



Louisiana Mid-Continent
Oil & Gas Association

January 25, 2023

Louisiana Tax Commission
1051 North Third St., 2nd Floor
Baton Rouge, LA 70802

RE: Louisiana Tax Commission 2023 Rules and Regulations Session, LTC Rule §103.A.25

Dear Louisiana Tax Commission Members,

I am writing today to express concern regarding the proposed revision to LTC Rule §103.A.25. On behalf of the Louisiana Mid-Continent Oil and Gas Association (LMOGA) and our membership, we respectfully request rescinding the proposed revision for LTC Rule §103.A.25 and request the existing rule remain unchanged for 2023.

Until Friday, January 20, 2023, LMOGA had no significant concerns with proposed 2023 LTC rules as published in the December Louisiana Register. However, a decision rendered by the Louisiana Board of Commerce and Industry (BC&I) on Friday negatively impacting a taxpayer that had properly and timely followed the necessary procedures for applying for a constitutional exemption, has raised serious concerns for our industry regarding the proposed revision to LTC Rule §103.A.25.

LMOGA has practical concerns regarding the Louisiana BC&I decision. One concern is that agency rules should not impede nor limit a constitutional privilege. If the constitution provides for the ITEP exemption, then the rules and procedures for all applicable governing agencies should allow the formal processes to conclude before declaring the property taxable or exempt.

Another concern is the unintended consequences resulting from misalignment with Louisiana BC&I rules and procedures for initial applications and renewal applications. Initial Applications are not due until 90 days following completion of construction or the beginning of operations, whichever comes first. If a project ends in December of a given year, then the company will have already lost a year of exemption eligibility under the newly proposed LTC rule. For renewal applications - as per BC&I rules, the earliest a company can apply for a renewal contract is June of the 5th year of the exemption contract. It is not practical to assume that all renewal contracts will be fully executed by the Governor by 12/31 of said year.

For the future of Louisiana, it is critical that our state's largest industries continue to invest and expand here, and Louisiana is in a great position to strengthen its place in the future of energy development, but this will not happen without a fair, predictable tax and business climate. One significant investment can have an enormous impact on not just a region, but on the entire state, initiating a trickle effect that will show companies that Louisiana is open for business.

Again, LMOGA respectfully requests rescinding the proposed 2023 revision to LTC Rule §103.A.25 and we appreciate your time and attention on this important issue. As with the development of LTC Chapter 9 oil and gas properties and other rule revisions, we are available and willing to participate in 2024 rule revisions if further evaluation of this issue reveals a need for a revised LTC rule.

Sincerely,

A handwritten signature in black ink that reads "Tommy Faucheux".

Tommy Faucheux
LMOGA President

