
DIGEST

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Stuart Bishop

HB No. 474

Abstract: Provides for reduced severance tax rates for oil and gas production from inactive wells.

Present law levies a severance tax of 12.5% on oil produced in the state.

Present law levies a severance tax on natural gas produced in the state. The tax rate is set each year by multiplying the natural gas severance tax base rate of 7 cents per MCF by the "gas base rate adjustment" which is determined by the secretary of the Dept. of Natural Resources.

Present law provides for a 5-year exemption period during which oil and gas produced from wells classified as inactive by the commissioner of conservation are exempt from severance tax (hereinafter "initial exemption period").

Proposed law provides for a period of reduced severance tax rates for those inactive wells which applied for inactive well status before July 1, 2010 and which are operating within an initial exemption period. Beginning July 1, 2013 and for the period of time remaining in a well's initial exemption period, the severance tax on oil shall be 3.125% of production value and the tax on gas shall be 25% of the rate established by present law.

Proposed law provides that upon the expiration of an inactive well's initial exemption period, there shall be an additional 5-year period during which time the severance tax on oil produced from such wells shall be 3.125% of production value and the tax on gas shall be 25% of the rate established by present law.

Proposed law provides that after July 1, 2015, application may be made for certification of an inactive well for a 10-year period in which oil production shall be subject to a severance tax of 6.25% of its value and gas production shall be subject to a severance tax equal to 50% of the rate established in present law.

Present law requires that inactive wells be certified by the Dept. of Natural Resources, and that application for certification be made before commencement of production.

Proposed law retains present law.

Effective if the proposed amendments of the Const. of La. contained in the Joint Resolutions which originated as HB Nos. 434, 435, and 436 of the 2013 R.S. are concurred in by both houses

of the legislature and HB Nos 1, 437, 456, 571, 620, 653, and 696 of the 2013 R.S. are enacted into law.

Effective July 1, 2013.

(Amends R.S. 47:633(7)(c)(iv); Repeals R.S. 47:633(9)(e)(vii))

Summary of Amendments Adopted by House

House Floor Amendments to the original bill.

1. Deletes provisions for a 10 year severance tax exemption for oil production from an inactive well.
2. Adds provisions for periods of reduced severance tax rates for those inactive wells producing either oil or gas for which an application for inactive well certification was submitted to the Dept. of Natural Resources before July 1, 2010.
3. Adds provisions for a 10-year period of reduced severance tax rates for inactive wells producing oil or gas beginning July 1, 2015.
4. Adds effectiveness provisions, including contingencies regarding other legislation.