2025 Regular Session

HOUSE BILL NO. 495

BY REPRESENTATIVE GEYMANN

TAX/SEVERANCE TAX: Limits the severance tax exemption for gas produced from certain horizontally drilled wells

AN ACT

To amend and reenact R.S. 47:633(7)(d)(introductory paragraph), relative to severance tax; to provide relative to the severance tax exemption; to provide for an exemption for oil and gas produced from horizontally drilled wells; to limit the exemption period for gas produced from those wells; to provide for applicability; to provide for effectiveness; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

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

§633. Rates of tax

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

* * *

(7)

* * *

(d) There shall be an exemption from severance tax as provided in this Subparagraph for production from any horizontally drilled well, or, on any horizontally drilled recompletion well, from which production occurs on or after July 1, 2015. The exemption <u>for oil</u> shall ~~last~~ <u>extend</u> for a period of twenty-four months

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or until payout of the well cost is achieved, whichever comes first. The exemption for gas produced from a well completed before July 1, 2025, shall extend for a period of twenty-four months or until payout of the well cost is achieved, whichever comes first. The exemption for gas produced from a well completed on or after July 1, 2025, shall extend for a period of eighteen months or until payout of the well cost is achieved, whichever comes first. For the purposes of this Section, "horizontal drilling" shall mean high angle directional drilling of bore holes with fifty to three thousand plus feet of lateral penetration through productive reservoirs, and "horizontal recompletion" shall mean horizontal drilling in an existing well bore. Payout of well cost shall be the cost of completing the well to the commencement of production as determined by the Department of Energy and Natural Resources.

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

Section 3. This Act shall become effective on July 1, 2025; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on July 1, 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 495 Engrossed 2025 Regular Session Geymann

Abstract: Reduces the duration of a severance tax exemption for gas produced from newly completed, horizontally drilled wells on or after July 1, 2025, from 24 months or until payout of the well cost is achieved, whichever comes first to 18 months or until payout of the well cost is complete, whichever is earlier.

Present law provides for the levy of a 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 establishes an exemption, known commonly as the "horizontal well exemption", for oil and gas produced from horizontally drilled wells or horizontally drilled recompletion wells as defined in present law.

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Present law provides that the horizontal well exemption for oil and gas shall last for a period of 24 months or until payout of the well cost is achieved, whichever comes first.

Proposed law retains the horizontal well exemption as provided in present law for oil and for gas produced from wells completed before July 1, 2025.

Proposed law limits the duration for which the exemption applies to gas produced from wells completed on or after July 1, 2025, to a period of 18 months or until payout of the well cost is achieved, whichever comes first.

Proposed law otherwise retains present law.

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

Effective July 1, 2025.

(Amends R.S. 47:633(7)(d)(intro. para.))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Specify that the limitation on the horizontal well exemption provided for in proposed law applies only to gas produced from wells completed on or after July 1, 2025.

2. Increase the maximum duration of the horizontal well exemption provided for in proposed law from six months to 18 months or until payout of the well cost is complete, whichever is earlier.