

LOUISIANA HOUSE OF REPRESENTATIVES

Jean-Paul Coussan
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Ryan Bourriaque
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Committee on Natural Resources and Environment

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February 10, 2021

Dr. David E. Dismukes, Ph.D
Executive Director
Center for Energy Studies
Louisiana State University
Baton Rouge, LA 70803

Re: Fiscal Impact of Proposed Severance Tax Exemption For Certain Wells

Dear Dr. Dismukes:

During the 2020 Second Extraordinary Session, House Bill No. 29 by Rep. Phillip Devillier passed the legislature and ultimately vetoed by Governor John Bel Edwards due to a handful of uncertainties. The bill would have enacted a limited-period severance tax exemption for oil produced from new wells, enhanced wells, and orphaned wells that produced between January 1, 2021 and December 31, 2023.

In an attempt to prepare for pursuing that concept once again, I would like to ask you and your staff to examine and provide a separate, independent analysis of the fiscal impact of the bill, effective as set forth below. If possible, please include a dynamic scoring analysis of the economic impact of a capital investment as a result of the severance exemption. For example, the State may see a direct loss due to the reduction in severance tax collections but how does that compare to an increase in collections due to income, franchise, sales, and property tax collections?

Finally, in response to the Governor's veto message dated November 11, 2020, I plan to make the following changes in any bill:

- 1) The period within which production would be eligible for the exemption would move to July 1, 2021, through June 30, 2023.
- 2) The exemption period would begin on the date that new or post-enhancement production commences.
- 3) The prohibition for violations of Statewide Order 29-B would apply only to violations that occurred prior to the application for the exemption authorized in the legislation. Violations that might occur during the period of exemption will not affect the already-in-place exemption.

Please consider the above changes for any analysis. Lastly, please do not hesitate to reach out to me or members of my staff for additional information or clarification.

Sincerely,

A handwritten signature in black ink, appearing to be "JP Coussan", written over a horizontal line.

Rep. Jean-Paul Coussan, Chair
House Committee on Natural Resources and Environment

CC: Dr. Greg Upton, Center for Energy Studies