

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



Fiscal Note On: **HB 549** HLS 15RS 780  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 19, 2015 3:43 PM	<b>Author:</b> THIBAUT
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Raises Severance Tax Rates	

TAX/SEVERANCE-EXEMPTION OR +\$657,000 GF RV See Note Page 1 of 1  
 Modifies exemptions, suspensions, and special rates from July 1, 2015 to June 30, 2017

Proposed law raises the severance tax rate on incapable oil wells from 6.25% of value to 6.375%, on stripper oil wells from 3.125% of value to 3.25% or 1% if the oil price is below \$20 per barrel, on incapable gas wells from 3¢ per mcf to 4¢ per mcf. Production from horizontal wells would be taxed at 1% rather than fully suspended for the first 24-months.

Applicable for production occurring on or after July 1, 2015 and on or before June 30, 2017; during fiscal years FY16 and FY17.

<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.	\$657,000	\$702,000	\$0	\$0	\$0	<b>\$1,359,000</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>\$657,000</b>	<b>\$702,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,359,000</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

**REVENUE EXPLANATION**

The bill raises severance tax rates on certain types of production for two years. The estimate above of the potential fiscal effect is based on FY14 volumes, current official price forecasts, and the tax rate increases in the bill for incapable oil, stripper oil, and incapable gas from oil wells.

The bill also imposes a 1% tax on oil and gas production from horizontal wells, but the Department of Revenue indicates that is is not certain how to implement this provisions with respect to horizontal gas production. Gas production is taxed on a volumetric basis (¢ per mcf), not on a value basis, which would appear to be the basis of a 1% tax rate. The Department indicates there may be as much as a \$1 million revenue gain from horizontal oil production, but that the bill would need to be clarified for an estimate to be made on horizontal gas production. The Legislative Fiscal Office has questions concerning the horizontal oil estimate that have not been examined yet, and that estimate has not been included in the table above.

Of the total revenue gain to state government, approximately 10% will be distributed back to the parishes where the affected production occurs.

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

**John D. Carpenter**  
**Legislative Fiscal Officer**