

2024 Regular Session

HOUSE BILL NO. 259

BY REPRESENTATIVES BEAULLIEU AND JACOB LANDRY

TAX/SEVERANCE TAX: Reduces the severance tax rate for oil over a certain period of time and specifies the severance tax rate for oil produced from certain wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(a), (b), and (c)(i)(aa) and (ii)(aa) and (cc), relative to
3 severance tax; to reduce the severance tax rate on oil over a certain period of time;
4 to fix the severance tax rate on oil produced from certain wells at the current rate; to
5 provide for certain limitations; to provide for an effective date; and to provide for
6 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) and (cc) are hereby
9 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 on or after January 1, 2024, and before
18 July 1, 2025, twelve and one-half percent of its value at the time and place of
19 severance.

1 (bb) For taxable periods beginning on or after July 1, 2025, and before July
2 1, 2026, twelve percent of its value at the time and place of severance.

3 (cc) For taxable periods beginning on or after July 1, 2026, and before July
4 1, 2027, eleven and one-half percent of its value at the time and place of severance.

5 (dd) For taxable periods beginning on or after July 1, 2027, and before July
6 1, 2028, eleven percent of its value at the time and place of severance.

7 (ee) For taxable periods beginning on or after July 1, 2028, and before July
8 1, 2029, ten and one-half percent of its value at the time and place of severance.

9 (ff) For taxable periods beginning on or after July 1, 2029, and before July
10 1, 2030, ten percent of its value at the time and place of severance.

11 (gg) For taxable periods beginning on or after July 1, 2030, and before July
12 1, 2031, nine and one-half percent of its value at the time and place of severance.

13 (hh) For taxable periods beginning on or after July 1, 2031, and before July
14 1, 2032, nine percent of its value at the time and place of severance.

15 (ii) For taxable periods beginning on or after July 1, 2032, eight and one-half
16 percent of its value at the time and place of severance.

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

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

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

6 (c)(i)(aa) On oil produced from a well classified by the commissioner of
7 conservation as an oil well, and certified by the Department of Revenue that such
8 well is incapable of producing an average of more than ten barrels of oil per
9 producing day during the entire taxable month, the tax rate applicable to the oil
10 severed from such well shall be ~~one-quarter of the rate set forth in Subparagraph (a)~~
11 ~~of this Paragraph~~ three and one hundred twenty-five thousandths percent of its value
12 at the time and place of severance and such well shall be defined, for severance tax
13 purposes, as a stripper well, provided that such well has been certified by the
14 Department of Revenue as a stripper well on or before the twenty-fifth day of the
15 second month following the month of production. Once a well has been certified and
16 determined to be incapable of producing an average of more than ten barrels of oil
17 per producing day during an entire month, such stripper well shall remain certified
18 as a stripper well until the well produces an average of more than ten barrels of oil
19 per day during an entire calendar month.

20 * * *

21 (ii)(aa) On oil produced from a well in a stripper field classified by the
22 commissioner of conservation as a mining and horizontal drilling project which
23 utilizes gravity drainage to a collection point in a downhole operations room, the tax
24 rate applicable to the oil severed from such well shall be ~~one-quarter of the rate set~~
25 ~~forth in Subparagraph (a) of this Paragraph (7)~~ three and one hundred twenty-five
26 thousandths percent of its value at the time and place of severance; provided that
27 such well has been classified by the commissioner as a mining and horizontal drilling
28 project before the lower rate is claimed on a tax return.

29 * * *

- (5) For taxable periods beginning on or after July 1, 2029, and before July 1, 2030, to 10%.
- (6) For taxable periods beginning on or after July 1, 2030, and before July 1, 2031, to 9.5%.
- (7) For taxable periods beginning on or after July 1, 2031, and before July 1, 2032, to 9%.
- (8) For taxable periods beginning on or after July 1, 2032, to 8.5%.

Present law provides that oil produced from a well classified by the commissioner of conservation (commissioner) as an oil well and determined by the Dept. of Revenue (DOR) as a well that 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(7)(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 fixing the rate at 6.25% of the oil's value at the time and place of severance.

Present law provides that 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(7)(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 fixing the rate at 3.125% of the oil's value at the time and place of severance.

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 in a downhole operations room is taxed at a rate equal to one-quarter of the present rate for oil established in present law (R.S. 47:633(7)(a) which equates to 3.125%). Further defines such a well for severance tax purposes as such if the well has been classified by the commissioner as a mining and horizontal drilling project before the lower rate is claimed on a tax return.

Proposed law changes present law by fixing the rate at 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) and (ii)(aa) and (cc))