STATE OF OKLAHOMA

2nd Session of the 45th Legislature (1996)

HOUSE BILL NO. 2473 By: Cozort

AS INTRODUCED

An Act relating to revenue and taxation; amending 68 O.S. 1991, Section 2817, which relates to assessment and valuation of property; providing for certain assessment upon conveyance or lease of certain property; providing for county assessor to assess certain improvements based on fair market value; 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 the first day of January. 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 Article X, Section 8 of the Oklahoma Constitution, the percentage of value prescribed by this section for ~~such~~ the household personal property shall be presumed to constitute the fair cash value of ~~such~~ 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 ~~his or its~~ the assessment, shall assess all unmanufactured farm products owned by ~~him or it~~ 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 ~~such~~ 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 the first day of January, 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 ~~such~~ the property was actually used during the preceding calendar year; or

2. The highest and best use for which ~~such~~ 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 ~~and regulations~~ 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 ~~such~~ the property was

actually used, or was previously classified for use, during the calendar year next preceding the first day of January 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 ~~and regulations~~ 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 ~~such~~

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 ~~fixed~~ 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 ~~such~~ 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 ~~such~~ 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 ~~such~~ the property is not commensurate with and would not justify the amount of the sales consideration of ~~such~~ the property, then the assessor shall, in either event, reassess ~~such~~ the property for the new use classification for which ~~such~~ the property is being used, or, the highest and best use classification for which ~~such~~ the property may, by reason of ~~such~~ 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 said 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 ~~such~~ the property is zoned

shall be considered the highest and best use classification of ~~such~~ the property for determining its value for assessment purposes; however, ~~such~~ the zoning classification for assessment purposes shall only apply in the event that ~~such~~ the rezoning occurs by reason of the application of the landowner or ~~his~~ 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 ~~such~~ 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; or when any improvements or buildings having value are placed upon real estate after January 1 of any year, the value of ~~such~~ the improvements shall be added by the county assessor to the assessed valuation for the next ensuing year; however, in case ~~such~~ the improvements or buildings are new construction for single family residential purposes only, ~~such~~ the improvements or buildings shall be deemed completed and to have a value for assessment purposes when ~~such~~ 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 ~~such~~ 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 ~~such~~ the improvements based on the fair market value of the materials used therein. The county assessor shall continue to assess ~~such~~ the improvements or buildings based upon the fair market value of the materials used therein until ~~such~~ 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, the improvements shall be deemed completed and to have a value for assessment purposes when the improvements shall have been conveyed to a bona fide purchaser or leased before January 1 of the initial assessment year. If the property is not conveyed or leased 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 property. The county assessor shall continue to assess the property based upon the fair market value of the property until the property and improvements are conveyed to a bona fide purchaser or leased.

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 ~~said~~ the property for that year at the fair cash value ~~thereof~~ of the property, as ~~hereinbefore~~ 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.

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