DIGEST

HB 28 Original | 2020 Second Extraordinary Session | DeVillier

Abstract: Establishes a reduced severance tax rate for oil produced from incapable wells when the average price of oil is less than $75 per barrel effective Jan. 1, 2021, through Dec. 31, 2029.

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed.

Present law establishes a severance tax on oil at a rate of 12.5% of its value at the time and place of severance. The value is the higher of: (1) gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees, or (2) the posted field price.

Present law defines an incapable well as an oil well that is incapable of producing an average of more than 25 barrels of oil per day and that produces at least 50% salt water per day.

Present law establishes a severance tax rate on oil produced from incapable wells at 6.25%.

Proposed law retains present law but, beginning Jan. 1, 2021, through Dec. 31, 2029, establishes reduced rate for severance taxes on oil produced from incapable wells when the average value of oil is less than $75 per barrel. Further requires all reports to be timely submitted in order to qualify for the exemption in proposed law.

Present law requires the secretary to determine the value of oil for purposes of qualifying for certain severance tax exemptions based on the New York Mercantile Exchange Price (NYMEX) per barrel for the prior 12 months, July through June.

Proposed law retains present law but requires that the secretary determine on a quarterly basis, the value of oil produced from incapable wells based on the average NYMEX for the prior three months for purposes of qualifying for the severance tax exemption on oil produced from incapable wells as established in proposed law.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:633(7)(b))