## DIGEST

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HB 188 Engrossed | 2019 Regular Session | Jim Morris

**Abstract:** Establishes a severance tax exemption, effective Jan. 1, 2020 through Dec. 31, 2029, for oil produced from stripper wells and from stripper fields when the price of oil is less than $75 per barrel.

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.

Present law establishes a severance tax rate on oil at a rate of 12.5% of its value at the time and place of severance. The value is determined to be the higher of: (1) gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees, or (2) the posted field price.

Present law provides that a stripper well is one that is incapable of producing more than an average of 10 barrels of oil per day during the taxable month. Further, present law provides that oil from stripper wells and wells in stripper fields is taxed at 1/4 of the severance tax rate for oil.

Present law exempts severance taxes on oil production from stripper wells in any month which the average value of oil is less than $20 per barrel.

Proposed law retains present law but, beginning Jan. 1, 2020, through Dec. 31, 2029, establishes a severance tax exemption for oil produced from stripper wells when the average value of oil is less than $75 per barrel and the taxpayer has timely submitted the required reports to the secretary verifying that the well did not produce an average of more than 10 barrels of oil per day during the entire calendar month.

Proposed law establishes a severance tax exemption for oil produced from wells in classified stripper fields when the average value of oil is less than $75 per barrel.

Present law requires the secretary of the Dept. of Revenue to determine the value of oil for purposes of qualifying for certain severance tax exemptions based on the New York Mercantile Exchange Price (NYMEX) per barrel of oil for the prior 12 months.

Proposed law retains present law but requires that the secretary determine, on a quarterly basis, the value of oil produced from stripper wells based on the average NYMEX for purposes of qualifying for the severance tax exemption on oil produced from stripper wells and from stripper fields as established in proposed law.

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

(Amends R.S. 47:633(7)(c)(i)(bb) and (c)(ii)(aa); Adds R.S. 47:633(7)(c)(i)(cc) and (c)(ii)(ee))

Summary of Amendments Adopted by House

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

1. Establishes an exemption for oil produced from wells in stripper fields from Jan. 1, 2020, through Dec. 31, 2029, when the value of the oil is determined to be less than $75 per barrel.

2. Add requirement that taxpayers file all required reports timely in order to qualify for the exemption in proposed law for oil produced from stripper wells.

3. Require the secretary of the Dept. of Revenue to determine on a quarterly basis, the value of oil produced from stripper wells and from stripper fields for purposes of qualifying for the exemption in proposed law.

4. Require the secretary's oil value determination to be based on the average NYMEX price per value of crude oil per month for the prior three months.