

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 certain wells; to provide for the amount of
4 the suspension in the form of an exemption; to provide for applicability; to provide
5 for definitions; to provide for effectiveness; to provide for certain requirements and
6 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.(1) There shall be an exemption from the severance tax levied in this
17 Section at the rates provided for in R.S. 47:633 on oil production from any newly
18 drilled well or completed well that is undergoing or has undergone well
19 enhancements that required a Department of Natural Resources permit, including but
20 not limited to re-entries, workovers, or plugbacks, from which production

1 commences on or after October 1, 2020, and on or before December 31, 2025. The
2 exemption shall last for a period of twenty-four months or until payout of the well
3 cost is achieved, whichever occurs first.

4 (2)(a) Payout of well cost occurs when gross revenue from the well, less
5 royalties and operating costs directly attributable to the well, equals the well cost.

6 (b) For the purposes of this Section, well costs shall equal the cost of
7 completing the well to the commencement of production or the cost of well
8 enhancements, as determined by the Department of Natural Resources.

9 (c) For the purposes of this Section, operating costs shall be limited to those
10 costs directly attributable to the operation of the exempt well, including but not
11 limited to direct materials, supplies, fuel, direct labor, contract labor or services,
12 repairs, maintenance, property taxes, insurance, depreciation, and any other costs that
13 can be directly attributed to the operation of the well. Where applicable, the
14 calculation of such costs shall begin from the date that the Department of Natural
15 Resources permitted operation or enhancement is complete and production is
16 established. Operating costs shall not include any costs that were included in the well
17 cost approved by the Office of Conservation.

18 (3) Interest on a refund of severance tax to an operator whose well qualifies
19 for the exemption provided in this Subsection shall be paid in accordance with R.S.
20 47:1624(A)(2).

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

2020 Second Extraordinary Session

DeVillier

Abstract: Suspends severance taxes on oil production from newly drilled wells or from a completed well that is undergoing or has undergone 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 that is undergoing or has undergone well enhancements that required 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 24 months or until payout of the well cost is achieved, whichever occurs first.

Proposed law defines "well costs" as the cost of completing the well to the commencement of production or the cost of well enhancements, as determined by the Dept. of Natural Resources.

Proposed law defines "operating costs" as costs directly attributable to the operation of the exempt well, including but not limited to direct materials, supplies, fuel, direct labor, contract labor or services, repairs, maintenance, property taxes, insurance, depreciation, and any other costs that can be directly attributed to the well.

Proposed law further provides calculation of operating costs shall begin from the date that the Dept. of Natural Resources permitted operation or enhancement is complete and production is established. Operating costs shall not include costs included in the well cost.

Proposed law requires interest on a refund of severance tax to an operator whose well qualifies for this exemption shall be paid in accordance with R.S. 47:1624(A)(2).

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

(Amends R.S. 47:631)

Summary of Amendments Adopted by House

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

1. Make changes to the title.
2. Add provisions defining the terms "well cost" and "operating costs".

3. Add provisions relative to payment of interest on a refund of severance tax to an operator whose well qualifies for the exemption.
4. Make technical changes.