



Efforts to Reduce Louisiana Oil and Gas Severance Taxes
Stalled in 2020 Regular Session
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While proposed legislation aiming to ease tax burdens on the oil and gas industry fell short during Louisiana's 2020 Regular Session, the legislature did approve the submission of a proposed constitutional amendment contemplating the inclusion of the value of oil and gas itself into the value of oil and gas wells for ad valorem tax purposes to Louisiana voters. The proposed constitutional amendment will appear on the November 3, 2020 ballot.

House Bill 506

HB 506 sought to gradually reduce the severance tax rate on oil production from 12.5% to 8.5% over an eight-year period. A fiscal note, though, estimated that the tax reduction would result in an estimated \$112.6 million loss in state revenue by 2025. While HB 506 passed in the House of Representatives, the bill was tabled by the Senate Committee on Revenue and Fiscal Affairs and remained pending by the adjournment of the 2020 Regular Session.

An earlier version of HB 506 contained a provision that would have reduced the severance tax to 2% if oil prices fell below \$30 per barrel at any time from July 1, 2020, through June 30, 2021. The House Appropriations Committee struck this provision before it reached the House floor.

House Concurrent Resolution 65

In response to the drastic drop in oil prices beginning in early 2020, along with the decline in demand for oil amid the COVID-19 pandemic, HCR 65 sought to suspend severance tax on oil and gas through the 2021 Regular Session. Failing to gain traction, the resolution did not progress beyond the House Ways and Means Committee.

Act No. 368 (House Bill 360)

Louisiana voters will see several proposed constitutional amendments on the November 2020 ballot, including one that would allow the presence of oil or gas, or the production thereof, to be included in the methodology to determine the fair market value of an oil or gas well for ad valorem property tax purposes. The value of the oil or gas reservoirs or the value of the production is not presently included in the ad valorem tax base. Article VII, Section 4(B) of the Louisiana Constitution currently prohibits an additional tax upon oil, gas, or sulphur leases or rights and further prohibits the addition of value to the assessment of land as a result of the presence of oil, gas, or sulphur. Because voter approval is required in order to amend provisions in the Louisiana Constitution, the proposition will appear on the ballot as follows:

Do you support an amendment to permit the presence or production of oil or gas to be included in the methodology used to determine the fair market value of an oil or gas well for the purpose of property assessment? (Amends 21 Article VII, Section 4(B))

Voters will be permitted to vote YES or NO. The statewide election will be held on November 3, 2020. It is anticipated that the Louisiana Tax Commission will have to promulgate regulations providing an income basis approach to the valuation of oil and gas wells.