

Revenue Information Bulletin No. 20-010

April 14, 2020

Severance Tax

Natural Gas Severance Tax Rate Effective July 1, 2020 through June 30, 2021

The natural gas severance tax rate effective July 1, 2020 through June 30, 2021, has been set at 9.34 cents per thousand cubic feet (MCF) measured at a base pressure of 15.025 pounds per square inch absolute and at the temperature base of 60 degrees Fahrenheit.

This tax rate is set each year by multiplying the natural gas severance tax base rate of 7 cents per MCF by the “gas base rate adjustment” determined by the Secretary of the Department of Natural Resources in accordance with LA R.S. 47:633(9)(d)(i). The “gas base rate adjustment” is a fraction, of which the numerator is the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the previous 12 month period ending on March 31, and the denominator is the average of the monthly average spot market prices of gas fuels delivered into the pipelines in Louisiana as reported by the Natural Gas Clearing House for the 12 month period ending March 31, 1990 (1.7446 \$/MMBTU).

Based on this computation, the Secretary of the Department of Natural Resources has determined the natural gas severance “gas base rate adjustment” for April 1, 2019 through March 31, 2020, to be 1.3349 percent. Applying this gas base rate adjustment to the base tax rate of 7 cents per MCF produces a tax rate of 9.34 cents per MCF effective July 1, 2020 through June 30, 2021. The reduced natural gas severance tax rates provided for in LA R.S. 47:633(9)(b) and (c) remain the same.

Gas produced from an inactive or orphan gas well is subject to a reduced severance tax rate equal to fifty percent or twenty-five percent of the severance tax rate, respectively, as provided in R.S. 47:633(7)(c)(iv). Therefore, the inactive gas reduced tax rate is 4.67 cents per MCF and the orphan gas reduced tax rate is 2.335 cents per MCF effective July 1, 2020 through June 30, 2021.

Questions concerning the natural gas severance tax rate should be directed by email to Policy.Publications@La.gov.

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Secretary