

2020 Second Extraordinary Session

HOUSE BILL NO. 8

BY REPRESENTATIVE DEVILLIER

TAX/SEVERANCE TAX: Provides with respect to exempt severance tax on oil produced from stripper wells (Items #61 & 65)

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(i)(bb) and (ii)(aa) and to enact R.S.
3 47:633(7)(c)(i)(cc) and (ii)(ee), relative to severance tax; to provide for severance
4 tax on oil produced from stripper wells or stripper fields; to suspend severance tax
5 on oil produced from stripper wells or stripper fields through an exemption under
6 certain conditions; to require the secretary to make certain determinations; to provide
7 for an effective date; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:633(7)(c)(i)(bb) and (ii)(aa) are hereby amended and reenacted
10 and R.S. 47:633(7)(c)(i)(cc) and (ii)(ee) are hereby enacted to read as follows:

11 §633. Rates of tax

12 The taxes on natural resources severed from the soil or water levied by R.S.
13 47:631 shall be predicated on the quantity or value of the products or resources
14 severed and shall be paid at the following rates:

15 * * *

16 (7)

17 * * *

18 (c)(i)

19 * * *

1 (bb) Except as provided in Subitem (aa) of this Item, Crude oil produced
2 from certified stripper wells shall be exempt from severance tax in any month in
3 which the average value set forth in Subparagraph (a) of this Paragraph this Subitem
4 is less than twenty dollars per barrel provided all required reports have been timely
5 submitted to the secretary verifying that the well did not produce an average of more
6 than ten barrels of oil per day during the entire calendar month. For purposes of this
7 Subitem, the secretary shall determine on a quarterly basis, the oil value upon which
8 the exemption of a certified stripper well shall be based. This determination shall be
9 based upon the average New York Mercantile Exchange Price per barrel of oil per
10 month for the prior three months.

11 (cc) Notwithstanding Subitem (bb) of this Item, beginning on January 1,
12 2021, and continuing through December 31, 2029, oil produced from a certified
13 stripper well shall be exempt from severance tax in any month in which the average
14 value set forth in this Subitem is less than seventy-five dollars per barrel provided
15 all required reports have been timely submitted to the secretary verifying that the
16 well did not produce an average of more than ten barrels per day during the entire
17 calendar month. For purposes of this Subitem, the secretary shall determine on a
18 quarterly basis the oil value upon which the exemption for a certified stripper well
19 shall be based. This determination shall be based upon the average New York
20 Mercantile Exchange Price per barrel of crude oil per month for the prior three
21 months.

22 (ii)(aa) Except as provided in Subitem (ee) of this Item, on ~~On~~ oil produced
23 from a well in a stripper field classified by the commissioner of conservation as a
24 mining and horizontal drilling project which utilizes gravity drainage to a collection
25 point in a downhole operations room, the tax rate applicable to the oil severed from
26 such well shall be one-quarter of the rate set forth in Subparagraph (a) of this
27 Paragraph ~~(7)~~; provided that ~~such~~ the well has been classified by the commissioner

1 as a mining and horizontal drilling project before the lower rate is claimed on a tax
2 return.

3 * * *

4 (ee) Notwithstanding Subitem (aa) of this Item, beginning January 1, 2021,
5 and continuing through December 31, 2029, oil produced from a well in a classified
6 stripper field shall be exempt from severance tax in any month in which the average
7 value set forth in this Subitem is less than seventy-five dollars per barrel provided
8 all required reports have been timely submitted to the secretary verifying that the
9 well did not produce an average of more than ten barrels per day during the entire
10 calendar month. For purposes of this Subitem, the secretary shall determine on a
11 quarterly basis the oil value upon which the exemption for a well in a certified
12 stripper field that produces oil shall be based. This determination shall be based
13 upon the average New York Mercantile Exchange Price per barrel of crude oil per
14 month for the prior three months.

15 * * *

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 8 Original 2020 Second Extraordinary Session DeVillier

Abstract: Suspends severance tax through an exemption for oil produced from stripper wells and from stripper fields when the price of oil is less than \$75 per barrel beginning Jan. 1, 2021, through Dec. 31, 2029.

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 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 adds a requirement that all reports be timely submitted in order to qualify for the exemption and requires the secretary of the Dept. of Revenue to determine the value of oil quarterly.

Proposed law establishes, beginning Jan. 1, 2021, through Dec. 31, 2029, 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 and the taxpayer has timely submitted the required reports to the secretary verifying that wells in the stripper field did not produce more than 10 barrels of oil per day during the entire calendar month.

Present law requires the secretary 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.

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