

2025 Regular Session

HOUSE BILL NO. 600

BY REPRESENTATIVE GEYMANN

TAX/SEVERANCE TAX: Reduces the rate of severance tax on oil produced from newly completed wells and provides relative to special rates on oil produced from certain limited-production wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(a), (b), and (c)(i)(aa), (ii)(aa), and (iv)(aa) and (bb),
3 relative to severance tax; to provide for rates of the severance tax on oil; to provide
4 for severance tax on oil produced from certain types of wells; to provide for
5 applicability; to provide for effectiveness; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:633(7)(a), (b), and (c)(i)(aa), (ii)(aa), and (iv)(aa) and (bb) are
8 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)(a) On oil produced from a well completed before July 1, 2025, the rate
15 of tax shall be twelve and one-half percentum percent of its value at the time and
16 place of severance. On oil produced from a well completed on or after July 1, 2025,
17 the rate of tax shall be six and one-half percent of its value at the time and place of
18 severance. Such For purposes of this Paragraph, the value of oil shall be the higher
19 of (1) the gross receipts received from the first purchaser, less charges for trucking,

1 barging and pipeline fees, or (2) the posted field price. In the absence of an arms
2 length transaction or a posted field price, the value shall be the severer's gross
3 income from the property as determined by R.S. 47:158(C).

4 (b) On oil produced from a well classified by the commissioner of
5 conservation as an oil well, and determined by the ~~collector of revenue~~ secretary of
6 the Department of Revenue that such well is incapable of producing an average of
7 more than twenty-five barrels of oil per producing day during the entire taxable
8 month, and which also produces at least fifty percent salt water per day, the ~~tax rate~~
9 ~~applicable to the oil severed from such well shall be one-half of the rate set forth in~~
10 ~~Subparagraph (a) of this Paragraph~~ rate of tax shall be six and one-fourth percent of
11 its value at the time and place of severance and such well shall be defined, for
12 severance tax purposes, as an incapable well, provided that ~~such~~ the well has been
13 certified by the Department of Revenue as incapable of such production on or before
14 the twenty-fifth day of the second month following the month of production. Oil
15 severed from a ~~multiple well~~ multiple-well lease or property ~~is not~~ shall not be
16 subject to the reduced rate of tax provided for ~~herein, in this Subparagraph~~ unless all
17 such wells on the lease or property are certified as incapable.

18 (c)(i)(aa) On oil produced from a well classified by the commissioner of
19 conservation as an oil well, and certified by the Department of Revenue that such
20 well is incapable of producing an average of more than ten barrels of oil per
21 producing day during the entire taxable month, the ~~tax rate applicable to the oil~~
22 ~~severed from such well shall be one-quarter of the rate set forth in Subparagraph (a)~~
23 ~~of this Paragraph~~ rate of tax shall be three and one hundred twenty-five thousandths
24 percent of its value at the time and place of severance and such well shall be defined,
25 for severance tax purposes, as a stripper well, provided that ~~such~~ the well has been
26 certified by the Department of Revenue as a stripper well on or before the
27 twenty-fifth day of the second month following the month of production. Once a
28 well has been certified and determined to be incapable of producing an average of
29 more than ten barrels of oil per producing day during an entire month, ~~such stripper~~

1 that well shall remain certified as a stripper well until ~~the well~~ it produces an average
2 of more than ten barrels of oil per day during an entire calendar month.

3 * * *

4 (ii)(aa) On oil produced from a well in a stripper field classified by the
5 commissioner of conservation as a mining and horizontal drilling project which
6 utilizes gravity drainage to a collection point in a downhole operations room, the ~~tax~~
7 ~~rate applicable to the oil severed from such well shall be one-quarter of the rate set~~
8 ~~forth in Subparagraph (a) of this Paragraph (7)~~ rate of tax shall be three and one
9 hundred twenty-five thousandths percent of its value at the time and place of
10 severance; provided that ~~such~~ the well has been classified by the commissioner as
11 a mining and horizontal drilling project before the lower rate is claimed on a tax
12 return.

13 * * *

14 (iv)(aa) Production from an oil or gas well subsequent to the well's having
15 been inactive for two or more years or having thirty days or less of production during
16 the past two years shall, in the case of oil, be subject to a severance tax rate ~~equal to~~
17 ~~twenty-five percent of the rate imposed under this Paragraph or~~ of three and one
18 hundred twenty-five thousandths percent of its value at the time and place of
19 severance and, in the case of gas, be subject to a severance tax rate equal to
20 twenty-five percent of the rate imposed by Paragraph (9) of this Section for a period
21 of ten years if the production commences before October 1, 2028. Production from
22 an oil or gas well subsequent to the well's having been designated as an orphan well
23 for longer than sixty months shall, in the case of oil, be subject to a severance tax
24 ~~rate equal to twelve and one half percent of the rate imposed under this Paragraph~~
25 ~~or~~ of one and five hundred sixty-five thousandths percent of its value at the time and
26 place of severance and, in the case of gas, be subject to a severance tax rate equal to
27 twelve and one half percent of the rate imposed by Paragraph (9) of this Section for
28 a period of ten years if the production commences before October 1, 2028.

1 (bb) Production from an oil or gas well subsequent to the well's having been
 2 inactive for two or more years or having thirty days or less of production during the
 3 past two years shall, in the case of oil, be subject to a severance tax rate ~~equal to fifty~~
 4 ~~percent of the rate imposed under this Paragraph or~~ of six and one-fourth percent of
 5 its value at the time and place of severance and, in the case of gas, be subject to a
 6 severance tax rate equal to fifty percent of the rate imposed by Paragraph (9) of this
 7 Section for a period of ten years if the production commences on or after October 1,
 8 2028. Production from an oil or gas well subsequent to the well's having been
 9 designated as an orphan well for longer than sixty months shall, in the case of oil, be
 10 subject to a severance tax rate ~~equal to twenty-five percent of the rate imposed under~~
 11 ~~this Paragraph or~~ of three and one hundred twenty-five thousandths percent of its
 12 value at the time and place of severance and, in the case of gas, be subject to a
 13 severance tax rate equal to twenty-five percent of the rate imposed by Paragraph (9)
 14 of this Section for a period of ten years if the production commences on or after
 15 October 1, 2028.

* * *

17 Section 2. The provisions of this Act shall apply to taxable periods beginning on or
18 after July 1, 2025.

19 Section 3. This Act shall become effective on July 1, 2025; if vetoed by the governor
20 and subsequently approved by the legislature, this Act shall become effective on July 1,
21 2025, or on the day following such approval by the legislature, whichever is later.

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 600 Engrossed 2025 Regular Session Geymann

Abstract: Reduces the rate of severance tax on oil produced from wells completed after June 30, 2025, and provides for special rates on oil produced from incapable wells, stripper wells, inactive wells, and orphan wells.

Present law provides for the levy of a tax, known as severance tax, on natural resources severed from the soil or water. Provides that the rate of severance tax is predicated on the

quantity or value of the products or resources severed. Establishes severance tax rates on resources subject to the tax.

Present law provides that the severance tax on oil is 12.5% of its value at the time and place of severance.

Proposed law reduces the severance tax for newly produced oil by establishing a severance tax rate of 6.5% on oil produced from wells completed on or after July 1, 2025.

Present law establishes special severance tax rates for oil produced from wells designated as incapable wells, stripper wells, inactive wells, and orphan wells pursuant to present law.

Proposed law changes the special rate on oil produced from incapable wells from one-half of the regular rate provided for in present law and proposed law to 6.25%.

Proposed law changes the special rate on oil produced from stripper wells from one-fourth of the regular rate provided for in present law and proposed law to 3.125%.

Proposed law changes the special rate on oil produced from inactive wells from one-half or one-quarter of the regular rate provided for in present law and proposed law, depending on when the oil was produced, to 6.25% or 3.125%, depending on when the oil was produced.

Proposed law changes the special rate on oil produced from orphan wells from one-fourth or one-eighth of the regular rate provided for in present law and proposed law, depending on when the oil was produced, to 3.125% or 1.565%, depending on when the oil was produced.

Proposed law applies to taxable periods beginning on or after July 1, 2025.

Effective July 1, 2025.

(Amends R.S. 47:633(7)(a), (b), and (c)(i)(aa), (ii)(aa), and (iv)(aa) and (bb))