

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

(e) In this subsection, "portable drilling rig" includes equipment associated with the drilling rig. A portable drilling rig designed for land-based oil or gas drilling or exploration operations is taxable by each [~~the~~] taxing unit in which the rig is located on January 1 if the rig was located in the appraisal district that appraises property for the unit for the preceding 365 consecutive days. If the drilling rig was not located in the appraisal district where it is located on January 1 for the preceding 365 days, it is taxable by each [~~the~~] taxing unit in which the owner's principal place of business in this state is located on January 1, unless the owner renders the rig under Chapter 22 to the appraisal district in which the rig is located on January 1, in which event the rig is taxable by each taxing unit in which the rig is located on January 1. If an owner elects to render any portable drilling rig to the appraisal district in which the rig is located on January 1 when the rig otherwise would be taxable at the owner's principal place of business in this state, all the owner's portable drilling rigs are taxable by the taxing units in which each rig is located on January 1. Notwithstanding any other provision of this

1 subsection, if the owner of a portable drilling rig does not have a  
2 place of business in this state, the rig is taxable by each taxing  
3 unit in which the rig is located on January 1.

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

6 (c) This section takes effect January 1, 2008.

7 SECTION 2. Section 23.175(a), Tax Code, is amended to read  
8 as follows:

9 (a) If a real property interest in oil or gas in place is  
10 appraised by a method that takes into account the future income from  
11 the sale of oil or gas to be produced from the interest, the method  
12 must use the average price of the oil or gas from the interest for  
13 the preceding calendar year multiplied by a market condition factor  
14 as the price at which the oil or gas produced from the interest is  
15 projected to be sold in the current year of the appraisal. The  
16 average price for the preceding calendar year is calculated by  
17 dividing the sum of the monthly average prices for which oil and gas  
18 from the interest was selling during ~~[on]~~ each month ~~[day]~~ of the  
19 preceding calendar year ~~[, excluding February 29,]~~ by 12 ~~[365]~~. If  
20 there was no production of oil or gas from the interest ~~[on any day]~~  
21 during any month of the preceding calendar year, the average price  
22 for which similar oil and gas from comparable interests was selling  
23 during that month ~~[on that day]~~ is to be used. The comptroller  
24 shall calculate the market condition factor by dividing the  
25 comptroller's current calendar year statewide average price for oil  
26 or gas, as applicable, forecasted for revenue estimating purposes  
27 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 3. (a) Section 162.227, Tax Code, is amended by  
3 adding Subsection (c-1) to read as follows:

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

7 (1) the license holder or person paid tax on diesel  
8 fuel;

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

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

15 (b) This section takes effect September 1, 2007.

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

18 SECTION 5. This Act applies only to the appraisal of  
19 property for ad valorem tax purposes for a tax year beginning on or  
20 after the effective date of this Act.

21 SECTION 6. Except as otherwise provided by this Act, this  
22 Act takes effect January 1, 2008.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 2982 was passed by the House on May 10, 2007, by the following vote: Yeas 143, Nays 0, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2982 on May 25, 2007, by the following vote: Yeas 141, Nays 0, 1 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 2982 was passed by the Senate, with amendments, on May 23, 2007, by the following vote: Yeas 30, Nays 0, 1 present, not voting.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor