produced from incapable wells

AN ACT

2	To amend and reenact R.S. 47:633(7)(b), relative to severance tax; to provide with respect
3	to the severance tax on oil produced from an incapable well; to provide certain tax
4	rates; to exclude oil produced from an incapable well from severance tax under
5	certain conditions; to provide for an effective date; and to provide for related matters.
6	Be it enacted by the Legislature of Louisiana:
7	Section 1. R.S. 47:633(7)(b) is hereby amended and reenacted to read as follows:
8	§633. Rates of tax
9	The taxes on natural resources severed from the soil or water levied by R.S.
10	47:631 shall be predicated on the quantity or value of the products or resources
11	severed and shall be paid at the following rates:
12	* * *
13	(7)
14	* * *
15	(b)(i) On oil produced from a well classified by the commissioner of
16	conservation as an oil well, and determined by the collector of revenue that such well
17	is incapable of producing an average of more than twenty-five barrels of oil per
18	producing day during the entire taxable month, and which also produces at least fifty
19	percent salt water per day, the tax rate applicable to the oil severed from such well
20	shall be one-half of the rate set forth in Subparagraph (a) of this Paragraph and such

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

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well shall be defined, for severance tax purposes, as an incapable well, provided that such well has been certified by the Department of Revenue as incapable of such production on or before the twenty-fifth day of the second month following the month of production. Oil severed from a multiple well lease or property is not subject to the reduced rate of tax provided for herein in this Item, unless all such wells are certified as incapable.

(ii) Notwithstanding Item (i) of this Subparagraph, beginning on July 1, 2019 through June 30, 2029, oil produced from certified incapable wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than seventy-five dollars per barrel.

* * *

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

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 256 Original

effective on the day following such approval.

2019 Regular Session

Jim Morris

Abstract: Establishes a severance tax exemption, effective July 1, 2019-June 30, 2029, for oil produced from incapable wells when the average price of oil is less than \$75 per barrel.

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

<u>Present law</u> 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 determined to by 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.

<u>Present law</u> defines 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 25% salt water per day.

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

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<u>Proposed law</u> retains <u>present law</u>. However, beginning July 1, 2019-June 30, 2029, <u>proposed law</u> provides an exemption from severance taxes on oil produced from incapable wells when the average value of oil is less than \$75 per barrel.

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

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