

2017 Regular Session

HOUSE BILL NO. 461

BY REPRESENTATIVES BISHOP, BAGLEY, BROADWATER, COUSSAN, DAVIS, DEVILLIER, DWIGHT, EDMONDS, HENSGENS, HORTON, NANCY LANDRY, MAGEE, MIGUEZ, AND SCHEXNAYDER AND SENATORS CHABERT, CORTEZ, AND HEWITT

TAX/SEVERANCE-EXEMPTION: Provides for severance tax exemptions for certain inactive and orphan wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iv), relative to state severance taxes on oil and gas;
3 to provide with respect to incentives relating to inactive and orphan wells; to provide
4 for eligibility and the extent of tax exemptions; to provide for requirements and
5 limitations; to provide for the duration of the exemption; and to provide for related
6 matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(c)(iv) is hereby amended and reenacted to read as follows:

9 §633. Rates of tax

10 The taxes on natural resources severed from the soil or water levied by R.S.
11 47:631 shall be predicated on the quantity or value of the products or resources
12 severed and shall be paid at the following rates:

13 * * *

14 (7)

15 * * *

16 (c)

17 * * *

1 (iv) Production from an oil and or gas wells shall be exempt from severance
2 taxa ~~period of five years when returned to service after being well~~ subsequent to the
3 well having been inactive for two or more years or having thirty days or less of
4 production during the past two years shall be subject to a severance tax rate equal to
5 fifty percent of the rate imposed under this Paragraph or Paragraph (9) of this Section
6 for a period of ten years. Production from an oil or gas well subsequent to the well
7 having been designated as an orphan well for longer than sixty months shall be
8 subject to a severance tax rate equal to twenty-five percent of the rate imposed under
9 this Paragraph or Paragraph (9) of this Section for a period of ten years. The
10 exemption shall be extended by the length of any inactivity of a well that has
11 commenced production when such inactivity is caused by a force majeure.

12 (aa) To qualify for inactive or orphan well status for purposes of this
13 exemption, an application for a ~~two-year~~ inactive or orphan well certification shall
14 be made to the Department of Natural Resources, before commencement of
15 production, during the period beginning ~~July 31, 1994 and ending June 30, 2000, for~~
16 ~~the period beginning July 1, 2002 and ending June 30, 2006, and for the period~~
17 ~~beginning July 1, 2006 and ending June 30, 2010~~ July 1, 2018, and ending June 30,
18 2022. Upon certification that a well is inactive or orphan, ~~all production is~~ shall
19 be exempt from severance tax for a period of five years as provided in this Item from
20 the date production begins or ninety days from the date of the application, whichever
21 occurs first.

22 (bb) If the severance tax is paid at the full rate provided by this Section
23 before the Department of Natural Resources approves an application for ~~two-year~~
24 inactive or orphan well status, the operator is entitled to a credit against taxes
25 imposed by this Section in an amount equal to the tax paid. To receive a credit, the
26 operator must apply to the secretary of the Department of Revenue for the credit not

1 later than the first anniversary after the date the Department of Natural Resources
 2 certifies that the well is ~~a two-year~~ an inactive or orphan well for purposes of the
 3 exemption authorized in this Item.

4 * * *

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 461 Engrossed

2017 Regular Session

Bishop

Abstract: Re-establishes a severance tax exemption for production from a certified inactive oil and gas well for a 50% tax exemption for 10 years, and establishes an exemption for production from a certified orphan well for a 75% exemption for 10 years, both exemptions would be effective from July 1, 2018, through June 30, 2022.

Present law authorizes a five year exemption from severance tax for production from oil and gas wells that are returned to service after being inactive for two or more years or having thirty days or less of production during the past two years (inactive well), effective July 1, 2006, through June 30, 2010.

Proposed law changes present law by changing the extent and duration of the exemption for production from an inactive well from five years at 100% to 10 years at 50% and by establishing a new effective period beginning July 1, 2018, through June 30, 2022.

Proposed law changes present law by establishing an exemption for production from a well with orphan well designation for at least 60 months, which exemption provides a 50% rate reduction for a duration of 10 years, effective for the period from July 1, 2018, through June 30, 2022.

(Amends R.S. 47:633(7)(c)(iv))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Add a limit on the duration of the exemptions, July 1, 2018, through June 30, 2022.
2. Add technical changes regarding administration.