2025 Regular Session

HOUSE BILL NO. 491

BY REPRESENTATIVE OWEN

TAX CREDITS: Establishes a tax credit for costs of developing carbon sequestration wells where carbon sequestration is subsequently prohibited by local ordinance

AN ACT

To enact R.S. 47:6003, relative to tax credits; to establish an income tax credit for certain costs associated with developing carbon sequestration wells; to provide for eligibility for the credit; to provide for the amount of the credit; to provide for limitations with respect to the credit; to authorize carrying forward of unused credit amounts; to provide for an application and certification process with respect to the credit; to provide for definitions; to authorize administrative rulemaking; to provide for applicability; to provide for an effective date; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 47:6003 is hereby enacted to read as follows:

§6003. Carbon sequestration investment recovery tax credit

A. For purposes of this Section, the following terms shall have the meanings ascribed to them in this Subsection:

(1) "Class V well testing" means exploratory or operational activities conducted under a Class V injection well permit issued by the Department of Energy and Natural Resources to assess suitability for carbon dioxide sequestration.

(2) "Eligible costs" means documented expenditures on Class V well testing, including drilling, equipment, labor, and geological assessments, incurred prior to the effective date of a local ordinance prohibiting carbon sequestration.

B.(1) There shall be allowed a credit against any Louisiana income tax for any taxpayer who has incurred eligible costs and is prevented from completing a Class VI carbon sequestration well due to a local ordinance enacted after March 27, 2025. The amount of the credit shall equal the total of a taxpayer's eligible costs, not to exceed five million dollars per taxpayer. The total amount of a taxpayer's credit shall be allocated in equal portions over five consecutive taxable years beginning with the year in which the credit is granted.

(2) The total amount of credits granted pursuant to the provisions of this Section shall not exceed twenty-five million dollars per taxable year.

C.(1) To qualify for the tax credit, a taxpayer shall submit an application to the Department of Revenue within one hundred eighty days of the effective date of a local ordinance prohibiting carbon sequestration. The application shall be on a form prescribed by the secretary of the Department of Revenue and shall include all of the following:

(a) Proof of Class V well testing permits issued by the Department of Energy and Natural Resources.

(b) Itemized receipts, financial statements, or both verifying eligible costs.

(c) A copy of the local ordinance prohibiting carbon sequestration.

(2) The Department of Revenue, in consultation with the Department of Energy and Natural Resources, shall certify the eligible costs claimed on the taxpayer's application. The Department of Revenue shall issue or deny credits to a taxpayer within ninety days of the date of receipt of the taxpayer's application.

D. The granting of tax credits authorized by this Section shall be on a first-come, first-served basis. If the total amount of credits claimed in a particular calendar year exceeds the amount of tax credits authorized for that year, the Department of Revenue shall treat the excess as having been applied for on the first day of the subsequent year. The department shall treat all requests received on the same business day as received at the same time. If the aggregate amount of the requests received on a single business day exceeds the total amount of available tax credits, the department shall approve tax credits on a pro rata basis.

E. The credit provided for in this Section shall be allowed against the income tax due from a taxpayer for the taxable period in which the credit is earned. If the credit allowed pursuant to this Section exceeds the amount of taxes due from a qualifying taxpayer, then any unused credit amount may be carried forward by the taxpayer as a credit against subsequent tax liability for a period not to exceed five years. However, in no event shall the amount of the credit applied by a qualifying taxpayer in a taxable period exceed the amount of taxes due from the taxpayer for that taxable period

F. Credits previously granted to a taxpayer, but later disallowed, may be recovered by the secretary of the Department of Revenue through any collection remedy authorized by R.S. 47:1561.

G. No taxpayer shall be eligible for any other state tax credit or any state tax exemption, exclusion, deduction, or rebate, or any other state tax preference for activity for which the taxpayer receives a credit pursuant to this Section.

H. The secretary of the Department of Revenue may promulgate rules in accordance with the Administrative Procedure Act as are necessary to implement the provisions of this Section.

I. No credits authorized by this Section may be earned for any taxable year beginning after December 31, 2031.

Section 2. The provisions of this Act shall apply to taxable periods beginning on or after January 1, 2026.

Section 3. This Act shall become effective on January 1, 2026.

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 491 Original 2025 Regular Session Owen

Abstract: Establishes an income tax credit for costs of developing carbon sequestration wells in locations where carbon sequestration is subsequently prohibited by local ordinance.

Proposed law authorizes an income tax credit for taxpayers who incur eligible costs and are prevented from completing a Class VI carbon sequestration well due to a local ordinance enacted after March 27, 2025. Defines "eligible costs" as documented expenditures on Class V well testing, including drilling, equipment, labor, and geological assessments, incurred prior to the effective date of a local ordinance prohibiting carbon sequestration.

Proposed law provides that the amount of the credit shall equal the total of a taxpayer's eligible costs, not to exceed $5M per taxpayer. Requires that the total tax credit amount be allocated in equal portions over five consecutive taxable years beginning with the year in which the credit is granted.

Proposed law caps the total amount of credits that may be granted at $25M per taxable year.

Proposed law requires that in order to qualify for the credit, a taxpayer shall submit an application to the Dept. of Revenue (DOR) within 180 days of the effective date of a local ordinance prohibiting carbon sequestration. Requires that the application be on a form prescribed by DOR and include documentation of costs.

Proposed law requires DOR, in consultation with the Dept. of Energy and Natural Resources, to certify the eligible costs claimed on the taxpayer's application. Requires DOR to issue or deny credits to a taxpayer within 90 days of the date of receipt of the taxpayer's application.

Proposed law provides that if the credit exceeds the amount of taxes due from a taxpayer for a taxable period, then any unused credit amount may be carried forward by the taxpayer as a credit against subsequent tax liability for a period not to exceed five years. Stipulates, however, that the amount of the credit applied in a taxable period shall not exceed the amount of taxes due from the taxpayer for that period.

Proposed law authorizes recovery by DOR of disallowed credits in accordance with collection remedies established in present law.

Proposed law provides that no taxpayer shall be eligible for any other state tax credit, or any other type of state tax preference, for activity for which the taxpayer receives a credit pursuant to proposed law.

Proposed law prohibits credits from being earned for any taxable year beginning after Dec. 31, 2031

Proposed law applies to taxable periods beginning on or after Jan. 1, 2026.

Effective Jan. 1, 2026.

(Adds R.S. 47:6003)