

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 6, 2011

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: SB1647 by Uresti (Relating to the payment of ad valorem taxes on mineral interests held by an entity other than the owner.), **As Introduced**

The bill's provisions would affect mainly abandoned mineral proceeds submitted to the Comptroller's Office. The Comptroller as holder of abandoned mineral interests would be required to pay the tax, including back taxes. However, it is assumed that payments of taxes would be taken out of the mineral proceeds. This could result in an indeterminate fiscal impact to the State.

The bill would amend Chapter 32 of the Tax Code, regarding property taxation.

The bill would require that when revenues from producing mineral interests are held by an entity other than the legal owner, the property taxes due on that interest would be paid by the entity.

The bill's provisions would affect mainly abandoned mineral proceeds submitted to the Comptroller's Office. The fiscal impact was based on property taxes levied on comparable market values of oil and natural gas properties capable of generating similar abandoned mineral proceeds. It was assumed that payments of taxes would be taken out of the mineral proceeds. The Comptroller as holder of abandoned mineral interests would be required to pay the tax, including back taxes. These amounts however, cannot be estimated. There could be an undetermined revenue gain to local taxing jurisdictions.

The bill would take effect September 1, 2011.

Local Government Impact

There could be an indeterminate revenue gain to local taxing jurisdictions resulting from increased tax collections.

Source Agencies: 304 Comptroller of Public Accounts

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