

Amend CSHB 3454 (Senate committee report) as follows:

(1) Add the following SECTIONS to the bill and renumber the subsequent SECTIONS of the bill accordingly:

SECTION _____. Sections 23.175(a) and (b), Tax Code, are amended to read as follows:

(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 calendar year multiplied by a market condition factor as the price at which the oil or gas produced from the interest is projected to be sold in the current year of the appraisal. The average price for the preceding calendar 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 calendar year by 12. If there was no production of oil or gas from the interest during any month of the preceding calendar year, the average price for which similar oil and gas from comparable interests was selling during that month is to be used. The comptroller shall calculate the market condition factor by dividing the ~~[comptroller's]~~ current calendar year statewide average price for oil or gas, as applicable, as forecasted by the Oil and Gas Valuation Advisory Committee using market-based data and a market-based methodology and approved by the comptroller, ~~[for revenue estimating purposes]~~ by the preceding calendar year actual statewide average price for oil or gas, as applicable. ~~[For purposes of calculating the market condition factor, "price" means the market value of oil or gas as determined under Subchapter C, Chapter 201, or Section 202.053, as applicable.]~~ The comptroller shall calculate the preceding calendar year actual statewide average prices for oil and gas and the market condition factors for oil and gas and publish that information to be used for ad valorem tax appraisal purposes concurrently with the current calendar year statewide average prices for oil and gas forecasted using market-based data and a market-based methodology ~~[for revenue estimating purposes]~~. The price for the interest used in the second or a subsequent calendar year of the appraisal shall reflect the

~~[same]~~ percentage rate increase or decrease in the price for oil or gas, as applicable, as projected for that calendar year by the comptroller using market-based data and a market-based methodology. However, in no event may the price used in the second or any succeeding year of an appraisal exceed 200 percent of the price used in the current year of the appraisal ~~[for revenue estimating purposes]~~.

(b) The comptroller by rule shall:

(1) establish procedures for performing the calculations required by Subsection (a); and

(2) develop and distribute to each appraisal office appraisal manuals that specify methods and procedures to discount future income from the sale of oil or gas from the interest to present value.

SECTION _____. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.176 to read as follows:

Sec. 23.176. OIL AND GAS VALUATION ADVISORY COMMITTEE. (a) The Oil and Gas Valuation Advisory Committee is created. The advisory committee is composed of:

(1) the comptroller, who serves as a nonvoting member and as presiding officer of the committee;

(2) three members who are members of a county commissioners court, appointed by the chief executive officer of the County Judges and Commissioners Association of Texas;

(3) two members who are chief appraisers of an appraisal district, appointed by the chief executive officer of the Texas Association of Appraisal Districts;

(4) two members appointed by the chief executive officer of the Texas Oil & Gas Association;

(5) two members appointed by the chief executive officer of the Texas Independent Producers and Royalty Owners Association; and

(6) one member appointed annually on a rotating basis by the chief executive officer of the Texas Alliance of Energy Producers, the chief executive officer of the Permian Basin Petroleum Association, or the chief executive officer of the Panhandle Producers & Royalty Owners Association.

(b) An appointed member of the advisory committee serves at the will of the appointing entity.

(c) Chapter 2110, Government Code, does not apply to the size, composition, or duration of the advisory committee.

(d) The advisory committee shall, by a vote of at least two-thirds of the voting members, determine the current calendar year statewide average price for oil or gas, as applicable, forecasted using market-based data and a market-based methodology.

(e) The determination of the advisory committee may not result in a current calendar year statewide average price for oil or gas, as applicable, forecasted using market-based data and a market-based methodology that deviates by more than 50 percent from the preceding calendar year actual statewide average price for oil or gas, as applicable, as calculated by the comptroller under Section 23.175(a).

(f) The advisory committee shall notify the comptroller of the committee's determination. The comptroller shall accept or reject the advisory committee's determination. If the comptroller rejects the advisory committee's determination, the comptroller shall:

(1) immediately notify the advisory committee of the comptroller's rejection of and reasons for rejecting the determination; and

(2) direct the advisory committee to make a new determination.

(g) A new determination by the advisory committee is subject to Subsections (d), (e), and (f) in the same manner as an initial determination.

(h) If the comptroller accepts the initial or a subsequent determination of the advisory committee, the comptroller shall use the current calendar year statewide average price for oil or gas, as applicable, as determined by the advisory committee in performing the calculations required by Section 23.175(a).

(i) The comptroller by rule shall establish procedures for the functions of the advisory committee, including procedures requiring the advisory committee to notify the comptroller of its initial determination for each tax year not later than January 31 of

that year.

SECTION _____. The chief executive officers of the County Judges and Commissioners Association of Texas, Texas Association of Appraisal Districts, Texas Oil & Gas Association, Texas Independent Producers and Royalty Owners Association, and Texas Alliance of Energy Producers shall appoint the initial appointed members of the Oil and Gas Valuation Advisory Committee created by Section 23.176, Tax Code, as added by this Act, as soon as practicable on or after September 1, 2009.

SECTION _____. The comptroller shall adopt rules under Section 23.175(b), Tax Code, as amended by this Act, and Section 23.176(i), Tax Code, as added by this Act, not later than December 1, 2009.

(2) Strike SECTION 19 of the bill (page 5, line 35) and substitute the following:

SECTION 19. (a) Except as provided by Subsection (b) of this section, this Act takes effect January 1, 2010.

(b) Sections 23.175(a) and (b), Tax Code, as amended by this Act, and Section 23.176, Tax Code, as added by this Act, take effect September 1, 2009.