
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

Beaulieu

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))