

2019 Regular Session

HOUSE BILL NO. 256

BY REPRESENTATIVES JIM MORRIS AND ABRAMSON

TAX/SEVERANCE TAX: Provides with respect to the rate and exemption for the severance tax on oil produced from incapable wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(b), relative to severance tax; to provide with respect  
3 to the severance tax on oil produced from an incapable well; to provide certain tax  
4 rates; to exclude oil produced from an incapable well from severance tax under  
5 certain conditions; to require the secretary to make certain determinations; to provide  
6 for an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(b) is hereby amended and 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 (b)(i) On oil produced from a well classified by the commissioner of  
17 conservation as an oil well, and determined by the collector of revenue that such well  
18 is incapable of producing an average of more than twenty-five barrels of oil per  
19 producing day during the entire taxable month, and which also produces at least fifty  
20 percent salt water per day, the tax rate applicable to the oil severed from such well  
21 shall be one-half of the rate set forth in Subparagraph (a) of this Paragraph and such



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 determined to by 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, 2020 through Dec. 31, 2029, establishes an exemption from severance taxes for oil produced from incapable wells when the average value of oil is less than \$75 per barrel.

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))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Require the secretary of the Dept. of Revenue to determine, on a quarterly basis, the oil value for purposes of qualifying for the exemption in proposed law.
2. Require the secretary's oil value determination to be based on the average NYMEX price per barrel of crude oil per month for the prior three months.