

2016 First Extraordinary Session

SENATE BILL NO. 23

BY SENATOR MORRELL

TAX/INCOME/CORPORATE. Limits the deduction for intangible drilling and development costs used in the computation of the Louisiana net income of a corporation. (Item #5)(gov sig)

1 AN ACT

2 To enact R.S. 47:287.743(D), relative to the computation of Louisiana net income; to  
3 modify the deduction for intangible drilling and development costs; to provide for  
4 an effective date; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 47:287.743(D) is hereby enacted to read as follows:

7 §287.743. Deductions from gross income; charges in case of oil and gas wells

8 \* \* \*

9 **D.(1) Notwithstanding any other provision of law to the contrary, the**  
10 **allowable deduction under this Section for oil and natural gas wells for which**  
11 **the oil or natural gas severance tax horizontal drilling exemption under R.S.**  
12 **47:633(7)(d) has been utilized shall only include intangible drilling and**  
13 **development costs used to calculate "payout of well cost" as follows:**

14 **(a) When the exemption under R.S. 47:633(7)(d) is one hundred percent,**  
15 **no deduction under this Section for intangible drilling and development costs**  
16 **shall be taken.**

17 **(b) When the exemption under R.S. 47:633(7)(d) is eighty percent, twenty**

1 percent of the deduction for intangible drilling and development costs otherwise  
2 authorized under this Section may be taken.

3 (c) When the exemption under R.S. 47:633(7)(d) is sixty percent, forty  
4 percent of the deduction for intangible drilling and development costs otherwise  
5 authorized under this Section may be taken.

6 (d) When the exemption under R.S. 47:633(7)(d) is forty percent, sixty  
7 percent of the deduction for intangible drilling and development costs otherwise  
8 authorized under this Section may be taken.

9 (e) When the exemption under R.S. 47:633(7)(d) is twenty percent, eighty  
10 percent of the deduction for intangible drilling and development costs otherwise  
11 authorized under this Section may be taken.

12 (f) When the exemption under R.S. 47:633(7)(d) is not taken, or not  
13 authorized by law, one hundred percent of the deduction for intangible drilling  
14 and development costs otherwise authorized under this Section may be taken.

15 (g) "Payout of well cost" shall have the same meaning as provided in R.S.  
16 47:633(7)(d) and the regulations thereunder.

17 (2) The provisions of this Subsection shall supercede and control to the  
18 extent of conflict with any other provision of law.

19 Section 2. This Act shall be known as the "Kennedy Plan".

20 Section 3. The provisions of this Act shall be applicable to taxable periods beginning  
21 on or after January 1, 2016.

22 Section 4. This Act shall become effective upon signature by the governor or, if not  
23 signed by the governor, upon expiration of the time for bills to become law without signature  
24 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
25 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
26 effective on the day following such approval.

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Leonore Heavey.

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## DIGEST

SB 23 Original

2016 First Extraordinary Session

Morrell

Present law authorizes a corporate income tax deduction for intangible drilling and well costs.

Present law provides an exemption from oil and gas severance tax for horizontal wells that continues for 24 months or until payout of well cost is met, whichever comes first. The current rate of this exemption is 100%; however, the rate fluctuates with the market price of oil and gas.

Proposed law modifies the corporate income tax deduction by disallowing the deduction for any intangible drilling and well costs that are used to calculate well cost payout for purposes of the horizontal drilling severance tax exemption.

Applicable to taxable periods beginning on or after January 1, 2016.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 47:287.743(D))