

SENATE AMENDMENTS

2nd Printing

By: Hardcastle, Otto

H.B. No. 2982

A BILL TO BE ENTITLED

AN ACT

relating to the ad valorem tax appraisal of oil or gas interests.

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 market condition 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 ~~[on]~~ each month ~~[day]~~ of the preceding calendar year ~~[, excluding February 29,]~~ by 12 ~~[365]~~. If there was no production of oil or gas from the interest ~~[on any day]~~ 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 ~~[on that day]~~ 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 for revenue estimating purposes by the preceding calendar year actual statewide average price for

1 oil or gas, as applicable. For purposes of calculating the market
2 condition factor, "price" means the market value of oil or gas as
3 determined under Subchapter C, Chapter 201, or Section 202.053, as
4 applicable. The comptroller shall calculate the preceding calendar
5 year actual statewide average prices for oil and gas and the market
6 condition factors for oil and gas and publish that information to be
7 used for ad valorem tax appraisal purposes concurrently with the
8 current calendar year statewide average prices for oil and gas
9 forecasted for revenue estimating purposes. The price for the
10 interest used in the second or a subsequent calendar year of the
11 appraisal shall reflect the same percentage rate increase or
12 decrease in the price for oil or gas, as applicable, as projected
13 for that calendar year by the comptroller for revenue estimating
14 purposes. [If market conditions warrant, the average price from the
15 preceding year may be increased or decreased in the second and/or
16 succeeding years of an appraisal that takes into account the future
17 income from the sale of oil or gas to be produced from the interest.
18 If the average price from the preceding year is increased in the
19 second or any succeeding year of an appraisal that takes into
20 account the future income from the sale of oil or gas from the
21 interest, the annual percentage rate of increase may be no greater
22 than the annual percentage rate increase projected for that year by
23 the comptroller for revenue estimating purposes; however, in no
24 event may the price used in the second or any succeeding year of an
25 appraisal exceed 150 percent of the price used in the current year
26 of the appraisal. The price used in the current year may be
27 decreased by any amount in the second and succeeding year of an

1 ~~appraisal.]~~

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

5 SECTION 3. This Act takes effect January 1, 2008.

ADOPTED

MAY 23 2007

Lataj Spaw
Secretary of the Senate

1 FLOOR AMENDMENT NO. 1

BY: *Rebin*

2 Amend **HB 2982** (House Committee Printing) by adding the
3 following appropriately numbered Sections and renumbering the
4 remaining Sections of the bill:

5 SECTION ____ . Section 162.227, Tax Code, is amended by adding
6 Subsection (c-1) to read as follows:

7 (c-1) A license holder may take a credit on a
8 return for the period in which the purchase occurred, and a person
9 who does not hold a license may file a refund claim with the
10 comptroller, if:

11 (1) the license holder or person paid tax on diesel
12 fuel;

13 (2) the diesel fuel is used in this state by movable
14 specialized equipment used in oil field well servicing; and

15 (3) the person who purchased the diesel fuel has
16 received or is eligible to receive a federal diesel fuel tax refund
17 under the Internal Revenue Code of 1986 for the diesel fuel used by
18 movable specialized equipment used in oil field well servicing.

19 SECTION ____ . This Act takes effect September 1, 2007.

20

ADOPTED

MAY 23 2007

FLOOR AMENDMENT NO. 2

Atty. Gen.
Secretary of the Senate

BY: *[Signature]*

1 Amend H.B. No. 2982 by adding the following appropriately
2 numbered SECTION to read as follows and renumbering subsequent
3 SECTIONS accordingly:

4 SECTION _____. Sections 201.059(g) and 202.058(h), Tax Code,
5 are repealed.

ADOPTED

MAY 23 2007

Leta Spaw
Secretary of the Senate

Craig Estes

FLOOR AMENDMENT NO. 3

BY: _____

1 Amend H.B. No. 2982 by adding the following SECTION to the
2 bill, appropriately numbered, and renumbering subsequent SECTIONS
3 accordingly:

4 SECTION _____. (a) Section 21.02(e), Tax Code, is amended to
5 read as follows:

6 (e) In this subsection, "portable drilling rig" includes
7 equipment associated with the drilling rig. A portable drilling
8 rig designed for land-based oil or gas drilling or exploration
9 operations is taxable by each [~~the~~] taxing unit in which the rig is
10 located on January 1 if the rig was located in the appraisal
11 district that appraises property for the unit for the preceding 365
12 consecutive days. If the drilling rig was not located in the
13 appraisal district where it is located on January 1 for the
14 preceding 365 days, it is taxable by each [~~the~~] taxing unit in which
15 the owner's principal place of business in this state is located on
16 January 1, unless the owner renders the rig under Chapter 22 to the
17 appraisal district in which the rig is located on January 1, in
18 which event the rig is taxable by each taxing unit in which the rig
19 is located on January 1. If an owner elects to render any portable
20 drilling rig to the appraisal district in which the rig is located
21 on January 1 when the rig otherwise would be taxable at the owner's
22 principal place of business in this state, all the owner's portable
23 drilling rigs are taxable by the taxing units in which each rig is
24 located on January 1. Notwithstanding any other provision of this
25 subsection, if the owner of a portable drilling rig does not have a
26 place of business in this state, the rig is taxable by each taxing
27 unit in which the rig is located on January 1.

28 (b) Subsection (a) of this section applies only to a tax
29 year that begins on or after the effective date of this section.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 16, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2982 by Hardcastle (Relating to the ad valorem tax appraisal of oil or gas interests.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Section 23.175 of the Tax Code to change the oil and gas price averaging method in an income appraisal method from the daily average for the preceding calendar year to the monthly average for the preceding year.

The bill would require that the average price of the oil or gas be multiplied by a market condition factor, and the resulting price used as the price in the current year of the appraisal. The bill would require that the Comptroller calculate the market condition factor by dividing the Comptroller's current calendar year statewide average price for oil or gas forecasted for revenue estimating purposes by the preceding calendar year actual statewide average price for oil or gas.

The Comptroller would have to publish the actual statewide average prices for oil and gas and the market condition factors concurrently with the current calendar year statewide average prices for oil and gas forecasted for revenue estimating purposes. Finally, the bill would require appraisal districts to appraise oil and gas interests using the same percentage rate of increase or decrease in oil or gas prices as projected by the Comptroller for revenue estimating purposes.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The bill would modify the oil and gas pricing method that appraisal districts are currently required to follow in their appraisals, but it would not overrule the general requirement that oil and gas interests be appraised at market value. There would be no significant cost to the state and local units of government.

The bill would take effect January 1, 2008.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2982 by Hardcastle (Relating to the ad valorem tax appraisal of oil or gas interests.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Section 23.175 of the Tax Code to change the oil and gas price averaging method in an income appraisal method from the daily average for the preceding calendar year to the monthly average for the preceding year.

The bill would require that the average price of the oil or gas be multiplied by a market condition factor, and the resulting price used as the price in the current year of the appraisal. The bill would require that the Comptroller calculate the market condition factor by dividing the Comptroller's current calendar year statewide average price for oil or gas forecasted for revenue estimating purposes by the preceding calendar year actual statewide average price for oil or gas.

The Comptroller would have to publish the actual statewide average prices for oil and gas and the market condition factors concurrently with the current calendar year statewide average prices for oil and gas forecasted for revenue estimating purposes. Finally, the bill would require appraisal districts to appraise oil and gas interests using the same percentage rate of increase or decrease in oil or gas prices as projected by the Comptroller for revenue estimating purposes.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The bill would modify the oil and gas pricing method that appraisal districts are currently required to follow in their appraisals, but it would not overrule the general requirement that oil and gas interests be appraised at market value. There would be no significant cost to the state and local units of government.

The bill would take effect January 1, 2008.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS