

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 58th Legislature (2021)

4 HOUSE BILL 2775

By: Pfeiffer of the House

5 and

6 **Montgomery** of the Senate

7
8
9 AS INTRODUCED

10 An Act relating to revenue and taxation; amending 68
11 O.S. 2011, Sections 2802, as amended by Section 1,
12 Chapter 266, O.S.L. 2018, and 2875, as amended by
13 Section 1, Chapter 142, O.S.L. 2015 (68 O.S. Supp.
14 2020, Sections 2802 and 2875), which relate to the Ad
15 Valorem Tax Code; modifying definition; modifying
16 provisions related to valuation of personal property;
17 modifying duties of the Ad Valorem Division of the
18 Oklahoma Tax Commission; and providing an effective
19 date.

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

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

24 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

1 taxable properties within a taxing jurisdiction permitting the
2 accurate estimate of fair cash value for similar properties in the
3 jurisdiction either without direct observation of such similar
4 properties or without direct sales price information for such
5 similar properties using a reliable statistical or other method to
6 estimate the values of such properties;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 a. Physical deterioration is a cause of depreciation that
8 is a loss in value due to ordinary wear and tear and
9 the forces of nature.

10 b. Functional or internal obsolescence is the loss in
11 value of a property resulting from changes in tastes,
12 preferences, technical innovations or market
13 standards.

14 c. Economic or external obsolescence is a cause of
15 depreciation that is a loss in value as a result of
16 impairment in utility and desirability caused by
17 factors outside the boundaries of the property or loss
18 of value in a property (relative to the cost of
19 replacing it with a property of equal utility) that
20 stems from factors external to the property;

21 16. "County board of equalization" means the board which, upon
22 hearing competent evidence, has the authority to correct and adjust
23 the assessment rolls in its respective county to conform to fair
24

1 cash value and such other responsibilities as prescribed in Section
2 2801 et seq. of this title;

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

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

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

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

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

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

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

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

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

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

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

23 28. "Taxable value" means the percentage of the fair cash value
24 of personal property or the taxable fair cash value of real

1 property, less applicable exemptions, upon which an ad valorem tax
2 rate is levied pursuant to the provisions of Section 8 and Section
3 8B of Article X of the Oklahoma Constitution;

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

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

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

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

20 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2875, as
21 amended by Section 1, Chapter 142, O.S.L. 2015 (68 O.S. Supp. 2020,
22 Section 2875), is amended to read as follows:
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1 Section 2875. A. There is hereby created within the Oklahoma
2 Tax Commission the Ad Valorem Division. The Ad Valorem Division
3 shall have the authority and it shall be its duty to:

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

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

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

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

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

23 6. Prepare and furnish from time to time to county assessors an
24 assessors' manual. Such manual shall include, but not be limited

1 to, valuation methodologies for property in a county for which no
2 comparable property exists in order for a county assessor to
3 establish a value for ad valorem tax purposes. The manual shall
4 include information concerning valuation of hazardous waste disposal
5 facilities and such other types of facilities as may be requested by
6 the county assessor for which the assessor does not have adequate
7 data to value such property;

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

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

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

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

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

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

23 D. The Ad Valorem Division, upon request of any county
24 assessor, shall furnish to the county assessor any information shown

1 by its files and records as to any real and personal property,
2 subject to taxation, including income and expense data as shown by
3 income tax returns, to the end that no property shall escape
4 taxation, and this information is to be furnished notwithstanding
5 any statute that such files and records shall be confidential and
6 privileged.

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

17 SECTION 3. This act shall become effective November 1, 2021.
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19 COMMITTEE REPORT BY: COMMITTEE ON COUNTY AND MUNICIPAL GOVERNMENT,
20 dated 02/22/2021 - DO PASS, As Coauthored.
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