

2017 Regular Session

HOUSE BILL NO. 461

BY REPRESENTATIVES BISHOP, AMEDEE, BACALA, BAGLEY, BARRAS, BROADWATER, CHAD BROWN, TERRY BROWN, CONNICK, COUSSAN, CREWS, DAVIS, DEVILLIER, DWIGHT, EDMONDS, GISCLAIR, GUINN, HENSGENS, HORTON, JONES, NANCY LANDRY, MAGEE, MIGUEZ, JIM MORRIS, PIERRE, REYNOLDS, RICHARD, SCHEXNAYDER, SCHRODER, STAGNI, STEFANSKI, TALBOT, THIBAUT, AND ZERINGUE AND SENATORS CHABERT, CORTEZ, AND HEWITT

TAX/SEVERANCE-EXEMPTION: Provides for severance tax exemptions for certain inactive and orphan wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iv), relative to state severance taxes on oil and gas;  
3 to provide with respect to incentives relating to inactive and orphan wells; to provide  
4 for eligibility and the extent of certain special rate provisions; to provide for  
5 requirements and limitations; to provide for effectiveness; and to provide for related  
6 matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(c)(iv) is 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)

15 \* \* \*

16 (c)

17 \* \* \*

1 (iv) Production from an oil and or gas wells shall be exempt from severance  
2 tax for a period of five years when returned to service after being well subsequent  
3 to the well having been inactive for two or more years or having thirty days or less  
4 of production during the past two years shall be subject to a severance tax rate equal  
5 to fifty percent of the rate imposed under this Paragraph or Paragraph (9) of this  
6 Section for a period of ten years. Production from an oil or gas well subsequent to  
7 the well having been designated as an orphan well for longer than sixty months shall  
8 be subject to a severance tax rate equal to twenty-five percent of the rate imposed  
9 under this Paragraph or Paragraph (9) of this Section for a period of ten years. The  
10 exemption shall be extended by the length of any inactivity of a well that has  
11 commenced production when such inactivity is caused by a force majeure.

12 (aa) To qualify for inactive or orphan well status for purposes of this Item,  
13 an application for a ~~two-year~~ inactive or orphan well certification shall be made to  
14 the Department of Natural Resources, before commencement of production, during  
15 the period beginning ~~July 31, 1994 and ending June 30, 2000, for the period~~  
16 ~~beginning July 1, 2002 and ending June 30, 2006, and for the period beginning July~~  
17 ~~1, 2006 and ending June 30, 2010~~ July 1, 2018, and ending June 30, 2023. Upon  
18 certification that a well is inactive or orphan, all production is shall be exempt from  
19 ~~severance tax~~ subject to the special rate for a period of five years as provided in this  
20 Item from the date production begins or ninety days from the date of the application,  
21 whichever occurs first.

22 (bb) If the severance tax is paid at the full rate provided by this Section  
23 before the Department of Natural Resources approves an application for ~~two-year~~  
24 inactive or orphan well status, the operator is entitled to a credit against taxes  
25 imposed by this Section in an amount equal to the tax paid. To receive a credit, the  
26 operator must apply to the secretary of the Department of Revenue for the credit not

1 later than the first anniversary after the date the Department of Natural Resources  
 2 certifies that the well is a ~~two-year~~ an inactive or orphan well.

3 \* \* \*

### 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 461 Reengrossed

2017 Regular Session

Bishop

**Abstract:** Establishes 10 year severance tax rate reductions for production from an inactive or orphan oil and gas well from July 1, 2018, through June 30, 2023, with production from an inactive well subject to a severance tax rate of 50% of the normal rate, and production from an orphan well subject to a severance tax rate of 75% of the normal rate.

Present law authorizes a five year exemption from severance tax for production from oil and gas wells that are returned to service after being inactive for two or more years or having thirty days or less of production during the past two years (inactive well), effective July 1, 2006, through June 30, 2010.

Present law provides for a severance tax rate on oil and gas production of 12%.

Proposed law changes present law by changing the incentive for production from an inactive well from a five year exemption to a 50% rate reduction for 10 years, and by establishing a new effective period beginning July 1, 2018, through June 30, 2023.

Proposed law establishes an incentive for production from a well with orphan well designation for at least 60 months. Production would be taxed at 75% of the normal rate for 10 years, effective for the period from July 1, 2018, through June 30, 2023.

(Amends R.S. 47:633(7)(c)(iv))

#### Summary of Amendments Adopted by House

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

1. Add a limit on the duration of the exemptions, July 1, 2018, through June 30, 2022.
2. Add technical changes regarding administration.

The House Floor Amendments to the engrossed bill:

1. Change the expiration date from June 30, 2022 to June 30, 2023.
2. Add technical changes clarifying that the incentive is a special rate.