

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 331** HLS 18RS 418
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 11, 2018 8:54 AM	Author: MORRIS, JIM
Dept./Agy.: Natural Resources	Analyst: Willis Brewer
Subject: Payment of Oilfield Site Restoration Fund fee	

ENERGY/OIL & GAS EG SEE FISC NOTE SD RV See Note Page 1 of 1
 Provides for payment of the Oilfield Site Restoration Fund fee

Present law imposes a set fee on the production of oil, condensate, and gas that is in addition to any severance taxes imposed on such production. Specifies that the proceeds of the fee are to be used for the oilfield site restoration program in the Dept. of Natural Resources.

Proposed law retains present law and provides that the fee is payable upon the initial disposition of each barrel of oil and condensate by the producer. Proposed law provides that proposed law is remedial and curative and will be applied retroactively to July 1, 2017, as well as prospectively. Effective upon governor's signature.

EXPENDITURES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total			\$0	\$0	\$0	\$0

REVENUES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed legislation is not anticipated to impact Department of Natural Resources (DNR) expenditures, but may increase the workload for the La. Department of Revenue (LDR) to process any potential refunds. These refunds will require the account holder to submit a reconciliation report to LDR by 03/31/19. Therefore, this will increase LDR's workload in FY 19 and partially in FY 20 to process these reconciliation reports. LDR will assess all enacted legislation at the end of the session and then determine if additional resources are necessary for their operations.

REVENUE EXPLANATION

The proposed legislation will delay the receipt of DNR revenues and may result in a minimal decrease of fees collected in a given year. The proposed legislation clarifies when a particular fee is due to Department of Natural Resources (DNR), but does not change the fee amount or the methodology to calculate, collect, or process the fee. Because the proposed legislation provides that the fee is now due upon initial disposition as opposed to production, this fee will never be due on amounts of oil produced that are not sold.

This legislation is retroactive to 7/1/17. It is possible that there will be refund requests from those who produced more oil than was sold during FY 18. While there were 54.1 M barrels of crude oil and condensate produced and 54.8 M barrels sold in FY 17, the number of barrels sold includes barrels produced in the prior fiscal year. Any refunds are anticipated to be paid from the Oilfield Site Restoration Fund, which will create a temporary reduction in this fund's revenues.

The number of requested returns cannot be estimated at this time. There are approximately 433 active accounts registered (including both purchasers and producers) for this fee. Accounts of purchasers usually report for multiple producers, so there are not just 433 entities that must report and pay this fee. The Louisiana Department of Revenue (LDR) does not capture which of these accounts are a purchaser or producer on the tax return. The adopted amendments require the filing of amended returns for the quarters affected by the bill in order to request a refund or report additional amounts due. A reconciliation report is also required so that the Department of Revenue can reconcile the differences between amounts reported on the original and amended returns. According to LDR, there will be interest due on any refunds and interest and penalties due on additional amounts owed.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 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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