

2017 Regular Session

HOUSE BILL NO. 516

BY REPRESENTATIVE BROADWATER

TAX/SEVERANCE-EXEMPTION: Provides relative to the reductions to the rate of and exemptions from the severance tax

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(b) and (c)(i)(aa) and (bb) and (9)(b) and (c), and to
3 enact R.S. 47:633(7)(e) and (9)(f) relative to severance taxes; to provide with respect
4 to incapable wells and stripper wells for purposes of the rate of the tax on oil; to
5 provide with respect to wellhead and casinghead pressure for purposes of the rate of
6 the tax on natural gas; to provide for eligibility of the reduction to the rate of tax; to
7 provide for a reduced rate for marginal incapable wells; to provide for effectiveness;
8 and to provide for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:633(7)(b) and (c)(i)(aa) and (bb) and (9)(b) and (c) are hereby
11 amended and reenacted and R.S. 47:633(7)(e) and (9)(f) are hereby enacted to read as
12 follows:

13 §633. Rates of tax

14 The taxes on natural resources severed from the soil or water levied by R.S.
15 47:631 shall be predicated on the quantity or value of the products or resources
16 severed and shall be paid at the following rates:

17		*	*	*
18	(7)			
19		*	*	*

1 (b) On oil produced from a well classified by the commissioner of
2 conservation as an oil well, and ~~determined by the collector of revenue that such well~~
3 that is incapable of producing an average of more than twenty-five barrels of oil per
4 producing day during the entire taxable month based upon production reports
5 submitted to the office of conservation by the severer, and which also produces at
6 least fifty percent salt water per day, the tax rate applicable to the oil severed from
7 such well shall be one-half of the rate set forth in Subparagraph (a) of this Paragraph
8 and such well shall be defined, for severance tax purposes, as an incapable well;
9 ~~provided that such well has been certified by the Department of Revenue as~~
10 ~~incapable of such production on or before the twenty-fifth day of the second month~~
11 ~~following the month of production.~~ Oil severed from a multiple well lease or
12 property is not subject to the reduced rate of tax provided for herein, unless all such
13 wells are certified as incapable.

14 (c)(i)(aa) On oil produced from a well classified by the commissioner of
15 conservation as an oil well, and ~~certified by the Department of Revenue that such~~
16 ~~well~~ that is incapable of producing an average of more than ten barrels of oil per
17 producing day during the entire taxable month based upon production reports
18 submitted to the office of conservation by the severer, the tax rate applicable to the
19 oil severed from such well shall be one-quarter of the rate set forth in Subparagraph
20 (a) of this Paragraph and such well shall be defined, for severance tax purposes, as
21 a stripper well, ~~provided that such well has been certified by the Department of~~
22 ~~Revenue as a stripper well on or before the twenty-fifth day of the second month~~
23 ~~following the month of production.~~ Once a well has been certified and determined
24 ~~to be incapable of producing an average of more than ten barrels of oil per producing~~
25 ~~day during an entire month, such .~~ A stripper well shall remain ~~certified~~ classified
26 as a stripper well until the well produces an average of more than ten barrels of oil
27 per day during an entire calendar month.

1 (b) Crude oil produced from ~~certified~~ wells classified as stripper wells shall
2 be exempt from severance tax in any month in which the average value set forth in
3 Subparagraph (a) of this Paragraph is less than twenty dollars per barrel.

4 * * *

5 (e) To be eligible to be taxed at the reduced rates provided for in
6 Subparagraphs (b) and (c) of this Paragraph, a severer shall submit to the office of
7 conservation a production report with the number of barrels of oil produced per day
8 during the entire taxable month.

9 * * *

10 (9)(a)(i)

11 * * *

12 (b) In the case of gas produced from an oil well designated as such by the
13 office of conservation, which has ~~been determined by the secretary to have a~~
14 wellhead pressure of fifty pounds per square inch gauge or less under operating
15 conditions based upon production reports submitted to the office of conservation, or,
16 in the case of gas rising in a vaporous state through the annular space between the
17 casing and tubing of such oil well and released through lines connected with the
18 casinghead gas which has ~~been determined by the secretary to have a casinghead~~
19 pressure of fifty pounds per square inch gauge or less under operating conditions
20 based upon production reports submitted to the office of conservation by the severer,
21 the rate shall be three cents per thousand cubic feet. For purposes of applying this
22 reduced rate an oil well being produced by the method commonly known as gas lift
23 shall be presumed ~~in the absence of a determination to the contrary by the secretary,~~
24 to have a wellhead pressure of fifty pounds per square inch or less under operating
25 conditions. To qualify for the reduced rate an oil well must have a casinghead
26 pressure of fifty pounds or less per square inch for the entire taxable month.

27 (c)(i) In the case of gas produced from a gas well designated as such by the
28 office of conservation, which has been ~~determined by the secretary to be~~ incapable
29 of producing an average of 250,000 cubic feet of gas per day based upon production

1 reports submitted to the office of conservation by the severer, the tax rate applicable
2 to the gas severed from such well shall be one and three-tenths cents per thousand
3 cubic feet. To qualify for the reduced rate, a gas well must be incapable of
4 producing 250,000 cubic feet of gas per day during the entire taxable month.

5 (ii) In the case of gas produced from a gas well designated as such by the
6 office of conservation, which has been incapable of producing an average of 5,000
7 cubic feet of gas per day based upon production reports submitted to the office of
8 conservation by the severer, the tax rate applicable to the gas severed from such well
9 shall be sixty-five hundredths of one cent per thousand cubic feet and the well shall
10 be defined, for severance tax purposes, as a marginal incapable well. To qualify for
11 the reduced rate, a gas well must be incapable of producing 5,000 cubic feet of gas
12 per day during the entire taxable month.

13 * * *

14 (f) To be eligible to be taxed at the reduced rates provided for in
15 Subparagraphs (b) and (c) of this Paragraph, a severer shall submit to the office of
16 conservation a production report with the number of cubic feet of gas produced per
17 day during the entire taxable month.

18 * * *

19 Section 2. This Act shall become effective on January 1, 2018.

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)]

HB 516 Original

2017 Regular Session

Broadwater

Abstract: Eliminates the requirement that the Dept. of Revenue certify the status of a well before the oil or gas it produces is eligible for a reduced tax rate, requires the severer to submit a production report to the office of conservation evidencing the reduced capability of the well, provides for a reduced rate of tax on natural gas produced from a well incapable of producing more than 5,000 cubic feet of gas per day.

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed. The severance tax rate for oil is 12.5% of the value. The severance tax rate for natural gas is a minimum of 7¢ per 1,000 cubic feet, but is subject to an annual rate adjustment based on the prior year's price of natural gas.

Present law provides a reduced severance tax rate for oil if the oil is produced from an incapable well or a stripper well only if the Dept. of Revenue has certified that the well is an incapable well or stripper well. Further provides an exemption from the severance tax on crude oil if produced from a stripper well, as certified by the dept., when the price per barrel of oil is less than \$20.

Proposed law eliminates the requirement in present law that the dept. certify the status of a well before the oil it produces is eligible to be taxed at a reduced rate. Further requires the severer to submit a production report to the office of conservation evidencing the reduced capability of the well as provided for in present law.

Present law provides a reduced severance tax rate for natural gas, including certain derivatives, only if the secretary of the Dept. of Revenue has made a determination that the well producing the natural gas is produced from either a well that has a wellhead or casinghead pressure of 50 pounds per square inch or less or a well that is incapable of producing an average of 250,000 cubic feet of gas per day.

Proposed law eliminates the requirement in present law that the dept. make a determination of the status of a well before the natural gas it produces is eligible to be taxed at a reduced rate. Further requires the severer to submit a production report to the office of conservation evidencing the reduced capability of the well as provided for in present law.

Proposed law adds a new tier of reductions to the severance tax on natural gas for wells incapable of producing an average of 5,000 cubic feet of gas per day and defines the well as a marginal incapable well. The rate of the tax for gas produced from a marginal incapable well is 0.65¢ per thousand cubic feet.

(Amends 47:633(7)(b) and (c)(i)(aa) and (bb) and (9)(b) and (c); Adds R.S. 47:633(7)(e) and (9)(f))