

RÉSUMÉ DIGEST

ACT 695 (HB 418)

2024 Regular Session

Beaulieu

Existing law provides for the levy of a tax, known as severance tax, on natural resources severed from the soil or water. Provides that the rate of the severance tax is predicated on the quantity or value of the products or resources severed.

Existing law establishes general severance tax rates.

Existing law provides for special, reduced rates of severance tax on production from certain oil and gas wells with inactive or orphan well status conferred by the Dept. of Energy and Natural Resources.

Prior law provided that the special rates shall be as follows:

- (1) Production from an oil or gas well subsequent to the well's having been inactive for two or more years, or having 30 days or less of production during the past two years, shall be subject to a severance tax rate equal to 50% of the general severance tax rate imposed by existing law for a period of 10 years.
- (2) Production from an oil or gas well subsequent to the well's having been designated as an orphan well for longer than 60 months shall be subject to a severance tax rate equal to 25% of the general severance tax rate imposed by existing law for a period of 10 years.

New law establishes special 25% and 12.5% severance tax rates on production from inactive wells and orphan wells, respectively, which shall apply if production commences before Oct. 1, 2028. Provides that the special rates on such production shall apply for a period of 10 years.

New law provides that the special 50% and 25% severance tax rates on production from inactive wells and orphan wells, respectively, as established in prior law, shall apply if production commences on or after Oct. 1, 2028. Provides that the special rates on such production shall apply for a period of 10 years.

Prior law required that in order to attain inactive or orphan well status for purposes of qualifying for the special rate authorized in prior law, an application for inactive or orphan well certification shall be made to the Dept. of Energy and Natural Resources during the period beginning July 1, 2018, and ending June 30, 2023.

New law extends the deadline for applying for inactive or orphan well status to June 30, 2028. New law thereby requires that in order to qualify for the special rate provided for in new law, an application for inactive or orphan well certification shall be made to the Dept. of Energy and Natural Resources during the period beginning July 1, 2018, and ending June 30, 2028.

New law applies to taxable periods beginning on or after Oct. 1, 2024.

Effective October 1, 2024.

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