

CHAPTER 998

H.B. No. 925

AN ACT

relating to the appraisal of oil and gas property for ad valorem tax purposes.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.175 to read as follows:

Sec. 23.175. OIL OR GAS INTEREST. (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 year 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 year is calculated by dividing the sum of the prices for which oil and gas from the interest was selling on each day of the preceding calendar year, excluding February 29, by 365. If there was no production of oil or gas from the interest on any day during the preceding calendar year, the average price for which similar oil and gas from comparable interests was selling on that day is to be used. If market conditions warrant, the average price from the preceding year may be increased or decreased in the second and/or succeeding years of an appraisal that takes into account the future income from the sale of oil or gas to be produced from the interest. If the average price from the preceding year is increased in the second or any succeeding year of an appraisal that takes into account the future income from the sale of oil or gas from the interest, the annual percentage rate of increase may be no greater than the annual percentage rate increase projected for that year by the comptroller for revenue estimating purposes; however, in no event may the price used in the second or any succeeding year of an appraisal exceed 150 percent of the price used in the current year of the appraisal. The price used in the current year may be decreased by any amount in the second and succeeding year of an appraisal.

(b) The comptroller by rule shall develop and distribute to each appraisal office appraisal manuals that specify methods and procedures to discount future income from the sale of oil or gas from the interest to present value.

(c) Each appraisal office shall use the methods and procedures specified by the appraisal manuals developed under Subsection (b) of this section.

SECTION 2. This Act takes effect September 1, 1993.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed by the House on April 15, 1993, by a non-record vote; passed by the Senate on May 30, 1993, by a viva-voce vote.

Approved June 19, 1993.

Effective Sept. 1, 1993.