Chapter 4 S.B. No. 1985

1 AN ACT

2 relating to the appraisal for ad valorem tax purposes of a real

- 3 property interest in oil or gas in place.
- 4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
- 5 SECTION 1. Section 23.175(a), Tax Code, is amended to read 6 as follows:
- 7 If a real property interest in oil or gas in place is appraised by a method that takes into account the future income from 8 9 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 10 11 the preceding calendar year multiplied by a price adjustment factor as the price at which the oil or gas produced from the interest is 12 projected to be sold in the current year of the appraisal. 13 average price for the preceding calendar year is calculated by 14 15 dividing the sum of the monthly average prices for which oil and gas from the interest was selling during each month of the preceding 16 calendar year by 12. If there was no production of oil or gas from 17 the interest during any month of the preceding calendar year, the 18 average price for which similar oil and gas from comparable 19 20 interests was selling during that month is to be used. Except as otherwise provided by this subsection, the [The] chief appraiser 21 shall calculate the price adjustment factor by dividing the spot 22 price of West Texas Intermediate [imported low-sulfur light] crude 23 oil in nominal dollars per barrel or the spot price of natural gas 24

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

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

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

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.____

Speaker o

hereby certify that S.B. No 1985 passed the Senate on

April 14, 2015, by the following vote: Yeas 31, Nays 0.

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.__

Approved:

FILED IN THE OFFICE OF THE SECRETARY OF STATE

O'CLOCK

Secretary of State

3

LEGISLATIVE BUDGET BOARD Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 2, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1985 by Uresti (Relating to the appraisal for ad valorem tax purposes of a real property

interest in oil or gas in place.), As Introduced

No fiscal implication to the State is anticipated.

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that, in some specified circumstances for purposes of appraising a real property interest in oil or gas in place, the price adjustment factor is calculated based on the U.S. Energy Information Administration's (EIA's) most recently published edition of the Annual Energy Outlook, rather than EIA's Early Release Overview of the Annual Energy Outlook. If on February 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, the bill would require the chief appraiser to use for the price adjustment factor calculations the projected and preceding calendar year specified prices as stated in EIA's Short-Term Energy Outlook report published in January of the current calendar year.

The bill also, for purposes of calculating the price adjustment factor, would replace references to the "price of imported low-sulfur light crude oil in nominal dollars" with "spot price of West Texas Intermediate crude oil in nominal dollars per barrel" and would replace references to the "spot price of natural gas at the Henry Hub in nominal dollars" with "spot price of natural gas at the Henry Hub in nominal dollars per million British thermal units."

The bill would make technical corrections to ensure that property tax appraisers have oil and gas price information necessary to perform timely appraisals for the current tax year, but would not affect taxable property values, tax rates, collection rates, or any other variable which might affect the revenues of units of local governments or the state.

The bill would take effect January 1, 2016.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS

LEGISLATIVE BUDGET BOARD Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 9, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1985 by Uresti (relating to the appraisal for ad valorem tax purposes of a real property

interest in oil or gas in place.), Committee Report 1st House, Substituted

No fiscal implication to the State is anticipated.

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that, in some specified circumstances for purposes of appraising a real property interest in oil or gas in place, the price adjustment factor is calculated based on the U.S. Energy Information Administration's (EIA's) most recently published edition of the Annual Energy Outlook, rather than EIA's Early Release Overview of the Annual Energy Outlook. If on 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, the bill would require the chief appraiser to use for the price adjustment factor calculations the projected current and preceding calendar year specified prices as stated in EIA's Short-Term Energy Outlook report published in January of the current calendar year.

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