

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

1 well shall be defined, for severance tax purposes, as an incapable well, provided that
2 such well has been certified by the Department of Revenue as incapable of such
3 production on or before the twenty-fifth day of the second month following the
4 month of production. Oil severed from a multiple well lease or property is not
5 subject to the reduced rate of tax provided for ~~herein~~ in this Item or the exemption
6 provided in Item (ii) of this Subparagraph, unless all such wells are certified as
7 incapable.

8 (ii) Notwithstanding the reduced rate set forth in Item (i) of this
9 Subparagraph, beginning on January 1, 2020, and continuing through December 31,
10 2029, oil produced from a certified incapable well shall be exempt from severance
11 tax in any month in which the average value set forth in this Subitem is less than
12 seventy-five dollars per barrel provided all required reports have been timely
13 submitted to the secretary verifying that the well did not produce an average of more
14 than twenty-five barrels of oil per day during the entire calendar month. For
15 purposes of this Subitem, the secretary shall determine on a quarterly basis the oil
16 value upon which the exemption for an incapable well shall be based. This
17 determination shall be based upon the average New York Mercantile Exchange Price
18 per barrel of crude oil per month for the prior three months.

19 * * *

20 Section 2. This Act shall become effective upon signature by the governor or, if not
21 signed by the governor, upon expiration of the time for bills to become law without signature
22 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
23 vetoed by the governor and subsequently approved by the legislature, this Act shall become
24 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 256 Reengrossed

2019 Regular Session

Jim Morris

Abstract: Establishes a severance tax exemption, effective Jan. 1, 2020, through Dec. 31, 2029, for oil produced from incapable wells when the average 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 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. Further requires all reports to be timely submitted in order to qualify for the exemption in proposed law.

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.

The House Floor Amendments to the engrossed bill:

1. Add requirement that taxpayers file all required reports timely in order to qualify for the exemption in proposed law for oil produced from incapable wells.