DIGEST

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HB 167 Original 2022 Regular Session DeVillier

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

<u>Present law</u> provides for the levy of an excise tax on natural resources severed from the soil or water, the rate for which is predicated on the quantity or value of the products or resources severed.

<u>Present law</u> 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 is the higher of the gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees, or the posted field price.

<u>Proposed law</u> reduces the tax rate on oil over an eight-year period as follows:

(1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, <u>to</u> 12%.

(2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, <u>to</u> 11.5%.

(3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, <u>to</u> 11%.

(4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, <u>to</u> 10.5%.

(5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, <u>to</u> 10%.

(6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, <u>to</u> 9.5%.

(7) For taxable periods beginning on or after July 1, 2029, and before July 1, 2030, <u>to</u> 9%.

(8) For taxable periods beginning on or after July 1, 2030, <u>to</u> 8.5%.

<u>Present law</u> provides oil produced from a well classified by the commissioner of conservation (commissioner) 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 is taxed at a rate equal to one half of the present rate for oil established in <u>present law</u> (R.S. 47:633(a)), which equates to 6.25%. Further defines such a well for severance tax purposes as an incapable well if 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 changes present law by specifying that the rate is 6.25% of the oil's value at the time and place of severance.

Present law provides oil produced from a well classified by the commissioner 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 is taxed at a rate equal to one quarter of the present rate for oil established in present law (R.S. 47:633(a)), which equates to 3.125%. Further defines such a well for severance tax purposes as a stripper well if 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 changes present law by specifying that the rate is 3.125% of the oil's value at the time and place of severance.

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

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