DIGEST

HB 506 Original | 2020 Regular Session | DeVillier

Abstract: Reduces the severance tax rate on oil over an eight-year period from 12.5% to 8.5% of its value at the time and place of severance and clarifies the severance tax rate for oil produced from certain incapable wells.

Present law provides for the levy of an excise tax on natural resources severed from the soil or water, the rate for which shall be predicated on the quantity or value of the products or resources severed. Present law provides that the tax rate on oil is 12.5% of its value at the time and place of severance. The value of the oil shall be the higher of the gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees, or the posted field price.

Proposed law reduces the tax rate on oil over an eight-year period from 12.5% as follows:

(1) Beginning July 1, 2021, through June 30, 2022, to 12%.

(2) Beginning July 1, 2022, through June 30, 2023, to 11.5%.

(3) Beginning July 1, 2023, through June 30, 2024, to 11%.

(4) Beginning July 1, 2024, through June 30, 2025, to 10.5%.

(5) Beginning July 1, 2025, through June 30, 2026, to 10%.

(6) Beginning July 1, 2026, through June 30, 2027, to 9.5%.

(7) Beginning July 1, 2027, through June 30, 2028, to 9%.

(8) Beginning July 1, 2028, and thereafter, to 8.5%.

Present law provides for a reduced severance tax rate of 6.25% for oil produced from a well classified by the commissioner of conservation as an oil well, and determined by the Dept. of Revenue (DOR) that the well is incapable of producing an average of more than 25 barrels of oil per producing day during the entire taxable month, and which also produces at least 50% salt water per day. Further requires such a well to be defined, for severance tax purposes, as an incapable well, provided that the well has been certified by DOR as incapable of production on or before the 25th day of the second month following the month of production.

Proposed law retains present law.

Present law provides for a reduced severance tax rate of 3.125% for oil produced from a well classified by the commissioner of conservation as an oil well, and certified by DOR that the well is incapable of producing an average of more than 10 barrels of oil per producing day during the entire taxable month. Further requires such a well to be defined, for severance tax purposes, as a stripper well, provided that the well has been certified by DOR as a stripper well on or before the 25th day of the second month following the month of production.

Proposed law retains present law.

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

(Amends R.S. 47:633(7)(a), (b), and (c)(i)(aa))