

By: Lewis

H.B. No. 889

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 two calendar years [~~year multiplied by a market condition factor~~] as the price at which the oil or gas produced from the interest is projected to be sold in each calendar [~~the current~~] year of the appraisal. The average price for the preceding two calendar years [~~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 two calendar years [~~year~~] by 24 [~~12~~]. If there was no production of oil or gas from the interest during any month of the preceding two calendar years [~~year~~], the average price for which similar oil and gas from comparable interests was selling during that month is to be used. [~~The comptroller shall calculate the market condition factor by dividing the comptroller's current calendar year statewide average price for oil or gas, as applicable, forecasted~~

1 ~~for revenue estimating purposes by the preceding calendar year~~
2 ~~actual statewide average price for oil or gas, as applicable.] For~~
3 purposes of this section ~~[calculating the market condition factor],~~
4 "price" means the market value of oil or gas as determined under
5 Subchapter C, Chapter 201, or Section 202.053, as applicable. The
6 comptroller shall calculate the preceding two calendar years ~~[year]~~
7 actual statewide average prices for oil and gas ~~[and the market~~
8 ~~condition factors for oil and gas]~~ and publish that information to
9 be used for ad valorem tax appraisal purposes ~~[concurrently with~~
10 ~~the current calendar year statewide average prices for oil and gas~~
11 ~~forecasted for revenue estimating purposes. The price for the~~
12 ~~interest used in the second or a subsequent calendar year of the~~
13 ~~appraisal shall reflect the same percentage rate increase or~~
14 ~~decrease in the price for oil or gas, as applicable, as projected~~
15 ~~for that calendar year by the comptroller for revenue estimating~~
16 ~~purposes].~~

17 SECTION 2. This Act applies only to ad valorem taxes imposed
18 for a tax year beginning on or after the effective date of this Act.

19 SECTION 3. This Act takes effect January 1, 2012.