

By: Uresti

S.B. No. 1985

A BILL TO BE ENTITLED

AN ACT

relating to the appraisal for ad valorem tax purposes of a real property interest in oil or gas in place.

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

SECTION 1. Section 23.175(a), Tax Code, is 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 price adjustment 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. Except as otherwise provided by this subsection, the [The] chief appraiser shall calculate the price adjustment factor by dividing the spot price of West Texas Intermediate [~~imported low-sulfur light~~] crude oil in nominal dollars per barrel or the spot price of natural gas

1 at the Henry Hub in nominal dollars per million British thermal
2 units, as applicable, as projected for the current calendar year by
3 the United States Energy Information Administration in the most
4 recently published edition [~~Early Release Overview~~] of the Annual
5 Energy Outlook by the spot price of West Texas Intermediate
6 [~~imported low-sulfur light~~] crude oil in nominal dollars per barrel
7 or the spot price of natural gas at the Henry Hub in nominal dollars
8 per million British thermal units, as applicable, for the preceding
9 calendar year as stated in the same report. If as of March 1 of the
10 current calendar year the most recently published edition of the
11 Annual Energy Outlook was published before December 1 of the
12 preceding calendar year, the chief appraiser shall use the
13 projected current and preceding calendar year spot price of West
14 Texas Intermediate crude oil in nominal dollars per barrel or the
15 spot price of natural gas at the Henry Hub in nominal dollars per
16 million British thermal units, as applicable, as stated in the
17 Short-Term Energy Outlook report published in January of the
18 current calendar year by the United States Energy Information
19 Administration in the price adjustment factor calculations. The
20 price for the interest used in the second through the sixth calendar
21 year of the appraisal may not reflect an annual escalation or
22 de-escalation rate that exceeds the average annual percentage
23 change from 1982 to the most recent year for which the information
24 is available in the producer price index for domestically produced
25 petroleum or for natural gas, as applicable, as published by the
26 Bureau of Labor Statistics of the United States Department of
27 Labor. The price for the interest used in the sixth calendar year

1 of the appraisal must be used in each subsequent year of the
2 appraisal.

3 SECTION 2. This Act applies only to the appraisal for ad
4 valorem tax purposes of a real property interest in oil or gas in
5 place for a tax year beginning on or after the effective date of
6 this Act.

7 SECTION 3. This Act takes effect January 1, 2016.