

GREEN SHEET REDIGEST

HB 256

2019 Regular Session

Jim Morris

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

DIGEST

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 establishes a reduced severance tax rate on oil produced from incapable wells of 3.125% for oil produced from incapable wells when the average value of oil is less than \$75 per barrel beginning July 1, 2020, through Dec. 31, 2029. 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.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the reengrossed bill

1. Change the total exemption to a reduced rate on oil from incapable wells of 3.125%.
2. Change starting date of proposed law reduced rate to July 1, 2020 from Jan. 1, 2020.