PUBLICATION

Louisiana Fails to Cut Natural Resources Severance Tax

June 13, 2013

The Louisiana legislature adjourned on June 6, 2013 without reaching an agreement on reducing the natural resources severance tax. House Bill No. 616, filed by Rep. Joel C. Robideaux (R-Lafayette) proposed to reduce the severance tax on oil and gas produced from horizontal wells to sixty percent of the full rate for the first seven years of production. Deep wells (greater than 22,000 feet) would have been exempt from severance tax for twenty-four months or until payout of the well cost, whichever came first. However, with the failure of Governor Jindal's tax plan, changes to the Louisiana severance tax were tabled to a future legislative session.

Meanwhile, across the state line in Mississippi, Governor Phil Bryant signed House Bill 1698 into law on April 23, 2013. Beginning on July 1, 2013, the severance tax on output from wells drilled using a defined method of horizontal drilling will be reduced to 1.3%, from 6%, for 30 months or until payout of the well, whichever occurs first. Payout of a horizontally drilled well is deemed to occur the first day of the next month after gross revenues, less royalties and severance taxes, equals the cost to drill and complete the well.