

1-1 By: Uresti S.B. No. 1505  
1-2 (In the Senate - Filed March 10, 2011; March 22, 2011, read  
1-3 first time and referred to Committee on Finance; April 26, 2011,  
1-4 reported adversely, with favorable Committee Substitute by the  
1-5 following vote: Yeas 12, Nays 0; April 26, 2011, sent to printer.)

1-6 COMMITTEE SUBSTITUTE FOR S.B. No. 1505 By: Hinojosa

1-7 A BILL TO BE ENTITLED  
1-8 AN ACT

1-9 relating to the appraisal for ad valorem tax purposes of a real  
1-10 property interest in oil or gas in place.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Section 23.175, Tax Code, is amended to read as  
1-13 follows:

1-14 Sec. 23.175. OIL OR GAS INTEREST. (a) If a real property  
1-15 interest in oil or gas in place is appraised by a method that takes  
1-16 into account the future income from the sale of oil or gas to be  
1-17 produced from the interest, the method must use the average price of  
1-18 the oil or gas from the interest for the preceding calendar year  
1-19 multiplied by a price adjustment [~~market condition~~] factor as the  
1-20 price at which the oil or gas produced from the interest is  
1-21 projected to be sold in the current year of the appraisal. The  
1-22 average price for the preceding calendar year is calculated by  
1-23 dividing the sum of the monthly average prices for which oil and gas  
1-24 from the interest was selling during each month of the preceding  
1-25 calendar year by 12. If there was no production of oil or gas from  
1-26 the interest during any month of the preceding calendar year, the  
1-27 average price for which similar oil and gas from comparable  
1-28 interests was selling during that month is to be used. The chief  
1-29 appraiser [~~comptroller~~] shall calculate the price adjustment  
1-30 [~~market condition~~] factor by dividing the price of imported  
1-31 low-sulfur light crude oil in nominal dollars or the spot price of  
1-32 natural gas at the Henry Hub in nominal dollars, as applicable, as  
1-33 projected for the current calendar year by the United States Energy  
1-34 Information Administration in the most recently published Early  
1-35 Release Overview of the Annual Energy Outlook [~~comptroller's~~  
1-36 ~~current calendar year statewide average price for oil or gas, as~~  
1-37 ~~applicable, forecasted for revenue estimating purposes] by the  
1-38 price of imported low-sulfur light crude oil in nominal dollars or  
1-39 the spot price of natural gas at the Henry Hub in nominal dollars,  
1-40 as applicable, for the preceding calendar year as stated in the same  
1-41 report [~~preceding calendar year actual statewide average price for~~  
1-42 ~~oil or gas, as applicable. For purposes of calculating the market~~  
1-43 ~~condition factor, "price" means the market value of oil or gas as~~  
1-44 ~~determined under Subchapter C, Chapter 201, or Section 202.053, as~~  
1-45 ~~applicable. The comptroller shall calculate the preceding calendar~~  
1-46 ~~year actual statewide average prices for oil and gas and the market~~  
1-47 ~~condition factors for oil and gas and publish that information to be~~  
1-48 ~~used for ad valorem tax appraisal purposes concurrently with the~~  
1-49 ~~current calendar year statewide average prices for oil and gas~~  
1-50 ~~forecasted for revenue estimating purposes]. The price for the~~  
1-51 interest used in the second through the sixth [~~or a subsequent~~]  
1-52 calendar year of the appraisal may not reflect an annual escalation  
1-53 or de-escalation rate that exceeds the average annual percentage  
1-54 change from 1982 to the most recent year for which the information  
1-55 is available in the producer price index for domestically produced  
1-56 petroleum or for natural gas, as applicable, as published by the  
1-57 Bureau of Labor Statistics of the United States Department of  
1-58 Labor. The price for the interest used in the sixth calendar year  
1-59 of the appraisal must be used in each subsequent year of the  
1-60 appraisal [~~shall reflect the same percentage rate increase or~~  
1-61 ~~decrease in the price for oil or gas, as applicable, as projected~~  
1-62 ~~for that calendar year by the comptroller for revenue estimating~~  
1-63 ~~purposes].~~~~

2-1 (b) The comptroller by rule shall develop and distribute to  
2-2 each appraisal office appraisal manuals that specify the formula to  
2-3 be used in computing the limit on the price for an interest used in  
2-4 the second through the sixth year of an appraisal and the methods  
2-5 and procedures to discount future income from the sale of oil or gas  
2-6 from the interest to present value.

2-7 (c) Each appraisal office shall use the formula, methods,  
2-8 and procedures specified by the appraisal manuals developed under  
2-9 Subsection (b) [~~of this section~~].

2-10 SECTION 2. This Act applies only to the appraisal for ad  
2-11 valorem tax purposes of a real property interest in oil or gas in  
2-12 place for a tax year beginning on or after the effective date of  
2-13 this Act.

2-14 SECTION 3. This Act takes effect January 1, 2012.

2-15 \* \* \* \* \*