

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 360** HLS 20RS 557

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 17, 2020	4:44 PM	<b>Author:</b> HUVAL
<b>Dept./Agy.:</b> Tax Commission / Local Governments		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Ad Valorem Taxation of Oil or Gas Wells		

TAX/AD VALOREM TAX RE SEE FISC NOTE LF RV See Note Page 1 of 1  
(Constitutional Amendment) Provides for the methodology of valuation of oil and gas wells for the purpose of ad valorem assessment

Present constitution provides for severance taxation of oil or gas production, but prohibits any additional value to be added to the assessment of land by reason of the presence of oil or gas, or their production. Surface and subsurface equipment and property is assessed for ad valorem taxation pursuant to rules and regulations of the Louisiana Tax Commission.

Proposed constitutional amendment allows the presence or production of oil or gas to be included in the methodology to determine the fair market value of oil or gas wells for ad valorem taxation.

To be submitted to the electors at the statewide election to be held on November 3, 2020.

<b>EXPENDITURES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
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Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

The Louisiana Tax Commission 2019 Annual Report includes 52,674 oil & gas wells with assessed value of \$1.231 billion, and oil & gas surface equipment with assessed value of \$375.5 million as components of the statewide local property tax base (cost basis approach and a 15% assessment ratio). The value of the oil or gas reservoirs or the value of the production is not included in the ad valorem tax base.

This bill appears to contemplate the inclusion of the value of the oil or gas itself into the value of the wells for ad valorem tax purposes. The La Tax Commission would have to promulgate regulations providing an income basis approach to the valuation of oil & gas wells. The effect on local tax bases is speculative.

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}

**John D. Carpenter**  
**Legislative Fiscal Officer**