2015 Regular Session

HOUSE BILL NO. 549

BY REPRESENTATIVE THIBAUT

TAX/SEVERANCE-EXEMPTION: Modifies exemptions, suspensions, and special rates from July 1, 2015 to June 30, 2017

AN ACT

To amend and reenact R.S. 47:633(7)(b) and (c)(i) and (iii), and (9)(b), relative to severance tax; to provide with respect to special tax treatment for severance taxes on oil, natural gas, distillate, condensate, and other similar natural resources; to provide for exemptions; to provide for suspensions; to provide for reduced tax rates; to provide for applicability; to provide for effectiveness; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 47:633(7)(b) and (c)(i) and (iii), and (9)(b) are hereby enacted to read as follows:

§633. Rates of tax

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

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(7)

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(b) On oil produced from a well classified by the commissioner of conservation as an oil well, and determined by the collector of revenue that such well is incapable of producing an average of more than twenty-five barrels of oil per producing day during the entire taxable month, and which also produces at least fifty

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

percent salt water per day, the tax rate applicable to the oil severed from such well shall be ~~one-half~~ fifty-one percent of the rate set forth in Subparagraph (a) of this Paragraph and such well shall be defined, for severance tax purposes, as an incapable well, provided that such well has been certified by the Department of Revenue as incapable of such production on or before the twenty-fifth day of the second month following the month of production. Oil severed from a multiple well lease or property is not subject to the reduced rate of tax provided for herein, unless all such wells are certified as incapable.

(c)(i)(aa) On oil produced from a well classified by the commissioner of conservation as an oil well, and certified by the Department of Revenue that such well is incapable of producing an average of more than ten barrels of oil per producing day during the entire taxable month, the tax rate applicable to the oil severed from such well shall be ~~one-quarter~~ twenty-six percent of the rate set forth in Subparagraph (a) of this Paragraph and such well shall be defined, for severance tax purposes, as a stripper well, provided that such well has been certified by the Department of Revenue as a stripper well on or before the twenty-fifth day of the second month following the month of production. Once a well has been certified and determined to be incapable of producing an average of more than ten barrels of oil per producing day during an entire month, such stripper well shall remain certified as a stripper well until the well produces an average of more than ten barrels of oil per day during an entire calendar month.

(bb) Crude oil produced from certified stripper wells shall be ~~exempt from severance tax~~ taxed at a rate of one percent in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty dollars per barrel.

* * *

(iii) ~~All severance tax shall be suspended~~ The severance tax shall be one percent, for a period of twenty-four months or until payout of the well cost is achieved, whichever comes first, on any horizontally drilled well, or, on any horizontally drilled recompletion well, from which production commences after July 31, 1994.

(aa) For the purposes of this Section "horizontal drilling" shall mean high angle directional drilling of bore holes with fifty to three thousand plus feet of lateral penetration through productive reservoirs and "horizontal recompletion" shall mean horizontal drilling in an existing well bore.

(bb) Payout of well cost shall be the cost of completing the well to the commencement of production as determined by the Department of Natural Resources.

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(9)

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(b) In the case of gas produced from an oil well designated as such by the office of conservation, which has been determined by the secretary to have a wellhead pressure of fifty pounds per square inch gauge or less under operating conditions, or, in the case of gas rising in a vaporous state through the annular space between the casing and tubing of such oil well and released through lines connected with the casinghead gas which has been determined by the secretary to have a casinghead pressure of fifty pounds per square inch gauge or less under operating conditions, the rate shall be ~~three~~ <u>four</u> cents per thousand cubic feet. For purposes of applying this reduced rate an oil well being produced by the method commonly known as gas lift shall be presumed in the absence of a determination to the contrary by the secretary, to have a wellhead pressure of fifty pounds per square inch or less under operating conditions. To qualify for the reduced rate an oil well must have a casinghead pressure of fifty pounds or less per square inch for the entire taxable month.

Section 2. The provisions of this Act shall be applicable for production occurring on or after July 1, 2015, and on or before June 30, 2017.

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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 549 Original 2015 Regular Session Thibaut

Abstract: Modifies exemptions, suspensions, and special rates for various types of mineral production activity subject to severance taxes from July 1, 2015 through June 30, 2017.

Present law imposes a severance tax on oil and condensate at a capable rate of 12.5%.

Present law limits the severance tax on oil produced from a well classified as an oil well incapable of producing an average of more than 25 barrels of oil per producing day during the entire taxable month to 50% of the severance tax rate imposed under present law.

Proposed law retains present law except changes the special rate from 50% to 51%

Present law limits the severance tax on oil produced from a well classified as incapable of producing an average of more than 10 barrels of oil per producing day during the entire taxable month to 25% of the severance tax rate imposed pursuant to present law.

Proposed law retains present law except changes the special rate from 25% to 26%

Present law exempts crude oil produced from certified stripper wells in any month in which the average value of oil is less than twenty dollars per barrel.

Proposed law changes present law by changing the tax treatment of oil from stripper wells from exempt to a tax rate of 1%.

Present law exempts all production from a horizontally drilled well for 24 months or payout.

Proposed law changes present law by changing the tax treatment of oil from horizontal well from exempt to a tax rate of 1%.

Present law imposes a severance tax on natural gas at a capable rate of 16.3 cents per MCF from July 1, 2014 to July 1, 2015.

Present law provides for a reduced severance tax rate of three cents per thousand cubic feet for gas produced from an oil well designated to have a wellhead pressure of fifty pounds per square inch gauge or less under operating conditions, or, in the case of gas rising in a vaporous state through the annular space between the casing and tubing of such oil well and released through lines connected with the casinghead gas which has been determined to have a casinghead pressure of 50 pounds per square inch gauge or less under operating conditions.

Proposed law changes present law by increasing the special rate from three to four cents per thousand cubic feet.

Proposed law is applicable to production occurring on and after July 1, 2015 and on or before June 30, 2017.

Effective July 1, 2015.

(Amends R.S. 47:633(7)(b) and (c)(i) and (iii) and (9)(b))