BILL ANALYSIS

Senate Research Center — H.B. 2982
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law requires uniformity and equality in property taxation. In response to large variations in oil and gas price forecasts that were being used in appraising mineral properties, the 73rd Legislature, Regular Session, 1993, enacted Section 23.175 (Oil or Gas Interest), Tax Code. Section 23.175 ties the price forecast component of the appraisal process to the forecast that is developed by the comptroller of public accounts (comptroller) for the state's revenue estimate. However, the statute's only explicit limit is that limit imposed on price increases, leading some appraisers to ignore the comptroller's forecast for years in which price decreases are anticipated. Ensuring accurate and uniform appraisals requires that an objective standard be used for the price forecast.

H.B. 2982 requires that the starting year price to be used in appraising an oil or gas property be the average price received on that property's production in the prior year, multiplied by a market condition factor. This bill requires the comptroller to calculate the market condition factor by a certain method and to publish the results.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.175(a), Tax Code, as follows:

> (a) Requires the method used to appraise real property interest in oil or gas that takes into account the future income from the sale of oil or gas to be produced from the interest (oil or gas) to use the average price of the oil or gas for the preceding calendar year multiplied by a market condition factor as the price at which the oil or gas is projected to be sold in the current year of appraisal. Provides that the average price for the preceding calendar year is calculated by dividing the sum of the monthly average prices for which oil and gas was selling during each month of the preceding calendar year by 12, rather than on each day of that year, excluding February 29, by 365. Sets forth the method by which the comptroller of public accounts (comptroller) is required to calculate the market condition factor. Defines "price" for purposes of calculating the market condition factor. Requires the comptroller to calculate the preceding calendar year actual statewide average prices for oil and gas and the market condition factors for oil and gas and to publish that information to be used for ad valorem tax appraisal purposes concurrently with the current calendar year statewide average prices for oil and gas forecasted for revenue estimating purposes. Requires the price for the interest used in the second or subsequent calendar year of the appraisal to reflect the same percentage rate increase or decrease in the price for oil or gas, as applicable, as projected for that calendar year by the comptroller for revenue estimating purposes. Deletes existing text relating to the use and computation of average prices from the preceding year.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2008.