

By: Landgraf

H.B. No. 2292

A BILL TO BE ENTITLED

AN ACT

relating to the appraisal for ad valorem tax purposes of a real property interest in oil or gas in place.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 23.175, Tax Code, is amended to read as follows:

Sec. 23.175. OIL OR GAS INTEREST. (a) If a real property interest in oil or gas in place is appraised by a method that takes into account the future income from the sale of oil or gas to be produced from the interest, the method must use the average price of the oil or gas from the interest for the preceding two calendar years [~~year multiplied by a price adjustment factor~~] as the price at which the oil or gas produced from the interest is projected to be sold in each calendar [~~the current~~] year of the appraisal. The average price for the preceding two calendar years [~~year~~] is calculated by dividing the sum of the monthly average prices for which oil and gas from the interest was selling during each month of the preceding two calendar years [~~year~~] by 24 [~~12~~]. If there was no production of oil or gas from the interest during any month of the preceding two calendar years [~~year~~], the average price for which similar oil and gas from comparable interests was selling during that month is to be used. [~~Except as otherwise provided by this subsection, the chief appraiser shall calculate the price adjustment factor by dividing the spot price of West Texas~~

1 ~~Intermediate crude oil in nominal dollars per barrel or the spot~~  
2 ~~price of natural gas at the Henry Hub in nominal dollars per million~~  
3 ~~British thermal units, as applicable, as projected for the current~~  
4 ~~calendar year by the United States Energy Information~~  
5 ~~Administration in the most recently published edition of the Annual~~  
6 ~~Energy Outlook by the spot price of West Texas Intermediate crude~~  
7 ~~oil in nominal dollars per barrel or the spot price of natural gas~~  
8 ~~at the Henry Hub in nominal dollars per million British thermal~~  
9 ~~units, as applicable, for the preceding calendar year as stated in~~  
10 ~~the same report. If as of March 1 of the current calendar year the~~  
11 ~~most recently published edition of the Annual Energy Outlook was~~  
12 ~~published before December 1 of the preceding calendar year, the~~  
13 ~~chief appraiser shall use the projected current and preceding~~  
14 ~~calendar year spot price of West Texas Intermediate crude oil in~~  
15 ~~nominal dollars per barrel or the spot price of natural gas at the~~  
16 ~~Henry Hub in nominal dollars per million British thermal units, as~~  
17 ~~applicable, as stated in the Short-Term Energy Outlook report~~  
18 ~~published in January of the current calendar year by the United~~  
19 ~~States Energy Information Administration in the price adjustment~~  
20 ~~factor calculations. The price for the interest used in the second~~  
21 ~~through the sixth calendar year of the appraisal may not reflect an~~  
22 ~~annual escalation or de-escalation rate that exceeds the average~~  
23 ~~annual percentage change from 1982 to the most recent year for which~~  
24 ~~the information is available in the producer price index for~~  
25 ~~domestically produced petroleum or for natural gas, as applicable,~~  
26 ~~as published by the Bureau of Labor Statistics of the United States~~  
27 ~~Department of Labor. The price for the interest used in the sixth~~

1 ~~calendar year of the appraisal must be used in each subsequent year~~  
2 ~~of the appraisal.]~~

3 (b) The comptroller by rule shall develop and distribute to  
4 each appraisal office appraisal manuals that specify the [~~formula~~  
5 ~~to be used in computing the limit on the price for an interest used~~  
6 ~~in the second through the sixth year of an appraisal and the~~]  
7 methods and procedures to discount future income from the sale of  
8 oil or gas from the interest to present value.

9 (c) Each appraisal office shall use the [~~formula,~~]  
10 methods[~~7~~] and procedures specified by the appraisal manuals  
11 developed under Subsection (b).

12 SECTION 2. This Act applies to the appraisal for ad valorem  
13 tax purposes of a real property interest in oil or gas in place only  
14 for a tax year beginning on or after the effective date of this Act.

15 SECTION 3. This Act takes effect January 1, 2022.