

1-1 By: Uresti S.B. No. 1985
 1-2 (In the Senate - Filed March 13, 2015; March 25, 2015, read
 1-3 first time and referred to Committee on Finance; April 9, 2015,
 1-4 reported adversely, with favorable Committee Substitute by the
 1-5 following vote: Yeas 12, Nays 0; April 9, 2015, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7 Nelson	X			
1-8 Hinojosa	X			
1-9 Bettencourt	X			
1-10 Eltife			X	
1-11 Hancock	X			
1-12 Huffman	X			
1-13 Kolthorst	X			
1-14 Nichols	X			
1-15 Schwertner	X			
1-16 Seliger	X			
1-17 Taylor of Galveston			X	
1-18 Uresti	X			
1-19 Watson	X			
1-20 West	X			
1-21 Whitmire			X	

1-23 COMMITTEE SUBSTITUTE FOR S.B. No. 1985 By: Uresti

1-24 A BILL TO BE ENTITLED
 1-25 AN ACT

1-26 relating to the appraisal for ad valorem tax purposes of a real
 1-27 property interest in oil or gas in place.

1-28 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-29 SECTION 1. Section 23.175(a), Tax Code, is amended to read
 1-30 as follows:

1-31 (a) If a real property interest in oil or gas in place is
 1-32 appraised by a method that takes into account the future income from
 1-33 the sale of oil or gas to be produced from the interest, the method
 1-34 must use the average price of the oil or gas from the interest for
 1-35 the preceding calendar year multiplied by a price adjustment factor
 1-36 as the price at which the oil or gas produced from the interest is
 1-37 projected to be sold in the current year of the appraisal. The
 1-38 average price for the preceding calendar year is calculated by
 1-39 dividing the sum of the monthly average prices for which oil and gas
 1-40 from the interest was selling during each month of the preceding
 1-41 calendar year by 12. If there was no production of oil or gas from
 1-42 the interest during any month of the preceding calendar year, the
 1-43 average price for which similar oil and gas from comparable
 1-44 interests was selling during that month is to be used. Except as
 1-45 otherwise provided by this subsection, the [The] chief appraiser
 1-46 shall calculate the price adjustment factor by dividing the spot
 1-47 price of West Texas Intermediate [~~imported low-sulfur light~~] crude
 1-48 oil in nominal dollars per barrel or the spot price of natural gas
 1-49 at the Henry Hub in nominal dollars per million British thermal
 1-50 units, as applicable, as projected for the current calendar year by
 1-51 the United States Energy Information Administration in the most
 1-52 recently published edition [~~Early Release Overview~~] of the Annual
 1-53 Energy Outlook by the spot price of West Texas Intermediate
 1-54 [~~imported low-sulfur light~~] crude oil in nominal dollars per barrel
 1-55 or the spot price of natural gas at the Henry Hub in nominal dollars
 1-56 per million British thermal units, as applicable, for the preceding
 1-57 calendar year as stated in the same report. If as of March 1 of the
 1-58 current calendar year the most recently published edition of the
 1-59 Annual Energy Outlook was published before December 1 of the
 1-60 preceding calendar year, the chief appraiser shall use the

2-1 projected current and preceding calendar year spot price of West
2-2 Texas Intermediate crude oil in nominal dollars per barrel or the
2-3 spot price of natural gas at the Henry Hub in nominal dollars per
2-4 million British thermal units, as applicable, as stated in the
2-5 Short-Term Energy Outlook report published in January of the
2-6 current calendar year by the United States Energy Information
2-7 Administration in the price adjustment factor calculations. The
2-8 price for the interest used in the second through the sixth calendar
2-9 year of the appraisal may not reflect an annual escalation or
2-10 de-escalation rate that exceeds the average annual percentage
2-11 change from 1982 to the most recent year for which the information
2-12 is available in the producer price index for domestically produced
2-13 petroleum or for natural gas, as applicable, as published by the
2-14 Bureau of Labor Statistics of the United States Department of
2-15 Labor. The price for the interest used in the sixth calendar year
2-16 of the appraisal must be used in each subsequent year of the
2-17 appraisal.

2-18 SECTION 2. This Act applies only to the appraisal for ad
2-19 valorem tax purposes of a real property interest in oil or gas in
2-20 place for a tax year beginning on or after the effective date of
2-21 this Act.

2-22 SECTION 3. This Act takes effect January 1, 2016.

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