

GREEN SHEET REDIGEST

HB 25

2024 Third Extraordinary Session

Riser

TAX/SEVERANCE TAX: Provides relative to severance tax on oil and gas and for dedication of certain severance tax revenues (Item #9)

DIGEST

Present law provides for a horizontal well exemption for oil and gas wells. The exemption suspends all severance tax for twenty-four months or until payout of the well cost is achieved, whichever comes first.

Proposed law retains present law and provides definitions for purposes of the documentation of well payout.

Proposed law defines "payout of well cost" as the cost of completing the well to the commencement of production as reflected in the well cost statement submitted to the Dept. of Energy and Natural Resources.

Proposed law defines "qualified accountant" as a certified public accountant or "CPA" who meets all of the following qualifications:

- (1) Maintains an active unrestricted original certified public accountant license.
- (2) Maintains a current Louisiana certified public accountant firm permit.
- (3) Actively participates in a Peer Review Program approved by the State Board of Certified Public Accountants of Louisiana.

Proposed law defines "well cost statement" as a statement issued by a qualified accountant who is unrelated to the operator and that is a report of the qualified accountant's verification of the costs of completing the well to the commencement of production.

Proposed law requires a well cost statement to contain an opinion from the qualified accountant that the well cost statement fairly presents the costs expended to complete the well and further requires the well cost statement to:

- (1) Be performed in accordance with the accounting standards generally accepted in the United States.
- (2) Be addressed to the party which has engaged the qualified accountant, with a copy addressed to the operator.
- (3) Contain the qualified accountant's name, address, and telephone number.
- (4) Contain a certification that the qualified accountant is unrelated to the operator.
- (5) Be dated as of the date of completion of the qualified accountant's field work.
- (6) Contain a statement of acknowledgment by the qualified accountant that the state is relying on the well cost statement in the allowance of an exemption under the provisions of this Section.

(Adds R.S. 47:633(7)(e))

Summary of Amendments Adopted by House

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

1. Delete proposed law providing that the computation of severance tax on oil shall be based on the oil price. Provide instead that the computation of severance tax on oil shall be based on the oil value.
2. Provide that the value of oil shall be the gross receipts received from the first purchaser, less charges for trucking, barging, and pipeline fees; and that in the absence of an arms-length transaction, the value shall be the severer's gross income from the property determined by present law.
3. Exempt from severance tax crude oil produced from certified stripper wells in any month in which the average value of oil determined in accordance with proposed law is less than \$20 per barrel.
4. Delete proposed law providing that the computation of severance tax on natural gas shall be based on the natural gas price. Provide instead that the computation of severance tax on natural gas shall be based on the natural gas market value.
5. Establish the methodology by which the natural gas market value shall be determined for purposes of proposed law.
6. Delete proposed law providing that gas vented or flared directly into the atmosphere more than 90 days after a well's completion date shall be exempt from severance tax only during short-duration events such as facility upsets, venting to unload wells, workover operations, or other day-to-day operations. Otherwise, retain present law providing a severance tax exemption for gas vented or flared directly into the atmosphere.
7. Provide that production from an oil well that is undergoing or has undergone well enhancements that required a Dept. of Energy and Natural Resources permit, including but not limited to deepening, extension, recompletion, rework, or sidetrack, all as defined in present law, shall be taxed at the rate of 6% of the oil value determined in accordance with proposed law.
8. Provide a definition of "defined regulatory unit" for purposes of proposed law.
9. For purposes of the severance tax exemption for production from horizontal wells completed on or after July 1, 2025, provided for in present law and proposed law, remove the requirement that the well be drilled and completed in a defined regulatory unit that had a qualifying horizontal well completed between July 1, 2010, and June 30, 2025.

The House Floor Amendments to the engrossed bill:

1. Delete duplicative language from proposed law.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the reengrossed bill

1. Removes all changes to proposed law related to severance tax rates changes for oil and gas.
2. Removes all changes to proposed law related to calculation of the severance tax for oil and natural gas.

3. Provides definitions for terms such as "payout of well cost", "qualified accountant" and "well cost statement" for the purpose of the documentation of well payout.
4. Makes technical changes.