

1 STATE OF OKLAHOMA

2 1st Session of the 57th Legislature (2019)

3 SENATE BILL 399

By: Standridge

4  
5 AS INTRODUCED

6 An Act relating to ad valorem taxation; amending 68  
7 O.S. 2011, Section 2817, as last amended by Section  
8 1, Chapter 176, O.S.L. 2016 (68 O.S. Supp. 2018,  
9 Section 2817), which relates to the valuation and  
assessment of property; requiring determination of  
assessed value of state property and stating purpose  
therefor; and providing conditional effective date.

10  
11 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

12 SECTION 1. AMENDATORY 68 O.S. 2011, Section 2817, as  
13 last amended by Section 1, Chapter 176, O.S.L. 2016 (68 O.S. Supp.  
14 2018, Section 2817), is amended to read as follows:

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

20 The fair cash value of household personal property shall be  
21 valued at ten percent (10%) of the appraised value of the  
22 improvement to the residential real property within which such  
23 personal property is located as of January 1 each year. The  
24 assessment of household personal property as provided by this

1 section may be altered by the taxpayer listing such property at its  
2 actual fair cash value. For purposes of establishing the value of  
3 household personal property, pursuant to the requirement of Section  
4 8 of Article X of the Oklahoma Constitution, the percentage of value  
5 prescribed by this section for the household personal property shall  
6 be presumed to constitute the fair cash value of the personal  
7 property.

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

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

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

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

6 2. The highest and best use for which the property was last  
7 classified for use if not actually used during the preceding  
8 calendar year.

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

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

23 C. The use value of agricultural land shall be based on the  
24 income capitalization approach using cash rent. The rental income

1 shall be calculated using the direct capitalization method based  
2 upon factors including, but not limited to:

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

6 2. Soil productivity indices approved by the Ad Valorem  
7 Division of the Tax Commission;

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

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

17 The final use value will be calculated using the soil  
18 productivity indices and the agricultural use classification as  
19 defined by rules promulgated by the State Board of Equalization.

20 This subsection shall not be construed in a manner which is  
21 inconsistent with the duties, powers and authority of the Board as  
22 to valuation of the counties as fixed and defined by Section 21 of  
23 Article X of the Oklahoma Constitution.

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

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

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

20           1. The Ad Valorem Division of the Tax Commission is hereby  
21 directed to develop a standard system of valuation of both real and  
22 personal property of such facilities, which shall be used by all  
23 county assessors in this state, under which valuation based on the  
24

1 following shall be presumed to be the fair cash value of the  
2 property:

- 3 a. for real property, a ten-year depreciation schedule,  
4 at the end of which the residual value is twenty  
5 percent (20%) of the value of the facility during its  
6 first year of operation, and
- 7 b. for personal property, a five-year depreciation  
8 schedule, at the end of which the residual value is  
9 zero;

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

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

18 4. For the purpose of determining the valuation of  
19 nonresidential improvements used for poultry production, the  
20 provisions of this subsection shall be applicable and such  
21 improvements shall not be considered to be commercial property.

22 E. The value of investment in property used exclusively by an  
23 oil refinery that is used wholly as a facility, device or method for  
24 the desulphurization of gasoline or diesel fuel as defined in

1 Section 2817.3 of this title shall not be included in the  
2 capitalization used in the determination of fair market value of  
3 such oil refinery if such property would qualify as exempt property  
4 pursuant to Section 2902 of this title, whether or not an  
5 application for such exemption is made by an otherwise qualifying  
6 manufacturing concern owning the property described by Section  
7 2817.3 of this title.

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

1 sewers, utilities, detention or retention ponds, easements, parks or  
2 reserves shall not be utilized by the county assessor in the  
3 valuation of any real property for assessment purposes.

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

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

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

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

18 H. When the term "fair cash value" or the language "fair cash  
19 value, estimated at the price it would bring at a fair voluntary  
20 sale" is used in the Ad Valorem Tax Code, in connection with and in  
21 relation to the assessment of real property, it is defined to mean  
22 and shall be given the meaning ascribed and assigned to it in this  
23 section and when the term or language is used in the Code in  
24



1 connection with the assessment of personal property it shall be  
2 given its ordinary or literal meaning.

3 I. Where any real property is zoned for a use by a proper  
4 zoning authority, and the use of the property has not been changed,  
5 the use and not zoning shall determine assessment. Any reassessment  
6 required shall be effective January 1 following the change in use.  
7 Taxable real property need not be listed annually with the county  
8 assessor.

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

1 which the building is located shall have been conveyed to a bona  
2 fide purchaser or is occupied or used for any purpose other than as  
3 a sales office by the owner thereof, or is leased, whichever event  
4 shall first occur.

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

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

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

12 N. The assessed value of all property, real or personal,  
13 entitled to an exemption as property of the state pursuant to  
14 Section 6 of Article X of the Oklahoma Constitution, shall be valued  
15 as other like property and as provided by law. The purpose of  
16 determining the assessed value of otherwise exempt state property is  
17 to include the value in the determination of the applicable limit on  
18 the indebtedness of a school district pursuant to Section 26 of  
19 Article X of the Oklahoma Constitution.

20 SECTION 2. This act shall become effective upon certification  
21 of election returns favoring the passage of the Constitutional  
22 Amendment proposed in Senate Joint Resolution No. of the 1st  
23 Session of the 57th Oklahoma Legislature.

24 57-1-47 JCR 1/16/2019 12:07:04 PM  
25