

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

SENATE BILL 2018

By: Thompson

AS INTRODUCED

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; 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 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 including any  
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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;  
24

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  
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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  
24

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  
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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.

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.  
24  
25

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  
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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.

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

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