HLS 19RS-256 ORIGINAL

2019 Regular Session

HOUSE BILL NO. 188

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## BY REPRESENTATIVES JIM MORRIS AND ABRAMSON

TAX/SEVERANCE TAX: Provides with respect to the exemption from severance tax on oil produced from stripper wells

AN ACT

R.S.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:    * * * *		
a stripper well; to exclude oil produced from a stripper well from severance tax under certain conditions; to provide for an effective date; and to provide for related matters.  Be it enacted by the Legislature of Louisiana:  Section 1. R.S. 47:633(7)(c)(i)(bb) is hereby amended and reenacted and R.S.  47:633(7)(c)(i)(cc) is 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.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:  *  *  *  *  *  *  *  *  (b)  Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	2	To amend and reenact R.S. 47:633(7)(c)(i)(bb) and to enact R.S. 47:633(7)(c)(i)(cc), relative
certain conditions; to provide for an effective date; and to provide for related matters.  Be it enacted by the Legislature of Louisiana:  Section 1. R.S. 47:633(7)(c)(i)(bb) is hereby amended and reenacted and R.S.  47:633(7)(c)(i)(cc) is 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.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:  ***  (7)  ***  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	3	to severance tax, to provide with respect to the severance tax on oil produced from
Be it enacted by the Legislature of Louisiana:  Section 1. R.S. 47:633(7)(c)(i)(bb) is hereby amended and reenacted and R.S. 47:633(7)(c)(i)(cc) is 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.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:  ***  **  **  (7)  **  **  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	4	a stripper well; to exclude oil produced from a stripper well from severance tax under
Section 1. R.S. 47:633(7)(c)(i)(bb) is hereby amended and reenacted and R.S.  47:633(7)(c)(i)(cc) is hereby enacted to read as follows:  \$\frac{633}{3}\$. Rates of tax  The taxes on natural resources severed from the soil or water levied by R.S.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:  \$\frac{*}{*} \frac{*}{*} \f	5	certain conditions; to provide for an effective date; and to provide for related matters.
47:633(7)(c)(i)(cc) is 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.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:  ***  **  (7)  **  (c)(i)  **  **  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	6	Be it enacted by the Legislature of Louisiana:
The taxes on natural resources severed from the soil or water levied by R.S.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:  * * *  (7)  * * *  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	7	Section 1. R.S. 47:633(7)(c)(i)(bb) is hereby amended and reenacted and R.S.
The taxes on natural resources severed from the soil or water levied by R.S.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:    13	8	47:633(7)(c)(i)(cc) is hereby enacted to read as follows:
R.S.47:631shall be predicated on the quantity or value of the products or resources severed and shall be paid at the following rates:    ****   ***	9	§633. Rates of tax
severed and shall be paid at the following rates:  * * * *  (7)  * * * *  (c)(i)  * * * *  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	10	The taxes on natural resources severed from the soil or water levied by
* * * *  (c)(i)  * * * *  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	11	R.S.47:631shall be predicated on the quantity or value of the products or resources
14 (7)  15 * * * *  16 (c)(i)  17 * * * *  18 (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	12	severed and shall be paid at the following rates:
15 * * * *  16 (c)(i)  17 * * * *  18 (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	13	* * *
(c)(i)  * * * *  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	14	(7)
17 * * * *  (bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from  certified stripper wells shall be exempt from severance tax in any month in which the  average value set forth in Subparagraph (a) of this Paragraph is less than twenty	15	* * *
(bb) <u>Notwithstanding Subitem (aa) of this Item, Crude</u> oil produced from certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	16	(c)(i)
certified stripper wells shall be exempt from severance tax in any month in which the average value set forth in Subparagraph (a) of this Paragraph is less than twenty	17	* * *
average value set forth in Subparagraph (a) of this Paragraph is less than twenty	18	(bb) Notwithstanding Subitem (aa) of this Item, Crude oil produced from
	19	certified stripper wells shall be exempt from severance tax in any month in which the
dollars per barrel.	20	average value set forth in Subparagraph (a) of this Paragraph is less than twenty
	21	dollars per barrel.

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1 (cc) Notwithstanding Subitem (bb) of this Item, beginning on July 1, 2019 2 through June 30, 2029, oil produced from certified stripper wells shall be exempt 3 from severance tax in any month in which the average value set forth in 4 Subparagraph (a) of this Paragraph is less than seventy-five dollars per barrel. 5 6 Section 2. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature 7 8 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If 9 vetoed by the governor and subsequently approved by the legislature, this Act shall become 10 effective on the day following such approval.

## 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 188 Original

2019 Regular Session

Jim Morris

**Abstract:** Establishes a severance tax exemption, effective July 1, 2019 - July 1, 2029, for oil produced from stripper wells when the price of oil is less than \$75 per barrel.

<u>Present law</u> imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed.

<u>Present law</u> 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.

<u>Present law</u> 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. Provides that oil from stripper wells is taxed at 1/4 of the regular severance tax rate for oil.

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

<u>Proposed law retains present law.</u> However, beginning July 1, 2019 through June 30, 2029, <u>proposed law exempts severance taxes on oil production from stripper wells when the average value of oil is less than \$75 per barrel.</u>

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

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