

ENROLLED SENATE
BILL NO. 730

By: Fisher, Rubottom and Long
(Ed) of the Senate

and

Cozort and Settle of the
House

An Act relating to revenue and taxation; amending 68
O.S. 1991, Section 2817, which relates to
assessment and valuation of property; providing for
determination of fair cash value of certain
property; clarifying language; and providing an
effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 68 O.S. 1991, Section 2817, is
amended to read as follows:

Section 2817. A. All taxable personal property, except
intangible personal property, personal property exempt from ad
valorem taxation, or household personal property, shall be listed
and assessed each year at its fair cash value, estimated at the
price it would bring at a fair voluntary sale, as of January 1. The
fair cash value of household personal property shall be valued at
ten percent (10%) of the appraised value of the improvement to the
residential real property within which such personal property is
located as of January 1 each year. The assessment of household
personal property as provided by this section may be altered by the
taxpayer listing such property at its actual fair cash value. For
purposes of establishing the value of household personal property,
pursuant to the requirement of Section 8 of Article X of the
Oklahoma Constitution, the percentage of value prescribed by this
section for the household personal property shall be presumed to
constitute the fair cash value of the personal property. All
unmanufactured farm products shall be assessed and valued as of the
preceding May 31. Every person, firm, company, association, or
corporation, in making the assessment, shall assess all
unmanufactured farm products owned by the person, firm, company,
association or corporation on the preceding May 31, at its fair cash
value on that date instead of January 1. Stocks of goods, wares and
merchandise shall be assessed at the value of the average amount on
hand during the preceding year, or the average amount on hand during
the part of the preceding year the stock of goods, wares or
merchandise was at its January 1 location.

B. All taxable real property shall be assessed annually as of
January 1, at its fair cash value, estimated at the price it would
bring at a fair voluntary sale for:

1. The highest and best use for which the property was actually used during the preceding calendar year; or
2. The highest and best use for which the property was last classified for use if not actually used during the preceding calendar year.

The Ad Valorem Division of the Oklahoma Tax Commission shall be responsible for the promulgation of rules which shall be followed by each county assessor of the state, for the purposes of providing for the equitable use valuation of locally assessed real property in the State of Oklahoma. Agricultural land and nonresidential improvements necessary or convenient for agricultural purposes shall be assessed for ad valorem taxation based upon the highest and best use for which the property was actually used, or was previously classified for use, during the calendar year next preceding January 1 on which the assessment is made.

C. The use value of agricultural land shall be based on the income capitalization approach using cash rent. The rental income shall be calculated using the direct capitalization method based upon factors including, but not limited to:

1. Soil types, as depicted on soil maps published by the Soil Conservation Service of the United States Department of Agriculture;
2. Soil productivity indices approved by the Ad Valorem Division of the Oklahoma Tax Commission;
3. The specific agricultural purpose of the soil based on use categories approved by the Ad Valorem Division of the Oklahoma Tax Commission; and
4. A capitalization rate to be determined annually by the Ad Valorem Division of the Oklahoma Tax Commission based on the sum of the average first mortgage interest rate charged by the Federal Land Bank for the immediately preceding five (5) years, weighted with the prevailing rate or rates for additional loans or equity, and the effective tax rate.

The final use value will be calculated using the soil productivity indices and the agricultural use classification as defined by rules promulgated by the State Board of Equalization. This subsection shall not be construed in a manner which is inconsistent with the State Board of Equalization's duties, powers and authority of the valuation of the counties as fixed and defined by Section 21 of Article X of the Oklahoma Constitution.

D. The use value of nonresidential improvements on agricultural land shall be based on the cost approach to value estimation using currently updated cost manuals published by the Marshall and Swift Company or similar cost manuals approved by the Ad Valorem Division of the Oklahoma Tax Commission. The use value estimates for the nonresidential improvements shall take obsolescence and depreciation into consideration in addition to necessary adjustments for local variations in the cost of labor and materials. This section shall not be construed in a manner which is inconsistent with the State Board of Equalization's duties, powers and authority as to equalization of valuation of the counties as determined and defined by Section 21 of Article X of the Oklahoma Constitution.

E. The transfer of real property without a change in its use classification shall not require a reassessment thereof based exclusively upon the sale value of the property. However, if the county assessor determines:

1. That by reason of the transfer of a property there is a change in the actual use or classification of the property; or
2. That by reason of the amount of the sales consideration it is obvious that the use classification prior to the transfer of the property is not commensurate with and would not justify the amount of the sales consideration of the property, then the assessor shall, in either event, reassess the property for the new use classification for which the property is being used, or, the highest

and best use classification for which the property may, by reason of the transfer, be classified for use.

F. When the term "fair cash value" or the language "fair cash value, estimated at the price it would bring at a fair voluntary sale" is used in the Ad Valorem Tax Code, in connection with and in relation to the assessment of real property, it is defined to mean and shall be given the meaning ascribed and assigned to it in this section; when the term or language is used in the Code in connection with the assessment of personal property it shall be given its ordinary or literal meaning.

G. Where any real property is zoned for a use by a proper zoning authority, and is not being used for any higher or better use classification, the purpose for which the property is zoned shall be considered the highest and best use classification of the property for determining its value for assessment purposes; however, the zoning classification for assessment purposes shall only apply in the event that the rezoning occurs by reason of the application of the landowner or the agent of the landowner. Any reassessment required shall be effective January 1 following the change in use or classification and upon a transfer of ownership of the rezoned property. Taxable real property need not be listed annually with the county assessor.

H. If any real property shall become taxable after January 1 of any year, the county assessor shall assess the same and place it upon the tax rolls for the next ensuing year. When any improvements or buildings having value are placed upon real estate after January 1 of any year, the value of the improvements shall be added by the county assessor to the assessed valuation for the next ensuing year; however, in case the improvements or buildings are new construction for single family residential purposes only, the improvements or buildings shall be deemed completed and to have a value for assessment purposes when the improvements or buildings shall have been conveyed to a bona fide purchaser or when they have been occupied, whichever shall first occur before January 1 of the initial assessment year. In the event that the single family residential improvements were not conveyed to a bona fide purchaser, occupied or completed within the year prior to January 1 of the initial assessment year, the county assessor shall assess the improvements based on the fair market value of the materials used therein. The county assessor shall continue to assess the improvements or buildings based upon the fair market value of the materials used therein until the single family residential improvements are conveyed to a bona fide purchaser or occupied. In case the improvements, other than buildings, are made in anticipation of residential or commercial development and the property is not conveyed or leased within the year prior to January 1 of the year that the improvements would initially be assessed, fair cash value of the property shall be deemed to be the lesser of the fair cash value of the property with the improvements or the fair cash value of the property immediately prior to the improvements being made. The county assessor shall continue to assess the property based upon such fair cash value until the property is leased or conveyed.

I. In case improvements on land are destroyed by fire, lightning, storm, winds, floodwaters, overflow of streams or other cause, or the value of land is impaired, damaged or destroyed by fire, lightning, storm, winds, floodwaters, overflow of streams or other cause, after January 1 and before the adjournment of the county board of equalization during any year, the county board of equalization, in cooperation with the county assessor, shall determine the amount of damage, and shall make an order directing the assessment of the property for that year at the fair cash value of the property, as defined herein, taking into account the damage

occasioned by fire, lightning, storm, winds, floodwaters, overflow of streams or other causes.

SECTION 2. This act shall become effective November 1, 1996.