



Oklahoma Ad Valorem

Source: Oklahoma Tax Commission



- Founded Before Statehood And Codified in the 1907 Populist Constitution And Current Laws
- Township Assessors in 1894 - County Assessor System Set Up in 1911
- Tax Commission Oversight (OTC can take over the office functions for non-compliance)
- Major Revenue Source for:
 - County Government (Assessor, County Clerk, Court Clerk, Treasurer, Sheriff & County Commissioners) (10 mills)
 - County and City Sinking Funds: General Obligation Bonds and Court Settlements (Varies)
 - Schools: Local, Continuing Education, Career Tech and Community Colleges (Varies)
 - School (K-12) District Building Fund (5 mills)
 - School (K-12) District Average Daily Attendance (ADA) Levy (4 mills)
 - School (K-12) District General Fund (35 mills)
 - City-County Health and Library (Varies)
- Valuation Levels
 - Local valuation by County Assessor: Houses, Businesses, Plants, Refineries, Inventories, Farms and Mobile Homes (if permanently attached to land). All real and business personal property!
 - Central Valuation by Oklahoma Tax Commission: All Public Service Corporations (multiple county impact)



Property Tax System Reforms



Source: Oklahoma Tax Commission

- Mandatory Computer Aided Mass Appraisal (CAMA)- 1989
- SQ 675: Set Assessment Ratios – 1996
 - 11% to 13.5% Real Property (Tulsa County is 11%)
 - 10% to 15% Personal Property (Tulsa County is 10%)
 - 11.84% Railroads and Airlines
 - 12% Video Service
 - 22.85% Other Public Service
- SQ 676: Created 5% Cap as Taxable Value Limit – 1996
 - Applies to taxable value (NOT Fair Market Value)
 - Removed if property sells (Does NOT apply to personal property)
 - Does NOT cap taxes
 - Most other states Do Not apply cap to income producing property
 - Shifts tax burden to the least able to pay and to areas not going up in value.
- SQ 677: Senior Valuation Freeze – 1996 & 2004 (This is a 0% CAP on Taxable Value)
 - Must be 65 or older
 - Gross household income less than HUD Median Income for Area
 - Must file for homestead : 1) Name on Deed 2) Must reside on property
- SQ 715: Veterans Property Tax Exemption – 2004 (Effective 2006)
 - Must Homestead Property (Name on Deed and Live on property)
 - Must be 100% disabled, permanent, service connected and no future exam required; or be the widow(er) of same
 - Note: Non ad valorem taxes levied (such as special assessments) are not exempted for veterans.



Property Tax System Reforms



Source: Oklahoma Tax Commission

- **SQ 758: Capping Assessments on Property Taxes– 2012 (Effective 2013)**
 - Reduces the cap on the maximum annual tax valuation increase for homestead properties and agricultural land from 5 percent to 3 percent
 - Note: Non homestead properties and commercial properties remain at the 5 percent cap.
- **SQ 766: Intangible Personal Property Taxes– 2012 (Effective 2013)**
 - Exempt all corporations' intangible personal property from property taxes
 - Note: Previously, some intangible personal property was exempt.
- **SQ 770: Homestead Exemption for Disabled Veteran & Spouse– 2014 (Effective 2015)**
 - Allows a qualifying disabled veteran or his or her surviving spouse to sell their homestead and acquire another homestead property in the same calendar year and keep their property tax homestead exemption
 - Note: Previously, homestead exemption on newly acquired property would wait until next year to apply.
- **SQ 771: Homestead Exemption for Military Spouse– 2014 (Effective 2015)**
 - Establishes a property tax homestead exemption for the surviving spouse of military personnel who dies in the line of duty
 - Outlines that the homestead exemption would no longer be available upon the spouse remarrying
 - Note: Provides the surviving spouse of such person with a one hundred percent (100%) exemption for the fair cash value of the homestead until the surviving spouse is remarried.



Property Subject to Ad Valorem Valuation



Source: Oklahoma Tax Commission

- **Public Service Corporations**
 - Electric, Gas, Water (facilities serving multiple counties)
 - Communications
 - Airlines and Railroads
 - Some Pipeline Companies
- **Real Property (Land and Improvements)**
 - Residential-including mobile homes
 - Commercial
 - Agricultural-based on soil type
- **Personal Property**
 - 1) Business
 - "Business" (Inventories, robotics, equipment, furniture, etc...)
 - Mobile Home (if not on owner's land)
 - 2) Household
 - Farm Equipment
 - Improvements on tax exempt real estate
 - 3) Intangible
 - "Household" personal property tax was voted out in 1993 and replaced with an "in lieu of" tax (millage was revenue neutral as of 1994).
 - "Intangible" personal property is not to be rendered annually by the taxpayer per 68 O.S. §2817 A.

Note: All "business" personal property must be rendered by taxpayer each year to avoid mandatory penalties.

- 10% penalty if not filed by March 15th
- 20% penalty if not filed by April 15th

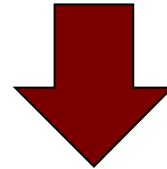
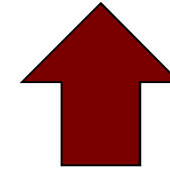


Ad Valorem Property Tax Equation



Source: Assessor's Office

$$* \text{TAXES} \div ** \text{VALUE} = \text{RATE}$$



* Taxes for about 30 entities (schools, cities, and county) are established annually by the Excise Board based on sinking fund requirements (bonds and judgments) and maximum millages previously enacted.

** If taxable value for real estate, business personal property and centrally assessed public entities goes down or is artificially constrained, rates must go up to meet the mandatory tax requirement as certified by the County Excise Board.



Intangible Personal Property



Timeline

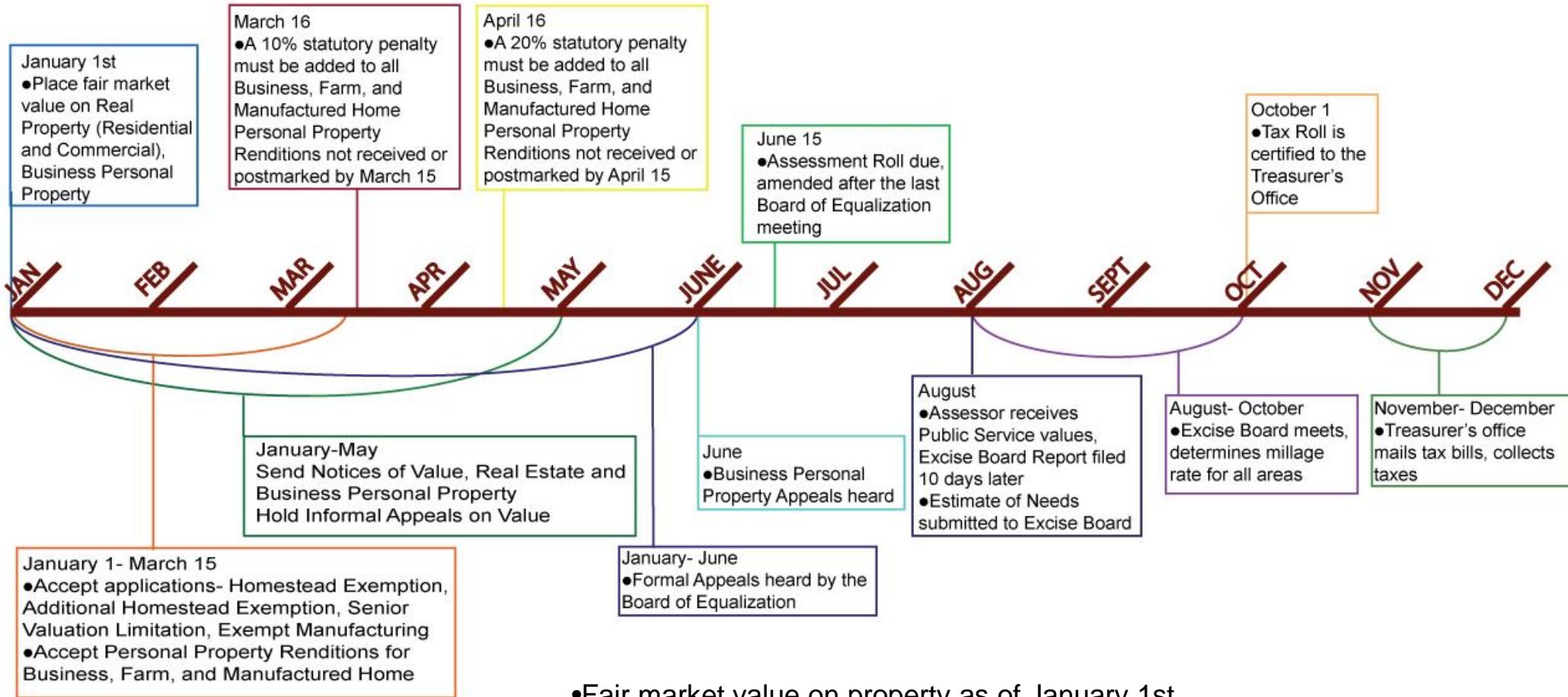
Source: Oklahoma Tax Commission

- **State Question, 1968:** Oklahoma Constitution, Article 10 §6A - by state question, the voters passed an amendment to eliminate taxation on eight distinctive categories of intangible personal property
- **Prior to 2010:**
 - No valuation of intangible personal property at the local level.
 - Valuation of properties centrally assessed by OTC was based on the unit method of valuation.
- **Supreme Court Decision, 2010:**
 - Only those eight types of intangible personal property enumerated in the Constitution can be exempt from property taxation.
 - All other types of intangible personal property must be valued and put on the tax rolls, whether centrally assessed or locally assessed.
 - Those companies centrally assessed using the unit method were deemed to be paying tax on one or more of the eight intangible property types, requiring the valuation methodology be altered.
- **Business Activity Tax (BAT) Legislation, 2010:**
 - Created the BAT tax, a tax paid in lieu of property taxes on intangible personal property. The Oklahoma franchise tax, which businesses
 - already paid annually, became the BAT tax.
 - A study group was formed to propose legislation that accommodated the requirements of the Supreme Court decision.
- **State Question, 2012:** Oklahoma Constitution, Article 10 §6A - by state question, the voters passed an amendment to eliminate taxation on all intangible personal property.



Ad Valorem Property Tax Timeline

Source: Assessor's Office



- Fair market value on property as of January 1st
- Ad Valorem- according to value
- Property includes real, personal and public service properties
- Public service properties- centrally valued by the Oklahoma Tax Commission
- Value is converted into an assessment



Ad Valorem Characteristics



Source: Oklahoma Tax Commission

- Stable revenue source vs. other sources such as Sales Tax, Income Taxes, and Fees
- Slow to moderate growth
- Impact on Statewide School Aid Formula
 - Common Education gets 58% of property tax (28% of Tulsa County School Budgets)
 - Tulsa Community College and Tulsa Technology Center get 17% of property taxes
 - Each Ad Valorem Dollar results in a reduction in State School Aid formula funds (40%)
- Subject to numerous limitations, exemptions and considerations:
 - Regular Homestead and Double Homestead
 - Circuit Breaker (Income Tax Rebate)
 - Senior Valuation Limitation of taxable value (not taxes) (0% CAP)
 - Five-year Manufacturers exemptions
 - Three percent CAP on taxable values (for homestead property and agricultural land)
 - Five percent CAP on taxable values (for non homestead and commercial properties)
 - Unless title is transferred
 - Applies to income producing properties unlike most states
 - Charitable Ownership & Use
 - Religious Ownership & Use
 - Governmental Ownership
 - Veterans & Widows exemptions
 - Educational Ownerships Use
- Use categories:

These categories require special valuation considerations which deviate from the actual fair market value of the property.

 - Agriculture
 - Developer lots
 - Building lots

Note: Use category hinges on "ownership" or "use". The State Constitution and statutes seem to be in conflict on some exemptions.



Fair Market Basis - Valuation/Equalization

Source: Oklahoma Tax Commission



Methods of Valuation:

- Cost of Improvements Less Depreciation & Land Values
- Sales Comparison of similar properties sold
- Income Produced by Property (Capitalization Rates)

Use Categories:

- Agricultural (OTC provides soil tables)
 - Timber/waste
 - Improved Pasture
 - Cropland
 - Native Pasture
- Developer Lots (Underlying tract of land)
- Purchase to Sell (No partial costs of improvements if intent is to sell (up to two 2 years))
- Exemptions (Educational, Charitable, Religious, Manufacturing, Incentive Districts, Government Ownership, Continuum of Care, etc)
- Partial Values (Work in Process) (In Use Category or Not In Use Category)



Ad Valorem Methodology

Source: Oklahoma Tax Commission



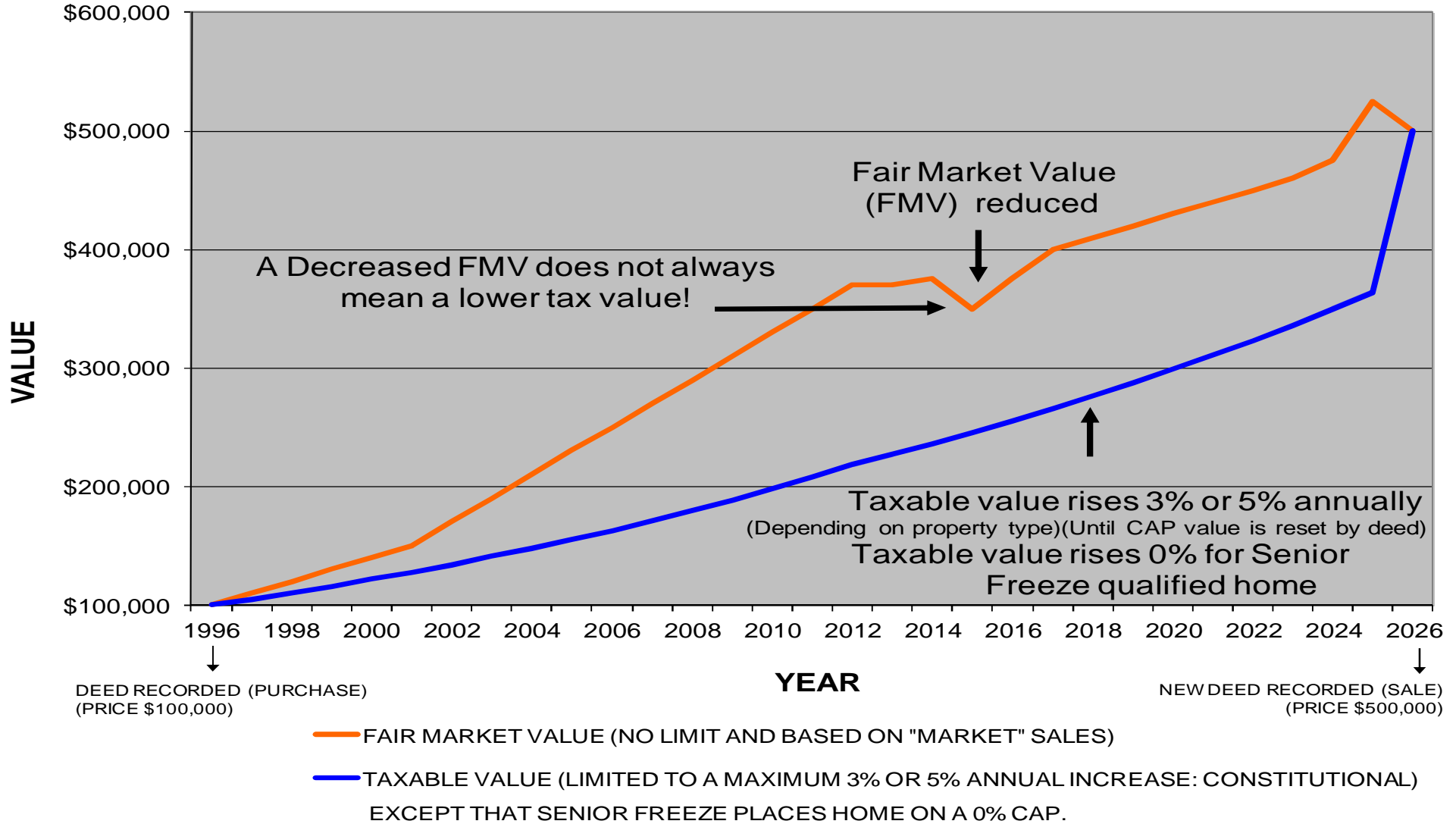
- Visual Inspection and Mass Appraisal Support Requirements:
 - Property use coding system
 - Mapping system
 - Sales Files
 - Drafting/Sketch vector
- Visual Inspection Process
 - Every four years a detailed plan must be approved by the Oklahoma Tax Commission (OTC)
 - Visual Inspection of taxable property once every four years
 - Annual progress report to OTC and then statewide report from OTC to legislature and State Board of Equalization
- Accepted Standards for Mass Appraisal
 - 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 or without direct sales price information using a reliable statistical method
- Fair Market Value vs. Taxable Value
 - Fair Market: increased values not limited other than by the market place
 - Taxable Value: limited by 3% CAP law for homestead properties and agricultural land (5% CAP still applies for non homestead properties and commercial properties) and Senior Freeze (0% CAP) considerations



Life Cycle of Property Values

Source: Assessor's Office

Note: Oklahoma is one of the few states that the "CAP" applies to Commercial Property

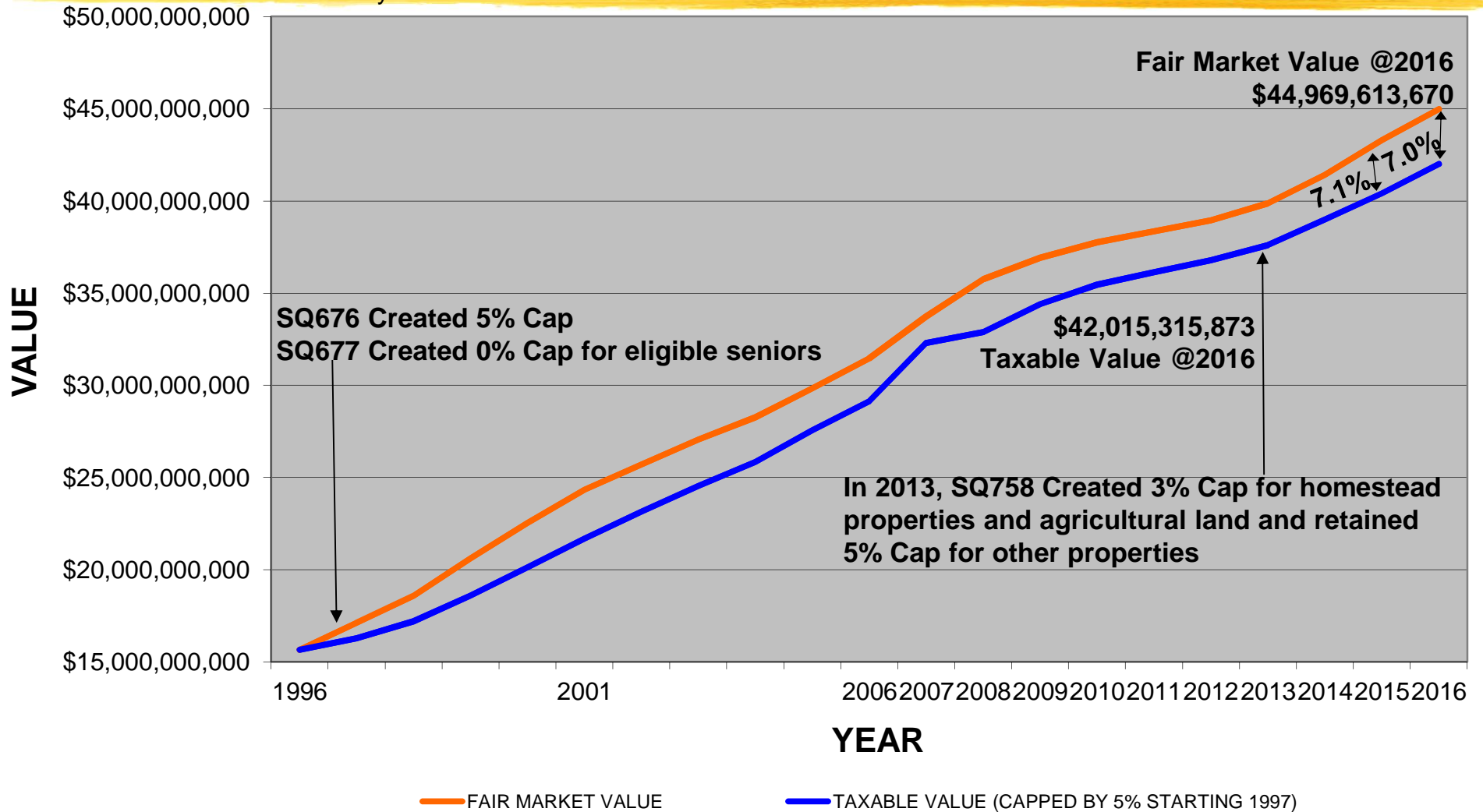




Tulsa County Real Property Valuation



Source: County Assessor's Abstract of Tax Rolls



Note: Taxable values are slowing in growth for two reasons: new construction has decreased fewer sales of existing homes



Tulsa County Ad Valorem Boards



Source: Oklahoma Tax Commission

- **Board of Equalization and Excise Board** (Same 3 members on both boards)
 - One member must reside in each of 3 separate County Commission districts
 - Members are appointed one each by:
 - 1) District Judges
 - 2) County Commissioners
 - 3) Oklahoma Tax Commission
 - * **Equalization Board holds formal hearings on “fair market value” not resolved at Assessor’s informal hearings.**
 - * **Excise Board certifies Assessor’s Assessment Roll (about Aug. of each year).**
 - * **Excise Board certifies the millage rates for each jurisdiction in the county (about Oct. of each year), mill levy calculated after all estimates of needs (schools, library, cities, county, etc.) are submitted to the Excise Board for approval.**
(The monies required are divided by taxable values to get the resultant tax levy in mills for each jurisdiction)
- **Board of Tax Roll Correction**
 - Members are:
 - 1) Chairman of County Commissioners
(or Vice Chairperson)
 - 2) Chairman of Board of Equalization
(or Vice Chairperson)
 - 3) County Assessor
 - 4) County Clerk (non-voting)
 - Board hears matters of tax correction not fair market value (Per statute only 17 basic reasons for relief)



Due Process & Equalization

Source: Oklahoma Tax Commission



- Reasons for Relief – Equalization of Fair Market Values
 - Residential, Properties that are non-income producing
 - Interior condition and functional obsolescence
 - Structural damage
 - Error in square footage
 - Error in description or classification
 - Cost to cure defects
 - Commercial, Retail, Industrial or Rented Residential Properties
 - Same as above for non-income property plus income influencing factors
 - Income trends
 - Vacancy rates
 - More economy driven
- Relief Levels:
 - Level 1:** Informal hearing conducted in the Assessor's office
 - Level 2:** Formal public hearing held by the Board of Equalization
 - Level 3:** District Court- "New day" process for Assessor and Taxpayer
 - Property taxes must be paid under protest and notice given to County Treasurer by December 31.
 - Level 4:** Oklahoma Supreme Court- appeal of lower court