

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

1 subsequent year of the appraisal.

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

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