

2017 Regular Session

HOUSE BILL NO. 461

BY REPRESENTATIVES BISHOP, BAGLEY, BROADWATER, COUSSAN, DAVIS, DEVILLIER, DWIGHT, EDMONDS, HENSGENS, NANCY LANDRY, MAGEE, MIGUEZ, AND SCHEXNAYDER AND SENATORS CHABERT, CORTEZ, AND HEWITT

TAX/SEVERANCE-EXEMPTION: Provides for severance tax exemptions for certain inactive and orphan wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iv)(introductory paragraph), relative to state  
3 severance taxes on oil and gas; to provide with respect to incentives relating to  
4 inactive and orphan wells; to provide for eligibility and the extent of tax exemptions;  
5 to provide for requirements and limitations; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:633(7)(c)(iv)(introductory paragraph) is hereby amended and  
8 reenacted to read as follows:

9 §633. Rates of tax

10 The taxes on natural resources severed from the soil or water levied by R.S.  
11 47:631 shall be predicated on the quantity or value of the products or resources  
12 severed and shall be paid at the following rates:

13		*	*	*
14	(7)			
15		*	*	*
16	(c)			
17		*	*	*

1           (iv) Production from an oil and gas ~~wells shall be exempt from severance~~  
 2           ~~taxa period of five years when returned to service after being well~~ subsequent to the  
 3           ~~well having been~~ inactive for two or more years or having thirty days or less of  
 4           production during the past two years shall be subject to a severance tax rate equal to  
 5           fifty percent of the rate imposed under this Paragraph or Paragraph (9) of this Section  
 6           for a period of ten years. Production from an oil and gas well subsequent to the well  
 7           having been designated as an orphan well for longer than sixty months shall be  
 8           subject to a severance tax rate equal to twenty-five percent of the rate imposed under  
 9           this Paragraph or Paragraph (9) of this Section for a period of ten years. The  
 10          exemption shall be extended by the length of any inactivity of a well that has  
 11          commenced production when such inactivity is caused by a force majeure.

12

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 461 Original	2017 Regular Session	Bishop
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**Abstract:** Changes the severance tax exemption for production of oil and gas from an inactive well from a 100% tax exemption for five years to a 50% tax exemption for 10 years, and adds a new exemption for production from an orphan well that provides a 75% rate reduction for 10 years.

Present law authorizes a five year exemption from severance tax for production from oil and gas wells that are returned to service after being inactive for two or more years or having thirty days or less of production during the past two years (inactive well).

Proposed law changes present law by changing the extent and duration of the exemption for production from an inactive well from 5 years at 100% to 10 years at 50%.

Proposed law changes present law by establishing an exemption for production from a well with orphan well designation for at least 60 months, which exemption provides a 50% rate reduction for a duration of 10 years.

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