

1 STATE OF OKLAHOMA

2 2nd Session of the 59th Legislature (2024)

3 HOUSE BILL 3741

By: Dempsey

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6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68
8 O.S. 2021, Sections 2802 and 2803, which relate to
9 the Ad Valorem Tax Code; modifying definitions;
10 modifying provisions related to classification of
11 subjects for purposes of ad valorem taxation;
12 providing for methods of valuation; requiring
13 Oklahoma State University Center for Local Government
14 Technology to provide information related to soil
15 productivity index; and providing an effective date.

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

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

19 Section 2802. 1. "Accepted standards for mass appraisal
20 practice" means those standards for the collection and analysis of
21 information about taxable properties within a taxing jurisdiction
22 permitting the accurate estimate of fair cash value for similar
23 properties in the jurisdiction either without direct observation of
24 such similar properties or without direct sales price information
-- for such similar properties using a reliable statistical or other
method to estimate the values of such properties;

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

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

6 4. "Assess and value" means to establish the fair cash value
7 and taxable fair cash value of taxable real and personal property
8 pursuant to requirements of law;

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

16 6. "Assessment percentage" means the percentage applied to
17 personal property and real property pursuant to Section 8 of Article
18 X of the Oklahoma Constitution;

19 7. "Assessment ratio" means the relationship between assessed
20 value and taxable fair cash value for a county or for use categories
21 within a county expressed as a percentage determined in the annual
22 equalization ratio study;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 23. "Managed timber property" means trees, either naturally
2 growing or intentionally planted upon real property, having a
3 commercial value and which are capable of being severed from the
4 real property by a business entity for purposes of manufacturing
5 paper, furniture, or other wood products or products derived from
6 the severed timber. As used in this paragraph, only trees located
7 upon real property owned by a lawfully recognized business entity
8 shall be considered managed timber property. Trees located upon
9 real property owned by a natural person or persons shall not be
10 considered managed timber property;

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

14 ~~24.~~ 25. "Multiple regression analysis" means a statistical
15 technique for estimating unknown data on the basis of known and
16 available data;

17 ~~25.~~ 26. "Parcel" means a contiguous area of land described in a
18 single description by a deed or other instrument or as one of a
19 number of lots on a plat or plan, separately owned and capable of
20 being separately conveyed;

21 ~~26.~~ 27. "Sales comparison approach" means the collection,
22 verification, and screening of sales data, stratification of sales
23 information for purposes of comparison and use of such information
24 to establish the fair cash value of taxable property;

1 ~~27.~~ 28. "State Board of Equalization" means the Board
2 responsible for valuation of railroad, airline and public service
3 corporation property and the adjustment and equalization of all
4 property values both centrally and locally assessed;

5 ~~28.~~ 29. "Taxable value" means the percentage of the fair cash
6 value of personal property or the taxable fair cash value of real
7 property, less applicable exemptions, upon which an ad valorem tax
8 rate is levied pursuant to the provisions of Section 8 and Section
9 8B of Article X of the Oklahoma Constitution;

10 ~~29.~~ 30. "Taxable fair cash value" means the fair cash value of
11 locally assessed real property as capped pursuant to Section 8B of
12 Article X of the Oklahoma Constitution;

13 ~~30.~~ 31. "Use category" means a subcategory of real property,
14 that is either agricultural use, residential use or
15 commercial/industrial use but does not and shall not constitute a
16 class of subjects within the meaning of the Oklahoma Constitution
17 for purposes of ad valorem taxation;

18 ~~31.~~ 32. "Use value" means the basis for establishing fair cash
19 value of real property pursuant to the requirement of Section 8 of
20 Article X of the Oklahoma Constitution; and

21 ~~32.~~ 33. "Visual inspection program" means the program required
22 in order to gather data about real property from physical
23 examination of the property and improvements in order to establish
24 the fair cash values of properties so inspected at least once each
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1 four (4) years and the fair cash values of similar properties on an
2 annual basis.

3 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2803, is
4 amended to read as follows:

5 Section 2803. A. The Legislature, pursuant to authority of
6 Article X, Section 22 of the Oklahoma Constitution, hereby
7 classifies the following types of property for purposes of ad
8 valorem taxation:

9 1. Real property;

10 2. Personal property, except as provided in paragraph 3 of this
11 subsection;

12 3. Personal property which is household goods of the head of
13 families and livestock employed in support of the family in those
14 counties which have exempted such property pursuant to subsection
15 (b) of Section 6 of Article X of the Oklahoma Constitution;

16 4. Public service corporation property; ~~and~~

17 5. Railroad and air carrier property; and

18 6. Managed timber property owned by a lawfully recognized
19 business entity.

20 B. ~~Valuation~~ Except as provided by subsection D of this
21 section, valuation of each class of subjects shall be made by a
22 method appropriate for each class or any subclass thereof, as
23 established by the Ad Valorem Division of the Oklahoma Tax
24 Commission.

1 C. Classification as provided by this section shall require
2 uniform treatment of each item within a class or any subclass as
3 provided in Article X, Section 5 of the Oklahoma Constitution.

4 D. Managed timber property may be valued using:

5 1. A combination of comparable sales of parcels of real
6 property consisting of managed timber, whether such sales occur
7 within or without the state;

8 2. An income and expense methodology;

9 3. A modification of the soil productivity index used by the Ad
10 Valorem Division of the Oklahoma Tax Commission and made available
11 to the county assessor; or

12 4. All of the methods described by paragraphs 1 through 3 of
13 this subsection.

14 E. The Cooperative Extension Service of Oklahoma State
15 University in conjunction with the Center for Local Government
16 Technology shall modify the soil productivity data used by county
17 assessors in a manner that reflects the commercial use of managed
18 timber property.

19 SECTION 3. This act shall become effective January 1, 2025.

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