

STATE OF OKLAHOMA

2nd Session of the 47th Legislature (2000)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL 2061

By: Pope (Clay), Adair, Davis,
Ferguson, Glover, Maddux,
Phillips, Reese, Roggow and
Winchester of the House

and

Milacek of the Senate

COMMITTEE SUBSTITUTE

[revenue and taxation - amending 68 O.S., Section
2817 - valuation and assessment of property -
codification -

effective date]

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

SECTION 1. AMENDATORY 68 O.S. 1991, Section 2817, as
last amended by Section 24, Chapter 1, O.S.L. 1999 (68 O.S. Supp.
1999, 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 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 this state. 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 Tax Commission;

3. The specific agricultural purpose of the soil based on use categories approved by the Ad Valorem Division of the Tax Commission; and

4. A capitalization rate to be determined annually by the Ad Valorem Division of the 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 duties, powers and authority of the Board as to valuation of the counties as fixed and defined by Section 21 of Article X of the Oklahoma Constitution.

Provided, in calculating the use value for vegetative filter strips as defined in Section 2 of this act, primary consideration shall be given to income production of such strips when valued as required by subsection C of Section 2 of this act.

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 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 duties, powers and authority of the Board as to equalization of valuation of the counties as determined and defined by Section 21 of Article X of the Oklahoma Constitution.

The use value of facilities used for poultry production shall be determined according to the following procedures:

1. The Ad Valorem Division of the Tax Commission is hereby directed to develop a standard system of valuation of both real and personal property of such facilities, which shall be used by all county assessors in this state, under which valuation based on the following shall be presumed to be the fair cash value of the property:

- a. for real property, a ten-year depreciation schedule, at the end of which the residual value is twenty percent (20%) of the value of the facility during its first year of operation, and
- b. for personal property, a five-year depreciation schedule, at the end of which the residual value is zero;

2. Such facilities shall be valued only in comparison to other facilities used exclusively for poultry production. Such a facility which is no longer used for poultry production shall be deemed to have no productive use;

3. During the first year such a facility is placed on the tax rolls, its fair cash value shall be presumed to be the lesser of the

actual purchase price or the actual documented cost of construction;
and

4. For the purpose of determining the valuation of nonresidential improvements used for poultry production, the provisions of this subsection shall be applicable and such improvements shall not be considered to be commercial property.

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 and 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 the use of the property has not been changed, the use and not zoning shall determine assessment. Any reassessment required shall be effective January 1 following the change in use.

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 building is constructed upon land after January 1 of any year, the value of the building shall be added by the county assessor to the assessed valuation of the land upon which the building is constructed at the fair cash value thereof for the next ensuing year. However, the building shall be deemed to have a value for assessment purposes of the fair cash value of the materials used in such building only, until the building and the land on which the building is located shall have been conveyed to a bona fide purchaser or shall have been occupied or used for any purpose other than as a sales office by the owner thereof, or shall have been leased, whichever event shall first occur. The county assessor shall continue to assess the building based upon the fair market value of the materials used therein until the building and land upon which the building is located shall have been conveyed to a bona fide purchaser or is occupied or used for any purpose other than as a sales office by the owner thereof, or is leased, whichever event shall first occur. However, the fair cash value of a lot in any platted addition or a subdivision in a city, town or county zoned for residential, commercial, industrial or other use shall be deemed to be the total purchase price paid by the developer of the addition or subdivision for the land comprising the platted addition or subdivision divided by the number of lots contained in the addition or subdivision until the lot with building or buildings located thereon shall have been conveyed to a bona fide purchaser or shall have been occupied other than as a sales office by the owner thereof, or shall have been leased, whichever event shall first occur. The cost of any land or improvements to any real property required to be dedicated to public

use, including, but not limited to, streets, curbs, gutters, sidewalks, storm or sanitary sewers, utilities, detention or retention ponds, easements, parks or reserves shall not be utilized by the county assessor in the valuation of any real property for assessment purposes.

I. In case improvements on land or personal property located therein or thereon 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 cause.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2817.2 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. For purposes of this section, the term "vegetative filter strip" means any land that:

1. Is located between land used for agricultural purposes and an area to be protected, including, but not limited to, surface water, a stream, a river, or a sinkhole; and

2. Meets the requirements of subsection B of this section.

B. Vegetative filter strips shall be at least sixteen (16) feet in width and contain vegetation that:

1. Has a dense top growth;

2. Forms a uniform ground cover;

3. Has a heavy fibrous root system; and

4. Tolerates pesticides applied to the land for agricultural purposes.

C. For purposes of valuation and assessment as provided in Section 2817 of Title 68 of the Oklahoma Statutes, a vegetative filter strip shall be valued as a separate parcel of property.

D. 1. The conservation district in which the land is located shall assist the taxpayer in completing a uniform certified document as prescribed by the Oklahoma Tax Commission in cooperation with the Conservation Commission that certifies:

- a. the property meets the requirements established under this section for vegetative filter strips, and
- b. the acreage or square footage of property which qualifies for assessment as a vegetative filter strip.

2. The document shall be filed by the applicant with the county assessor of the county in which the land is located. Approved applications shall be filed by the county assessor with the Tax Commission.

E. The conservation district shall create a conservation plan for the creation of the vegetative filter strip. The plan shall be kept on file in the conservation district office.

F. Nothing in this section shall be construed to require any taxpayer to have vegetative filter strips.

G. The Department of Agriculture, in consultation with the Conservation Commission, shall provide a report concerning the effect and impact of vegetative filter strips on soil and water quality improvements to the Oklahoma Legislature by March 1, 2002.

SECTION 3. This act shall become effective January 1, 2001.