

HOUSE SUMMARY OF SENATE AMENDMENTS

HB 461

2017 Regular Session

Bishop

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

Synopsis of Senate Amendments

1. Requires that to be eligible for the reduced tax rate the oil or gas production must come from the same perforated producing interval or within 100 feet above or below the former production interval.
2. Adds a 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 rises above \$15 million in any one fiscal year.

Digest of Bill as Finally Passed by Senate

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 more than 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 Dept. of Revenue to notify the commissioner of conservation to cease certification of new inactive and orphan wells for the remainder of the fiscal year if the severance tax paid at the reduced orphan and inactive rate rises above \$15 million in any fiscal year.

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