



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 600** HLS 25RS 215
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

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| Date: June 2, 2025 | 4:19 PM | Author: GEYMANN |
| Dept./Agy.: Revenue | | |
| Subject: Reduce Oil Severance Tax Rate | | Analyst: Deborah Vivien |

TAX/SEVERANCE TAX EG1 DECREASE GF RV See Note Page 1 of 1
Reduces the rate of severance tax on oil produced from newly completed wells and provides relative to special rates on oil produced from certain limited-production wells
Present law imposes a severance tax rate on most oil produced in the state at 12.5% of value. Wells producing less than 25 barrels per day and at least 50% salt water per day pay one-half the tax rate (incapable wells at 6.25%). Wells producing less than 10 barrels per day pay one-quarter the tax rate (stripper wells at 3.125%).

Proposed law reduces the full-rate for oil severance from 12.5% to 6.5% and permanently fixes all other oil severance tax rates at current levels for wells completed on or after July 1, 2025.

Effective upon governor's signature.
Contingent upon enactment and effectiveness of HB 495 of 2025 Regular Session


| EXPENDITURES | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 5 -YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 5 -YEAR TOTAL |
|---------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| State Gen. Fd. | (\$1,900,000) | (\$4,600,000) | (\$6,800,000) | (\$9,200,000) | (\$10,600,000) | (\$33,100,000) |
| 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 | (\$200,000) | (\$500,000) | (\$800,000) | (\$1,000,000) | (\$1,200,000) | (\$3,700,000) |
| Annual Total | (\$2,100,000) | (\$5,100,000) | (\$7,600,000) | (\$10,200,000) | (\$11,800,000) | (\$36,800,000) |

EXPENDITURE EXPLANATION
The Dept. of Energy and Natural Resources may incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the department.

REVENUE EXPLANATION
The full-rate severance tax accounts for about 95% of oil severance collections and is reduced by nearly half from 12.5% to 6.5% for wells completed on or after July 1, 2025. The tax rate reduction is expected to result in a decrease in tax collections of an estimated \$2.1 M in FY 26, \$5.1 M in FY 27, \$7.6 M in FY 28, \$10.2 M in FY 29 and \$11.8 M in FY 30 (updated to the 5/21/25 official REC forecast). Most of this impact will occur in the SGF. However, parishes receive an allocation of 20% of severance tax revenue generated from oil and gas wells located in the parish up to a maximum of about \$1.3 M per parish. Because the impact of the bill may occur well above the capped amount for some parishes resulting in no change to the allocation, local revenue impacts are assumed to be 10% of the change in collections and will occur in those parishes close to or underneath the cap. The impact of the bill is smaller in the early years due to the pattern of production assumed from new wells subject to the lower rate. The model incorporates an iterative calculation utilizing the share of production from new wells experienced in the state over several five-year intervals. The fiscal impact from the bill grows annually but at a declining rate, which is expected to continue well past the fiscal note horizon.

The LSU Center for Energy Studies (CES) has created an interactive severance tax revenue impact model to estimate tax rate and certain tax exemption scenarios related to oil and natural gas severance. The model is based on available state data regarding severance tax including collections, estimated exemption costs, number of wells and historical payout patterns. Whenever possible, CES calibrates the model with the current official REC forecast to maintain consistency with revenue anticipated for the state budget. After review of the model and results, LFO is in agreement with the reliability of the results and has used it as the basis for this fiscal note.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |  |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | Alan M. Boxberger Legislative Fiscal Officer |