

BILL SUMMARY
2nd Session of the 53rd Legislature

Bill No.:	HB 2695
Version:	FA1
Request Number:	10004
Author:	Rep. Morrisette
Date:	3/6/2012
Impact:	Limit on Acreage to be Approved at Any One Time

**1,000 Acre Maximum
In the Program at Any One Time:
Local Direct Revenue Decrease: \$560.00**

**Tax Commission Estimate:
Possible Revenue Decrease to
Local Jurisdictions of \$112,000**

Research Analysis

Floor Amendment No. 1 to House Bill 2695 clarifies that land will not be considered infested if the vegetation growing there is an endangered species of trees or vegetation and cross timber or valuable hardwood and that trees and vegetation must be harmful to be considered infestation. The amendment also requires that to qualify for an in lieu of ad valorem tax payment land must have been used in farming or ranching by the owner for the previous 10 years or more, have red cedar encroachment of at least 80 percent and be registered according to the Eastern Red Cedar Registry Board Act. The owner also must be in the act of removal of red cedars on the land. The landowner may apply for the in lieu of tax payment annually. The Oklahoma Tax Commission may not approve more than 1,000 acres at any time for the program. Starting January 1, 2013, approved landowners will be eligible for an in lieu of tax payment of \$1 per acre. If the payment in lieu of tax is not made by December 31 of each year, there will be a penalty of \$500 for each month afterward that it is not paid.

Prepared By: Dawn Marks

Fiscal Analysis

The amendment limits the number of acres to be approved at one time by the Tax Commission to 1,000 acres. The eventual revenue impact to local jurisdictions continues under review by the Commission, as the use values and locations of land under the program can vary around the state.

The impact to local ad valorem revenue will result from the difference in the use value applied to a parcel of property and the in-lieu tax as provided in the measure. The measure indicates the Tax Commission will not approve more than 1,000 qualifying acres at any one time. If the effect of the limitation results in only 1,000 acres that are subject to the in-lieu tax the local revenue impact could be limited as well. If the effect of the limitation results in only 1,000 acres that are subject to the in-lieu tax the local revenue impact could be limited as well – should 1,000 acres be the maximum actively in the program at any one time the estimated direct local revenue decrease would be \$560.00.

The Tax Commission has provided analysis that includes an estimate as follows and appears to be based on an interpretation of the 1,000 acre limit as meaning 1,000 acres per parcel that might be eligible for the program at any one time:

Based on data from the Oklahoma Department of Agriculture, Food and Forestry (“Department”), there are over 70 million eastern red cedar trees growing in Oklahoma. The Department estimates that there are one million acres that may be eligible under the requirements of the measure.

Utilizing information from the Ad Valorem Division’s 2011 Equalization Study, it is estimated that the land where the cedars are located has an average tax of \$1.56 per acre. Utilizing one million potential acres with the average tax of \$1.56 per acre, yields an estimated \$1,560,000 in current tax attributed to these lands. If an in-lieu tax was imposed of \$1.00 per acre the estimated local tax loss is estimated at \$560,000 statewide. Assuming for purposes of the impact that only 20% or 200,000 of the potential acres are qualified in the first year of eligibility, an estimated loss of \$112,000 to local taxing jurisdictions will occur in FY 14.

The measure is effective November 1, 2012 with the in-lieu tax provisions operative January 1, 2013.

Prepared By: Mark Tygret

Other Considerations

The intent is to provide resources for improving land by removal of cedar trees and returning land to a more productive status.