

Regular Session, 2005

HOUSE BILL NO. 196

BY REPRESENTATIVE DOVE

TAX/INCOME TAX: Authorizes credit for oil and gas drilling deeper than 10,000 feet in inland waters

1 AN ACT

2 To enact R.S. 47:6020, relative to state income and corporation franchise taxes; to provide
3 tax credits for oil and gas drilling deeper than ten thousand feet in state waters or
4 land; 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. 47:6020 is hereby enacted to read as follows:

7 §6020. Inland Deep Drilling Tax Credit

8 A. The primary intent of this Section is to encourage the drilling of oil and
9 gas in state waters or land in order to promote a more independent, self-supporting
10 industry. Any business entity authorized to do business in the state of Louisiana and
11 subject to the state income or corporation franchise tax shall be allowed a tax credit
12 for the costs and expenses incurred during the drilling and completion of oil and gas
13 exploration and development within the territorial limits of the state of Louisiana,
14 either in water or on land, at a depth greater than ten thousand feet.

15 B. For purposes of this Subsection, "drilling rig" means any unit or structure,
16 along with its component parts, which is used primarily for drilling, workover,
17 intervention, or remediation of wells used for exploration or development of
18 minerals. For purposes of this Subsection, "component parts" means any machinery
19 or equipment necessary for a drilling rig to perform its exclusive function of
20 exploration or development of minerals.

1 C. The tax credit shall be allowed against any Louisiana income or
2 corporation franchise tax liability due under this Title. The tax credit shall not
3 exceed twenty-five percent of the eligible costs and expenses incurred during the
4 drilling and completion for each drilling rig for any taxable year. The tax credit shall
5 not exceed the total tax liability of the business entity for the taxable year. If the tax
6 credit exceeds the amount of taxes due, the amount of the credit not used may be
7 carried forward as a credit against subsequent tax liability for a period not to exceed
8 ten years nor one hundred percent of total tax liability.

9 D. In order to qualify for the credit, all costs and expenses for which a tax
10 credit is sought shall conform with technical standards set by the secretary of the
11 Department of Natural Resources. The secretary of the Department of Revenue shall
12 utilize those standards in the promulgation of such rules and regulations as may be
13 deemed necessary to carry out the purposes of this Section.

14 Section 2. This Act shall become effective for all taxable years beginning after
15 December 31, 2005.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument.

Dove

HB No. 196

Abstract: Authorizes tax credit for oil and gas drilling deeper than 10,000 feet in inland waters.

Proposed law encourages drilling for oil and gas in the state. Proposed law provides for any business entity authorized to do business in the state of Louisiana and subject to the state income or corporation franchise tax shall be allowed a tax credit for the costs and expenses incurred during the drilling and completion of oil and gas exploration and development within the territorial limits of the state of Louisiana, either in water or on land, at a depth greater than 10,000 feet.

Proposed law defines "drilling rig" as any unit or structure, along with its component parts, which is used primarily for drilling, workover, intervention, or remediation of wells used for exploration or development of minerals.

Proposed law defines "component parts" as any machinery or equipment necessary for a drilling rig to perform its exclusive function of exploration or development of minerals.

Proposed law provides that the tax credit shall not exceed 25% of the eligible costs and expenses incurred during the drilling and completion for each drilling rig for any taxable year. The tax credit shall not exceed the total tax liability of the business entity for the

taxable year. If the tax credit exceeds the amount of taxes due, the amount of the credit not used may be carried forward as a credit against subsequent tax liability for a period not to exceed 10 years nor 100% of total tax liability.

Proposed law provides that in order to qualify for the credit, all costs and expenses for which a tax credit is sought shall conform with technical standards set by the secretary of the Dept. of Natural Resources. The secretary of the Dept. of Revenue shall utilize those standards in the promulgation of such rules and regulations as may be deemed necessary to carry out the purposes of proposed law.

Effective for all taxable years beginning after December 31, 2005.

(Adds R.S. 47:6020)