

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 579** HLS 15RS 1115  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|   |                            |
|---|----------------------------|
| <b>Date:</b> April 14, 2015 6:00 AM                                   | <b>Author:</b> GAROFALO    |
| <b>Dept./Agy.:</b> Wildlife and Fisheries                             | <b>Analyst:</b> Drew Danna |
| <b>Subject:</b> Increases oyster lease rental rates & severance taxes |                            |

FISHING/OYSTERS OR INCREASE SD RV See Note Page 1 of 1  
 Increases lease rental rates and severance taxes on oysters

Current law requires the Wildlife and Fisheries Commission to fix rental rates for oyster leases at \$2 per acre per year and sets a severance tax of \$.025 per barrel for each barrel of oysters harvested from leased water bottoms and \$.03 per barrel for those harvested from natural reefs. Current law places revenue from these fees into the Conservation Fund.

Proposed law will set the rental rate for oyster leases at \$3 per acre per year beginning 1/1/2016 and \$4 per acre per year starting 1/1/2018. Proposed law will increase the severance tax to \$.10 per barrel for oysters harvested from leased water bottoms and \$.50 per barrel for oysters harvested from natural reefs. Proposed law also provides credit against severance taxes for documented expenditures from leaseholders for the development, maintenance, cultivation, and harvesting of oysters from a lease up to 75% of the total tax liability for the calendar year. Proposed law will deposit revenue from the fees into the Public Oyster Seed Ground Development Account.

| <b>EXPENDITURES</b> | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> | <b>2018-19</b> | <b>2019-20</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

  

| <b>REVENUES</b>     | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> | <b>2018-19</b> | <b>2019-20</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | INCREASE       | INCREASE       | INCREASE       | INCREASE       | INCREASE       |                      |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <b>\$0</b>           |
| <b>Annual Total</b> |                |                |                |                |                |                      |

**EXPENDITURE EXPLANATION**

There are no anticipated expenditure increases as a result of proposed law.

**REVENUE EXPLANATION**

The proposed legislation is anticipated to result in a net increase in overall revenue collections due to an increase in the rental rate, severance tax increase, and the creation of a severance tax credit. In addition, the proposed legislation will place revenues from the lease rental payments and the severance taxes into the Public Oyster Seed Ground Development Account within the Conservation Fund as opposed to flowing into the Conservation Fund at large.

This bill will increase the oyster lease rental rate from \$2 per acre per year to \$3 per acre per year beginning 1/1/2016. Accounting for the estimated 403,394 acres leased annually, the increase may generate an additional \$403,394 per year through FY 16-17. On 1/1/2018, the rate will increase again to \$4 per acre per year, generating \$806,788 more than the fee structure currently in place.

In addition, the proposed bill will also increase the severance taxes for oysters harvested from natural reefs and leased water bottoms. The increase in the severance tax from natural reefs will rise from \$.03 per barrel to \$.50 per barrel. Accounting for an average of 39,605 barrels harvested annually from natural reefs, revenue will likely increase by \$18,614 per year.

The proposed legislation will also increase the severance tax for oysters harvested from leased water bottoms from \$.025 per barrel to \$.10 per barrel of oysters harvested. Accounting for an annual average of 612,142 barrels harvested annually, revenues may increase by \$45,911 per year. However, due to the popularity of harvesting from leased water bottoms, this bill creates a credit against the severance tax for leaseholders of up to 75% of the total tax liability for qualifying documented expenditures. Qualified expenditures include cultch development, maintenance, cultivation, and harvesting. If the tax credit is obtained by a fisherman, the 75% reduction will lower the tax actual rate imposed from \$.10 to \$.025 per barrel, which is the current tax rate. The severance tax credit will only be applied to oyster barrels harvested from leased water bottoms; taxes assessed on oysters harvested from natural reefs will not be eligible for the credit. If the credit receives maximum exposure from oyster fishermen, there will effectively be no increase in severance tax collections from leased water bottom oyster harvests. The department is unable to determine the number of leaseholders who may claim the severance tax credit.

- Senate Dual Referral Rules House
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
  - 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
  - 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
  - 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
  - 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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