LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On:	**HB 495** HLS 25RS 217
Bill Text Version:	**ENROLLED**
Opp. Chamb. Action:	
Proposed Amd.:	
Sub. Bill For.:	

Date: June 9, 2025 6:01 PM
Author: GEYMANN
Dept./Agy.: Revenue
Subject: Reduces the exemption period for horizontal gas wells
Analyst: Deborah Vivien

TAX/SEVERANCE TAX EN +$8,600,000 GF RV See Note
Limits the severance tax exemption for gas produced from horizontally drilled wells

Current law allows a severance tax exemption for oil and natural gas horizontal wells for the initial 24 months of production or until the payout of the well cost, whichever occurs first. Current law authorizes a tiered suspension of a portion of the severance tax exemption up to 100%, triggered annually if oil or natural gas prices increase to certain thresholds.

Proposed law reduces the maximum timeframe for receiving the natural gas horizontal well exemption from 24 months to 18 months or until the payout of the well cost, whichever occurs first. The annual tiered suspension of the oil and natural gas exemptions is retained with the same price triggers.

Effective for tax periods beginning on or after July 1, 2025 on wells completed on or after July 1, 2025.
Contingent upon enactment and effectiveness of HB 600 of 2025 Regular Session

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**$2,100,000**	**$6,300,000**	**$8,000,000**	**$8,600,000**	**$8,600,000**	**$33,600,000**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	
Annual Total						

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session, which informs the budget request of the department.

REVENUE EXPLANATION

According to LDR data, the average payout of a natural gas horizontal well is about 23 months. This bill limits the natural gas exemption to 18 months, which eliminates the exemption for an estimated 5 months on new wells beginning July 1, 2025. The shorter exemption period is expected to increase severance tax collections by $2.1 M in FY 26, $6.3 M in FY 27, $8.0 M in FY 28, and $8.6 M in FY 29 and beyond (updated to the 5/21/25 official REC forecast). The impact is shown as SGF in the table above, but the realized increase may be a lesser amount since up to 20% of the total severance tax (capped at $1.3 M per parish) is allocated to the locals based on well location. However, the larger allocation will only flow to those parishes with horizontal wells not capped at the maximum allocation, which may mitigate the impact locally and is the reason the table above does not include a point estimate for local revenue.

The annual test for a tiered suspension of the horizontal exemption based on price levels has no effect in this fiscal note since the trigger is not met in the current price outlook. The estimated exemption costs are based on historical decline curves of natural gas wells in Louisiana. The impact ramps up to a full year by FY 28 as all wells drilled before the law change are no longer receiving the exemption.

The LSU Center for Energy Studies (CES) has created an interactive severance tax revenue impact model to estimate tax rate and certain tax exemption scenarios related to oil and natural gas severance. The model is based on available state data regarding severance tax, including: collections, estimated exemption costs, number of wells and historical payout patterns. Whenever possible, CES calibrates the model with the current official REC forecast to maintain consistency with revenue anticipated for the state budget. After review of the model and results, LFO is in agreement with the reliability of the results and has used it as the basis for this fiscal note.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House

- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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