

GREEN SHEET REDIGEST

HB 461

2017 Regular Session

Bishop

(KEYWORD, SUMMARY, AND DIGEST as amended by Senate committee amendments)

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

DIGEST

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.

Proposed law provides that to qualify for the reduced orphan and inactive well tax rate that the oil and gas production be produced within the same producing interval or within 100 feet above or below the producing interval that the well produced from before being inactive or designated as an orphan well.

Proposed law requires the Department of Revenue to notify the commissioner of conservation to cease certification of new inactive and orphan well for the remainder of the fiscal year if the severance tax paid at the reduced orphan and inactive rate reaches \$15 million in any fiscal year.

(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.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs
to the reengrossed bill

1. Adds language clarifying the qualifications an orphan or inactive well must meet to be eligible for the reduced tax rate.
2. Adds requirement that the Department of Revenue notify the commissioner of conservation to stop new inactive and orphan well certifications if the severance tax paid at the reduced rate reaches \$15 million in any fiscal year.
3. Makes technical changes.