

An Act

ENROLLED HOUSE
BILL NO. 2775

By: Pfeiffer of the House

and

Montgomery and Pederson of
the Senate

An Act relating to revenue and taxation; amending 68 O.S. 2011, Sections 2802, as amended by Section 1, Chapter 266, O.S.L. 2018 and 2875, as amended by Section 1, Chapter 142, O.S.L. 2015 (68 O.S. Supp. 2020, Sections 2802 and 2875), which relate to the Ad Valorem Tax Code; modifying definition; modifying provisions related to valuation of personal property; modifying duties of the Ad Valorem Division of the Oklahoma Tax Commission; and providing an effective date.

SUBJECT: Revenue and taxation

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 2802, as amended by Section 1, Chapter 266, O.S.L. 2018 (68 O.S. Supp. 2020, Section 2802), is amended to read as follows:

Section 2802. As used in Section 2801 et seq. of this title:

1. "Accepted standards for mass appraisal practice" means those standards for the collection and analysis of information about taxable properties within a taxing jurisdiction permitting the accurate estimate of fair cash value for similar properties in the jurisdiction either without direct observation of such similar properties or without direct sales price information for such similar properties using a reliable statistical or other method to estimate the values of such properties;

2. "Additional homestead exemption" means the exemption provided by Section 2890 of this title;

3. "Assessor" means the county assessor and, unless the context clearly requires otherwise, deputy assessors and persons employed by the county assessor in performance of duties imposed by law;

4. "Assess and value" means to establish the fair cash value and taxable fair cash value of taxable real and personal property pursuant to requirements of law;

5. "Assessed valuation" or "assessed value" means the percentage of the fair cash value of personal property, or the percentage of the taxable fair cash value of real property, pursuant to the provisions of Sections 8 and 8B of Article X of the Oklahoma Constitution, either of individual items of personal property, parcels of real property or the aggregate total of such individual taxable items or parcels within a jurisdiction;

6. "Assessment percentage" means the percentage applied to personal property and real property pursuant to Section 8 of Article X of the Oklahoma Constitution;

7. "Assessment ratio" means the relationship between assessed value and taxable fair cash value for a county or for use categories within a county expressed as a percentage determined in the annual equalization ratio study;

8. "Assessment roll" means a computerized or noncomputerized record required by law to be kept by the county assessor and containing information about property within a taxing jurisdiction;

9. "Assessment year" means the year beginning January 1 of each calendar year and ending on December 31 preceding the following January 1 assessment date;

10. "Circuit breaker" means the form of property tax relief provided by Sections 2904 through 2911 of this title;

11. "Class of subjects" means a category of property specifically designated pursuant to provisions of the Oklahoma Constitution for purposes of ad valorem taxation;

12. "Code" means the Ad Valorem Tax Code, Section 2801 et seq. of this title;

13. "Coefficient of dispersion" means a statistical measure of assessment uniformity for a category of property or for all property within a taxing jurisdiction;

14. "Confidence level" means a statistical procedure for determining the degree of reliability for use in reporting the assessment ratio for a taxing jurisdiction;

15. "Cost approach" means a method used to establish the fair cash value of property involving an estimate of current construction cost of improvements, subtracting accrued depreciation ~~and adding the value of land~~ including any loss in value that may be caused by physical deterioration, functional obsolescence or economic obsolescence and adding the value of the land.

- a. Physical deterioration is a cause of depreciation that is a loss in value due to ordinary wear and tear and the forces of nature.
- b. Functional or internal obsolescence is the loss in value of a property resulting from changes in tastes, preferences, technical innovations or market standards.
- c. Economic or external obsolescence is a cause of depreciation that is a loss in value as a result of impairment in utility and desirability caused by factors outside the boundaries of the property or loss of value in a property (relative to the cost of replacing it with a property of equal utility) that stems from factors external to the property;

16. "County board of equalization" means the board which, upon hearing competent evidence, has the authority to correct and adjust the assessment rolls in its respective county to conform to fair cash value and such other responsibilities as prescribed in Section 2801 et seq. of this title;

17. "Equalization" means the process for making adjustments to taxable property values within a county by analyzing the relationships between assessed values and fair cash values in one or more use categories within the county or between counties by analyzing the relationship between assessed value and fair cash value in each county;

18. "Equalization ratio study" means the analysis of the relationships between assessed values and fair cash values in the manner provided by law;

19. "Fair cash value" or "market value" means the value or price at which a willing buyer would purchase property and a willing seller would sell property if both parties are knowledgeable about the property and its uses and if neither party is under any undue pressure to buy or sell and for real property shall mean the value for the highest and best use for which such property was actually used, or was previously classified for use, during the calendar year next preceding the applicable January 1 assessment date;

20. "Homestead exemption" means the reduction in the taxable value of a homestead as authorized by law;

21. "Income and expense approach" means a method to estimate fair cash value of a property by determining the present value of the projected income stream;

22. "List and assess" means the process by which taxable property is discovered, its description recorded for purposes of ad valorem taxation and its fair cash value and taxable fair cash value are established;

23. "Mill" or "millage" means the rate of tax imposed upon taxable value. One (1) mill equals One Dollar (\$1.00) of tax for each One Thousand Dollars (\$1,000.00) of taxable value;

24. "Multiple regression analysis" means a statistical technique for estimating unknown data on the basis of known and available data;

25. "Parcel" means a contiguous area of land described in a single description by a deed or other instrument or as one of a number of lots on a plat or plan, separately owned and capable of being separately conveyed;

26. "Sales comparison approach" means the collection, verification, and screening of sales data, stratification of sales information for purposes of comparison and use of such information to establish the fair cash value of taxable property;

27. "State Board of Equalization" means the Board responsible for valuation of railroad, airline and public service corporation property and the adjustment and equalization of all property values both centrally and locally assessed;

28. "Taxable value" means the percentage of the fair cash value of personal property or the taxable fair cash value of real property, less applicable exemptions, upon which an ad valorem tax rate is levied pursuant to the provisions of Section 8 and Section 8B of Article X of the Oklahoma Constitution;

29. "Taxable fair cash value" means the fair cash value of locally assessed real property as capped pursuant to Section 8B of Article X of the Oklahoma Constitution;

30. "Use category" means a subcategory of real property, that is either agricultural use, residential use or commercial/industrial use but does not and shall not constitute a class of subjects within the meaning of the Oklahoma Constitution for purposes of ad valorem taxation;

31. "Use value" means the basis for establishing fair cash value of real property pursuant to the requirement of Section 8 of Article X of the Oklahoma Constitution; and

32. "Visual inspection program" means the program required in order to gather data about real property from physical examination of the property and improvements in order to establish the fair cash values of properties so inspected at least once each four (4) years and the fair cash values of similar properties on an annual basis.

SECTION 2. AMENDATORY 68 O.S. 2011, Section 2875, as amended by Section 1, Chapter 142, O.S.L. 2015 (68 O.S. Supp. 2020, Section 2875), is amended to read as follows:

Section 2875. A. There is hereby created within the Oklahoma Tax Commission the Ad Valorem Division. The Ad Valorem Division shall have the authority and it shall be its duty to:

1. Confer with and assist county assessors and county boards of equalization in the performance of their duties, to the end that all assessments of property be made relative, just and uniform and that real property and tangible personal property may be assessed at its fair cash value estimated at the price it would bring at a fair voluntary sale;

2. Prescribe forms with numbers ascribed thereto for the county assessors' use in assessment procedure, including property classification and appraisal forms;

3. Provide technical assistance to county assessors and county boards of equalization in the services of appraisal engineers;

4. Provide from year to year schedules of values of personal property in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) and International Association of Assessing Officers (IAAO) requirements to aid county assessors in the assessment of personal property;

5. Conduct training schools, institutes, conferences and meetings for the purpose of improving the qualifications of county assessors and their deputies as required by law;

6. Prepare and furnish from time to time to county assessors an assessors' manual. Such manual shall include, but not be limited to, valuation methodologies for property in a county for which no comparable property exists in order for a county assessor to establish a value for ad valorem tax purposes. The manual shall include information concerning valuation of hazardous waste disposal facilities and such other types of facilities as may be requested by the county assessor for which the assessor does not have adequate data to value such property;

7. Render such other assistance as may be conducive to the proper assessment of property for ad valorem taxation;

8. Recommend rules to the Tax Commission establishing uniform procedures and standards for the appraisal of real property by county assessors;

9. Develop assessment manuals for the valuation of manufactured homes and periodic updates for such manuals for use by county assessors; and

10. Promptly notify county assessors, county treasurers and members of county excise and equalization boards of any changes to the laws relating to ad valorem taxation.

B. The county assessors shall not use any form not prescribed or approved by the Ad Valorem Division.

C. Each county assessor shall comply with the rules and guides adopted by the Oklahoma Tax Commission.

D. The Ad Valorem Division, upon request of any county assessor, shall furnish to the county assessor any information shown by its files and records as to any real and personal property, subject to taxation, including income and expense data as shown by income tax returns, to the end that no property shall escape taxation, and this information is to be furnished notwithstanding any statute that such files and records shall be confidential and privileged.

E. The Ad Valorem Division shall be authorized to obtain information relating to the ownership, location, taxable status or valuation for purposes of ad valorem taxation of real or personal property from any state agency, board, commission, department, authority or other division of state government if necessary to respond to a request by a county assessor as provided by subsection D of this section. Such information shall be confidential and privileged and shall only be released to a county assessor in order to locate, discover and correctly value taxable property as required by law.

SECTION 3. This act shall become effective November 1, 2021.

Passed the House of Representatives the 3rd day of March, 2021.

Presiding Officer of the House
of Representatives

Passed the Senate the 20th day of April, 2021.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____
day of _____, 20_____, at _____ o'clock _____ M.
By: _____

Approved by the Governor of the State of Oklahoma this _____
day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____
day of _____, 20_____, at _____ o'clock _____ M.
By: _____