
DIGEST

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HB 516 Original

2017 Regular Session

Broadwater

Abstract: Eliminates the requirement that the Dept. of Revenue certify the status of a well before the oil or gas it produces is eligible for a reduced tax rate, requires the severer to submit a production report to the office of conservation evidencing the reduced capability of the well, provides for a reduced rate of tax on natural gas produced from a well incapable of producing more than 5,000 cubic feet of gas per day.

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed. The severance tax rate for oil is 12.5% of the value. The severance tax rate for natural gas is a minimum of 7¢ per 1,000 cubic feet, but is subject to an annual rate adjustment based on the prior year's price of natural gas.

Present law provides a reduced severance tax rate for oil if the oil is produced from an incapable well or a stripper well only if the Dept. of Revenue has certified that the well is an incapable well or stripper well. Further provides an exemption from the severance tax on crude oil if produced from a stripper well, as certified by the dept., when the price per barrel of oil is less than \$20.

Proposed law eliminates the requirement in present law that the dept. certify the status of a well before the oil it produces is eligible to be taxed at a reduced rate. Further requires the severer to submit a production report to the office of conservation evidencing the reduced capability of the well as provided for in present law.

Present law provides a reduced severance tax rate for natural gas, including certain derivatives, only if the secretary of the Dept. of Revenue has made a determination that the well producing the natural gas is produced from either a well that has a wellhead or casinghead pressure of 50 pounds per square inch or less or a well that is incapable of producing an average of 250,000 cubic feet of gas per day.

Proposed law eliminates the requirement in present law that the dept. make a determination of the status of a well before the natural gas it produces is eligible to be taxed at a reduced rate. Further requires the severer to submit a production report to the office of conservation evidencing the reduced capability of the well as provided for in present law.

Proposed law adds a new tier of reductions to the severance tax on natural gas for wells incapable of producing an average of 5,000 cubic feet of gas per day and defines the well as a marginal incapable well. The rate of the tax for gas produced from a marginal incapable well is 0.65¢ per thousand cubic feet.

(Amends 47:633(7)(b) and (c)(i)(aa) and (bb) and (9)(b) and (c); Adds R.S. 47:633(7)(e) and (9)(f))