

By: Uresti

S.B. No. 1506

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the appraisal for ad valorem tax purposes of a real
3 property interest in oil and gas in place.

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

5 SECTION 1. Section 23.175(a), Tax Code, is amended to read
6 as follows:

7 (a) If a real property interest in oil or gas in place is
8 appraised by a method that takes into account the future income from
9 the sale of oil or gas to be produced from the interest, the method
10 must use the average price of the oil or gas from the interest for
11 the preceding calendar year multiplied by a market condition factor
12 as the price at which the oil or gas produced from the interest is
13 projected to be sold in the current year of the appraisal. The
14 average price for the preceding calendar year is calculated by
15 dividing the sum of the monthly average prices for which oil and gas
16 from the interest was selling during each month of the preceding
17 calendar year by 12. If there was no production of oil or gas from
18 the interest during any month of the preceding calendar year, the
19 average price for which similar oil and gas from comparable
20 interests was selling during that month is to be used. The
21 comptroller shall calculate the market condition factor by dividing
22 the comptroller's current calendar year statewide average price for
23 oil or gas, as applicable, forecasted using actual price data, as
24 available, and market-based data and a market-based methodology

1 ~~[for revenue estimating purposes]~~ by the preceding calendar year
2 actual statewide average price for oil or gas, as applicable. For
3 purposes of calculating the market condition factor, "price" means
4 the market value of oil or gas as determined under Subchapter C,
5 Chapter 201, or Section 202.053, as applicable. The comptroller
6 shall calculate the preceding calendar year actual statewide
7 average prices for oil and gas and the market condition factors for
8 oil and gas and publish that information to be used for ad valorem
9 tax appraisal purposes concurrently with the current calendar year
10 statewide average prices for oil and gas forecasted using actual
11 price data, as available, and market-based data and a market-based
12 methodology ~~[for revenue estimating purposes]~~. The price for the
13 interest used in the second or a subsequent calendar year of the
14 appraisal shall reflect the same percentage rate increase or
15 decrease in the price for oil or gas, as applicable, as projected
16 for that calendar year by the comptroller using actual price data,
17 as available, and market-based data and a market-based methodology
18 ~~[for revenue estimating purposes]~~.

19 SECTION 2. This Act applies only to the appraisal of a real
20 property interest in oil or gas in place for a tax year beginning on
21 or after the effective date of this Act.

22 SECTION 3. This Act takes effect January 1, 2012.