RÉSUMÉ DIGEST

ACT 421 (HB 461) **2017 Regular Session** **Bishop**

<u>Existing law</u> provides for a severance tax rate on oil and gas production of 12%.

<u>Prior law</u> authorized a five year exemption from severance tax for production from oil and gas wells returned to service after two or more years of inactivity or that had thirty days or less of production during the most recent two years (inactive well), effective July 1, 2006 through June 30, 2010.

<u>New law</u> modifies the term and extent of the incentive for production from an inactive well <u>from</u> a five year full exemption <u>to</u> a 50% rate reduction for 10 years, and by establishing a new effective period from July 1, 2018, through June 30, 2023.

<u>New law</u> establishes an incentive for production from a well with orphan well designation for more than 60 months. Production shall be taxed at 75% of the normal rate for 10 years, effective for the period from July 1, 2018, through June 30, 2023.

<u>New law</u> provides that to qualify for the reduced orphan and inactive well tax rate, the oil and gas production must be produced within the same producing interval or within 100 feet above or below the producing interval that the well produced from before its inactivity or designation as an orphan well.

<u>New law</u> requires the Dept. of Revenue to notify the commissioner of conservation to cease certification of new inactive and orphan wells for the remainder of a fiscal year if the severance tax paid at the reduced orphan and inactive rate rises above $15 million in any fiscal year.

Effective August 1, 2017.

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