

BILL ANALYSIS

Senate Research Center

S.B. 1647
By: Uresti
Finance
4/5/2011
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Mineral ownership interests are taxable, and these ownerships are listed in division orders. Division orders tell producers how to distribute income. Owners are sometimes not receiving this income because of unknown ownership, unknown address, death of the owner, or some other reason. These monies are then held by the state, gatherers, operators, or other entities in a trust for the owner. When the income is held in this manner, property taxes remain unpaid.

This can create several problems such as forcing county tax assessor-collectors to pursue collection, wasting resources and time on uncollectible funds. These taxing entities rely on property taxes for income. Often the only way to collect these taxes is by the filing of a costly tax lien. By the time a lien is filed, the well may not be producing and the state may not recover the loss of property taxes owed or the cost of the tax lien.

Existing law pertaining to this issue is Section 32.07 (Personal Liability for Tax), Tax Code, which discusses the liability for property taxes. There is nothing in the code that addresses the liability of taxes owed on an interest held by an entity other than the owner. There is no requirement that taxes are paid on the interests held in escrow.

S.B. 1647 adds Subsection (i) to require the entity holding the funds to pay the property tax when the income is held in escrow. This bill would provide timely collection of ad valorem taxes and prevent the necessity of imposing a lien. This bill would also prevent penalties and interests added to delinquent tax bills for royalty interest owners who eventually claim the interest, increasing the likelihood of collection.

As proposed, S.B. 1647 amends current law relating to the payment of ad valorem taxes on mineral interests held by an entity other than the owner.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 32.07, Tax Code, by adding Subsection (i) to require that the property taxes due on a producing mineral interest, if revenues from that producing mineral interest are held by an entity other than the legal owner of that producing mineral interest, be paid by the entity which holds the funds, to the extent that such payment does not exceed the total amount of funds held in escrow for that interest owner.

SECTION 2. Effective date: September 1, 2011.