

## **BILL ANALYSIS**

Senate Research Center  
84R9338 SMH-F

S.B. 1985  
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Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 1505 in the 82nd Legislature, Regular Session, 2011, changed Chapter 23 of the Tax Code to reference a report from the United States Energy Information Administration (EIA), rather than relying on estimates from the comptroller of public accounts of the State of Texas, to establish a price adjustment factor to determine the ad valorem tax value of a real property interest in oil or gas in place.

Since 2011, the federal EIA report has changed, and S.B. 1985 amends Chapter 23 of the Tax Code to provide that, in some specified circumstances for purposes of appraising a real property interest in oil or gas in place, the price adjustment factor is calculated based on the EIA's most recently published edition of the Annual Energy Outlook, rather than EIA's Early Release Overview of the Annual Energy Outlook. If on February 1 of the current calendar year the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the bill would require the chief appraiser to use for the price adjustment factor calculations the projected and preceding calendar year specified prices as stated in EIA's Short-Term Energy Outlook report published in January of the current calendar year.

S.B. 1985 also, for purposes of calculating the price adjustment factor, replaces references to the "price of imported low-sulfur light crude oil in nominal dollars" with "spot price of West Texas Intermediate crude oil in nominal dollars per barrel" and replaces references to the "spot price of natural gas at the Henry Hub in nominal dollars" with "spot price of natural gas at the Henry Hub in nominal dollars per million British thermal units."

The bill makes no policy changes, only technical corrections to ensure that property tax appraisers have oil and gas price information necessary to perform timely appraisals for the current tax year, but does not affect taxable property values, tax rates, collection rates, or any other variable which might affect the revenues of units of local governments or the state.

As proposed, S.B. 1985 amends current law relating to the appraisal for ad valorem tax purposes of a real property interest in oil or gas in place.

### **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 chief appraiser, except as otherwise provided by this subsection, to calculate the price adjustment factor by dividing the spot price of West Texas Intermediate crude oil in nominal dollars per barrel, rather than of imported low-sulfur light crude oil in nominal dollars, or the spot price of natural gas at the Henry Hub in nominal dollars per million British thermal units, as applicable, as projected for the current calendar year by the United States Energy Information Administration in the most recently published edition of the Annual Energy Outlook, rather than the Early Release

Overview of the Annual Energy Outlook, by the spot price of West Texas Intermediate crude oil in nominal dollars per barrel, rather than of imported low-sulfur light crude oil in nominal dollars, or the spot price of natural gas at the Henry Hub in nominal dollars per million British thermal units, as applicable, for the preceding calendar year as stated in the same report. Requires the chief appraiser, if as of February 1 of the current calendar year the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, to use the projected and preceding calendar year spot price of West Texas Intermediate crude oil in nominal dollars per barrel or the spot price of natural gas at the Henry Hub in nominal dollars per million British thermal units, as applicable, as stated in the Short-Term Energy Outlook report published in January of the current calendar year by the United States Energy Information Administration in the price adjustment factor calculations. Makes no other change to this subsection.

SECTION 2. Provides that this applies only to the appraisal for ad valorem tax purposes of a real property interest in oil or gas in place for a tax year beginning on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2016.