CONFERENCE COMMITTEE REPORT

HB 418 **2024 Regular Session** **Beaullieu**

May 22, 2024

To the Honorable Speaker and Members of the House of Representatives and the Honorable President and Members of the Senate.

Ladies and Gentlemen:

We, the conferees appointed to confer over the disagreement between the two houses concerning House Bill No. 418 by Representative Beaullieu, recommend the following concerning the Engrossed bill:

1. That the set of Senate Committee Amendments by the Senate Committee on Revenue and Fiscal Affairs (#2273) be adopted.

2. That the following amendments be adopted:

AMENDMENT NO. 1

In Senate Committee Amendment No. 1 by the Senate Committee on Revenue and Fiscal Affairs (#2273), on page 1, line 4, after "2024" and before the period "." delete the comma "," and delete "through September 30, 2028"

AMENDMENT NO. 2

On page 1, line 2, change "rate" to "rates"

AMENDMENT NO. 3

On page 1, at the end of line 3, add "to provide for limitations with respect to the reduced rates;"

AMENDMENT NO. 4

On page 1, at the beginning of line 16, change "(iv)" to "(iv)(aa)"

AMENDMENT NO. 5

On page 1, line 20, after "years" and before "Production" delete the period "." and insert "if the production commences before October 1, 2028."

AMENDMENT NO. 6

On page 2, delete lines 4 through 11 in their entirety and insert in lieu thereof the following:

"years if the production commences before October 1, 2028.

(bb) Production from an oil or gas well subsequent to the well's having been inactive for two or more years or having thirty days or less of production during the past two years shall be subject to a severance tax rate equal to fifty percent of the rate imposed under this Paragraph or Paragraph (9) of this Section for a period of ten years if the production commences on or after October 1, 2028. Production from an oil or gas well subsequent to the well's having been designated as an orphan well for longer than sixty months shall be subject to a severance tax rate equal to twenty-five percent of the rate imposed under this Paragraph or Paragraph (9) of this Section for a period of ten years if the production commences on or after October 1, 2028.

(cc) To qualify for ~~the~~ a reduced inactive or orphan well severance tax rate provided for in Subitem (aa) or (bb) of this Item, the oil or gas production must be produced from the same perforated producing interval or from one hundred feet above and one hundred feet below the perforated producing interval for lease wells, and within the correlative defined interval for unitized reservoirs, that the formerly inactive or orphaned well produced from before being inactive or designated as an orphan well. The exemption shall be extended by the length of any inactivity of a well that has commenced production when such inactivity is caused by a force majeure.

~~(aa)~~ (dd) To qualify for inactive or orphan well status for purposes of the special ~~rate referenced~~ rates provided for in this Item, an application for inactive or orphan well certification shall be made to the Department of Energy and Natural Resources during the period beginning July 1, 2018, and ending June 30, ~~2023~~ 2028. Upon certification that a well is inactive or orphan, production shall be subject to the special rate as provided in this Item from the date production begins or ninety days from the date of the application, whichever occurs first. If, in any one fiscal year, the secretary of the Department of Revenue estimates that the severance tax paid under the provisions of this Item will be in excess of fifteen million dollars, the secretary shall notify the commissioner of conservation who shall not certify inactive or orphan well status for any other wells for the remainder of that fiscal year. Such certifications may begin again after the beginning of the next fiscal year.

~~(bb)~~ (ee) If the severance tax is paid at the full rate provided by this Section before the Department of Energy and Natural Resources approves an application for inactive or orphan well status, the operator is entitled to a credit against taxes imposed by this Section in an amount equal to the tax paid. To receive a credit, the operator must apply to the secretary of the Department of Revenue for the credit not later than the first anniversary after the date the Department of Energy and Natural Resources certifies that the well is an inactive or orphan well.

~~(cc)~~ (ff) Notwithstanding any provision of law to the contrary, oil production from any orphan well as defined by R.S. 30:88.2(A) that is undergoing or has undergone well enhancements that required a Department of Energy and Natural Resources permit, including but not limited to re-entries, workovers, or plugbacks, from which production commences on or after October 1, 2021, and before June 30, 2031, shall be exempt from the severance tax. To qualify for the exemption, an application for certification shall be made to the Department of Energy and Natural Resources. Upon certification that a well qualifies for the exemption, the operator shall retain an amount equal to the severance tax otherwise due for the initial three months of the exemption. Beginning in the fourth month following certification, the operator shall report, on forms prescribed by the secretary, and remit to the Department of Revenue an amount equal to the severance tax applicable to the well pursuant to this Paragraph, which shall be credited to the associated site-specific trust account provided for in R.S. 30:88.2 and shall be subject to all due date, interest, and penalty provisions applicable to the oil severance tax."

Respectfully submitted,

Representative Gerald "Beau" Beaullieu, IV	Senator Franklin J. Foil
Representative Julie Emerson	Senator Mike Reese
Representative Jacob Landry	Senator William "Bill" Wheat, Jr.

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)]

CONFERENCE COMMITTEE REPORT DIGEST

HB 418 **2024 Regular Session** **Beaullieu**

Keyword and oneliner of the instrument as it left the House

TAX/SEVERANCE TAX: Reduces severance tax rates on oil and gas produced from inactive wells and orphan wells

Report adopts Senate amendments to:

1. Provide that proposed law shall apply to taxable periods beginning on or after October 1, 2024.

Report amends the bill to:

1. Establish that the special, reduced rates of severance tax on production from inactive wells and orphan wells provided in proposed law (25% and 12.5% of the standard severance tax rate, respectively) shall apply when production from those wells commences before October 1, 2028.

2. Establish that the special, reduced rates of severance tax on production from inactive wells and orphan wells provided in present law (50% and 25% of the standard severance tax rate, respectively) shall apply when production from those wells commences on or after October 1, 2028.

3. With respect to qualifying for inactive or orphan well status for purposes of the special rates provided for in present law and proposed law, extend the deadline by which application must be made to the Dept. of Energy and Natural Resources for inactive or orphan well status from June 30, 2023 to June 30, 2028.

4. Delete proposed law providing that present law and proposed law will not apply to taxable periods beginning after September 30, 2028.

Digest of the bill as proposed by the Conference Committee

Present law provides for the levy of a tax, known as severance tax, on natural resources severed from the soil or water. Provides that the rate of the severance tax is predicated on the quantity or value of the products or resources severed.

Present law establishes general severance tax rates. Proposed law retains present law.

Present law provides for special, reduced rates of severance tax on production from certain oil and gas wells with inactive or orphan well status conferred by the Dept. of Energy and Natural Resources. Provides that the special rates shall be as follows:

(1) Production from an oil or gas well subsequent to the well's having been inactive for two or more years, or having 30 days or less of production during the past two years, shall be subject to a severance tax rate equal to 50% of the general severance tax rate imposed by present law for a period of 10 years.

(2) Production from an oil or gas well subsequent to the well's having been designated as an orphan well for longer than 60 months shall be subject to a severance tax rate equal to 25% of the general severance tax rate imposed by present law for a period of 10 years.

Proposed law provides that the special 50% and 25% severance tax rates on production from inactive wells and orphan wells, respectively, as established in present law, shall apply if production commences on or after October 1, 2028.

Proposed law establishes special 25% and 12.5% severance tax rates on production from inactive wells and orphan wells, respectively, which shall apply if production commences before October 1, 2028.

Proposed law retains present law allowing oil and gas production from inactive wells and orphan wells to be taxed at the special rates provided for in present law and proposed law for a period of ten years.

Present law stipulates that in order to qualify for inactive or orphan well status for purposes of the special rate provided for in present law, an application for inactive or orphan well certification shall be made to the Dept. of Energy and Natural Resources during the period beginning July 1, 2018, and ending June 30, 2023. Proposed law extends the application deadline to June 30, 2028, thereby providing that in order to qualify for the special rate provided for in present law or proposed law, an application for inactive or orphan well certification shall be made to the Dept. of Energy and Natural Resources during the period beginning July 1, 2018, and ending June 30, 2023.

Proposed law applies to taxable periods beginning on or after Oct. 1, 2024.

Effective Oct. 1, 2024.

(Amends R.S. 47:633(7)(c)(iv))