

LOUISIANA LEGISLATURE ADJOURNS WITHOUT PASSING PROPOSED OIL TAX REDUCTION BILL

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/EINPresswire.com/ -- The Regular Session of the Louisiana Legislature for 2023 adjourned on June 8, 2023, leaving the proposed House Bill 172 on the table without passage. This bill would have reduced the severance tax rate on oil produced in Louisiana. The bill's failure to pass maintains the current general tax rate of 12.5%, meaning that for every dollar of oil sold the state gets 12.5% gets paid to the state. The general severance tax rate in Texas on oil is 4/6%.

House Bill 172 was under close scrutiny due to its significant implications for both the oil industry and state coffers. If the bill had passed, it would have provided substantial tax relief to an industry that is vital to Louisiana's economy. However, this potential relief for producers also presented a downside - a sizeable projected loss of revenue for the state unless the reduction attracted new drilling activity.

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[Randy Loewen](#), an attorney at [Milling Benson Woodward](#), offers insights into the situation, stating, “A successful economy in Louisiana is based new oil and gas drilling activity. Other states, such as Texas, tax oil at a much lower rate, thereby making those other states more attractive to new drilling ventures. While House Bill 172 held the

promise of significant tax reductions for oil producers, the potential fiscal impact for the State was a critical consideration. Maintaining a balance between fostering a vital oil industry and ensuring the financial stability of the State is a complex task. However, if Louisiana wants to



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encourage new oil and gas drilling, it needs to be more competitive with its tax structure."

Despite the non-passage of HB 172, Louisiana continues to support the oil industry through various tax exemptions. These exemptions aim to sustain the competitiveness of Louisiana's oil producers, fostering an environment conducive to both growth and investment in the sector. Loewen adds, "The failure of HB 172 does not signal an end to Louisiana's commitment to revitalize the oil industry. However, the existing tax exemptions for oil-related activities simply are not enough to attract companies to drill for oil in the state. A more competitive severance tax on oil is needed."

"The dialogue around taxation and exemptions in the oil sector is far from over," says Loewen. "This issue represents a crucial intersection between the state's economic interests and the needs of one of its most essential industries. It's a conversation we'll continue to have as we work towards a mutually beneficial resolution."

The discussions and decisions surrounding this industry's tax structure will undoubtedly play a pivotal role in shaping Louisiana's economic future. We will likely see this issue before the legislature again.

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