

2020 Second Extraordinary Session

HOUSE BILL NO. 29

BY REPRESENTATIVE DEVILLIER

TAX/SEVERANCE-EXEMPTION: Suspends severance taxes on production from certain oil wells (Items #26 and 61)

1 AN ACT

2 To amend and reenact R.S. 47:631, relative to suspending certain severance taxes; to provide
3 for a suspension on oil production from newly drilled wells; to provide for the
4 amount of the suspension in the form of an exemption; to provide for applicability;
5 to provide for definitions; to provide for effectiveness; to provide for certain
6 requirements and limitations; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:631 is hereby amended to read as follows:

9 §631. Imposition of tax

10 A. Taxes as authorized by Article VII, Section 4 of the Constitution of
11 Louisiana are hereby levied upon all natural resources severed from the soil or water,
12 including all forms of timber, including pulp woods, turpentine, and other forest
13 products; minerals such as oil, gas, natural gasoline, distillate, condensate,
14 casinghead gasoline, sulphur, salt, coal, lignite, and ores; marble, stone, sand, shells,
15 and other natural deposits; and the salt content in brine.

16 B. Beginning October 1, 2020, through December 31, 2025, there shall be
17 an exemption from severance tax levied pursuant to this Section at the rates provided
18 for in R.S. 47:633, on oil production, when the production occurs on or after October
19 1, 2020, from any newly drilled well or from a completed well undergoing well
20 enhancements that require a Department of Natural Resources permit including but

1 not limited to re-entries, workovers, or plug backs. The exemption shall last for a
 2 period of twenty-four months or until payout of the well cost is achieved, whichever
 3 occurs first. Payout of well cost shall be the cost of completing the well to the
 4 commencement of production as determined by the Department of Natural
 5 Resources.

6 Section 2. This Act shall become effective upon signature by the governor or, if not
 7 signed by the governor, upon expiration of the time for bills to become law without signature
 8 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 9 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 10 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 29 Original

2020 Second Extraordinary Session

DeVillier

Abstract: Suspends severance taxes on oil production from newly drilled wells or from a completed well undergoing well enhancements including but not limited to re-entries, workovers, or plug backs under certain circumstances.

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 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.

Proposed law provides beginning Oct. 1, 2020 through Dec. 31, 2025, oil produced from any newly drilled well or from a completed well undergoing well enhancements that require a Dept. of Natural Resources permit such as re-entries, workovers or plug backs shall be exempt from severance tax, when production occurs on or after Oct. 1, 2020.

Proposed law provides the exemption shall last for a period of twenty-four months or until payout of the well cost is achieved, whichever occurs first.

Proposed law further establishes that the payout of well cost shall be the cost of completing the well to the commencement of production as determined by the Dept. of Natural Resources.

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

(Amends R.S. 47:631)