

# FACT SHEET

## Business Incentives/Exemptions--LA



### SEVERANCE TAX INCENTIVE PROGRAM:

Nearly a decade ago, the Louisiana legislature created a severance tax incentive program to help make possible the exploration and production of natural gas wells through horizontal well drilling, a very expensive technology that has made historically unconventional and uneconomical exploration possible.

The program allows horizontally drilled wells a suspension of state severance taxes until the natural gas producers recover initial costs or for a period of 24 months. The producers are assessed normal severance taxes for the remainder of the gas well's productive life. This incentive has helped the Haynesville Shale in northwest Louisiana become the nation's top-producing natural gas field over a very short period of time.

The benefits of this incentive were outlined by noted Louisiana economist Dr. Loren Scott in a recent economic impact study. Dr. Scott determined that the horizontal well severance tax investment incentive generated approximately \$3 of economic growth for every \$1 invested.

Additionally, more than 57,000 jobs were created in 2009 by Haynesville Shale activity. Scott concluded that the incentive is critical to Louisiana's future as an oil and gas producer.

### INDUSTRIAL PROPERTY TAX EXEMPTION:

This exemption provides 100 percent property tax abatement for up to 10 years for materials used in new manufacturing. It has been Louisiana's primary economic development tool since the 1940s, helping equalize Louisiana taxes with other states. The exemption continues to assist in stimulating new and expanded manufacturing in Louisiana.

**QUALITY JOBS PROGRAM:** This Louisiana Economic Development program has served as a major component in manufacturing job growth in the state. The program provides up to six percent rebate on annual payroll expenses for up to 10 years and either a four percent sales/use tax rebate on capital expenditures or an investment tax credit equal to 1.5 percent of qualifying expenses. This is another program that helps Louisiana compete with other states for new manufacturing jobs.

### SEVERANCE TAX INCENTIVE PRO-SALES TAX EXCLUSION FOR OFFSHORE DRILLING RIGS:

Louisiana realizes significant employment and state revenue benefits from oil and gas drilling and production on the OCS in the Gulf of Mexico. In order to remain competitive with other Gulf states in providing repair and renovation services for drilling rigs, the state has granted a sales tax exclusion for materials and services associated with these repairs. This exclusion is critical in keeping these businesses in Louisiana.

### OTHER TAX EXCLUSIONS AND EXEMPTIONS:

For a number of years, Louisiana taxed manufacturing in the state on the purchase of manufacturing machinery and equipment and usage of natural gas, water and steam in the manufacturing process. In recent years, these taxes have been phased out completely. Louisiana was one of very few states that taxed these items.

The exclusion of these exemptions from taxes has brought Louisiana more in line with most other states who do not tax these items. If the Louisiana legislature ever reversed these exclusions, the state would once again be at a competitive tax disadvantage.

*Louisiana Mid-Continent Oil and Gas Association, founded in 1923, is a trade association exclusively representing all sectors of the oil and gas industry operating in Louisiana and the Gulf of Mexico. LMOGA serves exploration and production, refining, transportation, marketing and mid stream companies as well as other firms in the fields of law, engineering, environment, financing and government relations.*

**LOUISIANA  
MID-CONTINENT  
OIL & GAS ASSOCIATION**  
730 North Boulevard  
Baton Rouge, La. 70802  
Phone: 225.387.3205  
Fax: 225.344.5502