

## **ANOTHER WIN FOR INDUSTRY AT THE LOUISIANA TAX COMMISSION**

The Louisiana Tax Commission (LTC) held a public hearing on Wednesday, October 19<sup>th</sup> for the purpose of adopting their 2006 Rules & Regulations. These are the procedures used by each Louisiana assessor to appraise all personal property in Louisiana. The results of this hearing were positive for the oil & gas industry in Louisiana. **At a time when the industry is still assessing the damage from two storms and trying to bring wells back into production, the Louisiana Tax Commission adopted the same schedules for 2006 as was used in 2005.**

Prior to this hearing, the LTC held other public hearings to receive testimony and evidence from all interested parties regarding any changes in the 2006 Rules & Regulations. Currently the LTC has an independent committee formed to study the procedures now used to appraise oil & gas properties in Louisiana. The committee has been making good progress in their deliberations and will begin meeting again after being delayed by the hurricanes.

The Assessor's Association proposed changes to the cost factor used in determining the subsurface equipment value and a change in the depreciation floor that would be used for all oil & gas properties and pipelines. As in previous years, this would have resulted in substantial increases in the assessment of wells and pipelines. They also proposed changes in the LAT 12 Oil & Gas Property reporting form relative to the information provided by the taxpayer to the assessor.

Representatives from industry proposed that no changes be made to the 2006 Rules & Regulations while the LTC committee is working. The industry proposal was to simply add in the wells drilled in 2004 and leave all schedules the same as used for 2005. Testimony and evidence were presented by Don Briggs, Chris Dicharry with Kean Miller, Phil Zanco with Energy Partners, and Ken Cariker and Charles Allred with Affiliated Tax Consultants.

Summarized below are the results of the October 19<sup>th</sup> hearing:

1. Assessor's proposed changing the cost factor used in the subsurface equipment schedule from 40% of cost currently used to 100% of cost. Industry proposed continuing the use of 40% of cost and let the committee finish their work. **The LTC will continue to use the 40% of cost factor.**
2. Assessor's proposed raising the depreciation floor from 20% to 36% for subsurface equipment, surface equipment, and pipelines. Industry proposed continuing to use the 20% floor currently in the rules and regulations. **The LTC will maintain the 20% floor for wells and pipelines.**

3. Assessor's proposed changes to the pipeline schedule which would have doubled the value of most of the pipelines. Industry proposed no change to the schedule. **The LTC will index the costs used in the pipeline schedule from the year of the last change in the schedule. This will result in an increase in the pipeline schedule, but a much lower increase than proposed by the assessor's.**
4. Changes were made to the LAT 12 reporting form that should make it easier for the taxpayer to request and be granted economic obsolescence for stripper and incapable wells and receiving shut-in credit for wells. **There are certain requirements the taxpayer will have in obtaining these credits. Affiliated Tax Consultants will prepare a summary of these requirements that will be provided by LIOGA in a separate report to all members.**

Any questions regarding the adopted 2006 LTC Rules and Regulations can be directed to the LIOGA office or Ken Cariker at Affiliated Tax Consultants (800) 569-5761.

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