2024 Regular Session

HOUSE BILL NO. 418

BY REPRESENTATIVES BEAULLIEU AND JACOB LANDRY

TAX/SEVERANCE TAX: Reduces severance tax rates on oil and gas produced from inactive wells and orphan wells

1	AN ACT		
2	To amend and reenact R.S. 47:633(7)(c)(iv), relative to severance tax; to reduce the rate of		
3	severance tax on oil and gas produced from wells with inactive or orphan well status;		
4	to provide for an effective date; and to provide for related matters.		
5	Be it enacted by the Legislature of Louisiana:		
6	Section 1. R.S. 47:633(7)(c)(iv) is hereby amended and reenacted to read as follows:		
7	§633. Rates of tax		
8	The taxes on natural resources severed from the soil or water levied by R.S.		
9	47:631 shall be predicated on the quantity or value of the products or resources		
10	severed and shall be paid at the following rates:		
11	* * *		
12	(7)		
13	* * *		
14	(c)		
15	* * *		
16	(iv) Production from an oil or gas well subsequent to the well's having been		
17	inactive for two or more years or having thirty days or less of production during the		
18	past two years shall be subject to a severance tax rate equal to fifty twenty-five		
19	percent of the rate imposed under this Paragraph or Paragraph (9) of this Section for		
20	a period of ten years. Production from an oil or gas well subsequent to the well's		

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

1 having been designated as an orphan well for longer than sixty months shall be 2 subject to a severance tax rate equal to twenty-five twelve and one half percent of the 3 rate imposed under this Paragraph or Paragraph (9) of this Section for a period of ten 4 years. To qualify for the reduced inactive or orphan well severance tax rate, the oil or gas production must be produced from the same perforated producing interval or 5 6 from one hundred feet above and one hundred feet below the perforated producing interval for lease wells, and within the correlative defined interval for unitized 7 8 reservoirs, that the formerly inactive or orphaned well produced from before being 9 inactive or designated as an orphan well. The exemption shall be extended by the 10 length of any inactivity of a well that has commenced production when such 11 inactivity is caused by a force majeure. 12 13 Section 2. This Act shall become effective on October 1, 2024.

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 418 Engrossed	2024 Regular Session	Beaullieu

Abstract: Reduces severance tax rates on oil and gas produced from wells with inactive or orphan well status.

<u>Present law</u> provides for the levy of a tax, known as severance tax, on natural resources severed from the soil or water. Provides that the rate of the severance tax is predicated on the quantity or value of the products or resources severed.

Present law establishes general severance tax rates. Proposed law retains present law.

<u>Present law</u> provides for special, reduced rates of severance tax on production from oil and gas wells with inactive or orphan well status conferred by the Dept. of Energy and Natural Resources. Provides that the special rates shall be as follows:

- (1) Production from an oil or gas well subsequent to the well's having been inactive for two or more years, or having 30 days or less of production during the past two years, shall be subject to a severance tax rate equal to 50% of the general severance tax rate imposed by <u>present law</u> for a period of ten years.
- (2) Production from an oil or gas well subsequent to the well's having been designated as an orphan well for longer than 60 months shall be subject to a severance tax rate equal to 25% of the general severance tax rate imposed by <u>present law</u> for a period of ten years.

<u>Proposed law</u> lowers the special rate on production from an oil or gas well subsequent to the well's having been inactive for two or more years, or having 30 days or less of production during the past two years, from 50% of the general severance tax rate to 25% of that rate.

<u>Proposed law</u> lowers the special rate on production from an oil or gas well subsequent to the well's having been designated as an orphan well for longer than 60 months from 25% of the general severance tax rate to 12.5% of that rate.

<u>Proposed law</u> retains the ten-year period for each special rate.

Effective Oct. 1, 2024.

(Amends R.S. 47:633(7)(c)(iv))

Summary of Amendments Adopted by House

- The Committee Amendments Proposed by <u>House Committee on Ways and Means</u> to the <u>original</u> bill:
- 1. Change the effective date of <u>proposed law from</u> July 1, 2024, to Oct. 1, 2024.