

2022 Regular Session

HOUSE BILL NO. 716

BY REPRESENTATIVE MCCORMICK

TAX EXEMPTIONS: Reduces the rate of the severance tax levied on oil, certain distillate, and natural gas over a specified period of time

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(a), (b), and (c)(i)(aa) and (ii)(aa), (8), and (9)(a), (b),  
3 (c), and (d)(i), relative to severance taxes; to provide with respect to the severance  
4 tax rate for oil, certain distillate, and natural gas; to reduce the rate of the severance  
5 tax levied on oil, certain distillate, and natural gas; to provide for limitations; to  
6 provide for an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(a), (b), and (c)(i)(aa) and (ii)(aa), (8), and (9)(a), (b), (c),  
9 and (d)(i) are hereby amended and reenacted to read as follows:

10 §633. Rates of tax

11 The taxes on natural resources severed from the soil or water levied by R.S.  
12 47:631 shall be predicated on the quantity or value of the products or resources  
13 severed and shall be paid at the following rates:

14 \* \* \*

15 (7)(a)(i) On oil ~~twelve and one-half percentum of its value at the time and~~  
16 ~~place of severance~~ at the following rate:

17 (aa) For taxable periods beginning before July 1, 2023, twelve and one-half  
18 percent of its value at the time and place of severance.

19 (bb) For taxable periods beginning on or after July 1, 2023, and before July  
20 1, 2024, eleven percent of its value at the time and place of severance.

1            (cc) For taxable periods beginning on or after July 1, 2024, and before July  
2            1, 2025, nine and one-half percent of its value at the time and place of severance.

3            (dd) For taxable periods beginning on or after July 1, 2025, and before July  
4            1, 2026, eight percent of its value at the time and place of severance.

5            (ee) For taxable periods beginning on or after July 1, 2026, and before July  
6            1, 2027, six and one-half percent of its value at the time and place of severance.

7            (ff) For taxable periods beginning on or after July 1, 2027, and before July  
8            1, 2028, five percent of its value at the time and place of severance.

9            (gg) For taxable periods beginning on or after July 1, 2028, and before July  
10           1, 2029, three and one-half percent of its value at the time and place of severance.

11           (hh) For taxable periods beginning on or after July 1, 2029, and before July  
12           1, 2030, two percent of its value at the time and place of severance.

13           (ii) For taxable periods beginning on or after July 1, 2030, no severance tax  
14           shall be levied on oil.

15           (ii) ~~Such~~ The value shall be the higher of (1) the gross receipts received from  
16           the first purchaser, less charges for trucking, barging and pipeline fees, or (2) the  
17           posted field price. In the absence of an arms length transaction or a posted field  
18           price, the value shall be the severer's gross income from the property as determined  
19           by R.S. 47:158(C).

20           (b)(i) ~~On~~ Except as provided in Item (ii) of this Subparagraph, on oil  
21           produced from a well classified by the commissioner of conservation as an oil well,  
22           and determined by the collector of revenue that ~~such~~ the well is incapable of  
23           producing an average of more than twenty-five barrels of oil per producing day  
24           during the entire taxable month, and which also produces at least fifty percent salt  
25           water per day, the tax rate applicable to the oil severed from such well shall be ~~one-~~  
26           half of the rate set forth in Subparagraph (a) of this Paragraph six and one-quarter  
27           percent of its value at the time and place of severance and ~~such~~ the well shall be  
28           defined, for severance tax purposes, as an incapable well, provided that ~~such~~ the well  
29           has been certified by the Department of Revenue as incapable of ~~such~~ production on

1 or before the twenty-fifth day of the second month following the month of  
2 production. Oil severed from a multiple well lease or property is not subject to the  
3 reduced rate of tax provided for herein, unless all ~~such~~ of the wells are certified as  
4 incapable.

5 (ii) The tax rate for incapable wells as provided for in Item (i) of this  
6 Subparagraph shall be reduced as follows:

7 (aa) For taxable periods beginning on or after July 1, 2023, and before July  
8 1, 2024, five and one-half percent of its value at the time and place of severance.

9 (bb) For taxable periods beginning on or after July 1, 2024, and before July  
10 1, 2025, four and seventy-five hundredths percent of its value at the time and place  
11 of severance.

12 (cc) For taxable periods beginning on or after July 1, 2025, and before July  
13 1, 2026, four percent of its value at the time and place of severance.

14 (dd) For taxable periods beginning on or after July 1, 2026, and before July  
15 1, 2027, three and twenty-five hundredths percent of its value at the time and place  
16 of severance.

17 (ee) For taxable periods beginning on or after July 1, 2027, and before July  
18 1, 2028, two and one-half percent of its value at the time and place of severance.

19 (ff) For taxable periods beginning on or after July 1, 2028, and before July  
20 1, 2029, one and seventy-five hundredths percent of its value at the time and place  
21 of severance.

22 (gg) For taxable periods beginning on or after July 1, 2029, and before July  
23 1, 2030, one percent of its value at the time and place of severance.

24 (hh) For taxable periods beginning on or after July 1, 2030, no severance tax  
25 shall be levied pursuant to the provisions of this Subparagraph.

26 (c)(i)(aa) On oil produced from a well classified by the commissioner of  
27 conservation as an oil well, and certified by the Department of Revenue that ~~such~~ the  
28 well is incapable of producing an average of more than ten barrels of oil per  
29 producing day during the entire taxable month, the tax rate applicable to the oil

1 severed from such well shall be ~~one-quarter of the rate set forth in Subparagraph (a)~~  
2 ~~of this Paragraph~~ three and one-hundred twenty-five thousandths percent of its value  
3 at the time and place of severance and ~~such the~~ well shall be defined, for severance  
4 tax purposes, as a stripper well, provided that ~~such the~~ well has been certified by the  
5 Department of Revenue as a stripper well on or before the twenty-fifth day of the  
6 second month following the month of production. Once a well has been certified and  
7 determined to be incapable of producing an average of more than ten barrels of oil  
8 per producing day during an entire month, ~~such the~~ stripper well shall remain  
9 certified as a stripper well until the well produces an average of more than ten barrels  
10 of oil per day during an entire calendar month. Beginning July 1, 2023, the tax rate  
11 for stripper wells as provided for in this Subitem shall be reduced as follows:

12 (I) For taxable periods beginning on or after July 1, 2023, and before July  
13 1, 2024, two and six hundred twenty-five thousandths percent of its value at the time  
14 and place of severance.

15 (II) For taxable periods beginning on or after July 1, 2024, and before July  
16 1, 2025, two and one hundred twenty-five thousandths percent of its value at the time  
17 and place of severance.

18 (III) For taxable periods beginning on or after July 1, 2025, and before July  
19 1, 2026, one and six hundred twenty-five thousandths percent of its value at the time  
20 and place of severance.

21 (IV) For taxable periods beginning on or after July 1, 2026, and before July  
22 1, 2027, one and one hundred twenty-five thousandths percent of its value at the time  
23 and place of severance.

24 (V) For taxable periods beginning on or after July 1, 2027, and before July  
25 1, 2028, six hundred twenty-five thousandths of one percent of its value at the time  
26 and place of severance.

27 (VI) For taxable periods beginning on or after July 1, 2028, and before July  
28 1, 2029, one hundred twenty-five thousandths of one percent of its value at the time  
29 and place of severance.



1               (VI) For taxable periods beginning on or after July 1, 2028, and before July  
2               1, 2029, one hundred twenty-five thousandths of one percent of its value at the time  
3               and place of severance.

4               (VII) For taxable periods beginning on or after July 1, 2029, no severance  
5               tax shall be levied pursuant to the provisions of this Subitem.

6   \*       \*       \*

7               (8)(a) On distillate, condensate, or similar natural resources severed from the  
8               soil or water either with oil or gas, ~~twelve and one-half percentum of gross value at~~  
9               the time and place of severance at the following rate:

10               (i) For taxable periods beginning before July 1, 2023, twelve and one-half  
11               percent of its value at the time and place of severance.

12               (ii) For taxable periods beginning on or after July 1, 2023, and before July  
13               1, 2024, eleven percent of its value at the time and place of severance.

14               (iii) For taxable periods beginning on or after July 1, 2024, and before July  
15               1, 2025, nine and one-half percent of its value at the time and place of severance.

16               (iv) For taxable periods beginning on or after July 1, 2025, and before July  
17               1, 2026, eight percent of its value at the time and place of severance.

18               (v) For taxable periods beginning on or after July 1, 2026, and before July  
19               1, 2027, six and one-half percent of its value at the time and place of severance.

20               (vi) For taxable periods beginning on or after July 1, 2027, and before July  
21               1, 2028, five percent of its value at the time and place of severance.

22               (vii) For taxable periods beginning on or after July 1, 2028, and before July  
23               1, 2029, three and one-half percent of its value at the time and place of severance.

24               (viii) For taxable periods beginning on or after July 1, 2029, and before July  
25               1, 2030, two percent of its value at the time and place of severance.

26               (ix) For taxable periods beginning on or after July 1, 2030, no severance tax  
27               shall be levied pursuant to the provisions of this Paragraph.

28               (b) For the levy of this tax, gross value shall be as defined by R.S.  
29               47:633(7)(a). However, natural gasoline, casinghead gasoline and other natural gas

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

1 liquids, including but not limited to ethane, methane, butane or propane, all of which  
2 occur naturally or which are recovered through processing gas after separation of oil,  
3 distillate, condensate, or similar natural resources shall not be subject to the levy  
4 provided for in this Paragraph, but shall be subject to the levy provided for in R.S.  
5 47:633(9).

6 (9)(a)(i) Subject to adjustment as provided in Subparagraph (d) below, on  
7 natural gas and, based on equivalent gas volumes, natural gasoline, casinghead  
8 gasoline, and other natural gas liquids, including but not limited to ethane, methane,  
9 butane, or propane, ten cents per thousand cubic feet measured at a base pressure of  
10 15.025 pounds per square inch absolute and at the temperature base of sixty degrees  
11 Fahrenheit; provided that whenever the conditions of pressure and temperature differ  
12 from the above bases, conversion of the volume from these conditions to the above  
13 bases shall be made in accordance with the Ideal Gas Laws with correction for  
14 deviation from Boyle's Law, which correction must be made unless the pressure at  
15 the point of measurement is two hundred pounds per square inch gauge, or less, all  
16 in accordance with methods and tables generally recognized by and commonly used  
17 in the natural gas industry. For all purposes of computing standard cubic feet of gas  
18 under this Section the barometric pressure shall be assumed to be 14.7 pounds per  
19 square inch absolute at the place of measurement.

20 (ii) ~~The rate as set forth in Item (i) of this Subparagraph shall be in effect~~  
21 ~~until June 30, 1992. Effective July 1, 1992 the rate shall be seven cents per thousand~~  
22 ~~cubic feet, and this rate shall also be subject~~ Subject to the annual rate adjustment as  
23 provided in Item (d)(i) of this Paragraph, the rate shall be as follows:

24 (aa) For taxable periods beginning before July 1, 2023, seven cents per  
25 thousand cubic feet.

26 (bb) For taxable periods beginning on or after July 1, 2023, and before July  
27 1, 2024, six cents per thousand cubic feet.

28 (cc) For taxable periods beginning on or after July 1, 2024, and before July  
29 1, 2025, five cents per thousand cubic feet.

1            (dd) For taxable periods beginning on or after July 1, 2025, and before July  
2            1, 2026, four cents per thousand cubic feet.

3            (ee) For taxable periods beginning on or after July 1, 2026, and before July  
4            1, 2027, three cents per thousand cubic feet.

5            (ff) For taxable periods beginning on or after July 1, 2027, and before July  
6            1, 2028, two cents per thousand cubic feet.

7            (gg) For taxable periods beginning on or after July 1, 2028, and before July  
8            1, 2029, one cent per thousand cubic feet.

9            (hh) For taxable periods beginning on or after July 1, 2029, no severance tax  
10           shall be levied pursuant to the provisions of this Subparagraph.

11           (b)(i) ~~In~~ Except as provided for in Item (ii) of this Subparagraph, in the case  
12           of gas produced from an oil well designated as such by the office of conservation,  
13           which has been determined by the secretary to have a wellhead pressure of fifty  
14           pounds per square inch gauge or less under operating conditions, or, in the case of  
15           gas rising in a vaporous state through the annular space between the casing and  
16           tubing of ~~such~~ the oil well and released through lines connected with the casinghead  
17           gas which has been determined by the secretary to have a casinghead pressure of  
18           fifty pounds per square inch gauge or less under operating conditions, the rate shall  
19           be three cents per thousand cubic feet. For purposes of applying this reduced rate an  
20           oil well being produced by the method commonly known as gas lift shall be  
21           presumed in the absence of a determination to the contrary by the secretary, to have  
22           a wellhead pressure of fifty pounds per square inch or less under operating  
23           conditions. To qualify for the reduced rate an oil well must have a casinghead  
24           pressure of fifty pounds or less per square inch for the entire taxable month.

25           (ii) The rate of the tax levied pursuant to the provisions of this Subparagraph  
26           shall be reduced as follows:

27           (aa) For taxable periods beginning on or after July 1, 2023, and before July  
28           1, 2024, two and one-half cents per thousand cubic feet.



1            (bb) For taxable periods beginning on or after July 1, 2024, and before July  
2            1, 2025, two cents per thousand cubic feet.

3            (cc) For taxable periods beginning on or after July 1, 2025, and before July  
4            1, 2026, one and one-half cents per thousand cubic feet.

5            (dd) For taxable periods beginning on or after July 1, 2026, and before July  
6            1, 2027, one cent per thousand cubic feet.

7            (ee) For taxable periods beginning on or after July 1, 2027, and before July  
8            1, 2028, one-half cent per thousand cubic feet.

9            (ff) For taxable periods beginning on or after July 1, 2028, no severance tax  
10           shall be levied pursuant to the provisions of this Subparagraph.

11           (c)(i) ~~It~~ Except as provided for in Item (ii) of this Subparagraph, in the case  
12           of gas produced from a gas well designated as such by the office of conservation,  
13           which has been determined by the secretary to be incapable of producing an average  
14           of 250,000 cubic feet of gas per day, the tax rate applicable to the gas severed from  
15           such well shall be one and three-tenths cents per thousand cubic feet. To qualify for  
16           the reduced rate, a gas well must be incapable of producing 250,000 cubic feet of gas  
17           per day during the entire taxable month.

18           (ii) The rate of the tax levied pursuant to the provisions of this Subparagraph  
19           shall be reduced as follows:

20           (aa) For taxable periods beginning on or after July 1, 2023, and before July  
21           1, 2024, one and one-tenth cents per thousand cubic feet.

22           (bb) For taxable periods beginning on or after July 1, 2024, and before July  
23           1, 2025, nine tenths of one cent per thousand cubic feet.

24           (cc) For taxable periods beginning on or after July 1, 2025, and before July  
25           1, 2026, seven tenths of one cent per thousand cubic feet.

26           (dd) For taxable periods beginning on or after July 1, 2026, and before July  
27           1, 2027, five tenths of one cent per thousand cubic feet.

28           (ee) For taxable periods beginning on or after July 1, 2027, and before July  
29           1, 2028, three tenths of one cent per thousand cubic feet.

1           (ff) For taxable periods beginning on or after July 1, 2028, and before July  
2           1, 2029, one tenth of one cent per thousand cubic feet.

3           (gg) For taxable periods beginning on or after July 1, 2029, no severance tax  
4           shall be levied pursuant to the provisions of this Subparagraph.

5           (d)(i) The gas tax rate provided in Subparagraph (a) of this Paragraph shall  
6           be adjusted annually on July first for the ensuing twelve calendar months as  
7           hereinafter set forth but shall never be less than ~~seven cents per thousand cubic feet~~  
8           the rate specified for that year. On or before April 30, 1991, and annually thereafter,  
9           the secretary shall determine, using the "gas base rate adjustment" as hereinafter  
10          provided, the new gas tax rate for the twelve calendar months beginning July 1,  
11          1991, and respectively for each twelve-month period beginning annually thereafter.  
12          The new gas tax rate shall be the rate provided in Subparagraph (a) of this Paragraph  
13          multiplied by the gas base rate adjustment. The "gas base rate adjustment" shall be  
14          determined by the secretary of the Department of Natural Resources. The "gas base  
15          rate adjustment" for the applicable twelve-month period is a fraction, the numerator  
16          of which shall be the average of the New York Mercantile Exchange (NYMEX)  
17          Henry Hub settled price on the last trading day for the month, as reported in the Wall  
18          Street Journal for the previous twelve-month period ending on March thirty-first, and  
19          the denominator of which shall be the average of the monthly average spot market  
20          prices of gas fuels delivered into the pipelines in Louisiana as reported by the Natural  
21          Gas Clearing House for the twelve-month period ending March 31, 1990 (1.7446  
22          \$/MMBTU). For the twelve-month period ending March 31, 2003, the monthly  
23          average gas prices used in making the numerator of the "gas base rate adjustment",  
24          the average gas prices for the months April, 2002 through September, 2002 shall be  
25          the monthly average spot market price of gas fuels delivered into the pipelines into  
26          Louisiana as reported in the Natural Gas Clearing House, and the average gas prices  
27          for the months October, 2002 through March, 2003 shall be the New York  
28          Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for  
29          the month, as reported in the Wall Street Journal. The secretary of the Department

1 of Revenue shall publish the "gas base rate adjustment" and the "gas tax rate", as  
 2 determined under this Subparagraph in the official journal of the state of Louisiana  
 3 by May first of each year and shall provide the "gas base rate adjustment" and the  
 4 "gas tax rate" to affected producers by written notice mailed sixty days prior to the  
 5 effective date thereof, but failure to make such publication or to give such notice  
 6 shall not be a condition for the new gas tax rate which shall nevertheless be effective.

7 \* \* \*

8 Section 2. This Act shall become effective on July 1, 2022.

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 716 Original

2022 Regular Session

McCormick

**Abstract:** Reduces the rate of the severance tax levied on its value at the time and place of severance on oil, certain distillate, and natural gas over a specified period of time.

Present law provides for the levy of a 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.

**Severance Tax on Oil**

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 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.

Proposed law 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, to 11%.
- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to 9.5%.
- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to 8%.
- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to 6.5%.
- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to 5%.
- (6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, to 3.5%.

- (7) For taxable periods beginning on or after July 1, 2029, and before July 1, 2030, to 2%.
- (8) No severance tax shall be levied beginning on or after July 1, 2030.

Present law 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 present law (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 and reduces the tax rate over an eight-year period as follows:

- (1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, to 5.5%.
- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to 4.75%.
- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to 4%.
- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to 3.25%.
- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to 2.5%.
- (6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, to 1.75%.
- (7) For taxable periods beginning on or after July 1, 2029, and before July 1, 2030, to 1%.
- (8) No severance tax shall be levied beginning on or after July 1, 2030.

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 and reduces the tax rate over a seven-year period as follows:

- (1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, to 2.625%.
- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to 2.125%.

- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to 1.625%.
- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to 1.125%.
- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to .625%.
- (6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, to .125%.
- (7) No severance tax shall be levied beginning on or after July 1, 2029.

Present law provides that oil produced from a well in a stripper field classified by the commissioner as a mining and horizontal drilling project which utilizes gravity drainage to a collection point in a downhole operations room, the tax rate applicable to the oil severed from such well shall be one-quarter of the present rate for oil established in present law (R.S. 47:633(a)), which equates to 3.125%. Further requires the well to have been classified by the commissioner as a mining and horizontal drilling project before the lower rate may be claimed on a tax return.

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 and reduces the tax rate over an seven-year period as follows:

- (1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, to 2.625%.
- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to 2.125%.
- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to 1.625%.
- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to 1.125%.
- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to .625%.
- (6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, to .125%.
- (7) No severance tax shall be levied beginning on or after July 1, 2029.

#### **Severance Tax on Distillate**

Present law provides for the levy of a severance tax at the rate of 12.5% on distillate, condensate, or similar natural resources severed from the soil or water either with oil or gas.

Proposed law reduces the rate of the tax levied on distillate over an eight-year period as follows:

- (1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, to 11%.

- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to 9.5%.
- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to 8%.
- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to 6.5%.
- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to 5%.
- (6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, to 3.5%.
- (7) For taxable periods beginning on or after July 1, 2029, and before July 1, 2030, to 2%.
- (8) No severance tax shall be levied beginning on or after July 1, 2030.

Present law requires natural gasoline, casinghead gasoline and other natural gas liquids, including ethane, methane, butane or propane, all of which occur naturally or which are recovered through processing gas after separation of oil, distillate, condensate, or similar natural resources to be taxed at the rates in present law for natural gas.

Proposed law retains present law.

#### **Severance Tax on Natural Gas**

Present law provides for the levy of a 7¢ per 1000 cubic feet tax on natural gas and, based on equivalent gas volumes, natural gasoline, casinghead gasoline, and other natural gas liquids, including ethane, methane, butane, or propane measured at a base pressure of 15.025 pounds per square inch absolute and at the temperature base of 60 degrees Fahrenheit. However, when the conditions of pressure and temperature differ from the above bases, present law provides a method for conversion of the volume from these conditions.

Present law requires DOR to calculate an annual rate adjustment on July first of each year for the ensuing 12 calendar months. The calculation for the annual rate adjustment uses the severance tax rate in present law multiplied by a gas base rate adjustment formula. Present law prohibits the severance rate on natural gas to be less than 7¢ per 1000 cubic feet.

Proposed law retains present law but changes references from the minimum 7¢ per 1000 cubic feet tax rate on natural gas to the severance tax rate specified for that year.

Proposed law reduces the tax rate on natural gas over a seven-year period as follows:

- (1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, to 6¢ per 1000 cubic feet.
- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to 5¢ per 1000 cubic feet.
- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to 4¢ per 1000 cubic feet.
- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to 3¢ per 1000 cubic feet.

- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to 2¢ per 1000 cubic feet.
- (6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, to 1¢ per 1000 cubic feet.
- (7) No severance tax shall be levied on or after July 1, 2029.

Present law provides for a reduced severance tax rate of 3¢ per 1000 cubic feet for gas produced from an oil well designated by the commissioner to have a wellhead pressure of 50 pounds per square inch gauge or less under operating conditions, or, in the case of gas rising in a vaporous state through the annular space between the casing and tubing of an oil well and released through lines connected with the casinghead gas which has been determined by the commissioner to have a casinghead pressure of 50 pounds per square inch gauge or less under operating conditions. Further requires the oil well to have a casinghead pressure of 50 pounds or less per square inch for the entire taxable month in order to qualify for the reduced rate.

Proposed law retains present law relative to qualifications for the reduced rate; however, proposed law reduces the severance tax rate over a six-year period as follows:

- (1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, to 2.5¢ per 1000 cubic feet.
- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to 2¢ per 1000 cubic feet.
- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to 1.5¢ per 1000 cubic feet.
- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to 1¢ per 1000 cubic feet.
- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to .5¢ per 1000 cubic feet.
- (6) No severance tax shall be levied for taxable periods beginning on or after July 1, 2029.

Present law provides for a reduced severance tax rate of 1.3¢ per 1000 cubic feet for gas produced from a gas well designated by the commissioner to be incapable of producing an average of 250,000 cubic feet of gas per day. Further requires the gas well to be incapable of producing 250,000 cubic feet of gas per day during the entire taxable month in order to be eligible for the reduced severance tax rate.

Proposed law retains present law relative to qualifications for the reduced rate; however, proposed law reduces the severance tax rate over a seven-year period as follows:

- (1) For taxable periods beginning on or after July 1, 2023, and before July 1, 2024, to 1.1¢ per 1000 cubic feet.
- (2) For taxable periods beginning on or after July 1, 2024, and before July 1, 2025, to .9¢ per 1000 cubic feet.
- (3) For taxable periods beginning on or after July 1, 2025, and before July 1, 2026, to .7¢ per 1000 cubic feet.

- (4) For taxable periods beginning on or after July 1, 2026, and before July 1, 2027, to .5¢ per 1000 cubic feet.
- (5) For taxable periods beginning on or after July 1, 2027, and before July 1, 2028, to .3¢ per 1000 cubic feet.
- (6) For taxable periods beginning on or after July 1, 2028, and before July 1, 2029, to .1¢ per 1000 cubic feet.
- (7) No severance tax shall be levied beginning on or after July 1, 2029.

Effective July 1, 2022.

(Amends R.S. 47:633(7)(a), (b), and (c)(i)(aa) and (ii)(aa), (8), and (9)(a), (b), (c), and (d)(i))