

BILL ANALYSIS

S.B. 1985
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The U.S. Energy Information Administration publishes oil and gas price forecasts which are used to determine price adjustment factors that are an integral part of oil and gas mineral valuations subject to property taxes. There are concerns regarding references in current state law to a federal report that is inconsistently published and that no longer lists the imported low-sulfur light crude oil cited in state law. Interested parties note that publication of the report has recently been delayed to a point that is too late to begin the valuations and that this must be prevented from reoccurring every year. Certain parties have agreed on technical corrections to address these issues. S.B. 1985 seeks to make those corrections.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1985 amends the Tax Code to replace the projected price of imported low-sulfur light crude oil with the projected spot price of West Texas Intermediate crude oil as the benchmark used by a chief appraiser when calculating the price adjustment factor for oil for the purposes of a requirement that a method of appraising a real property interest in oil and gas in place take into account the future income from the sale of oil or gas at which the oil or gas produced from the interest is projected to be sold in the current calendar year. The bill specifies that the projected spot price of West Texas Intermediate crude oil and the projected spot price of natural gas at the Henry Hub price adjustment factor benchmarks be expressed in nominal dollars per barrel or per million British thermal units, as applicable. The bill replaces the most recently published Early Release Overview of the Annual Energy Outlook with the most recently published edition of the Annual Energy Outlook as the source for such spot price projections for the current calendar year.

S.B. 1985 requires the chief appraiser, if as of March 1 of the current calendar year the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, to use in the price adjustment factor calculations the projected current and preceding calendar year spot price of West Texas Intermediate crude oil in nominal dollars per barrel or the spot price of natural gas at the Henry Hub in nominal dollars per million British thermal units, as applicable, as stated in the Short-Term Energy Outlook report published in January of the current calendar year by the United States Energy Information Administration.

EFFECTIVE DATE

January 1, 2016.