

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 SENATE BILL 2018

By: Thompson

7 AS INTRODUCED

8 An Act relating to ad valorem tax; amending 68 O.S.
9 2021, Sections 2802 and 2817, as amended by Section
10 1, Chapter 374, O.S.L. 2022 (68 O.S. Supp. 2025,
11 Section 2817), which relate to definitions and the
listing and assessment of taxable property; defining
term; prescribing valuation method for certain real
property; updating statutory language; and providing
an effective date.

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

14 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2802, is
15 amended to read as follows:

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

17 1. "Accepted standards for mass appraisal practice" means those
18 standards for the collection and analysis of information about
19 taxable properties within a taxing jurisdiction permitting the
20 accurate estimate of fair cash value for similar properties in the
21 jurisdiction either without direct observation of such similar
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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

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 including any

1 loss in value that may be caused by physical deterioration,
2 functional obsolescence or economic obsolescence and adding the
3 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, relative~~ to the cost
16 of replacing it with a property of equal ~~utility~~,
17 utility that stems from factors external to the
18 property;

19 16. "County board of equalization" means the board which, upon
20 hearing competent evidence, has the authority to correct and adjust
21 the assessment rolls in its respective county to conform to fair
22 cash value and such other responsibilities as prescribed in Section
23 2801 et seq. of this title;

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

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

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

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

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

23 22. "List and assess" means the process by which taxable
24 property is discovered, its description recorded for purposes of ad

1 valorem taxation and its fair cash value and taxable fair cash value
2 are established;

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

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

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

13 26. "Residential rental housing" means any single tax parcel
14 development or redevelopment that contains a building or buildings
15 with at least sixty individual rental units that are constructed and
16 used for multifamily housing or contains at least sixty housing
17 structures that are constructed for rental purposes. For the
18 purposes of this paragraph, "multifamily housing" shall mean
19 residential buildings or complexes that contain multiple separate
20 units or dwellings intended for occupancy by multiple families or
21 households;

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

3 27. 28. "State Board of Equalization" means the Board
4 responsible for valuation of railroad, airline and public service
5 corporation property and the adjustment and equalization of all
6 property values both centrally and locally assessed;

7 28. 29. "Taxable value" means the percentage of the fair cash
8 value of personal property or the taxable fair cash value of real
9 property, less applicable exemptions, upon which an ad valorem tax
10 rate is levied pursuant to the provisions of Section 8 and Section
11 8B of Article X of the Oklahoma Constitution;

12 29. 30. "Taxable fair cash value" means the fair cash value of
13 locally assessed real property as capped pursuant to Section 8B of
14 Article X of the Oklahoma Constitution;

15 30. 31. "Use category" means a subcategory of real property
16 that is either agricultural use, residential use or
17 commercial/industrial use but does not and shall not constitute a
18 class of subjects within the meaning of the Oklahoma Constitution
19 for purposes of ad valorem taxation;

20 31. 32. "Use value" means the basis for establishing fair cash
21 value of real property pursuant to the requirement of Section 8 of
22 Article X of the Oklahoma Constitution; and

23 32. 33. "Visual inspection program" means the program required
24 in order to gather data about real property from physical

1 examination of the property and improvements in order to establish
2 the fair cash values of properties so inspected at least once each
3 four (4) years and the fair cash values of similar properties on an
4 annual basis.

5 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2817, as
6 amended by Section 1, Chapter 374, O.S.L. 2022 (68 O.S. Supp. 2025,
7 Section 2817), is amended to read as follows:

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

13 The fair cash value of household personal property shall be
14 valued at ten percent (10%) of the appraised value of the
15 improvement to the residential real property within which such
16 personal property is located as of January 1 each year. The
17 assessment of household personal property as provided by this
18 section may be altered by the taxpayer listing such property at its
19 actual fair cash value. For purposes of establishing the value of
20 household personal property, pursuant to the requirement of Section
21 8 of Article X of the Oklahoma Constitution, the percentage of value
22 prescribed by this section for the household personal property shall
23 be presumed to constitute the fair cash value of the personal
24 property.

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1 Stocks of goods, wares, and merchandise shall be assessed at the
2 value of the average amount on hand during the preceding year, or
3 the average amount on hand during the part of the preceding year the
4 stock of goods, wares, or merchandise was at its January 1 location.
5 Provided, persons primarily engaged in selling lumber and other
6 building materials including cement and concrete, except for home
7 centers classified under Industry No. 444110 of the North American
8 Industrial Industry Classification Systems System (NAICS) Manual,
9 shall be assessed at the average value of the inventory on hand as
10 of January 1 of each year and the value of the inventory on hand as
11 of December 31 of the same year.

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

- 15 1. The highest and best use for which the property was actually
16 used during the preceding calendar year; or
- 17 2. The highest and best use for which the property was last
18 classified for use if not actually used during the preceding
19 calendar year.

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

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

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

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

18 2. Soil productivity indices approved by the Ad Valorem
19 Division of the Tax Commission;

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

23 4. A capitalization rate to be determined annually by the Ad
24 Valorem Division of the Tax Commission based on the sum of the

1 average first mortgage interest rate charged by the Federal Land
2 Bank for the immediately preceding five (5) years, weighted with the
3 prevailing rate or rates for additional loans or equity, and the
4 effective tax rate.

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

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

17 D. The use value of nonresidential improvements on agricultural
18 land shall be based on the cost approach to value estimation using
19 currently updated cost manuals published by the Marshall and Swift
20 Company or similar cost manuals approved by the Ad Valorem Division
21 of the Tax Commission. The use value estimates for the
22 nonresidential improvements shall take obsolescence and depreciation
23 into consideration in addition to necessary adjustments for local
24 variations in the cost of labor and materials. This section shall

1 not be construed in a manner which is inconsistent with the duties,
2 powers, and authority of the Board as to equalization of valuation
3 of the counties as determined and defined by Section 21 of Article X
4 of the Oklahoma Constitution.

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

7 1. The Ad Valorem Division of the Tax Commission is hereby
8 directed to develop a standard system of valuation of both real and
9 personal property of such facilities, which shall be used by all
10 county assessors in this state, under which valuation based on the
11 following shall be presumed to be the fair cash value of the
12 property:

13 a. for real property, a ten-year depreciation schedule,
14 at the end of which the residual value is twenty
15 percent (20%) of the value of the facility during its
16 first year of operation, and

17 b. for personal property, a five-year depreciation
18 schedule, at the end of which the residual value is
19 zero;

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

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

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

9 E. The value of investment in property used exclusively by an
10 oil refinery that is used wholly as a facility, device, or method
11 for the desulphurization of gasoline or diesel fuel as defined in
12 Section 2817.3 of this title shall not be included in the
13 capitalization used in the determination of fair market value of
14 such oil refinery if such property would qualify as exempt property
15 pursuant to Section 2902 of this title, whether or not an
16 application for such exemption is made by an otherwise qualifying
17 manufacturing concern owning the property described by Section
18 2817.3 of this title.

19 F. The use value of a lot in any platted addition or a
20 subdivision in a city, town, or county zoned for residential,
21 commercial, industrial, or other use shall be deemed to be the fair
22 cash value of the underlying tract of land platted, divided by the
23 number of lots contained in the platted addition or subdivision
24 until the lot shall have been conveyed to a bona fide purchaser or

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

15 G. The transfer of real property without a change in its use
16 classification shall not require a reassessment thereof based
17 exclusively upon the sale value of the property. However, if the
18 county assessor determines:

- 19 1. That by reason of the transfer of a property there is a
20 change in the actual use or classification of the property; or
- 21 2. That by reason of the amount of the sales consideration it
22 is obvious that the use classification prior to the transfer of the
23 property is not commensurate with and would not justify the amount
24 of the sales consideration of the property,

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

5 H. When the term "fair cash value" or the language "fair cash
6 value, estimated at the price it would bring at a fair voluntary
7 sale" is used in the Ad Valorem Tax Code, in connection with and in
8 relation to the assessment of real property, it is defined to mean
9 and shall be given the meaning ascribed and assigned to it in this
10 section and when the term or language is used in the Code in
11 connection with the assessment of personal property it shall be
12 given its ordinary or literal meaning.

13 I. Where any real property is zoned for a use by a proper
14 zoning authority, and the use of the property has not been changed,
15 the use and not zoning shall determine assessment. Any reassessment
16 required shall be effective January 1 following the change in use.
17 Taxable real property need not be listed annually with the county
18 assessor.

19 J. If any real property shall become taxable after January 1 of
20 any year, the county assessor shall assess the same and place it
21 upon the tax rolls for the next ensuing year. When any building is
22 constructed upon land after January 1 of any year, the value of the
23 building shall be added by the county assessor to the assessed
24 valuation of the land upon which the building is constructed at the

1 fair cash value thereof for the next ensuing year. However, after
2 the building has been completed it shall be deemed to have a value
3 for assessment purposes of the fair cash value of the materials used
4 in such building only, until the building and the land on which the
5 building is located shall have been conveyed to a bona fide
6 purchaser or shall have been occupied or used for any purpose other
7 than as a sales office by the owner thereof, or shall have been
8 leased, whichever event shall first occur. The county assessor
9 shall continue to assess the building based upon the fair market
10 value of the materials used therein until the building and land upon
11 which the building is located shall have been conveyed to a bona
12 fide purchaser or is occupied or used for any purpose other than as
13 a sales office by the owner thereof, or is leased, whichever event
14 shall first occur.

15 K. In the event improvements on land or personal property
16 located therein or thereon are destroyed or partially destroyed, or
17 the land itself is impaired or partially impaired by fire,
18 lightning, storm, winds, floodwaters, overflow of streams, or other
19 cause (all such destruction or impairments being referred to herein
20 as "damage") during any year, the county assessor shall determine
21 the amount of damage and shall reassess the property for that year
22 at the fair cash value of the property, taking into account the
23 actual loss of functional use of the property occasioned by such
24 damage. The assessor shall make the appropriate value adjustments

1 to the property for that tax year up to the time at which the
2 assessor publishes the "Assessor's Report to the Excise Board" as
3 required by subsection D of Section 2867 of this title. After such
4 time, adjustments can be made only by the county board of tax roll
5 corrections and only after the assessor has certified the tax roll
6 for that year. The board secretary shall notify property owners in
7 advance of the time and place at which the value adjustment to their
8 property will be heard by the board. The board of tax roll
9 corrections is authorized only to approve or reject the value
10 adjustment submitted by the county assessor.

11 L. All taxable personal property used in the exploration of
12 oil, natural gas, or other minerals including drilling equipment and
13 rigs, shall be assessed annually at the value set forth in the first
14 Hadco International monthly bulletin published for the tax year,
15 using the appropriate depth rating assigned to the drawworks by its
16 manufacturer and the actual condition of the rig.

17 M. The value of taxable tangible personal property used in
18 commercial disposal systems of waste materials from the production
19 of oil and gas shall not include any contract rights or leases for
20 the use of such systems nor any value associated with the wellbore
21 or non-recoverable down-hole material including casing.

22 N. The valuation method for determining the fair cash value of
23 residential rental housing, as that term is defined in Section 2802
24 of this title, shall be based exclusively on the cost approach.

1 SECTION 3. This act shall become effective November 1, 2026.
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