

1 ENGROSSED SENATE
BILL NO. 192

By: Howard of the Senate

2
3 and

4 Pfeiffer of the House

5
6 [Ad Valorem Tax Code - removing requirement certain
7 farm products be assessed and valued as of certain
8 date - effective date]

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

10 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2817, is
11 amended to read as follows:

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

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

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

5 ~~All unmanufactured farm products shall be assessed and valued as~~
6 ~~of the preceding May 31. Every person, firm, company, association,~~
7 ~~or corporation, in making the assessment, shall assess all~~
8 ~~unmanufactured farm products owned by the person, firm, company,~~
9 ~~association or corporation on the preceding May 31, at its fair cash~~
10 ~~value on that date instead of January 1.~~

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

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

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

3 2. The highest and best use for which the property was last
4 classified for use if not actually used during the preceding
5 calendar year.

6 When improvements upon residential real property are divided by
7 a taxing jurisdiction line, those improvements shall be valued and
8 assessed in the taxing jurisdiction in which the physical majority
9 of those improvements are located.

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

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

24

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

4 2. Soil productivity indices approved by the Ad Valorem
5 Division of the Tax Commission;

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

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

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

22 However, in calculating the use value of buffer strips as
23 defined in Section 2817.2 of this title, exclusive consideration
24 shall be based only on income from production agriculture from such

1 buffer strips, not including federal or state subsidies, when valued
2 as required by subsection C of Section 2817.2 of this title.

3 D. The use value of nonresidential improvements on agricultural
4 land shall be based on the cost approach to value estimation using
5 currently updated cost manuals published by the Marshall and Swift
6 Company or similar cost manuals approved by the Ad Valorem Division
7 of the Tax Commission. The use value estimates for the
8 nonresidential improvements shall take obsolescence and depreciation
9 into consideration in addition to necessary adjustments for local
10 variations in the cost of labor and materials. This section shall
11 not be construed in a manner which is inconsistent with the duties,
12 powers, and authority of the Board as to equalization of valuation
13 of the counties as determined and defined by Section 21 of Article X
14 of the Oklahoma Constitution.

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

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

23 a. for real property, a ten-year depreciation schedule,
24 at the end of which the residual value is twenty

1 percent (20%) of the value of the facility during its
2 first year of operation, and

3 b. for personal property, a five-year depreciation
4 schedule, at the end of which the residual value is
5 zero;

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

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

14 4. For the purpose of determining the valuation of
15 nonresidential improvements used for poultry production, the
16 provisions of this subsection shall be applicable and such
17 improvements shall not be considered to be commercial property.

18 E. The value of investment in property used exclusively by an
19 oil refinery that is used wholly as a facility, device, or method
20 for the desulphurization of gasoline or diesel fuel as defined in
21 Section 2817.3 of this title shall not be included in the
22 capitalization used in the determination of fair market value of
23 such oil refinery if such property would qualify as exempt property
24 pursuant to Section 2902 of this title, whether or not an

1 application for such exemption is made by an otherwise qualifying
2 manufacturing concern owning the property described by Section
3 2817.3 of this title.

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

24

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

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

7 2. That by reason of the amount of the sales consideration it
8 is obvious that the use classification prior to the transfer of the
9 property is not commensurate with and would not justify the amount
10 of the sales consideration of the property;

11 then the assessor shall, in either event, reassess the property for
12 the new use classification for which the property is being used, or,
13 the highest and best use classification for which the property may,
14 by reason of the transfer, be classified for use.

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

23 I. Where any real property is zoned for a use by a proper
24 zoning authority, and the use of the property has not been changed,

1 the use and not zoning shall determine assessment. Any reassessment
2 required shall be effective January 1 following the change in use.
3 Taxable real property need not be listed annually with the county
4 assessor.

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

1 K. In the event improvements on land or personal property
2 located therein or thereon are destroyed or partially destroyed, or
3 the land itself is impaired or partially impaired by fire,
4 lightning, storm, winds, floodwaters, overflow of streams, or other
5 cause (all such destruction or impairments being referred to herein
6 as "damage") during any year, the county assessor shall determine
7 the amount of damage and shall reassess the property for that year
8 at the fair cash value of the property, taking into account the
9 actual loss of functional use of the property occasioned by such
10 damage. The assessor shall make the appropriate value adjustments
11 to the property for that tax year up to the time at which the
12 assessor publishes the "Assessor's Report to the Excise Board" as
13 required by subsection D of Section 2867 of this title. After such
14 time, adjustments can be made only by the county board of tax roll
15 corrections and only after the assessor has certified the tax roll
16 for that year. The board secretary shall notify property owners in
17 advance of the time and place at which the value adjustment to their
18 property will be heard by the board. The board of tax roll
19 corrections is authorized only to approve or reject the value
20 adjustment submitted by the county assessor.

21 L. All taxable personal property used in the exploration of
22 oil, natural gas, or other minerals, including drilling equipment
23 and rigs, shall be assessed annually at the value set forth in the
24 first Hadco International monthly bulletin published for the tax

