

Regular Session, 2005

HOUSE BILL NO. 593

BY REPRESENTATIVE GARY SMITH

TAX/INCOME TAX: Provides for a credit to promote oil and gas drilling in Louisiana

1 AN ACT

2 To enact R.S. 47:6020, relative to state income and corporation franchise taxes; to provide  
3 for tax credits for new oil and gas drilling in state waters or land; to provide for an  
4 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. New Drilling Tax Credit

8 A. The primary intent of this Section is to encourage new drilling of oil and  
9 gas in state waters or land in order to promote a more self-supporting industry. Any  
10 business entity authorized to do business in the state of Louisiana and subject to the  
11 state income or corporation franchise tax shall be allowed a tax credit for the costs  
12 and expenses incurred during any new 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, performed after January 1, 2005.

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 income or corporation  
2           franchise tax liability due under this Title. The tax credit shall not exceed twenty-  
3           five percent of the eligible costs and expenses incurred during any new drilling and  
4           completion performed after January 1, 2005, per each drilling rig for any taxable  
5           year. The tax credit shall not exceed the total tax liability of the business entity per  
6           taxable year. If the tax credit exceeds the amount of taxes due, the amount of the  
7           credit not used may be carried forward as a credit against subsequent tax liability for  
8           a period not to exceed 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          January 1, 2005.

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#### DIGEST

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

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Gary Smith

HB No. 593

**Abstract:** Provides tax credits for costs and expenses incurred during any new oil and gas drilling in state waters or land performed after January 1, 2005.

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 any new 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, performed after January 1, 2005.

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 be taken against any income or corporation franchise tax liability and shall not exceed 25% of the eligible costs and expenses incurred during any new drilling and completion per each drilling rig for any taxable year. The tax credit shall not exceed the total tax liability of the business entity per 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 Department of Natural Resources. The secretary of the Department 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 this Section.

Effective for all taxable years beginning after January 1, 2005.

(Adds R.S. 47:6020)