

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 SENATE BILL 1098

By: Thompson

6 AS INTRODUCED

7 An Act relating to taxation; amending 68 O.S. 2021,
8 Sections 2802, 2803, and 2817, as amended by Section
9 1, Chapter 374, O.S.L. 2022 (68 O.S. Supp. 2024,
10 Section 2817), which relate to the Ad Valorem Tax
11 Code; defining terms; expanding classifications of
12 property for purposes of ad valorem taxation;
modifying the valuation procedure of certain real
property for assessment; updating statutory
references; updating statutory language; and
providing an effective date.

13

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

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

17 Section 2802. As used in Section 2801 et seq. of this title:

18 1. "Accepted standards for mass appraisal practice" means those
19 standards for the collection and analysis of information about
20 taxable properties within a taxing jurisdiction permitting the
21 accurate estimate of fair cash value for similar properties in the
22 jurisdiction either without direct observation of such similar
23 properties or without direct sales price information for such

1 similar properties using a reliable statistical or other method to
2 estimate the values of such properties;

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

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

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

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

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

21 7. "Assessment ratio" means the relationship between assessed
22 value and taxable fair cash value for a county or for use categories
23 within a county expressed as a percentage determined in the annual
24 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,

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

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

4 24. "Multiple regression analysis" means a statistical
5 technique for estimating unknown data on the basis of known and
6 available data;

7 25. "Parcel" means a contiguous area of land described in a
8 single description by a deed or other instrument or as one of a
9 number of lots on a plat or plan, separately owned and capable of
10 being separately conveyed;

11 26. "Residential rental housing" means any single tax parcel
12 that contains a building or buildings that are constructed and used
13 for multifamily housing or contains two or more single family homes
14 that are constructed for rental purposes. For the purposes of this
15 paragraph, "multifamily housing" shall mean residential buildings or
16 complexes that contain multiple separate units or dwellings intended
17 for occupancy by multiple families or households;

18 27. "Sales comparison approach" means the collection,
19 verification, and screening of sales data, stratification of sales
20 information for purposes of comparison and use of such information
21 to establish the fair cash value of taxable property;

22 27. 28. "State Board of Equalization" means the Board
23 responsible for valuation of railroad, airline and public service

1 corporation property and the adjustment and equalization of all
2 property values both centrally and locally assessed;

3 28. 29. "Taxable value" means the percentage of the fair cash
4 value of personal property or the taxable fair cash value of real
5 property, less applicable exemptions, upon which an ad valorem tax
6 rate is levied pursuant to the provisions of Section 8 and Section
7 8B of Article X of the Oklahoma Constitution;

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

11 30. 31. "Use category" means a subcategory of real property
12 that is either agricultural use, residential use or
13 commercial/industrial use but does not and shall not constitute a
14 class of subjects within the meaning of the Oklahoma Constitution
15 for purposes of ad valorem taxation;

16 31. 32. "Use value" means the basis for establishing fair cash
17 value of real property pursuant to the requirement of Section 8 of
18 Article X of the Oklahoma Constitution; and

19 32. 33. "Visual inspection program" means the program required
20 in order to gather data about real property from physical
21 examination of the property and improvements in order to establish
22 the fair cash values of properties so inspected at least once each
23 four (4) years and the fair cash values of similar properties on an
24 annual basis.

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

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

7 1. Real property, except as provided by paragraph 6 of this
8 subsection;

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

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

15 4. Public service corporation property; and

16 5. Railroad and air carrier property; and

17 6. Real property containing improvements constructed for the
18 purposes of providing residential rental housing.

19 B. Valuation of each class of subjects shall be made by a
20 method appropriate for each class or any subclass thereof, as
21 established by the Ad Valorem Division of the Oklahoma Tax
22 Commission.

23 C. Classification as provided by this section shall require
24 uniform treatment of each item within a class or any subclass as

1 provided in Article X, Section 5 of Article X of the Oklahoma
2 Constitution.

3 SECTION 3. AMENDATORY 68 O.S. 2021, Section 2817, as
4 amended by Section 1, Chapter 374, O.S.L. 2022 (68 O.S. Supp. 2024,
5 Section 2817), is amended to read as follows:

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

11 The fair cash value of household personal property shall be
12 valued at ten percent (10%) of the appraised value of the
13 improvement to the residential real property within which such
14 personal property is located as of January 1 each year. The
15 assessment of household personal property as provided by this
16 section may be altered by the taxpayer listing such property at its
17 actual fair cash value. For purposes of establishing the value of
18 household personal property, pursuant to the requirement of Section
19 8 of Article X of the Oklahoma Constitution, the percentage of value
20 prescribed by this section for the household personal property shall
21 be presumed to constitute the fair cash value of the personal
22 property.

23 Stocks of goods, wares, and merchandise shall be assessed at the
24 value of the average amount on hand during the preceding year, or

1 the average amount on hand during the part of the preceding year the
2 stock of goods, wares, or merchandise was at its January 1 location.
3 Provided, persons primarily engaged in selling lumber and other
4 building materials including cement and concrete, except for home
5 centers classified under Industry No. 444110 of the North American
6 Industrial Classification Systems (NAICS) Manual, shall be assessed
7 at the average value of the inventory on hand as of January 1 of
8 each year and the value of the inventory on hand as of December 31
9 of the same year.

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

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

15 2. The highest and best use for which the property was last
16 classified for use if not actually used during the preceding
17 calendar year.

18 When improvements upon residential real property are divided by
19 a taxing jurisdiction line, those improvements shall be valued and
20 assessed in the taxing jurisdiction in which the physical majority
21 of those improvements are located.

22 The Ad Valorem Division of the Oklahoma Tax Commission shall be
23 responsible for the promulgation of rules which shall be followed by
24 each county assessor of the state, for the purposes of providing for

1 the equitable use valuation of locally assessed real property in
2 this state. Agricultural land and nonresidential improvements
3 necessary or convenient for agricultural purposes shall be assessed
4 for ad valorem taxation based upon the highest and best use for
5 which the property was actually used, or was previously classified
6 for use, during the calendar year next preceding January 1 on which
7 the assessment is made.

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

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

15 2. Soil productivity indices approved by the Ad Valorem
16 Division of the Tax Commission;

17 3. The specific agricultural purpose of the soil based on use
18 categories approved by the Ad Valorem Division of the Tax
19 Commission; and

20 4. A capitalization rate to be determined annually by the Ad
21 Valorem Division of the Tax Commission based on the sum of the
22 average first mortgage interest rate charged by the Federal Land
23 Bank for the immediately preceding five (5) years, weighted with the

1 prevailing rate or rates for additional loans or equity, and the
2 effective tax rate.

3 The final use value will be calculated using the soil
4 productivity indices and the agricultural use classification as
5 defined by rules promulgated by the State Board of Equalization.
6 This subsection shall not be construed in a manner which is
7 inconsistent with the duties, powers, and authority of the Board as
8 to valuation of the counties as fixed and defined by Section 21 of
9 Article X of the Oklahoma Constitution.

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

15 D. The use value of nonresidential improvements on agricultural
16 land shall be based on the cost approach to value estimation using
17 currently updated cost manuals published by the Marshall and Swift
18 Company or similar cost manuals approved by the Ad Valorem Division
19 of the Tax Commission. The use value estimates for the
20 nonresidential improvements shall take obsolescence and depreciation
21 into consideration in addition to necessary adjustments for local
22 variations in the cost of labor and materials. This section shall
23 not be construed in a manner which is inconsistent with the duties,
24 powers, and authority of the Board as to equalization of valuation

1 of the counties as determined and defined by Section 21 of Article X
2 of the Oklahoma Constitution.

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

5 1. The Ad Valorem Division of the Tax Commission is hereby
6 directed to develop a standard system of valuation of both real and
7 personal property of such facilities, which shall be used by all
8 county assessors in this state, under which valuation based on the
9 following shall be presumed to be the fair cash value of the
10 property:

11 a. for real property, a ten-year depreciation schedule,
12 at the end of which the residual value is twenty
13 percent (20%) of the value of the facility during its
14 first year of operation, and

15 b. for personal property, a five-year depreciation
16 schedule, at the end of which the residual value is
17 zero;

18 2. Such facilities shall be valued only in comparison to other
19 facilities used exclusively for poultry production. Such a facility
20 which is no longer used for poultry production shall be deemed to
21 have no productive use;

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

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

7 E. The value of investment in property used exclusively by an
8 oil refinery that is used wholly as a facility, device, or method
9 for the desulphurization of gasoline or diesel fuel as defined in
10 Section 2817.3 of this title shall not be included in the
11 capitalization used in the determination of fair market value of
12 such oil refinery if such property would qualify as exempt property
13 pursuant to Section 2902 of this title, whether or not an
14 application for such exemption is made by an otherwise qualifying
15 manufacturing concern owning the property described by Section
16 2817.3 of this title.

17 F. The use value of a lot in any platted addition or a
18 subdivision in a city, town, or county zoned for residential,
19 commercial, industrial, or other use shall be deemed to be the fair
20 cash value of the underlying tract of land platted, divided by the
21 number of lots contained in the platted addition or subdivision
22 until the lot shall have been conveyed to a bona fide purchaser or
23 the lot with building or buildings located thereon shall have been
24 occupied other than as a sales office by the owner thereof, or shall

1 have been leased, whichever event shall first occur. One who
2 purchases a lot for the purposes of constructing and selling a
3 building on such lot shall not be deemed to be a bona fide purchaser
4 for purposes of this section. However, if the lot is held for a
5 period longer than two (2) years before construction, then the
6 assessor may consider the lot to have been conveyed to a bona fide
7 purchaser. The cost of any land or improvements to any real
8 property required to be dedicated to public use including, but not
9 limited to, streets, curbs, gutters, sidewalks, storm or sanitary
10 sewers, utilities, detention or retention ponds, easements, parks,
11 or reserves shall not be utilized by the county assessor in the
12 valuation of any real property for assessment purposes.

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

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

19 2. That by reason of the amount of the sales consideration it
20 is obvious that the use classification prior to the transfer of the
21 property is not commensurate with and would not justify the amount
22 of the sales consideration of the property;

23 then the assessor shall, in either event, reassess the property for
24 the new use classification for which the property is being used, or-

1 the highest and best use classification for which the property may,
2 by reason of the transfer, be classified for use.

3 H. When the term "fair cash value" or the language "fair cash
4 value, estimated at the price it would bring at a fair voluntary
5 sale" is used in the Ad Valorem Tax Code, in connection with and in
6 relation to the assessment of real property, it is defined to mean
7 and shall be given the meaning ascribed and assigned to it in this
8 section and when the term or language is used in the Code in
9 connection with the assessment of personal property, it shall be
10 given its ordinary or literal meaning.

11 I. Where any real property is zoned for a use by a proper
12 zoning authority, and the use of the property has not been changed,
13 the use and not zoning shall determine assessment. Any reassessment
14 required shall be effective January 1 following the change in use.
15 Taxable real property need not be listed annually with the county
16 assessor.

17 J. If any real property shall become taxable after January 1 of
18 any year, the county assessor shall assess the same and place it
19 upon the tax rolls for the next ensuing year. When any building is
20 constructed upon land after January 1 of any year, the value of the
21 building shall be added by the county assessor to the assessed
22 valuation of the land upon which the building is constructed at the
23 fair cash value thereof for the next ensuing year. However, after
24 the building has been completed it shall be deemed to have a value

1 for assessment purposes of the fair cash value of the materials used
2 in such building only, until the building and the land on which the
3 building is located shall have been conveyed to a bona fide
4 purchaser or shall have been occupied or used for any purpose other
5 than as a sales office by the owner thereof, or shall have been
6 leased, whichever event shall first occur. The county assessor
7 shall continue to assess the building based upon the fair market
8 value of the materials used therein until the building and land upon
9 which the building is located shall have been conveyed to a bona
10 fide purchaser or is occupied or used for any purpose other than as
11 a sales office by the owner thereof, or is leased, whichever event
12 shall first occur. In the event a building or buildings described
13 by this subsection are intended to serve primarily as residential
14 rental housing, after the building or buildings have been completed
15 they shall be deemed to have an initial value for assessment
16 purposes not to exceed the fair cash value of the land and the
17 actual documented cost of any improvements made to the building or
18 buildings. The county assessor shall continue to assess such
19 building or buildings at a value not to exceed the fair cash value
20 of the land and actual documented cost of any improvements made
21 until either two (2) years have passed since the date on which the
22 building or buildings were first reflected on the tax rolls, or the
23 building or buildings and the land on which the building or

1 buildings are located shall have been conveyed to a bona fide
2 purchaser, whichever event shall first occur.

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

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

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

10 SECTION 4. This act shall become effective November 1, 2025.
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