

THE HOUSE OF REPRESENTATIVES
Tuesday, April 10, 2007

ENGROSSED
Senate Bill No. 72
As Amended

ENGROSSED SENATE BILL NO. 72 - By: CRAIN of the Senate and JORDAN of the House.

[revenue and taxation - assessment of property located in more than one county for purposes of ad valorem taxation - effective date]

1 SECTION 1. AMENDATORY 68 O.S. 2001, Section 2817, as last amended by
2 Section 70, Chapter 16, O.S.L. 2006 (68 O.S. Supp. 2006, Section 2817), is amended to
3 read as follows:

4 Section 2817. A. All taxable personal property, except intangible personal
5 property, personal property exempt from ad valorem taxation, or household personal
6 property, shall be listed and assessed each year at its fair cash value, estimated at the
7 price it would bring at a fair voluntary sale, as of January 1.

8 The fair cash value of household personal property shall be valued at ten percent
9 (10%) of the appraised value of the improvement to the residential real property within
10 which such personal property is located as of January 1 each year. The assessment of
11 household personal property as provided by this section may be altered by the taxpayer
12 listing such property at its actual fair cash value. For purposes of establishing the value

1 of household personal property, pursuant to the requirement of Section 8 of Article X of
2 the Oklahoma Constitution, the percentage of value prescribed by this section for the
3 household personal property shall be presumed to constitute the fair cash value of the
4 personal property.

5 All unmanufactured farm products shall be assessed and valued as of the preceding
6 May 31. Every person, firm, company, association, or corporation, in making the
7 assessment, shall assess all unmanufactured farm products owned by the person, firm,
8 company, association or corporation on the preceding May 31, at its fair cash value on
9 that date instead of January 1.

10 Stocks of goods, wares and merchandise shall be assessed at the value of the
11 average amount on hand during the preceding year, or the average amount on hand
12 during the part of the preceding year the stock of goods, wares or merchandise was at its
13 January 1 location.

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

16 1. The highest and best use for which the property was actually used during the
17 preceding calendar year; or

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

20 When improvements upon residential real property are divided by a taxing
21 jurisdiction line, those improvements shall be valued and assessed in the taxing
22 jurisdiction in which the physical majority of those improvements are located.

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

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

12 1. Soil types, as depicted on soil maps published by the Natural Resources
13 Conservation Service of the United States Department of Agriculture;

14 2. Soil productivity indices approved by the Ad Valorem Division of the Tax
15 Commission;

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

18 4. A capitalization rate to be determined annually by the Ad Valorem Division of
19 the Tax Commission based on the sum of the average first mortgage interest rate
20 charged by the Federal Land Bank for the immediately preceding five (5) years, weighted
21 with the prevailing rate or rates for additional loans or equity, and the effective tax rate.

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

6 However, in calculating the use value of buffer strips as defined in Section 2817.2 of
7 this title, exclusive consideration shall be based only on income from production
8 agriculture from such buffer strips, not including federal or state subsidies, when valued
9 as required by subsection C of Section 2817.2 of this title.

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

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

21 1. The Ad Valorem Division of the Tax Commission is hereby directed to develop a
22 standard system of valuation of both real and personal property of such facilities, which

1 shall be used by all county assessors in this state, under which valuation based on the
2 following shall be presumed to be the fair cash value of the property:

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

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

11 3. During the first year such a facility is placed on the tax rolls, its fair cash value
12 shall be presumed to be the lesser of the actual purchase price or the actual documented
13 cost of construction; and

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

17 E. The value of investment in property used exclusively by an oil refinery that is
18 used wholly as a facility, device or method for the desulphurization of gasoline or diesel
19 fuel as defined in Section 2817.3 of this title shall not be included in the capitalization
20 used in the determination of fair market value of such oil refinery if such property would
21 qualify as exempt property pursuant to Section 2902 of this title, whether or not an

1 application for such exemption is made by an otherwise qualifying manufacturing
2 concern owning the property described by Section 2817.3 of this title.

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

6 1. That by reason of the transfer of a property there is a change in the actual use or
7 classification of the property; or

8 2. That by reason of the amount of the sales consideration it is obvious that the use
9 classification prior to the transfer of the property is not commensurate with and would
10 not justify the amount of the sales consideration of the property;

11 then the assessor shall, in either event, reassess the property for the new use
12 classification for which the property is being used, or, the highest and best use
13 classification for which the property may, by reason of the transfer, be classified for use.

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

20 H. Where any real property is zoned for a use by a proper zoning authority, and the
21 use of the property has not been changed, the use and not zoning shall determine
22 assessment. Any reassessment required shall be effective January 1 following the

1 change in use. Taxable real property need not be listed annually with the county
2 assessor.

3 I. If any real property shall become taxable after January 1 of any year, the county
4 assessor shall assess the same and place it upon the tax rolls for the next ensuing year.
5 When any building is constructed upon land after January 1 of any year, the value of the
6 building shall be added by the county assessor to the assessed valuation of the land upon
7 which the building is constructed at the fair cash value thereof for the next ensuing year.
8 However, after the building has been completed it shall be deemed to have a value for
9 assessment purposes of the fair cash value of the materials used in such building only,
10 until the building and the land on which the building is located shall have been conveyed
11 to a bona fide purchaser or shall have been occupied or used for any purpose other than
12 as a sales office by the owner thereof, or shall have been leased, whichever event shall
13 first occur. The county assessor shall continue to assess the building based upon the fair
14 market value of the materials used therein until the building and land upon which the
15 building is located shall have been conveyed to a bona fide purchaser or is occupied or
16 used for any purpose other than as a sales office by the owner thereof, or is leased,
17 whichever event shall first occur. However, the fair cash value of a lot in any platted
18 addition or a subdivision in a city, town or county zoned for residential, commercial,
19 industrial or other use shall be deemed to be the total purchase price paid by the
20 developer of the addition or subdivision for the land comprising the platted addition or
21 subdivision divided by the number of lots contained in the addition or subdivision until
22 the lot with building or buildings located thereon shall have been conveyed to a bona fide

1 purchaser or shall have been occupied other than as a sales office by the owner thereof,
2 or shall have been leased, whichever event shall first occur. One who purchases a lot for
3 the purposes of constructing and selling a building on such lot shall not be deemed to be
4 a bona fide purchaser for purposes of this section. However, if the lot is held for a period
5 longer than two (2) years before construction, then the assessor may consider the lot to
6 have been conveyed to a bona fide purchaser. The cost of any land or improvements to
7 any real property required to be dedicated to public use, including, but not limited to,
8 streets, curbs, gutters, sidewalks, storm or sanitary sewers, utilities, detention or
9 retention ponds, easements, parks or reserves shall not be utilized by the county assessor
10 in the valuation of any real property for assessment purposes.

11 J. In case improvements on land or personal property located therein or thereon are
12 destroyed by fire, lightning, storm, winds, floodwaters, overflow of streams or other
13 cause, or the value of land is impaired, damaged or destroyed by fire, lightning, storm,
14 winds, floodwaters, overflow of streams or other cause, after January 1 and before the
15 adjournment of the county board of equalization during any year, the county board of
16 equalization, in cooperation with the county assessor, shall determine the amount of
17 damage, and shall make an order directing the assessment of the property for that year
18 at the fair cash value of the property, as defined herein, taking into account the damage
19 occasioned by fire, lightning, storm, winds, floodwaters, overflow of streams or other
20 cause.

21 SECTION 2. This act shall become effective January 1, 2008.

1 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET,
2 dated 04-09-07 - DO PASS, As Amended.