

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 491** HLS 25RS 839
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 25, 2025	2:38 PM	Author: OWEN, CHARLES
Dept./Agy.: Revenue/Energy and Natural Resources		
Subject: Carbon Sequestration Tax Credit for Local Prohibition		Analyst: Mimi Blanchard

TAX CREDITS OR SEE FISC NOTE GF EX Page 1 of 1

Establishes a tax credit for costs of developing carbon sequestration wells where carbon sequestration is subsequently prohibited by local ordinance
Proposed law provides for a state tax credit against Louisiana income tax for eligible costs incurred by taxpayers who are prevented from completing a Class VI carbon sequestration well due to a local ordinance enacted after March 27, 2025. Eligible costs include documented expenses related to Class V well testing, such as drilling, equipment, labor, and geological assessments. The credit is equal to the total of eligible costs, capped at \$5 million per taxpayer, and is allocated in equal portions over five years. The annual statewide cap on credits is \$25 million, and unused credits may be carried forward for up to five years. Credits cannot be earned for taxable years beginning after December 31, 2031. The Department of Revenue, in consultation with the Department of Energy and Natural Resources, is responsible for certifying eligible costs and administering the credit on a first-come, first-served basis.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

EXPENDITURE EXPLANATION


LFO anticipates minor, yet indeterminable increases in expenditures associated with the updating of tax forms and certification of costs by the Department of Revenue, should legislation pass to allow locals to enact such ordinances.

REVENUE EXPLANATION

Proposed law establishes a tax credit against Louisiana income tax for eligible costs incurred by taxpayers developing carbon sequestration wells where carbon sequestration is subsequently prohibited by a local ordinance enacted after March 27, 2025.

Operators reported to DENR that permitting and drilling these wells could cost between \$10-\$15 M each. DENR reports that there are 15 Class V wells currently drilled and 5 more permitted. No Class VI permits have been issued yet in Louisiana, although several are under review and could become eligible. The credit is capped at \$5 million per taxpayer and allocated over five years, with a statewide annual cap of \$25 M. To the extent local ordinances are enacted to prohibit Class VI carbon sequestration wells, credits could reduce SGF revenues by up to \$25 M per year beginning in FY 26.

Local entities do not currently posses the authority to enact such ordinances. Because the tax credit may only be granted to facilities located within areas where ordinances are passed to prohibit such activity, there is no fiscal impact of proposed law. However, to the extent that other state legislation passes allowing locals the authority to enact such ordinances, SGF revenues may decrease by an indeterminable amount, up to \$25 M per year as defined by the cap on the tax credit proposed in the bill.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	Alan M. Boxberger
<input 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}	Legislative Fiscal Officer