

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.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1985 passed the Senate on  
April 14, 2015, by the following vote: Yeas 31, Nays 0.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1985 passed the House on  
April 23, 2015, by the following vote: Yeas 137, Nays 2, two  
present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor