

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

COMMITTEE SUBSTITUTE
FOR

SENATE BILL 2018

By: Thompson

COMMITTEE SUBSTITUTE

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

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

SECTION 1. AMENDATORY 68 O.S. 2021, 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

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

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

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

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

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

21 6. "Assessment percentage" means the percentage applied to
22 personal property and real property pursuant to Section 8 of Article
23 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 including any
4 loss in value that may be caused by physical deterioration,
5 functional obsolescence or economic obsolescence and adding the
6 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, relative~~ relative to the cost
19 of replacing it with a property of equal ~~utility)~~
20 utility, that stems from factors external to the
21 property;

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

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. "Residential rental housing" means any single tax parcel
16 development or redevelopment that contains a building or buildings
17 with at least twenty individual rental units that are constructed
18 and used for multifamily housing or contains at least twenty housing
19 structures that are constructed for rental purposes, excluding any
20 development or redevelopment receiving the federal low-income
21 housing credit provided pursuant to 26 U.S.C., Section 42. For the
22 purposes of this paragraph, "multifamily housing" shall mean
23 residential buildings or complexes that contain multiple separate
24

1 units or dwellings intended for occupancy by multiple families or
2 households;

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

7 ~~27.~~ 28. "State Board of Equalization" means the Board
8 responsible for valuation of railroad, airline and public service
9 corporation property and the adjustment and equalization of all
10 property values both centrally and locally assessed;

11 ~~28.~~ 29. "Taxable value" means the percentage of the fair cash
12 value of personal property or the taxable fair cash value of real
13 property, less applicable exemptions, upon which an ad valorem tax
14 rate is levied pursuant to the provisions of Section 8 and Section
15 8B of Article X of the Oklahoma Constitution;

16 ~~29.~~ 30. "Taxable fair cash value" means the fair cash value of
17 locally assessed real property as capped pursuant to Section 8B of
18 Article X of the Oklahoma Constitution;

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

1 ~~31.~~ 32. "Use value" means the basis for establishing fair cash
2 value of real property pursuant to the requirement of Section 8 of
3 Article X of the Oklahoma Constitution; and

4 ~~32.~~ 33. "Visual inspection program" means the program required
5 in order to gather data about real property from physical
6 examination of the property and improvements in order to establish
7 the fair cash values of properties so inspected at least once each
8 four (4) years and the fair cash values of similar properties on an
9 annual basis.

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

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

18 The fair cash value of household personal property shall be
19 valued at ten percent (10%) of the appraised value of the
20 improvement to the residential real property within which such
21 personal property is located as of January 1 each year. The
22 assessment of household personal property as provided by this
23 section may be altered by the taxpayer listing such property at its
24 actual fair cash value. For purposes of establishing the value of

1 household personal property, pursuant to the requirement of Section
2 8 of Article X of the Oklahoma Constitution, the percentage of value
3 prescribed by this section for the household personal property shall
4 be presumed to constitute the fair cash value of the personal
5 property.

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

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

20 1. The highest and best use for which the property was actually
21 used during the preceding calendar year; or

22 2. The highest and best use for which the property was last
23 classified for use if not actually used during the preceding
24 calendar year.

1 When improvements upon residential real property are divided by
2 a taxing jurisdiction line, those improvements shall be valued and
3 assessed in the taxing jurisdiction in which the physical majority
4 of those improvements are located.

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

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

19 1. Soil types, as depicted on soil maps published by the
20 Natural Resources Conservation Service of the United States
21 Department of Agriculture;

22 2. Soil productivity indices approved by the Ad Valorem
23 Division of the Tax Commission;

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

4 4. A capitalization rate to be determined annually by the Ad
5 Valorem Division of the Tax Commission based on the sum of the
6 average first mortgage interest rate charged by the Federal Land
7 Bank for the immediately preceding five (5) years, weighted with the
8 prevailing rate or rates for additional loans or equity, and the
9 effective tax rate.

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

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

22 D. The use value of nonresidential improvements on agricultural
23 land shall be based on the cost approach to value estimation using
24 currently updated cost manuals published by ~~the~~ Marshall and Swift

1 ~~Company~~ or similar cost manuals approved by the Ad Valorem Division
2 of the Tax Commission. The use value estimates for the
3 nonresidential improvements shall take obsolescence and depreciation
4 into consideration in addition to necessary adjustments for local
5 variations in the cost of labor and materials. This section shall
6 not be construed in a manner which is inconsistent with the duties,
7 powers, and authority of the Board as to equalization of valuation
8 of the counties as determined and defined by Section 21 of Article X
9 of the Oklahoma Constitution.

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

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

- 18 a. for real property, a ten-year depreciation schedule,
19 at the end of which the residual value is twenty
20 percent (20%) of the value of the facility during its
21 first year of operation, and
- 22 b. for personal property, a five-year depreciation
23 schedule, at the end of which the residual value is
24 zero;

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

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

9 4. For the purpose of determining the valuation of
10 nonresidential improvements used for poultry production, the
11 provisions of this subsection shall be applicable and such
12 improvements shall not be considered to be commercial property.

13 E. The value of investment in property used exclusively by an
14 oil refinery that is used wholly as a facility, device, or method
15 for the desulphurization of gasoline or diesel fuel as defined in
16 Section 2817.3 of this title shall not be included in the
17 capitalization used in the determination of fair market value of
18 such oil refinery if such property would qualify as exempt property
19 pursuant to Section 2902 of this title, whether or not an
20 application for such exemption is made by an otherwise qualifying
21 manufacturing concern owning the property described by Section
22 2817.3 of this title.

23 F. The use value of a lot in any platted addition or a
24 subdivision in a city, town, or county zoned for residential,

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

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

23 1. That by reason of the transfer of a property there is a
24 change in the actual use or classification of the property; or

1 2. That by reason of the amount of the sales consideration it
2 is obvious that the use classification prior to the transfer of the
3 property is not commensurate with and would not justify the amount
4 of the sales consideration of the property~~+~~,
5 then the assessor shall, in either event, reassess the property for
6 the new use classification for which the property is being used, or,
7 the highest and best use classification for which the property may,
8 by reason of the transfer, be classified for use.

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

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

23 J. If any real property shall become taxable after January 1 of
24 any year, the county assessor shall assess the same and place it

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

19 K. In the event improvements on land or personal property
20 located therein or thereon are destroyed or partially destroyed, or
21 the land itself is impaired or partially impaired by fire,
22 lightning, storm, winds, floodwaters, overflow of streams, or other
23 cause (all such destruction or impairments being referred to herein
24 as "damage") during any year, the county assessor shall determine

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

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

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

3 N. The valuation method for determining the fair cash value of
4 residential rental housing, as that term is defined in Section 2802
5 of this title, shall be based exclusively on the cost approach for
6 the first two (2) tax years or until the transfer of such property,
7 whichever occurs first.

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

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