

2019 Regular Session

HOUSE BILL NO. 188

BY REPRESENTATIVES JIM MORRIS, ABRAMSON, BOURRIAQUE, HORTON,
LACOMBE, SCHEXNAYDER, AND STEFANSKI

TAX/SEVERANCE TAX: Provides with respect to the exemption from severance tax on
oil produced from stripper wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(i)(bb) and (c)(ii)(aa) and to enact R.S.
3 47:633(7)(c)(i)(cc) and (c)(ii)(ee), relative to severance tax; to provide with respect
4 to the severance tax on oil produced from a stripper well or from a stripper field; to
5 exclude oil produced from a stripper well or from a stripper field from severance tax
6 under certain conditions; to require the secretary to make certain determinations; to
7 provide for an effective date; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:633(7)(c)(i)(bb) and (c)(ii)(aa) are hereby amended and reenacted
10 and R.S. 47:633(7)(c)(i)(cc) and (c)(ii)(ee) are hereby enacted to read as follows:

11 §633. Rates of tax

12 The taxes on natural resources severed from the soil or water levied by R.S.
13 47:631 shall be predicated on the quantity or value of the products or resources
14 severed and shall be paid at the following rates:

15		*	*	*
16	(7)			
17		*	*	*
18	(c)(i)			
19		*	*	*

1 (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from
 2 certified stripper wells shall be exempt from severance tax in any month in which the
 3 average value set forth in Subparagraph (a) of this Paragraph is less than twenty
 4 dollars per barrel provided all required reports have been timely submitted to the
 5 secretary verifying that the well did not produce an average of more than ten barrels
 6 of oil per day during the entire calendar month.

7 (cc) Notwithstanding Subitem (bb) of this Item, beginning on January 1,
 8 2020, through December 31, 2029, oil produced from a certified stripper well shall
 9 be exempt from severance tax in any month in which the average value set forth in
 10 this Subitem is less than seventy-five dollars per barrel. For purposes of this
 11 Subitem, the secretary shall determine on a quarterly basis, the oil value upon which
 12 the exemption for a certified stripper well shall be based. This determination shall
 13 be based upon the average New York Mercantile Exchange Price per barrel of crude
 14 oil per month for the prior three months.

15 (ii)(aa) Except as provided for in Subitem (ee) of this Item, on ~~Or~~ oil
 16 produced from a well in a stripper field classified by the commissioner of
 17 conservation as a mining and horizontal drilling project which utilizes gravity
 18 drainage to a collection point in a downhole operations room, the tax rate applicable
 19 to the oil severed from such well shall be one-quarter of the rate set forth in
 20 Subparagraph (a) of this Paragraph (7); provided that such well has been classified
 21 by the commissioner as a mining and horizontal drilling project before the lower rate
 22 is claimed on a tax return.

* * *

24 (ee) Notwithstanding Subitem (aa) of this Item, beginning January 1, 2020
 25 through December 31, 2029, oil produced from a well in a classified stripper field
 26 shall be exempt from severance tax in any month in which the average value set forth
 27 in this Subitem is less than seventy-five dollars per barrel. For purposes of this
 28 Subitem, the secretary shall determine on a quarterly basis, the oil value upon which
 29 the exemption for a well in a certified stripper field that produces oil shall be based.

1 This determination shall be based upon the average New York Mercantile Exchange
2 Price per barrel of crude oil per month for the prior three months.

3 * * *

4 Section 2. This Act shall become effective upon signature by the governor or, if not
5 signed by the governor, upon expiration of the time for bills to become law without signature
6 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
7 vetoed by the governor and subsequently approved by the legislature, this Act shall become
8 effective on the day following such approval.

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 188 Engrossed 2019 Regular Session Jim Morris

Abstract: Establishes a severance tax exemption, effective Jan. 1, 2020 through Dec. 31, 2029, for oil produced from stripper wells and from stripper fields when the price of oil is less than \$75 per barrel.

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed.

Present law establishes a severance tax rate on oil at a rate of 12.5% of its value at the time and place of severance. The value is determined to be 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 provides that a stripper well is one that is incapable of producing more than an average of 10 barrels of oil per day during the taxable month. Further, present law provides that oil from stripper wells and wells in stripper fields is taxed at 1/4 of the severance tax rate for oil.

Present law exempts severance taxes on oil production from stripper wells in any month which the average value of oil is less than \$20 per barrel.

Proposed law retains present law but, beginning Jan. 1, 2020, through Dec. 31, 2029, establishes a severance tax exemption for oil produced from stripper wells when the average value of oil is less than \$75 per barrel and the taxpayer has timely submitted the required reports to the secretary verifying that the well did not produce an average of more than 10 barrels of oil per day during the entire calendar month.

Proposed law establishes a severance tax exemption for oil produced from wells in classified stripper fields when the average value of oil is less than \$75 per barrel.

Present law requires the secretary of the Dept. of Revenue 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 of oil for the prior 12 months.

Proposed law retains present law but requires that the secretary determine, on a quarterly basis, the value of oil produced from stripper wells based on the average NYMEX for purposes of qualifying for the severance tax exemption on oil produced from stripper wells and from stripper fields as established in proposed law.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:633(7)(c)(i)(bb) and (c)(ii)(aa); Adds R.S. 47:633(7)(c)(i)(cc) and (c)(ii)(ee))

Summary of Amendments Adopted by House

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

1. Establishes an exemption for oil produced from wells in stripper fields from Jan. 1, 2020, through Dec. 31, 2029, when the value of the oil is determined to be less than \$75 per barrel.
2. Add requirement that taxpayers file all required reports timely in order to qualify for the exemption in proposed law for oil produced from stripper wells.
3. Require the secretary of the Dept. of Revenue to determine on a quarterly basis, the value of oil produced from stripper wells and from stripper fields for purposes of qualifying for the exemption in proposed law.
4. Require the secretary's oil value determination to be based on the average NYMEX price per value of crude oil per month for the prior three months.