

## **BILL ANALYSIS**

Senate Research Center

S.B. 485  
By: Brown  
Finance  
3-13-97  
As Filed

### **DIGEST**

Currently, Texas law establishes a minimum value of \$500 for ad valorem taxation on income-producing mineral interests. Before this law was passed by the 74th Legislature, the tax generated on a low value mineral interest often did not cover the cost of collection.

Since the passage of this law, questions have arisen as to the taxation of multi-party mineral interests. A person may have an interest which is less than \$500, but the person is still taxed due to the total value of the multi-party interest being over \$500. This bill would require the operator, in the event a person's stake in a multi-party interest is less than \$500, to exempt that person from the payment of any property taxes. Furthermore, upon remitting payment for the aggregate tax of the interest, the operator would report the combined value of all partial interest holders falling under the \$500 exemption. Then the tax payment would be adjusted accordingly.

### **PURPOSE**

As proposed, S.B. 485 provides an exception for separate mineral interests having a taxable value of less than \$500 to a joint listing on an ad valorem tax appraisal roll of separate interests.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 25.12(b), Tax Code, as follows:

(b) Requires separate interests in minerals, other than interests having a taxable value of less than \$500, to be listed jointly in the name of the operator designated with the railroad commission or the name of all owners or any combination of owners if the designated operator files a written request for joint taxation on a form furnished for that purpose with the appraisal office before May 1.

SECTION 2. Effective date: January 1, 1998.

SECTION 3. Emergency clause.