

Regular Session, 2013

HOUSE BILL NO. 616

BY REPRESENTATIVE ROBIDEAUX

TAX/SEVERANCE TAX: Provides relative severance tax exemptions

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(a), (c) (iii)(introductory paragraph) and
3 (iv)(introductory paragraph), and 633(9)(d)(v), and R.S. 47:633.4(B), to enact R.S.
4 47:634(4), and to repeal R.S. 47:633(7)(c)(ii), (9)(e)(i), (v), and (vii), relative to the
5 general severance tax; to provide with respect to exemptions and other special tax
6 treatment for certain types of oil and gas production; to provide with respect to
7 severability; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:634(4) is hereby enacted and R.S. 47:633(7)(a), (iii)(introductory
10 paragraph) and (iv), and 9(d)(v), and R.S. 47:633.4(B) are hereby amended and reenacted
11 to read as follows:

12 §633. Rates of tax

13 * * *

14 (7)(a)(i) On oil twelve and one-half ~~percentum~~ percent of its value at the
15 time and place of severance. Such value shall be the higher of (1) the actual market
16 value of the oil and shall be the gross receipts and the reasonable value of all other
17 consideration received from the first purchaser in an arms-length transaction or (1)
18 (2) the gross receipts received from the first purchaser, less charges for trucking,
19 barging and pipeline fees; or (2) the posted field price. In the absence of an arms
20 length transaction or a posted field price, the value shall be the severer's gross

1 ~~income from the property as determined by R.S. 47:158(C); which only applies when~~
2 ~~the price of oil is less than \$75 per barrel. This deduction shall not apply when the~~
3 ~~price of oil is greater than \$75 per barrel.~~

4 (ii) If the oil is exchanged for anything of value other than cash, if there is
5 no sale at the wellhead, or if the relation between the buyer and the seller is such that
6 the consideration paid, or received, if any, is not indicative of the product's true value
7 or actual market value, the secretary shall determine the taxable value of the oil,
8 considering the sale price at the point of disposition, or oil of like quality in the same
9 vicinity.

10 * * *

11 (c)

12 * * *

13 ~~(iii) All severance tax shall be suspended, for a period of twenty-four months~~
14 ~~or until payout of the well cost is achieved, whichever comes first, on any~~
15 ~~horizontally drilled well, or, on any horizontally drilled recompletion well, from~~
16 ~~which production commences after July 31, 1994. On oil and gas produced from a~~
17 ~~horizontal well, severance tax shall be due at sixty percent of the full rate for the first~~
18 ~~seven years of production. For all years thereafter, the rate shall be the full rate.~~

19 * * *

20 ~~(iv) Production from oil and gas wells shall be exempt from severance tax~~
21 ~~for a period of five years when returned to service after being inactive for two or~~
22 ~~more years or having thirty days or less of production during the past two years. The~~
23 ~~exemption shall be extended by the length of any inactivity of a well that has~~
24 ~~commenced production when such inactivity is caused by a force majeure. On oil or~~
25 ~~gas wells produced from an inactive well, severance tax shall be due at sixty percent~~
26 ~~of the full rate for the first ten years of production. For all years thereafter, the rate~~
27 ~~shall be the full rate.~~

28 * * *

1 (v)(i) Production of natural gas, gas condensate, and oil from any well drilled
2 to a true vertical depth of between more than fifteen thousand and twenty two
3 thousand feet, ~~where production commences after July 31, 1994,~~ shall be ~~exempt~~
4 ~~from severance tax, from the date production begins, for twenty-four months or until~~
5 ~~payout of the well cost, whichever comes first.~~ shall be due at one half the full rate
6 for the first five years of production. For all years thereafter, the rate shall be the full
7 rate.

8 (ii) Production of natural gas, gas condensate, and oil from any well drilled
9 to a true vertical depth of twenty two thousand feet or more, shall be exempt from
10 severance tax, from the date production begins, for twenty-four months or until
11 payout of the well cost, whichever comes first. For all years thereafter, the rate shall
12 be the full rate and no payout of well cost.

13 * * *

14 §633.4. Tertiary recovery incentive

15 * * *

16 B.(1) In order to accomplish the purposes set forth in Subsection A of this
17 Section, ~~no~~ severance tax shall be due in regard to production from a qualified
18 tertiary recovery project approved by the assistant secretary of the office of
19 conservation of the Department of Natural Resources at a rate of 3.125% for the first
20 ten years of production. For all years thereafter, the rate shall be the full rate except
21 for tertiary wells using anthropogenic carbon dioxide (CO2) which shall be half the
22 full rate. until such project has reached payout from total production of:-

23 (a) ~~Investment costs;~~

24 (b) ~~Expenses peculiar to the tertiary recovery project, not to include charges~~
25 ~~attributable to primary and secondary operations on that reservoir; and-~~

26 (c) ~~Interest at commercial rates.~~

27 (2) ~~Payout shall be determined at a public hearing held before the assistant~~
28 ~~secretary of the office of conservation. Once payout has been achieved severance~~
29 ~~tax shall be due in regard to all future production within the qualified tertiary~~

1 ~~recovery project as provided by law, with the exception of production within a~~
2 ~~carbon dioxide (CO²) tertiary recovery project which is permitted on or after July 1,~~
3 ~~2009. For all taxable periods beginning on and after July 1, 2010, the severance tax~~
4 ~~on future production within a carbon dioxide (CO²) tertiary recovery project using~~
5 ~~anthropogenic carbon dioxide which is permitted after July 1, 2009, shall be reduced~~
6 ~~by fifty percent of the tax that otherwise would be due.~~

7 ~~(3)~~ (2) The assistant secretary of the office of conservation is hereby
8 authorized to adopt rules, regulations, and orders for the proper administration of this
9 Section.

10 * * *

11 §634. Definitions

12 The following terms as used in this Part shall have the following meanings
13 ascribed to them:

14 * * *

15 (4) "Time and place of severance" or "time of severance" means the date,
16 point, or place at which the tax levied on the quantity or value of the natural resource
17 can be determined for purposes of payment of the severance tax. Thus, oil or
18 condensate is severed for purposes of payment of the severance tax only when the
19 product is transferred from the producer to the first purchaser at the point of
20 disposition in an arm's-length transaction, since otherwise the legislative intent to
21 levy and collect a severance tax on the value of the product could not be
22 accomplished.

23 Section 2. R.S. 47:633(7)(c)(ii), (9)(e)(i), (v), and (vii) are hereby repealed in their
24 entirety.

25 Section 3. Notwithstanding the provisions of R.S. 24:175, the provisions of this Act
26 are nonseverable. It is intended that if any provisions of this Act, or the application thereof
27 to any person or circumstances is held invalid under the Constitution of Louisiana or of the
28 United States by a final and nonappealable judgment, then such provision's ineffectiveness
29 or invalidity will invalidate this Act.

1 Section 4. This Act shall take effect and become operative on January 1, 2014 if and
2 when the Acts which originated as House Bill No. ____ of this 2013 Regular Session of the
3 Legislature providing for the repeal of state individual income tax, and House Bill No. ____
4 of this 2013 Regular Session of the Legislature providing for the repeal of state corporate
5 income and corporation franchise taxes, both are enacted and become effective. This Act
6 shall become effective on January 1, 2014.

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)]

Robideaux

HB No. 616

Abstract: Changes severance tax exemptions and other special tax treatment for various types of oil and gas production.

Present law imposes tax on the severance of oil and natural gas.

Proposed law retains present law with respect to tax rates.

Present law provides for various exemptions and special tax treatment with respect to severance tax liabilities related to oil and gas production.

Proposed law changes present law for the exemptions for horizontal wells, inactive wells, deep wells, production related to tertiary recovery projects.

Present law authorizes an exclusion from the severance tax base for gas which is subsequently injected into a formation in La. or which is used in the manufacture of carbon black.

Proposed law repeals present law relative to the tax on stripper wells, stored gas, gas used in the production of natural resources in La., and gas vented or flared.

(Amends R.S. 47:633(7)(a), (iii)(introductory paragraph) and (iv)(introductory paragraph), and 633(9)(d)(v), and R.S. 47:633.4(B); Adds R.S. 47:634(4); Repeal R.S. 47:633(7)(c)(ii), (9)(e)(i), (v), and (vii))