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April 6, 2021

ENGROSSED HOUSE  
BILL NO. 2775

By: Pfeiffer of the House

and

## Montgomery 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.

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

1 properties or without direct sales price information for such  
2 similar properties using a reliable statistical or other method to  
3 estimate the values of such properties;

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

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

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

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

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

22 7. "Assessment ratio" means the relationship between assessed  
23 value and taxable fair cash value for a county or for use categories  
24

1 within a county expressed as a percentage determined in the annual  
2 equalization ratio study;

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

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

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

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

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

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

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

22 15. "Cost approach" means a method used to establish the fair  
23 cash value of property involving an estimate of current construction  
24 cost of improvements, subtracting accrued depreciation ~~and adding~~

1 ~~the value of land~~ including any loss in value that may be caused by  
2 physical deterioration, functional obsolescence or economic  
3 obsolescence and adding the value of the land.

4 a. Physical deterioration is a cause of depreciation that  
5 is a loss in value due to ordinary wear and tear and  
6 the forces of nature.

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

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

18 16. "County board of equalization" means the board which, upon  
19 hearing competent evidence, has the authority to correct and adjust  
20 the assessment rolls in its respective county to conform to fair  
21 cash value and such other responsibilities as prescribed in Section  
22 2801 et seq. of this title;

23 17. "Equalization" means the process for making adjustments to  
24 taxable property values within a county by analyzing the

1 relationships between assessed values and fair cash values in one or  
2 more use categories within the county or between counties by  
3 analyzing the relationship between assessed value and fair cash  
4 value in each county;

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

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

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

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

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

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

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

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

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

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

19       28. "Taxable value" means the percentage of the fair cash value  
20 of personal property or the taxable fair cash value of real  
21 property, less applicable exemptions, upon which an ad valorem tax  
22 rate is levied pursuant to the provisions of Section 8 and Section  
23 8B of Article X of the Oklahoma Constitution;

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

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

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

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

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

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

23        1. Confer with and assist county assessors and county boards of  
24 equalization in the performance of their duties, to the end that all

1 assessments of property be made relative, just and uniform and that  
2 real property and tangible personal property may be assessed at its  
3 fair cash value estimated at the price it would bring at a fair  
4 voluntary sale;

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

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

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

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

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

1 the county assessor for which the assessor does not have adequate  
2 data to value such property;

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

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

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

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

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

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

18 D. The Ad Valorem Division, upon request of any county  
19 assessor, shall furnish to the county assessor any information shown  
20 by its files and records as to any real and personal property,  
21 subject to taxation, including income and expense data as shown by  
22 income tax returns, to the end that no property shall escape  
23 taxation, and this information is to be furnished notwithstanding  
24

1 any statute that such files and records shall be confidential and  
2 privileged.

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

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

14 COMMITTEE REPORT BY: COMMITTEE ON FINANCE  
15 April 6, 2021 - DO PASS  
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