

**2010  
ANNUAL EDUCATIONAL  
CONFERENCE**

**APPRAISER  
SESSIONS**

**2010-2011  
BUSINESS PERSONAL PROPERTY  
FORMS**

# 2011 BUSINESS PERSONAL PROPERTY FORMS

Presented by  
OKLAHOMA TAX COMMISSION  
AD VALOREM DIVISION

# 2011 FORM CHANGES

- OTC and ASSESSORS ASSOCIATION
- ADD SCHOOL DISTRICTS
- STANDARD HEADING (FORM NAME)
- STANDARD APPEARANCE
- COST SAVINGS

<b>OTC 901</b> <small>Revised 6-2010</small>	<b>OKLAHOMA</b> <b>BUSINESS PERSONAL PROPERTY RENDITION</b> _____ County <small>Filing Date: January 1 - Delinquent Penalties after March 15</small>	<b>Tax Year</b> _____
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Real Estate Number _____  Personal Property Number _____  Owner's Name/DBA _____  Mailing Address _____	<b>PART ONE: START HERE</b>	FEIN: _____ Type of Business: _____ North American Industry Classification System <input type="checkbox"/> <input type="checkbox"/> Are other businesses included in this rendition? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please list: _____ Physical location if different from mailing address: _____ Please provide the name and phone number of person to contact for audit purposes: _____
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Are you renting or leasing this business location? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, do you own any real estate improvements at this location? <input type="checkbox"/> Yes <input type="checkbox"/> No When did you start business at this location? Date ____/____/____	Are you still in business at this location? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, do you still own the business personal property? <input type="checkbox"/> Yes <input type="checkbox"/> No Date Disposed/Sold: ____/____/____ If disposed or sold, stop here. Sign and return.
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**PART TWO: OKLAHOMA TAXABLE FIXED ASSETS, FROM FORM 904 SCHEDULE 3 OR 3A**

DESCRIPTION	Beginning Total Original Cost or RCN Net Book Value	Additions to Total Original Cost or RCN Net Book Value	Deletions to Total Original Cost or RCN Net Book Value	Ending Total Original Cost or RCN Net Book Value	Assessor Use	
					Reconciled	Assessed Value
Leasehold Improvement <small>Original Cost</small>						
Furniture and Fixtures <small>Original Cost</small>						
Electric Equipment <small>Original Cost</small>						
Computer Equipment <small>Original Cost</small>						
Machinery and Equipment <small>Original Cost</small>						
Forklifts and Construction <small>Original Cost</small>						
Tooling, Dies and Molds <small>Original Cost</small>						
Other Assets and Trade Tools <small>Original Cost</small>						
★ Leased to Others <small>Original Cost</small>						
★ Leased from Others <small>Original Cost (See Instructions)</small>					<b>Total</b>	<b>Total</b>
★ See Instructions		→ Total Fixed Assets →				

**PART THREE: OKLAHOMA TAXABLE INVENTORY**

**Inventories**  
 Total supplies, parts, equipment, etc. stored and/or not currently in use including raw materials, work in progress, finished goods, etc.

Average Inventory (From Part 6) \_\_\_\_\_  
 Less Freeport Exemption (Form 901-F) — \_\_\_\_\_  
 Consignment and/or Floorplan Inventory — \_\_\_\_\_  
**Net Taxable Inventory =** \_\_\_\_\_

Net Inventory	
Total Assessed	
Penalty	
Total Net	
Date Filed ____/____/____	
Assessment %	School District

State of Oklahoma - County of \_\_\_\_\_  
 I, \_\_\_\_\_ under penalties of perjury, do hereby depose and say that  
 I am \_\_\_\_\_ of \_\_\_\_\_ company;  
 that as such I am acquainted with the books, accounts, and affairs of said company and know that the accompanying statement to be true, correct, and complete, and that all information requested herein has been fully and correctly given. (58 O.S. 2001 Section 2945 provides penalties for false oaths)

	Signature of preparer if other than taxpayer _____	Date _____	Preparer's address _____
	Signature of taxpayer _____	Date _____	Preparer's identification number _____ Preparer's phone number _____

## INSTRUCTIONS TO FORM 901

**Who Must File...**

All business concerns, corporations, partnerships and professionals are required by Oklahoma statutes to file each year a statement of taxable assets as of January 1, which are located within this county. This rendition must be signed by an owner, partner, officer of the corporation or a bonafide agent.

**Penalties...**

Failure to file by March 15th will subject the taxpayer to a mandatory penalty of 10 percent, or a 20 percent penalty if not filed by April 15th (68 O.S. Section 2836C). If received through the mail by this office, it must be postmarked no later than March 15th. Postage metered mail over-stamped by the Post Office after March 15th, will carry the mandatory penalty.

**Taxpayers Filing Form 901 in this County...**

Attach a complete detailed listing of all assets used in business, grouped by description, year acquired and original cost, and items that have zero book value, use reporting Asset Listing 904 Schedule 3 or 3A, which is available from the county assessor.

**North American Industry Classification System (NAICS)...**

This is your six digit Federal Business Activity Code.

**Location of Property...**

You must file a separate rendition for each location for assessment allocation to the various school districts.

**Original Cost Values or RCN...**

Report the total new or used total cost or replacement cost new, including freight-in and installation costs. Do not deduct investment credit, trade-in allowances or depreciation. If unknown, estimate the original cost. Estimated costs will not be depreciated without supporting documents.

**Year Acquired...**

This is the purchase date. Depreciation can not be calculated unless the year acquired is reported.

**Leasehold Improvements...**

Report cost and detailed description of improvements to property owned by others. Do not report building expansions or repairs, rough plumbing or electrical service, which are included in real estate values. Report all other items such as partitions, new store fronts, etc.

**Furniture and Fixtures...**

Items included: office desks, chairs, credenzas, file cabinets, table booths, shelving display cases, racks, gondolas, retail fixtures, hotel and motel furnishings, etc.

**Electronic Equipment...**

Items included: calculators, copiers, drafting machines, blueprinting machines, fax machines, postage machines, telephone equipment, typewriters, lunch room appliances, etc. Also, include electronic and computer controls used with machinery and equipment.

**Computer Equipment...**

Items included: computer hardware, software, CRT printers, disk drives, etc.

**Machinery and Equipment...**

Items included: auto repair, agricultural, bakeries, barber and beauty shops, cleaning and laundry, fuel storage tanks, gas pumps, medical, restaurants, signs, theaters, etc. All equipment and machinery (forklifts, mobile yard crams, drilling rigs, tools) is also included. Equipment installed on trucks or trailers after purchase must also be reported. Do not list licensed vehicle such as autos, trucks, semitrailers, boats over 10 h.p., etc.

**Forklifts and Construction Equipment...**

Items include: forklifts, back hoes, compactor, dozers, draglines, earth movers, graders, mobile cranes, rollers, trenchers, etc.

**Tooling, Dies and Molds...**

Items include: Tooling, dies punches, molds, patterns, jigs, etc.

**Trade Tools and Equipment...**

Include items used by carpenters, cement finishers, craftsmen, electricians, mason, mechanics, repair services, roofers, etc.

**★ Leased to Others...**

List lessee, address, asset type, original cost, and age of asset. Additional sheets may be attached if necessary.

**★ Leased from Others...**

List lessor, address, asset type, age of asset, and beginning year of lease. Additional sheets may be attached if necessary.

**Inventories...**

Add your total monthly inventories. Then divide the sum by the number of months you have inventory in this county for the year to determine your average inventory. Inventories held for others or consigned must be reported separately. Inventory claimed exempt must be accompanied by a Freeport Exemption Form (901-F).

**If the Business is Sold, Closed or Name Changed...**

To avoid possible incorrect or duplicate assessment, taxpayers should provide information as follows:

- Business Sold: date of sale, name and address of new owner.
- Business Closed: date of closing or date all personal property was disposed, report location and value of any remaining property still owned on the assessing date, even if in storage.
- Business Name Change: date of change and new name.

### PART FOUR: ADDITIONS DURING THE REPORTING YEAR, OR SCHEDULE 3, OR 3A

Item Number	Item Description	Year Acquired		Total Original Cost or RCN
		New	Used	
Total ▶				

### PART FIVE: DELETIONS DURING THE REPORTING YEAR

Item Number	Item Description	Year Acquired		Total Original Cost or RCN
		New	Used	
Total ▶				

### PART SIX: MONTHLY INVENTORY

January	February	March	April	May	June	▼ Average ▼
July	August	September	October	November	December	





<b>OTC 904-A</b>	<b>OKLAHOMA ASSET LISTING (GROUPED)</b>	<b>Tax Year</b>
Schedule 3-A Revised 6-2010	Taxpayers filing in _____ County: Must complete this schedule listing like or similar items grouped by description, year of acquisition, original cost and class. This schedule to be filed with completed OTC Form 901 rendition.	

Name of Business: \_\_\_\_\_ **DRAFT**

Address: \_\_\_\_\_ **6-17-10**

Personal Property Account Number: \_\_\_\_\_

					<i>Assessors Use Only</i>			
Item Number	Description	Year Acquired		Original Cost	Life Years	% Good	Factor	Rclnd
		New	Used					
	Leasehold Improvements							
TOTAL					TOTAL			
	Furniture and Fixtures							
TOTAL					TOTAL			
	Electronic Equipment							
TOTAL					TOTAL			
	Computer Equipment							
TOTAL					TOTAL			
	Machinery and Equipment							
TOTAL					TOTAL			



<b>OTC 901-P</b> <small>Revised 6-2010</small>	<b>OKLAHOMA BUSINESS PERSONAL PROPERTY • PETROLEUM RELATED</b> _____ Filing Date: January 1 - Delinquent Penalties after March 15	<b>Tax Year</b> _____
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Real Estate Number _____ Personal Property Account Number _____ Owner's Name/DBA _____ Mailing Address _____	<b>PART ONE • START HERE</b>	FEIN: _____ Type of Business: _____ North American Industry Classification System <input type="checkbox"/> <input type="checkbox"/> Are other businesses included in this rendition? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please list: _____ Physical location if different from mailing address: _____ Please provide the name and phone number of person to contact for audit purposes: _____
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**PART TWO: OKLAHOMA TAXABLE FIXED ASSETS FROM SCHEDULE 904-3-P**

DESCRIPTION	Beginning Total Acquisition Cost	Additions to Total Acquisition Cost	Deletions to Total Acquisition Cost	Ending Total Acquisition Cost
Leasehold Improvement				
Furniture and Fixtures				
Electronic Equipment				
Computer Equipment				
Tools/Machinery/Equipment				
Processing Plants				
Pipeline				
Meters				
Booster/Compressor Station				
Valve Stations				
Other				
★ Leased to Others				
★ Leased from Others (See Instructions)				
★ See Instructions		→ Total Fixed Assets →		

**PART THREE: OKLAHOMA TAXABLE INVENTORY**

<b>Inventories</b> Total supplies, parts, equipment, etc. stored and/or not currently in use. ... Petroleum products in storage ... Total Monthly Inventories from Part 8 on page 2	Average Inventory _____ Less Freeport Exemption (Form 901-F) _____ Net Taxable Inventory = _____
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<b>ASSESSOR USE ONLY</b>	School District <input type="text"/>	Date Filed <input type="text"/>	Total Value <input type="text"/>	Assessment % <input type="text"/>	Total Assessed <input type="text"/>	Penalty <input type="text"/> %	Total Net Assessed <input type="text"/>
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State of Oklahoma - County of \_\_\_\_\_  
 I, \_\_\_\_\_ under penalties of perjury, do hereby depose and say that I am \_\_\_\_\_  
 of \_\_\_\_\_ company; that as such I am acquainted with the books, accounts, and affairs of said company and know that the  
 accompanying statement to be true, correct, and complete, and that all information requested herein has been fully and correctly given. (68 O.S. 2001 Section 2945 provides penalties for false oaths)

	Signature of preparer if other than taxpayer _____	Date _____	Preparer's address _____
	Signature of taxpayer _____	Date _____	Preparer's identification number _____ Preparer's phone number _____



<b>OTC 904-3-P</b> <small>Revised 6-2010</small>	<b>OKLAHOMA PETROLEUM RELATED ASSET LISTING</b> _____ County <small>Filing Date: January 1 - March 15</small>	<b>Tax Year</b>
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Taxpayers filing OTC Form 901-P in \_\_\_\_\_ County: Must complete this schedule listing like or similar items grouped by description, year of acquisition, total acquisition cost. This schedule to be filed with completed OTC Form 901-P.

**NAME, ADDRESS AND PERSONAL PROPERTY ACCOUNT NUMBER**

Name of Business: _____	DRAFT
Address: _____	6-17-10
Personal Property Account Number: _____	

**LEASEHOLD IMPROVEMENTS**

Item Number	Description	Location/Situs				Year Acquired		Total Acquisition
		1/4	SEC	TWP	RG	New	Used	
TOTAL								

**FURNITURE AND FIXTURES**

Item Number	Description	Location/Situs				Year Acquired		Total Acquisition
		1/4	SEC	TWP	RG	New	Used	
TOTAL								

**COMPUTERS AND ELECTRONIC EQUIPMENT**

Item Number	Description	Location/Situs				Year Acquired		Total Acquisition
		1/4	SEC	TWP	RG	New	Used	
TOTAL								

**TOOLS, MACHINERY, AND/OR EQUIPMENT**

Item Number	Description	Location/Situs				Year Acquired		Total Acquisition
		1/4	SEC	TWP	RG	New	Used	
TOTAL								

**PLANTS**

Item Number	Description	Location/Situs				Capacity		Year Acquired		Total Acquisition
		1/4	SEC	TWP	RG	Max.	Daily	New	Used	
TOTAL										

**PIPELINE**

Item Number	Size	Description Type	Length In Feet	Location/Situs				Year Acquired		Total Acquisition
				1/4	SEC	TWP	RG	New	Used	
TOTAL										

**METERS**

Item Number	Brand	Description Type	Size	Quan.	Location/Situs				Year Acquired		Total Acquisition
					1/4	SEC	TWP	RG	New	Used	
TOTAL											

**BOOSTER/COMPRESSOR STATION EQUIPMENT**

Item Number	Brand	Description Type	Size In H.P.	Location/Situs				Year Acquired		Total Acquisition
				1/4	SEC	TWP	RG	New	Used	
TOTAL										

**VALVE STATION EQUIPMENT**

Item Number	Description	Size	Quan.	Location/Situs				Year Acquired		Total Acquisition
				1/4	SEC	TWP	RG	New	Used	
TOTAL										

**INVENTORIES: PETROLEUM PRODUCTS, PIPE, VALVES, SPARE PARTS, ETC.**

Item Number	Description	Location/Situs				Year Acquired		Total Acquisition
		1/4	SEC	TWP	RG	New	Used	
TOTAL								

<b>OTC 901-F</b> <small>Revised 6-2010</small>	<b>OKLAHOMA</b> <b>FREEPORT EXEMPTION DECLARATION</b> _____ County <small>Filing Date: January 1 - March 15</small>	<b>Tax Year</b>
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**NAME AND ADDRESS**

Firm Name: _____
Property Address: _____
Mailing Address: _____

This is a statement of goods, wares, and merchandise exempt from taxation under Article X, Section 6A of the Oklahoma Constitution. Please note that inventory costs must include raw material, work in progress, finished goods, consigned and floor planned merchandise.

**COST OF GOODS SOLD**

1	Beginning inventory in Oklahoma.....	\$	
2	Add: Total purchases for Oklahoma inventory.....	\$	
3	Add: Incoming freight charges related to line 2.....	\$	
4	Add: Other cost (work in process, labor, and/or other related overhead).....	\$	
5	Less: Ending inventory in Oklahoma.....	\$	
6	Cost of goods sold (Sum of lines 1, 2, 3, and 4 - minus line 5).....	\$	

**AVERAGE INVENTORY**

7	Monthly Inventory (Enter 0 for the months with no inventory)						
		January	February	March	April	May	June
		July	August	September	October	November	December
8	Total Inventory (Sum of the preceding months).....	\$					
9	Average Inventory (line 8 divided by 12 months).....	\$					
10	Inventory turns per year (line 6 divided by line 9).....	\$					
11	Months required for turnover (12 months divided line 10).....	\$					
	<small>Note: If line 11 is more than 9.0, the exemption is not allowed.</small>						

**PURCHASES FOR OKLAHOMA INVENTORY**

12	Total purchases for Oklahoma inventory (from line 2).....	\$	
13	Less: Inventory purchases from Oklahoma vendors.....	\$	
14	Inventory purchased from out-of-state vendors.....	\$	
15	Percent of out-of-state purchases (line 14 divided by line 13).....	\$	

**SALES FROM OKLAHOMA INVENTORY**

16	Total sales from Oklahoma inventory.....	\$	
17	Less: Sales within Oklahoma.....	\$	
18	Sold and shipped out-of-state.....	\$	
19	Percent of out-of-state sales (line 18 divided by line 17).....	\$	

**FREEPORT EXEMPTION**

20	Average inventory (from line 9).....	\$	
21	Less: Amount exempt (lower of line 16 or line 20 x line 21).....	\$	
22	Inventory amount not exempt.....	\$	

**All the above described property is located in \_\_\_\_\_ County, Oklahoma.**

I, the undersigned officer of the above named company, corporation, or business concern do hereby declare under oath as provided by Oklahoma Statutes that the above schedule and statements have been examined by me and to the best of my knowledge and belief is a true and complete return, made in good faith, for the taxable year stated.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

## **Freeport Exemption**

### **Article X, Section 6A, Oklahoma Constitution**

#### **Tangible Personal Property Moving through the State**

All property consigned to a consignee in this State from outside this State to be forwarded to a point outside this State, which is entitled under the tariffs, rules, and regulations approved by the Interstate Commerce Commission to be forwarded at through rates from the point of origin to the point of destination, if not detained within this State for a period of more than ninety (90) days, shall be deemed to be property moving in interstate commerce, and no such property shall be subject to taxation in this State; provided, that goods, wares and merchandise whether or not moving on through rates, shall be deemed to move in interstate commerce, and not subject to taxation in this State if not detained more than nine (9) months were such goods, wares and merchandise are so held for assembly, storage, manufacturing, processing or fabricating purposes; provided, further, that personal property consigned for sale within this State must be assessed as any other personal property.

Added by State Question No. 443, adopted at election held Sept. 17, 1968.

#### **Article 10, Section 22A**

No person, firm, corporation or other legal entity shall be allowed to file for any ad valorem tax exemption provided for in Article X of the Oklahoma Constitution, for any year or years prior to the person, firm, corporation or legal entity filing their original application for said exemption with the county assessor. Eligibility for the applicable exemption shall be established as required by law. The legislature may pass any additional laws that may be required to implement the provisions of this section.

Added by State Question No. 741, adopted at election held November 4, 2008.

#### **68 O.S. 2000 Supp. §2902.2**

Any person, firm, or corporation claiming the exemption provided in Section 6A of Article X of the Oklahoma Constitution shall file an application with the county assessor for each year for which the exemption is claimed. The application shall be on a form prescribed by the Oklahoma Tax Commission and shall be filed on or before March 15 of the year in which the person, firm, or corporation desired the take the exemption. Applications must be filed in the year in which the exemption is requested. Claims filed for previous years shall be declared null and void. Eligibility for the exemption shall be established, subject to review by the Tax Commission, by annually filing an affidavit with the county assessor stating that the property qualifies for exemption pursuant to the provisions of Section 6A of Article X of the Oklahoma Constitution and such other information as may be required by the Tax Commission or the county assessor.

SB 521, adopted March 29, 2000, with emergency.

# OTHER FORMS

- OTC-905 Storm Shelter
- OTC-921 Homestead
- OTC-924 Individ. Agri.
- OTC-930 Vet's HHPP
- OTC-935-MH
- OTC-945 Cert. Asses. Val

# FORMS USE

- JANUARY 1, 2011
- AVAILABLE OCTOBER 2010
- REVISED DATE- 6-2010
- WEB SITE: [tax.ok.gov](http://tax.ok.gov)

# **CAPITALIZATION AND CAP RATES**

Oklahoma Tax Commission  
66th Annual Educational Conference  
For Assessing Officers



*New Directions*



*In Assessment*

August 10–13, 2010  
Tulsa, Oklahoma  
Southern Hills Marriott

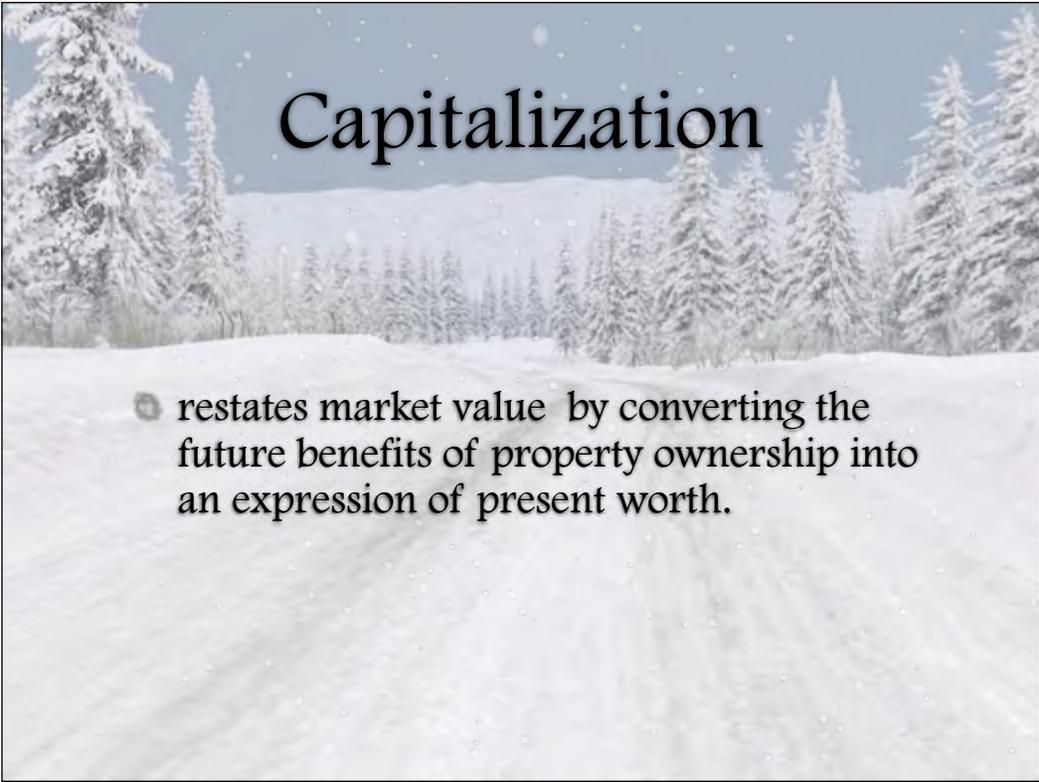
# Capitalization and Cap Rates



# Capitalization

- ❶ Process of converting a series of anticipated future payments (income) into present value
- ❷ Transforms net operating income of a property into the property value

# Capitalization

A winter landscape with snow-covered evergreen trees and mountains in the background. The scene is serene and cold, with a clear blue sky and falling snow.

- restates market value by converting the future benefits of property ownership into an expression of present worth.

# Capitalization

- Is the conversion of income expectancy into a capital sum
- Examines the relationship of income to value

# Capitalization

- Capitalization Rate or ( Cap Rate ) is the ratio between net operating income of an asset and its capital cost or its current market value

# Capitalization Terms

- ✓ *Market Value*
- ✓ *Net Operating Income*

# ✓ *Market Value*

68 O.S. § 2802-18

the value or price at which a **willing buyer** would purchase property and a **willing seller** would sell property if both parties are **knowledgeable** about the property and its uses and if **neither** party is under any **undue pressure** to buy or sell and for real property shall mean the value for the **highest and best use** for which such property was **actually used, or was previously classified** for use, during the calendar year next preceding the applicable January 1 assessment date

# Capitalization Terms

✓ *What is Net Operating Income?*

✓ *Net Operating Income ( NOI )*

✓ *is a key factor in formulating a  
Cap Rate*

✓ *Mathmatically, is Gross Income  
less the sum of all operating  
expenses*

- ✓ *Looking from the investor's side:*
- ✓ *Net Operating Income ( NOI )*
- ✓ *represents the amount of money available to make the mortgage payment*

# *Looking from the investor's side*

## The Cap Rate

measures the ratio between the money available for  
loan payment and the sale price or market value

# *Looking from the Appraiser's side*

## The Cap Rate

is used to estimate the value of income producing properties

# The formulas

**Cap Rate** = Net Operating Income ÷ Property Value

Property Value = Net Operating Income ÷ **Cap Rate**

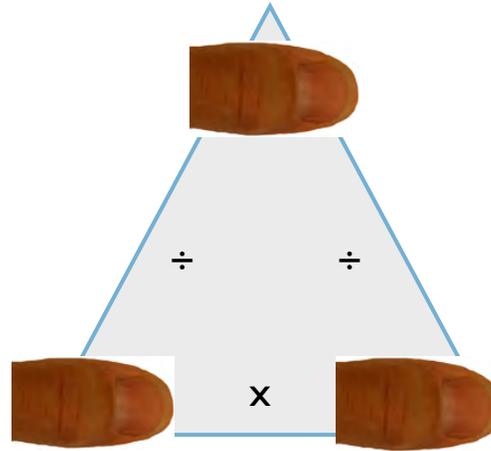
Net Operating Income = Property Value x **Cap Rate**

# Remember “IRV”

$$R = I \div V$$

$$V = I \div R$$

$$I = R \times V$$



- ◆ an **inverse** relationship exists
- ◆ the **higher** the cap rate the **lower** the value
- ◆ the **lower** the cap rate the **higher** the value

# Cap Rates

◆ Are used by:

- ◆ Investors
- ◆ Lenders
- ◆ Appraisers

# Cap Rate

Is used by:

Investors

to determine how profitable the investment will be  
to determine how quickly the investment will pay  
for itself

# Cap Rate

Is used by:

Lenders

to determine if there is enough income to make the mortgage payment

# Cap Rate

Is used by:

Appraisers

to determine the value of the property based on  
the amount of net operating income

# Cap Rate

When calculating:  
it incorporates a property's selling price, gross rents, non rental income, vacancy rates and operating expenses

# Cap Rates

will (could) vary within:  
the state

your county

your city

and by property type

# Cap Rates

Variance is dependent on:

Supply & Demand

Desirability of location

Level of crime

General condition of the area  
and other factors

## Cap Rates

- ★ Lower in more desirable areas
- ★ Higher in less desirable areas to compensate for higher risk

# Cap Rates

which are determined by evaluating the recent actions of buyers and sellers in a particular market will produce the best estimate of market value for a property

$$R = I \div V \text{ (sale)}$$

# Capitalization

**2 Methods**

**Yield Capitalization**

**Direct Capitalization**

# Yield Capitalization

is accomplished through the use  
of an **overall yield rate**

**discounts** a series of future years  
incomes to present value

# Direct Capitalization

**is a method of converting one year's income ( cash flow ) into a value in one direct step.**

# Direct Capitalization

**What type of income are we talking about?**

*Net Operating Income (NOI)*

*of the Real Estate*

*What is  
Net Operating Income ?*

**Gross Income less all  
operating expenses.**

*(not including improper expenses)*

## *Improper Expenses*

**Includes (but not limited to):**

*depreciation*

*mortgage payments (P & I)*

*capital improvements*

*income taxes*

*real estate taxes*

*owner's business expense*

# Why am I talking about income and expenses?

In order to build an appropriate “Cap Rate” you must understand what “net operating income” contains.

# *Improper Expenses*

## **Depreciation**

IRS allows a deduction for allocation of the cost assets

Appraisers do not allow as an expense BUT

is accounted for as a component in the Cap Rate known as

**“recapture rate”** ( return of the investment in the improvements )

# Recapture Rate

the rate of return of a real estate investment;

the annual dollar requirement for returning to the investor a sum equal to the property value (improvements only) at the end of a given period of time

## *Improper Expenses*

### **Mortgage Payments or Debt Service**

**includes both principal and interest  
required to amortize the loan**

**Not allowed but accounted for as a  
component of cap rate in the form  
of the “discount rate”**

## Discount Rate (Yield Rate)

*the rate of return **on** the investment*

*this reflects the compensation necessary to attract investors to give up liquidity, defer consumption, and assume the risks of investing*

# *Improper Expenses*

## **Capital Improvements**

additions to the property are not necessary to maintain the level of income

**Capital Improvements normally result in an increase of the**

1. total value
2. economic life
3. income
4. or in all three

# *Improper Expenses*

## **Income Taxes**

is based on the individual personal income of the owner and not the property value

Different owners may be in different tax brackets, but the appraisal is based on the market value of the property

# *Improper Expenses*

## **Real Estate Taxes**

the efforts of our appraisal will influence the taxes on the property

using taxes previously paid is based on some value ( may be correct or not )

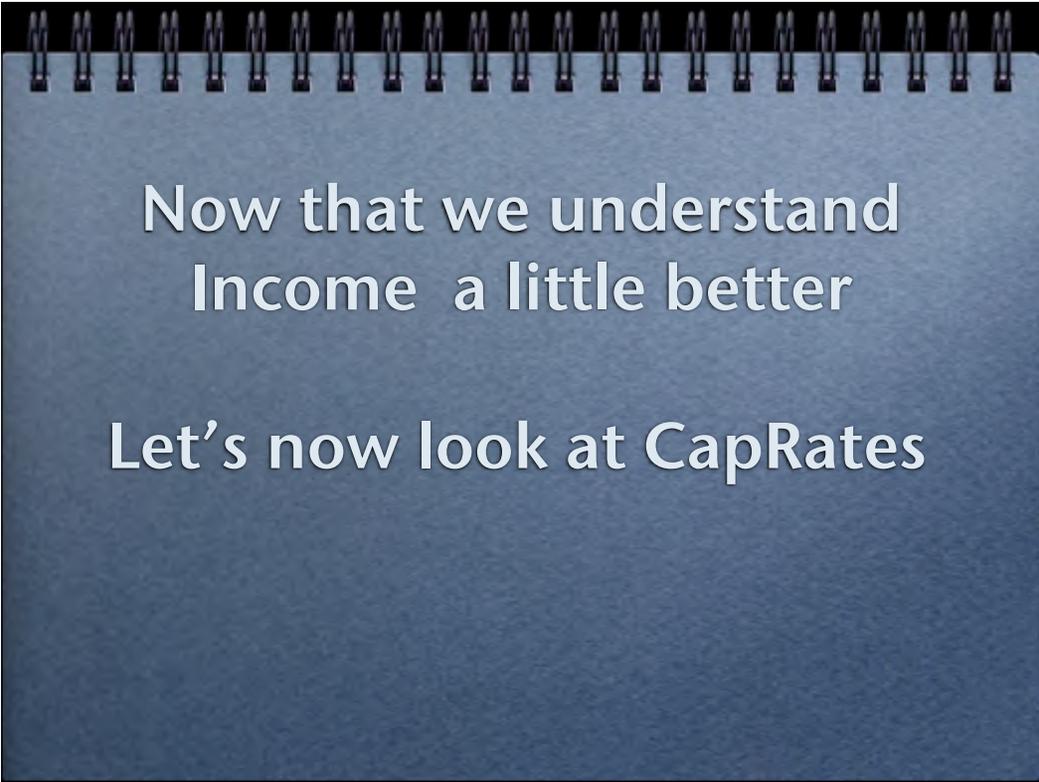
**It is better to calculate the “effective tax rate” for the property and add it in as a component of the Cap Rate**

# *Improper Expenses*

## **Owner's Business Expense**

**Expenses not necessary to maintain the rent produced by the property are not allowed**

**these are usually considered personal expense and not related to the income produced by the real estate**

A blue spiral-bound notebook with a silver metal spiral binding at the top. The text is centered on the page in a white, sans-serif font.

Now that we understand  
Income a little better

Let's now look at CapRates

## Remember!

*The “Overall Cap Rate” represents the percentage that net operating income is in relation to the total property value*

## “Overall Rate” ??

The direct relationship  
between annual net  
operating income and the  
value

## “Overall Rate” ??

Includes the proper  
provision of discount and  
recapture

## “Overall Rate” ??

in theory, composed of the  
“return on” (overall yield  
rate)

and a portion of the “return  
of” (recapture) for the  
improvements

# Methods to develop an Overall Cap Rate

Sales Comparison

Band of Investment ( Mortgage and Equity  
Components)

Band of Investment ( Land to Improvement  
Components)

Debt Coverage Ratio

Net Income Ratio

# Most common in Mass Appraisal

Market Comparison

Band of Investment

(mortgage and equity

# Market Comparison

Uses **“IRV”**  $R = I \div V$

difficult for small rural jurisdictions with few or no sales of comparables

Sold properties need:

- to be very comparable including income streams, risks and stability
- land to improvement ratios
- Income & expense ratios
- remaining economic lives

# Comparable Sales

Property	Sale	Net Op Income	Cap Rate
A	\$480,000	\$50,000	10.42%
B	\$600,000	\$60,800	10.13%
C	\$440,000	\$45,000	10.22%

## IRV Equation

$$\text{Rate} = \text{Income} \div \text{Value (sale)}$$

$$.1022 = \$45,000 \div \$440,000$$

# Comparable Sales

difficult in the real world:

to verify the selling price to only reflect  
land and improvements

to get the income and expense data

Need sales

# BAND OF INVESTMENT

Mortgage and Equity Components

# BAND OF INVESTMENT

## MORTGAGE AND EQUITY COMPONENTS

considers how mortgage terms and equity requirements affect the value of the income producing properties.

# BAND OF INVESTMENT

## MORTGAGE AND EQUITY COMPONENTS

Uses **mortgage constant** (annual debt service including P & I ) expressed as a percentage of the amount of the loan and the **equity dividend rate** are the key factors

# BAND OF INVESTMENT

## MORTGAGE AND EQUITY COMPONENTS

A **mortgage constant** can be found in  
annual constants payment tables or

we can calculate the constant if the annual debt  
service is known

we can also calculate the mortgage constant using  
Excel

$$=pmt(i\%/12,nper,-1) \times 12$$

# BAND OF INVESTMENT

## MORTGAGE AND EQUITY COMPONENTS

Mortgage Constant = annual debt service ÷ mortgage principal

**Example: A \$100,000 loan, at an 8% interest rate, is amortizing over 25 years with monthly payments. The *monthly payment is \$771.82 total principal and interest.* What is the mortgage constant?**

# BAND OF INVESTMENT

## MORTGAGE AND EQUITY COMPONENTS

Mortgage Constant = annual debt service ÷ mortgage principal

**\$100,000 loan @ 8% for 25 yrs**

**monthly payment x 12 = annual payment**

**Annual Payment = \$771.82 x 12 = \$9261.84/ yr**

**Mortgage Constant = \$9261.84 ÷ \$100,000  
(mortgage principal)**

**= .0926184 or \$9.26 per \$100  
borrowed**



# BAND OF INVESTMENT

Assume Loan to Value Ratio of 75%, Interest Rate of 8.0%, and amortization period of 25 years. Equity Rate is 10%  
Mortgage Constant = .0926179 or 9.2618%

There are 2 investors in a property; the Lender who loans money and takes a mortgage AND the owner (the equity portion); both have different goals, objectives, and risk levels

Why add ETR in on Mortgage /Equity Band of Investment? These components gives no concern for taxes ( doesn't deal with NOI)

BUT we need to add in the tax component based on where the property is located.

# BAND OF INVESTMENT

	Portion		Rate		Weighted Rate
1 <sup>st</sup> Mortgage	.75	x	.092618	=	.0695
Equity	.25	x	.10	=	.025
Effective Tax Rate (.12 x .0915)					.0111
		Cap Rate			.1056
					or 10.56%

There are 2 investors in a property; the Lender who loans money and takes a mortgage AND the owner (the equity portion); both have different goals, objectives, and risk levels

Why add ETR in on Mortgage /Equity Band of Investment? These components gives no concern for taxes ( doesn't deal with NOI)

BUT we need to add in the tax component based on where the property is located.

BAND OF INVESTMENT  
(M & E)  
PROBLEM

### **Using the Band of Investment ( Mortgage to Equity Ratio)**

This method of direct capitalization considers how mortgage terms and equity requirements affect the value of income producing properties. It is a simple band of investment method using a mortgage constant. The mortgage constant is derived from banks "annual constants for monthly payments loans" chart, expressed as a percentage of the loan amount. The investor's equity portion of the purchase price percentage is added to the mortgage portion to get an overall rate. Adding in the effective tax rate gives us an overall capitalization rate from the perspective of the investor being able to make the mortgage payment and receive the earnings desired on his investment

**For a Loan of 70% at a 7.25% rate for 25 years      Mortgage Constant =**  
**Equity of 30% at 13% rate**  
**Assessment Rate = 12%   Millage = 101.10**  
**(Effective Tax Rate = Assessment Rate x Millage)**

There are 2 investors in a property; the Lender who loans money and takes a mortgage AND the owner (the equity portion); both have different goals, objectives, and risk levels

Why add ETR in on Mortgage /Equity Band of Investment? These components gives no concern for taxes ( doesn't deal with NOI)

BUT we need to add in the tax component based on where the property is located.

Component	Portion	Rate	Wt. Avg
1st Mortgage	0.70	0.08674	.0607
Equity	0.30	0.13	.039
ETR			.0121

Composite Rate .1118 or 11.18%

There are 2 investors in a property; the Lender who loans money and takes a mortgage AND the owner (the equity portion); both have different goals, objectives, and risk levels

Why add ETR in on Mortgage /Equity Band of Investment? These components gives no concern for taxes ( doesn't deal with NOI)

BUT we need to add in the tax component based on where the property is located.

# Band of Investment

Land and Improvement Components

# Band of Investment

**Land Cap Rate** consists of

Discount Rate and Effective Tax Rate  
(a return "on" the investment + Tax Rate)

**Improvement Cap Rate** consists of

Discount Rate and Effective Tax Rate and Recapture Rate  
(a return "ON" + Tax Rate + return "OF" the investment)

# Band of Investment

## Land and Improvement Components

Of the total value of a property

Land is a % of the total and Improvements are a % of the total.

Example: Ratio is 1 : 3

Land is 1 part and Imps are 3 parts for a total of 4 parts

Land = 25% and Improvements = 75%

# Band of Investment

## Land and Improvement Components

Cap Rate will be a weighted average based on the Ratio of land and improvements

Land Ratio = 25% Cap Rate = 9%

Improvement Ratio = 75% and Cap Rate = 11.5%

# Band of Investment

## Land and Improvement Components

	Portion		Rate		Weighted Rate
Land	.25	x	.09	=	.0225
Imps	.75	x	.115	=	.08625
					<hr/>
				Cap Rate =	.1088 or 10.88%

# Band of Investment (L & I) Problem

---

# Band of Investment

The overall rate may be viewed as the weighted average of the land and improvement capitalization rates, each weighted by the proportion of total property value.

Assume:

Land Value is 15% of the total property value.

Improvements represent 85% of the total property value.

Using the following:

$$\begin{aligned}\text{Land Cap} &= \text{Discount Rate} + \text{ETR} \\ &= 7.79 + 1.21 \\ &= 9.00\%\end{aligned}$$

$$\begin{aligned}\text{Improvement Cap Rate} &= \text{Discount Rate} + \text{ETR} + \text{Recapture} \\ &= 7.79 + 1.21 + 3.33 \\ &= 12.33\%\end{aligned}$$

# Band of Investment

Component	Portion	Rate	Wt.Avg
Land	0.15	0.09	.0135
Improvements	0.85	0.1233	.1048

Composite Rate .1183 or 11.83%

# Debt Coverage Ratio

*is a ratio of net operating income to the annual debt payment*

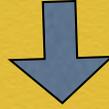
*(Banker needs to know if there is enough left over to cover the mortgage payment)*

*Can the property generate enough income to pay the annual debt service on the amount borrowed?*

# Debt Coverage Ratio

$$\text{DCR} = \text{NOI} \div \text{Mortgage Payment}$$

$$\text{Cap Rate} = \text{DCR} \times \text{Mort. Rate} \times \text{Loan-to-Value Ratio}$$



Mortgage Constant from table

or can calculate in excel

$$=\text{pmt}(i\%/12, \text{nper}, -1) \times 12$$

i = interest rate

nper = term

# Debt Coverage Ratio

Assume:

Loan to Value 75%

Mortgage Interest Rate 8% 25 Years

NOI = \$700,000

Annual Payment \$402,300

# Debt Coverage Ratio

$$\begin{aligned} \text{DCR} &= \text{NOI} \div \text{Mortgage Payment} \\ &= 700,000 \div 402,300 \\ &= 1.74 \end{aligned}$$

$$\begin{aligned} \text{Cap Rate} &= \text{DCR} \times \text{Mort. Rate} \times \text{Loan-to-Value Ratio} \\ &= 1.74 \times .092618 \times .75 \\ &= .1209 \\ &\text{or } 12.09\% \end{aligned}$$

# Debt Coverage Ratio Problem

***NOI of Subject \$164,120***

***Mortgage Payment of \$7228/mo or \$86,736/yr (based on 70% loan to value ratio) at 7.25% interest rate for 25 years.***

Debt Coverage Ratio(DCR) = NOI ÷ Annual Mortgage Payment

$$\begin{aligned} \text{DCR} &= \$164,120 \div \$86,736 && (\text{P} + \text{I}) \\ &= 1.89 \end{aligned}$$

$$\text{Cap Rate} = \text{DCR} \times \text{Mortg Const} \times \text{LTV}$$

$$= 1.89 \times .08674 \times .70$$

$$= .1148 \text{ or } 11.48\%$$



## **Net Income Ratio Method**


$$\text{Cap Rate} = \text{NIR} \div \text{EGIM}$$

# Net Income Ratio

**NIR = 1 - Exp Ratio**  
**(net income ratio)**

**(net income ratio) ÷ (effective gross income multiplier)**

**Cap Rate = NIR ÷ EGIM**

# Net Income Ratio

Assume:

Effective Gross Income = \$234,000

Operating Expenses = 40% of EGI

Property Sold for \$1,123,200

$$\begin{aligned} \text{NIR} &= 1 - .40 \text{ (net expense ratio)} \\ &= .60 \text{ or } 60\% \text{ (net income ratio)} \end{aligned}$$

$$\begin{aligned} \text{EGIM} &= \text{Sale Price} \div \text{EGI} \\ &= \$1,123,200 \div \$234,000 \\ &= 4.80 \end{aligned}$$

# Net Income Ratio

$$\begin{aligned}\text{Cap Rate} &= \text{NIR} \div \text{EGIM} \\ &= .60 \div 4.80 \\ &= .125 \text{ or } 12.5\%\end{aligned}$$

# **Net Income Ratio Problem**

# Net Income Ratio

*Comparable Sale Price \$1,400,000*

*Effective Gross Income \$264,480*

*Operating Expense Ratio 42.5%*

$$\begin{aligned}\text{Net Income Ratio} &= 1 - \text{Exp Ratio} \\ &= 1 - .425 \\ &= .575\end{aligned}$$

## Net Income Ratio

*Comparable Sale Price \$1,400,000*

*Effective Gross Income \$264,480*

*Operating Expense Ratio 42.5%*

$$\begin{aligned}\text{Gross Income Multiplier} &= \\ & \text{Sale Price} \div \text{EGI} \\ &= \$1,400,000 \div \$264,480 \\ &= 5.29\end{aligned}$$

## Net Income Ratio

$$NIR = .575$$

$$EGIM = 5.29$$

$$\begin{aligned} \text{Cap Rate} &= NIR \div EGIM \\ &= .575 \div 5.29 \\ &= .1087 \text{ or } 10.87\% \end{aligned}$$

## Estimating Overall Capitalization Rate

We have calculated several cap rates using different methods. We now need to analyze these cap rates and choose an appropriate rate to use to value our subject property. (Possibly the Mean or the Median)

Sales Comparison	10.22
Band of Invest (Mortg/Eq)	11.18
Band of Invest (Land /Imps)	11.83
Debt Coverage Ratio	11.48
Net Income Method	10.87

**Reconciled Cap Rate = 11.18%**

# **In Summary:**

## **4 Easy methods for you to build a Capitalization Rate**

*Band of Investment ( Mortgage and Equity  
Components)*

*Band of Investment ( Land to Improvement  
Components)*

*Debt Coverage Ratio*

*Net Income Ratio*



See ya back here  
in less than 24 hours  
*drive carefully*

**FIVE YEAR EXEMPT  
MANUFACTURING**

# Five Year Exempt Manufacturing

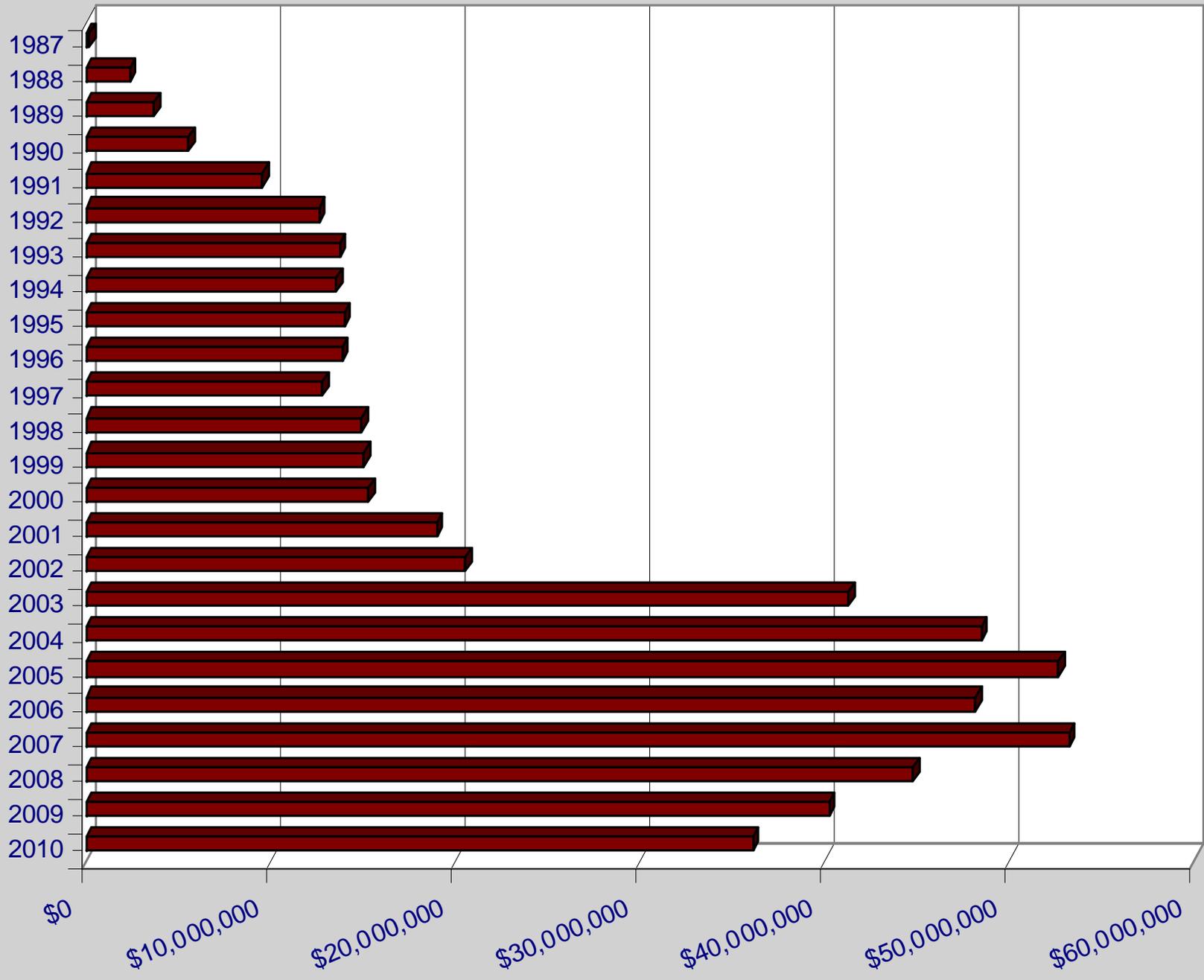
Ad Valorem Division  
Oklahoma Tax Commission

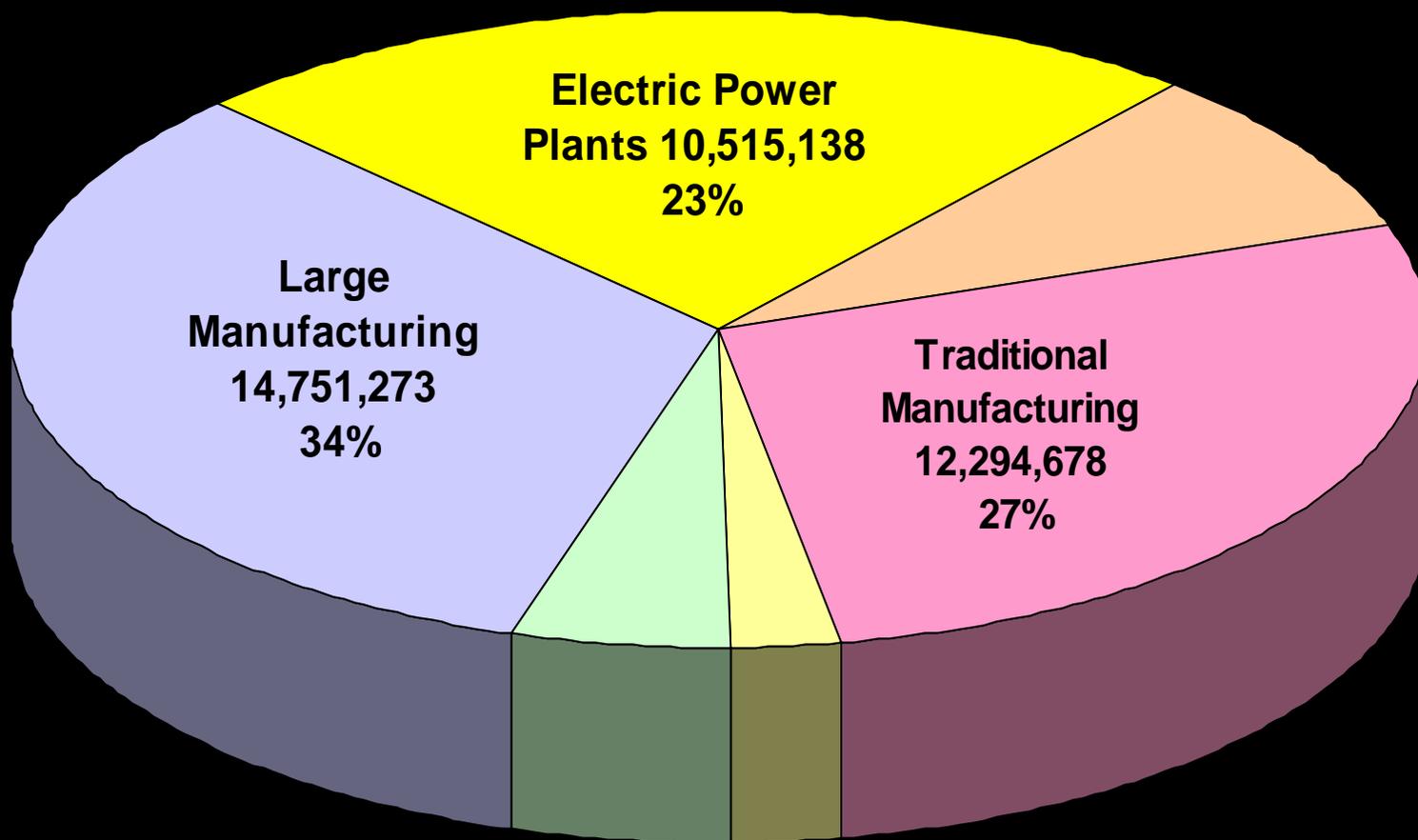
# Introduction

- ✦ Personal Property Section
  - Patty Heath, Paula Gibson, Doug Brydon
- ✦ 5 Year Exempt Manufacturing
- ✦ Property Schedule
  - Internet Based

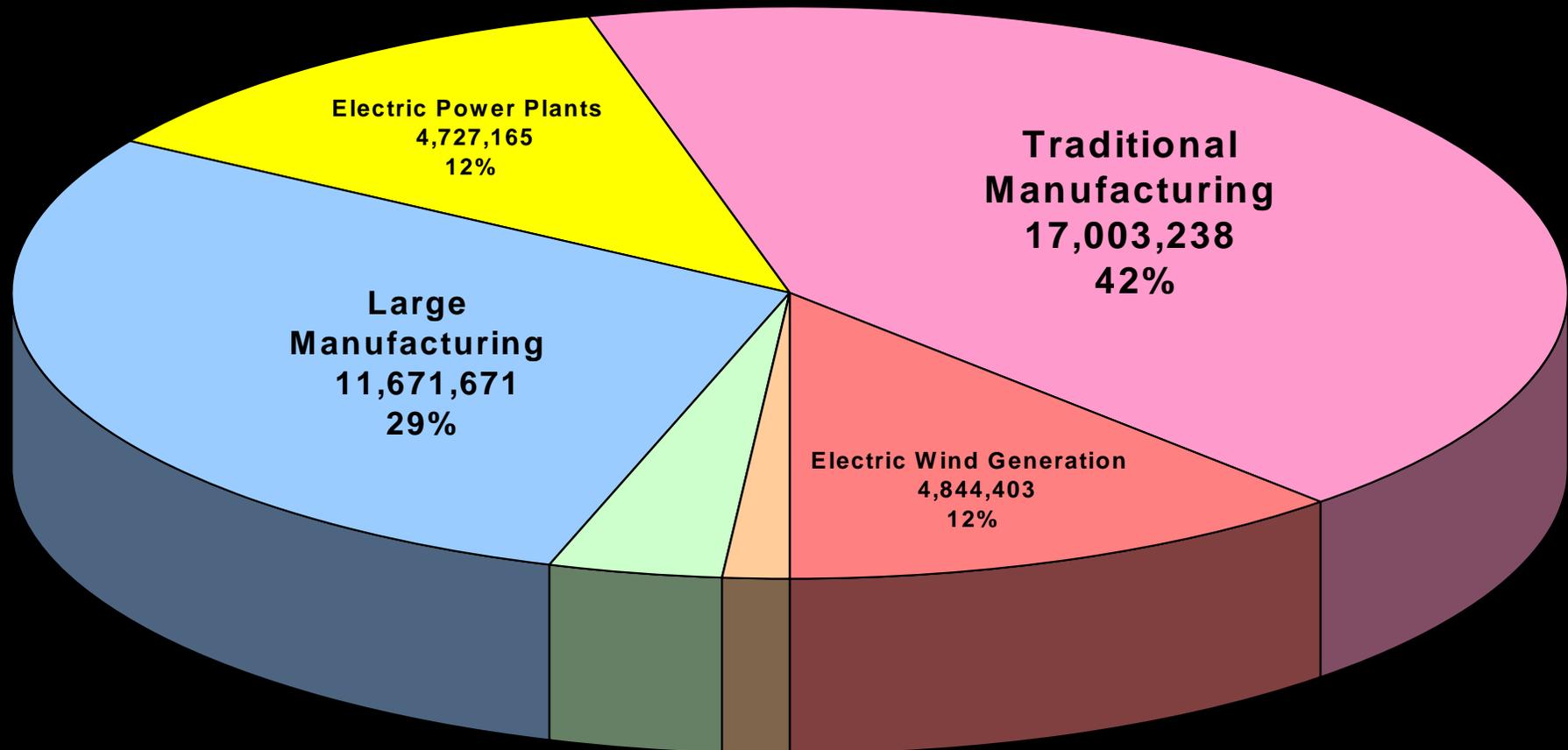
# History

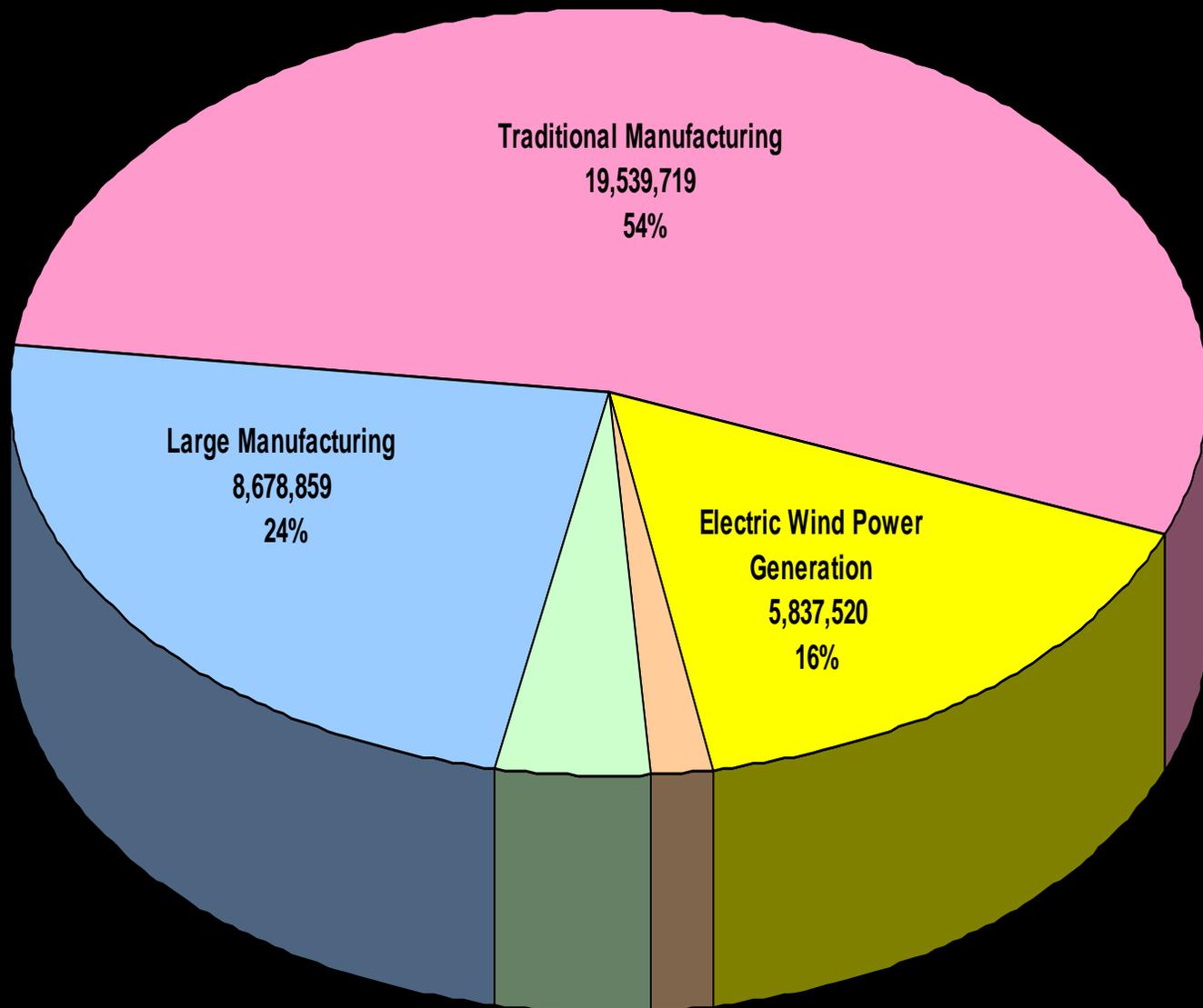
- ✦ State Question Passed in 1985
- ✦ First Payout 1987
- ✦ Created to increase jobs and stimulate the Oklahoma economy by giving companies incentive for growth in the state.





# 2009 Estimated Reimbursement by Type of Property Ad Valorem Reimbursement Fund\*





# Things that make you go “Hmmm”

- ✦ Do Lipton Employees take coffee breaks
- ✦ Why does Hawaii have interstate highways
- ✦ If nothing ever sticks to Teflon, how do they make Teflon stick to the pan
- ✦ If the Police arrest a Mime, do they tell him he has the right to remain silent
- ✦ What hair color do they put on the driver's license of bald men
- ✦ Why do banks charge you a “non-sufficient funds” fee on money they already know you don't have?
- ✦ How is it possible to have a civil war
- ✦ How do “Do not walk on the Grass” signs get there
- ✦ Crime doesn't pay...does that mean that my job is a crime
- ✦ Why are there aren't B batteries

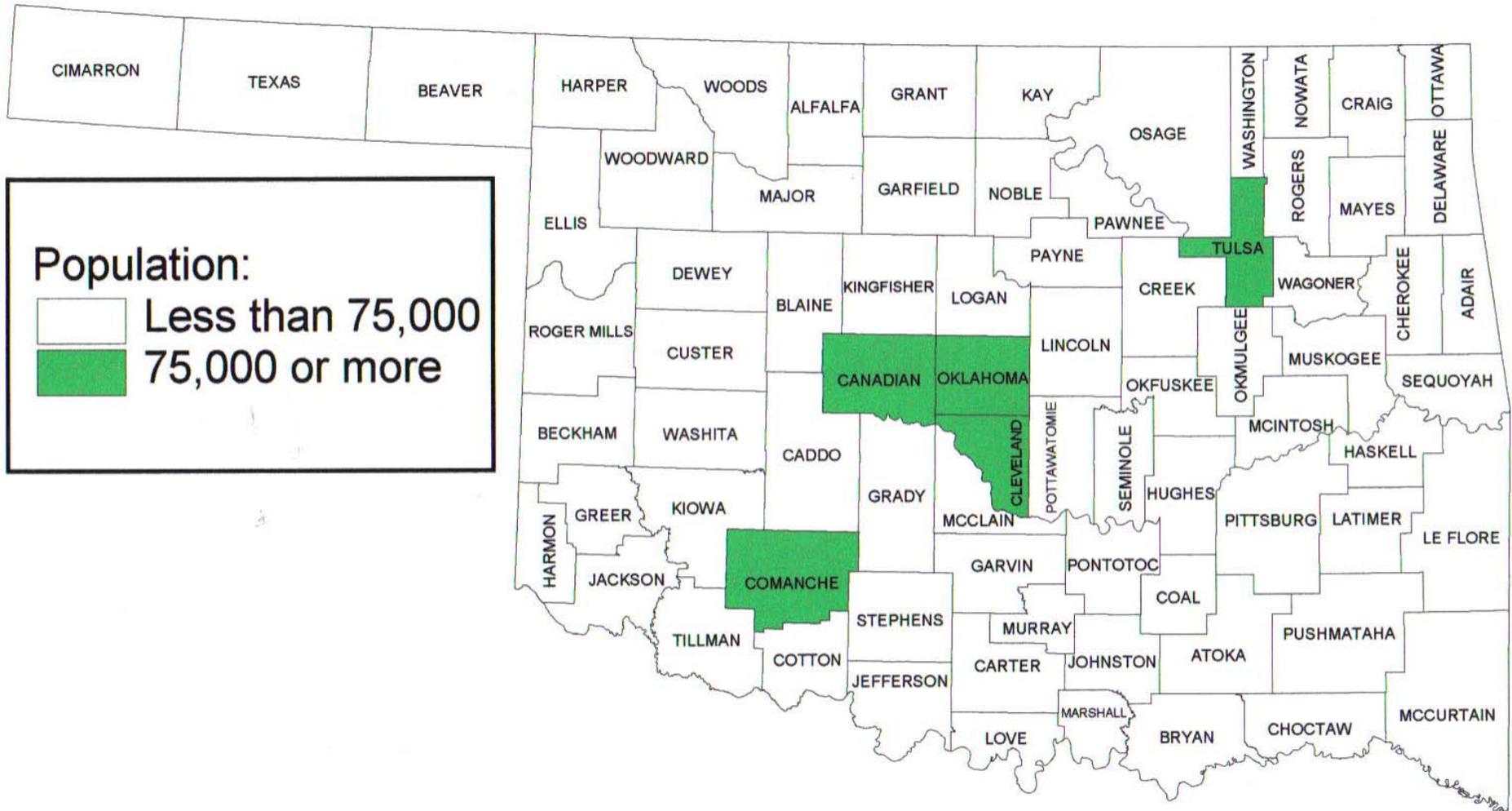
# Qualifications

- ✦ \$250,000 Capital Investment/Increase Payroll \$250,000
  - For Counties with a Population less than 75,000 based on the 2000 Census

# Qualifications

- ✦ \$250,000 Capital Investment/Increase Payroll \$1,000,000
  - For Counties with a Population more than 75,000 based on the 2000 Census

# Counties with a Population Over 75,000 Based on 2000 Census



# Computer Services Qualifications

- ✦ At least 80% of their annual gross revenues to an out of state buyer or consumer
- ✦ Increase payroll by \$250,000 for any capital investment under \$7,000,000 or
- ✦ Invest \$7,000,000 in capital and maintain or increase payroll

# Electric Wind Generation

- ✦ NAICS - 221119
- ✦ Increase payroll by \$250,000 for any capital investment under \$2,000,000 or
- ✦ Invest \$2,000,000 in capital and maintain or increase payroll

# Distribution Centers

- ✦ Initial Investment of \$5 Million
- ✦ Employ at least 100 full-time employees
- ✦ Wages of 175% of the Federally mandated Minimum Wage

# Paper Products Manufacturers

- ✦ \$2,000,000 or more in capital investment and payroll equal to 150% of the OESC average weekly wage, or
- ✦ \$5,000,000 or more in capital investment in initial year and \$5,000,000 per year in the subsequent 4 years

# Legislative Updates/ Changes

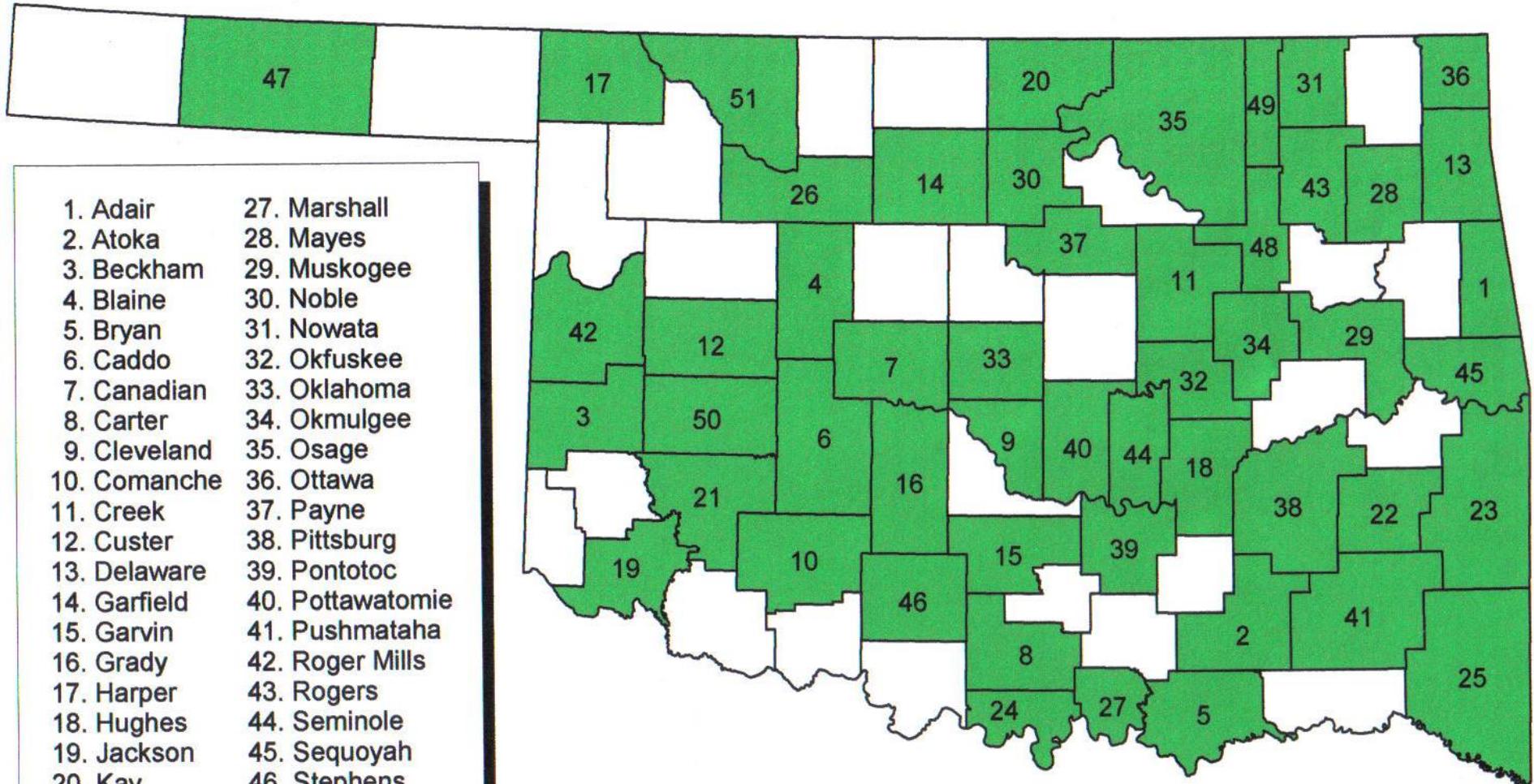
# Application Process

- ✦ Industry Applies to County Assessor before March 15
- ✦ Approval or Disapproval by County Assessor and County Board of Equalization
- ✦ County submits application to Oklahoma Tax Commission by June 15

# County Responsibility

- ✦ Receive Applications from Taxpayer by March 15.
- ✦ County Audits Applications

# COUNTIES PARTICIPATING IN TXM PROGRAM - 2010



- |               |                  |
|---------------|------------------|
| 1. Adair      | 27. Marshall     |
| 2. Atoka      | 28. Mayes        |
| 3. Beckham    | 29. Muskogee     |
| 4. Blaine     | 30. Noble        |
| 5. Bryan      | 31. Nowata       |
| 6. Caddo      | 32. Okfuskee     |
| 7. Canadian   | 33. Oklahoma     |
| 8. Carter     | 34. Okmulgee     |
| 9. Cleveland  | 35. Osage        |
| 10. Comanche  | 36. Ottawa       |
| 11. Creek     | 37. Payne        |
| 12. Custer    | 38. Pittsburg    |
| 13. Delaware  | 39. Pontotoc     |
| 14. Garfield  | 40. Pottawatomie |
| 15. Garvin    | 41. Pushmataha   |
| 16. Grady     | 42. Roger Mills  |
| 17. Harper    | 43. Rogers       |
| 18. Hughes    | 44. Seminole     |
| 19. Jackson   | 45. Sequoyah     |
| 20. Kay       | 46. Stephens     |
| 21. Kiowa     | 47. Texas        |
| 22. Latimer   | 48. Tulsa        |
| 23. Le Flore  | 49. Washington   |
| 24. Love      | 50. Washita      |
| 25. McCurtain | 51. Woods        |
| 26. Major     |                  |

NOTICE OF APPROVAL OR DISAPPROVAL  
BY COUNTY BOARD OF EQUALIZATION & COUNTY ASSESSOR OF  
MANUFACTURER'S AD VALOREM TAX EXEMPTION

TO: Applicant \_\_\_\_\_  
Address \_\_\_\_\_

PLEASE CHECK THE APPROPRIATE BOX:

The above application for exemption has been **APPROVED** by:  
\_\_\_\_\_ County Assessor

The above application for exemption has been **APPROVED IN PART** by:  
\_\_\_\_\_ County Assessor  
The following property has been disapproved for exemption for the reasons indicated: \_\_\_\_\_

The above application for exemption has been **DISAPPROVED** by:  
\_\_\_\_\_ County Assessor  
For the following reasons: \_\_\_\_\_

PLEASE CHECK THE APPROPRIATE BOX:

The above application for exemption has been **APPROVED** by:  
\_\_\_\_\_ County Board of Equalization

The above application for exemption has been **APPROVED IN PART** by:  
\_\_\_\_\_ County Board of Equalization  
The following property has been disapproved for exemption for the reasons indicated: \_\_\_\_\_

The above application for exemption has been **DISAPPROVED** by:  
\_\_\_\_\_ County Board of Equalization  
For the following reasons: \_\_\_\_\_

All applications approved by the County Assessor, in whole or in part, are subject to review and approval by the County Board of Equalization and the Oklahoma Tax Commission. Any person whose previously approved application for exemption has been denied or changed by the Board of Equalization may, **WITHIN TEN (10) DAYS** from receipt of this notice, file a complaint with the County Clerk requesting a hearing thereon. The complaint shall set forth the reasons why the exemption should be allowed and all pertinent facts in relation thereto. The applicant will be notified of the time and place of such hearing, and will be afforded the opportunity to present evidence in support of his claim for exemption. If complaint is not filed within the time specified, the determination of the board will become final.

COUNTY BOARD OF EQUALIZATION

DATE: \_\_\_\_\_

\_\_\_\_\_  
Sec. (County Clerk)

COUNTY ASSESSOR

DATE: \_\_\_\_\_

\_\_\_\_\_

**FIVE-YEAR AD VALOREM TAX EXEMPTION  
FOR MANUFACTURERS  
FILE CHECKLIST**

<b>APPLICANT</b>			
<b>COUNTY</b>	<b>SCHOOL DIST.</b>	<b>XM#</b>	<b>YEAR</b>

**PLEASE CHECK THE APPROPRIATE SPACE BELOW WHEN COMPLETED**

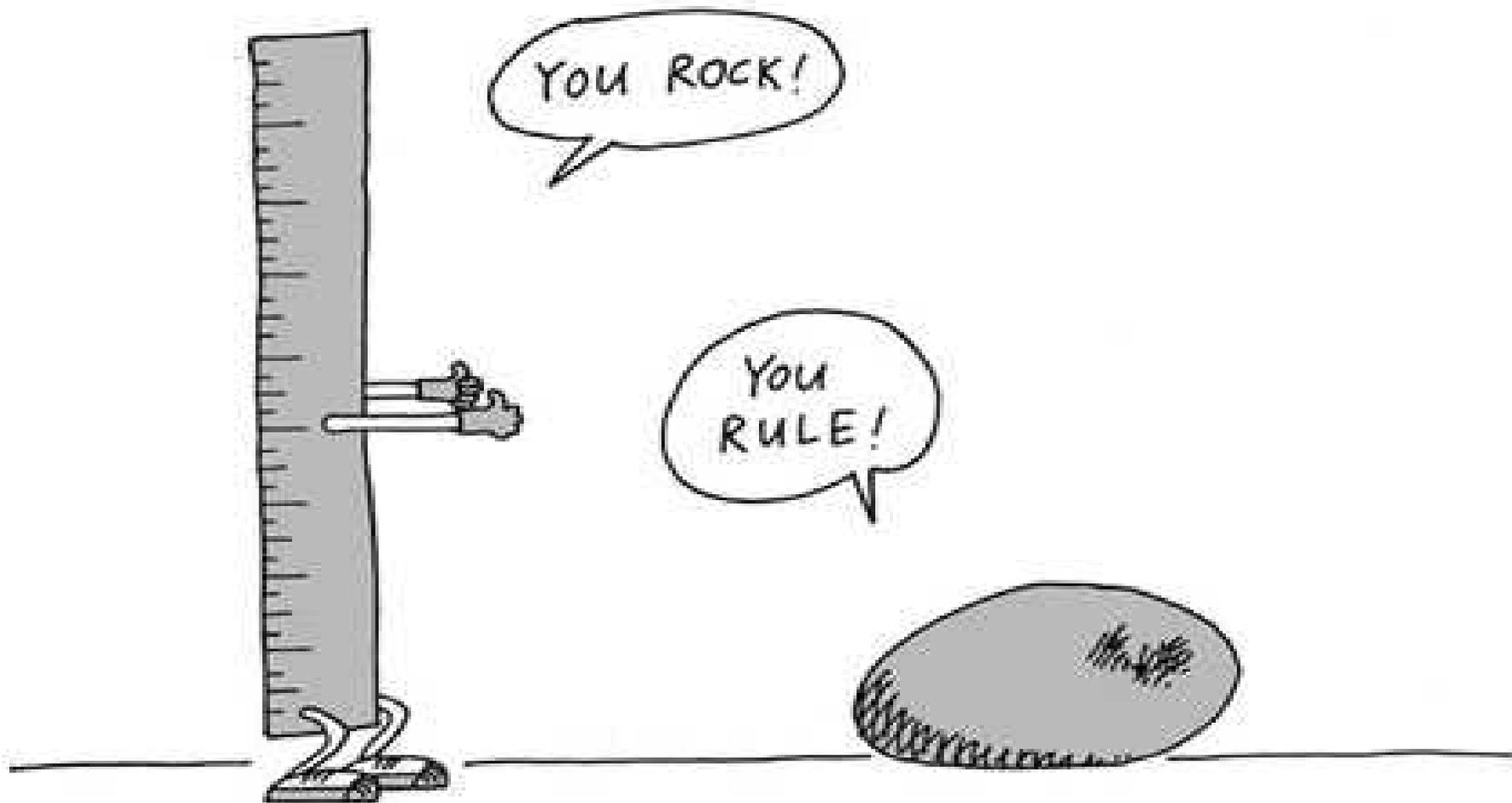
	<b>One completed application for each year's assets claimed for exemption</b>
	<b>Applicable SIC Code(s)/NAICS Code(s)</b>
	<b>Qualifying category Question 4A, 4B, 4C 4D or 4E Form 900XM-R08/05</b>
	<b>Amount claimed for exemption (Question 6) land, building, machinery and equipment, or leasehold improvements.</b>
	<b>Asset list including description of asset, year acquired, cost of asset at time of acquisition. (Eligible year <u>only</u> per asset list NO MULTIPLE YEAR ASSET LISTS)</b>
	<b>Check asset list for eligibility of claimed items</b>
	<b>Enclose copy of field data card and warranty deed or lease/purchase agreement for claims relating to real property</b>
	<b>County map and plat map indicating facility location</b>
	<b>Signatures of applicant, notary and ASSESSOR (Page 4)</b>
	<b>Assessment percentages (Page 4)</b>
	<b>Signed 900 XMA-B form showing approval or disapproval for each application</b>
	<b>Copy of county worksheet showing calculation of valuation and depreciation amounts for business personal property</b>
	<b>Correct information on EMPLOYMENT LEVEL AFFIDAVIT (Pg. 5)</b>
	<b>Affidavit - (three year or less expansion plan)</b>
	<b>Copy of completed checklist for each application.</b>
<b>Yes    No</b>	<b>Is this company in protest or litigation with the county concerning these assets value?</b>

Completed by \_\_\_\_\_

Date \_\_\_\_\_

# APPLICATION

✦ Refer to Handout



*John Berardini*

**APPLICATION FOR FIVE-YEAR  
 AD VALOREM TAX EXEMPTION FOR  
 OKLAHOMA MANUFACTURING  
 OR RESEARCH & DEVELOPMENT FACILITIES**

**INCOMPLETE APPLICATIONS WILL BE NULL AND VOID  
 (SEE ENCLOSED INSTRUCTIONS)**

To County Assessor of     A     County  
 Year Company was Established in Oklahoma     B      
 Year This Facility became Operational in Oklahoma     C      
 Year Assets Acquired     D     Federal ID#     E      
 Manufacturers Sales Tax Exemption Permit #     F    

FOR ASSESSOR USE ONLY			
Application XM#	W	Millage	X
Date Filed	Y	Sch. Dist.	Z
Real Acct #	AA	Pers Acct #	BB

Application is hereby made for ad valorem tax exemption on an exempt manufacturing facility or research and development facility located in the above county on January 1,     G    , in accordance with the provisions of 68 O.S., Section 2902, as amended.

APPLICANT NAME: H
MAILING ADDRESS: I
CORPORATE CONTACT NAME, TELEPHONE AND E-MAIL ADDRESS: <u>    J    </u>
FACILITY CONTACT NAME AND TELEPHONE: K
FACILITY PHYSICAL LOCATION: L

EMPLOYEE BASIC HEALTH INSURANCE CARRIER: M
INSURANCE CARRIER MAILING ADDRESS: N
POLICY NUMBER: O

APPLICABLE NAICS CODE(S) AND MATERIALS USED: P
MANUFACTURING ACTIVITY DESCRIPTION: Q

- Is the facility a research and development facility as defined in Title 68 O.S. 2001 Supp. §2902 as amended?  
 YES      NO      If yes, explain the activity: R  
 EXPLANATION:     S
- Is this the Initial Year of the application? YES      NO      T
- Has the applicant continued to operate all facilities in Oklahoma? YES      NO      If no, explain the circumstances involved. EXPLANATION:     U
- Is this Personal Property Only? YES      NO      If No, continue. If Yes, please skip to Question 7 V

✦ Basic Health Insurance offered by company. What if the employees opt not to get the insurance because they can't afford the premium?

- ✦ Employee can decline to participate with the company insurance program.
- ✦ 68-3603 A (b) refers to Insurance requirements for 5 Year exemption – same as Ok Quality Jobs Program Act (3601)

# NAICS

- ✦ North American Industry Classification System
- ✦ Current Publication 2007
- ✦ Located on the Internet at:
  - [www.census.gov/eos/www/naics](http://www.census.gov/eos/www/naics)

6A. Is this a concern that was not engaged in business in Oklahoma or did not have property subject to ad valorem taxation in Oklahoma and constructed a facility or acquired an existing facility which had been unoccupied for 12 months? YES \_\_\_ NO \_\_\_ If yes, complete the following:

Date last occupied :		Name of former owner or occupant:	
Date acquired by applicant:		Date occupied by applicant:	
Date construction began:		Date construction completed:	
Total costs:		Total square feet of building:	
Total land area currently used for manufacturing or research & development:			

6B. Is this a concern that was engaged in business in this state or had property subject to ad valorem taxation in this state and constructed a facility in Oklahoma at a different location and continued to operate all its facilities in Oklahoma to January 1 of this year? YES \_\_\_ NO \_\_\_ If yes, complete the following:

Date construction began:		Date construction substantially completed:	
Total costs:		Total square feet of building prior to expansion:	
Total sq. feet of building after expansion:		Total area of land in use prior to expansion:	
Total area of land in use after expansion:			

6C. Is this a concern that was engaged in business in this state or had property subject to ad valorem taxation in this state and expanded an existing facility and this exemption is claimed on the expansion of an existing facility? YES \_\_\_ NO \_\_\_ If yes, complete the following:

Date construction or expansion began:		Date construction or expansion completed:	
Total costs:		Total square feet of building prior to expansion:	
Total sq. feet of building after expansion:		Total area of land in use prior to expansion:	
Total area of land in use after expansion:			

6D. Is this a concern that was engaged in business in this state or had property subject to ad valorem taxation in this state and acquired an existing facility in Oklahoma which had been unoccupied for 12 months or longer and continued to operate all its facilities in Oklahoma to January 1 of this year? YES \_\_\_ NO \_\_\_ If yes, provide the following:

Date last occupied:		Name of former owner or occupant:	
Date acquired by applicant:		Date occupied by applicant:	
Total costs:		Total square feet of building:	
Total land area currently used for manufacturing or research & development:			

# Explanation

- ✦ 6A – New Company builds a new facility or acquires an existing facility that has been unoccupied for 12 months
- ✦ 6B – Taxpayer builds in different location
- ✦ 6C – Taxpayer expands current Facility
- ✦ 6D – Existing Taxpayer acquires a building that has been unoccupied for 12 months.

Please indicate property owned at this facility and its value on which exemption is being claimed. Exclude licensed/tagged vehicles.  
 (USE PAGE 6 WORKSHEET)

OWNED PROPERTY	ORIGINAL COST OF OWNED PROPERTY	YEAR ACQUIRED OR CONSTRUCTED	NEW OR USED
LAND			
BUILDINGS			
MACHINERY & EQUIPMENT			
LEASEHOLD IMPROVEMENTS			
TOTAL REQUESTED			

All cost amounts rendered for machinery or leasehold must be substantiated with itemized lists, giving a description of the asset, original cost, and year acquired. Please attach the additional pages to this form and identify as to item or question.

8A. If real or personal property is leased using a lease-purchase agreement, attach a copy of the lease and indicate the following: (USE PAGE 6 WORKSHEET)

LEASE REAL AND PERSONAL PROPERTY		
	CONTRACT PURCHASE AMOUNT	DATE OF TITLE CONVEYANCE
LAND		
BUILDINGS		
MACHINERY & EQUIPMENT		

8A-1 Are lease payments applied to the purchase price? YES \_\_\_ NO \_\_\_ If no, explain:  
 EXPLANATION: \_\_\_\_\_

8B. Is the lease-purchase amount stated in the agreement? YES \_\_\_ NO \_\_\_ If yes, for what amount?  
 \_\_\_\_\_

Note 1: If additional space is required for this question, attach an addendum as needed. Specifically list all leased machinery and equipment by description, model year, and purchase amount.

Note 2: The filing of this application for exemption on certain exempt property does not relieve the applicant from the responsibility of listing all taxable property with the county assessor.

Note 3: It will be necessary for Tax Commission personnel to examine the facilities claimed for exemption.

STATE OF OKLAHOMA

COUNTY

\_\_\_\_\_, being first duly sworn, according to law, depose and say: that I am the \_\_\_\_\_ Company; that as such I am acquainted and know the accompanying statements, as shown by the exhibits, schedules and property listings herein to be true, correct and complete, as reflected by the records and books of account of the Company; and that all information requested herein has been fully and correctly given.

Applicant Signature

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_  
Notary Public

Notary Public Signature

My Commission Expires: \_\_\_\_\_

Assessor Use Only

The assessment percentages for this county are as follows:

Real Property: \_\_\_\_\_% Personal Property: \_\_\_\_\_%

Located in school district: \_\_\_\_\_

Ad Valorem Reference Number: \_\_\_\_\_

Signed: \_\_\_\_\_, County Assessor

Date: \_\_\_\_\_

This page requires a current notary and seal. It must be signed by an officer representative of the company. The assessor must fully complete the bottom part of the



# AD Valorem Reference Number

Ad Valorem Reference Number: \_\_\_\_\_

# Breakdown

- ✦ 1st Set of 2 Numbers = County Number
- ✦ 2nd Set of 3 Numbers = State School District Number
- ✦ 3rd Set of 2 Numbers = Vo-Tech Number
- ✦ 4th Set of 4 Numbers = Identifies Specific City or Rural

<i>County</i>	<i>SD #</i>	<i>ADV Ref #</i>	<i>Sch dist name</i>	<i>Jt Co</i>	<i>City</i>	<i>Dist Code</i>	<i>City Code</i>	<i>Special</i>	<i>01-02 Total levy</i>
CANADIAN	JI-80	09-041-00-0000	GEARY	BLAINE	RURAL	S080		EMS	60.700000
	JI-80	09-041-00-0660	GEARY	BLAINE	GEARY	S080	T030	EMS	60.700000
	JI-12	09-060-02-0000	LOOKEBA-SICKLES	CADDO	RURAL	S012			86.310000
	JI-161	09-070-02-0000	HINTON	CADDO	RURAL	S161			74.330000
	I-22	09-071-06-0000	PIEDMONT		RURAL	S022			96.880000
	I-22	09-071-06-0529	PIEDMONT		EL RENO	S022	T020		96.880000
	I-22	09-071-06-1255	PIEDMONT		OKLAHOMA CITY	S022	T060		112.770000
	I-22	09-071-06-1341	PIEDMONT		PIEDMONT	S022	T070		96.880000
	I-22	09-071-06-7000	PIEDMONT		OTHER	SO22		FPD	103.880000
	I-27	09-072-06-0000	YUKON		RURAL	S027			96.620000
	I-27	09-072-06-0529	YUKON		EL RENO	S027	T020		96.620000
	I-27	09-072-06-1255	YUKON		OKLAHOMA CITY	S027	T060		112.510000
	I-27	09-072-06-1867	YUKON		YUKON	S027	T090		97.700000
	I-27	09-072-06-7000	YUKON		OTHER	SO27		FPD	103.620000
	D-29	09-073-06-0000	RIVERSIDE		RURAL	S029			72.860000
	D-29	09-073-06-0529	RIVERSIDE		EL RENO	S029	T020		72.860000
	D-29	09-073-06-1867	RIVERSIDE		YUKON	S029	T090		73.940000
	D-29	09-073-06-7000	RIVERSIDE		OTHER	S029		FPD	79.860000
	D-31	09-074-06-0000	BANNER		RURAL	S031			72.990000
	D-31	09-074-06-0529	BANNER		EL RENO	S031	T020		72.990000
	D-31	09-074-06-1255	BANNER		OKLAHOMA CITY	S031	T060		88.880000
	D-31	09-074-06-1719	BANNER		UNION CITY	S031	T080		79.260000
	D-31	09-074-06-1867	BANNER		YUKON	S031	T090		74.070000
	I-34	09-075-06-0000	EL RENO		RURAL	S034			101.150000
	I-34	09-075-06-0529	EL RENO		EL RENO	S034	T020		101.150000

FACILITY \_\_\_\_\_

DATE: \_\_\_\_\_

Generally, see Oklahoma Statutes Title 68, section 2902 (C), as amended, for payroll requirements.

Please note that "no manufacturing concern shall receive more than one five-year exemption for any one manufacturing facility unless the expansion which qualifies the manufacturing facility for an additional five-year exemption meets the requirements of paragraph 4 of this subsection and the employment level established for any previous exemption is maintained." 68 O.S. 2902 (C) (2) as amended.

If the facility is located in a county with a population of fewer than seventy five thousand (75,000), according to the most recent Federal Decennial Census, there must be a net increase in annualized payroll at the facility of at least Two Hundred Fifty Thousand Dollars (\$250,000.00). 68 O.S. 2902 (C) (4)(a)(ii) as amended.

If the facility is located in a county with a population of seventy five thousand (75,000) or more, according to the most recent Federal Decennial Census, there must be a net increase in annualized payroll at the facility of at least One Million Dollars (\$1,000,000.00). 68 O.S. 2902 (C) (4)(a)(ii) as amended.

The Tax Commission is required to verify payroll information through the Oklahoma Employment Security Commission. 68 O.S. 2902 (C) as amended.

Each manufacturing concern applying for this exemption must provide payroll information for each of its facilities, in order to ensure statutory compliance, and for any other entities that it may operate in Oklahoma in order to verify the payroll information with the Oklahoma Employment Security Commission ("OESC").

**FACILITY PAYROLL:**

Exemption year requested	Total payroll at this facility in the calendar year prior to submission of this application	Total payroll at this facility in the calendar year prior to property placed in service:	Net increase or decrease of payroll
Yr. ___ 1			
Yr. ___ 2			
Yr. ___ 3			
Yr. ___ 4			
Yr. ___ 5			

**OKLAHOMA EMPLOYMENT SECURITY COMMISSION PAYROLL:**

Exemption year requested	Total payroll submitted to OESC for year prior to this submission of application:	Total payroll submitted to OESC for calendar year prior to property placed in service:	Net increase or decrease of payroll
Yr. ___ 1			
Yr. ___ 2			
Yr. ___ 3			
Yr. ___ 4			
Yr. ___ 5			

If the payrolls listed above are not identical, please list the reason for any discrepancies below. Include payroll amounts for any other facilities, retail stores, etc. that a manufacturing concern might have that would be reported with this facility's payroll to the OESC.

\_\_\_\_\_

ATTACH OES-3'S FOR EACH QUARTER OF EACH YEAR

**EMPLOYMENT AND PAYROLL COMPLIANCE  
FOR OKLAHOMA AD VALOREM MANUFACTURING EXEMPTION**

**EXAMPLE**

Exemption year requested	Total payroll at this facility in the calendar year prior to submission of this <u>application</u>	Total payroll at this facility in the calendar year prior to property placed in service	Net increase or decrease of payroll
Yr. <u>2010</u> 1	<b>2009</b>	<b>2008</b>	<b>2009-2008</b>
Yr. <u>2011</u> 2	<b>2010</b>	<b>2008</b>	<b>2010-2008</b>
Yr. <u>2012</u> 3	<b>2011</b>	<b>2008</b>	<b>2011-2008</b>
Yr. <u>2013</u> 4	<b>2012</b>	<b>2008</b>	<b>2012-2008</b>
Yr. <u>2014</u> 5	<b>2013</b>	<b>2008</b>	<b>2013-2008</b>

**Column 1** = The year of the application

**Column 2** = The payroll for the year prior to the application

**Column 3** = The Base Year Payroll - This payroll should stay the same for all five years

**Column 4** = The difference between Column 2 and Column 3 as indication of payroll increase or decrease



**AFFIDAVIT FOR FIVE-YEAR  
AD VALOREM TAX EXEMPTION FOR  
OKLAHOMA MANUFACTURING  
OR RESEARCH & DEVELOPMENT FACILITIES**

I, \_\_\_\_\_, being first duly sworn, according to law, depose and say:

that I am the \_\_\_\_\_ of \_\_\_\_\_  
*Officer of Company* *Manufacturing Concern*

I am acquainted with the business concern and am stating that from the start of initial construction, acquisition or expansion to the completion of the construction, acquisition or expansion for three years, whichever occurs first, will result in a net increase of annualized payroll\* of

**Check One**

- \$250,000.00 or more-for counties under 75,000 in population**
- \$1,000,000.00 or more – for counties at 75,000 or above in population**  
*(For Use in: Canadian, Cleveland, Comanche, Oklahoma, and Tulsa Counties)*

and that such employees will be provided a basic health benefits plan.

I acknowledge that the constitutional and statutory provision in effect at the time of filing the application for exemption will be the provisions that eligibility will be based on for the remainder of the five-year period. Any changes in the provision will not affect eligibility established at the time of filing.

\_\_\_\_\_  
Officer Signature

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Seal

\_\_\_\_\_  
Notary Public Signature

My Commission Expires:

\_\_\_\_\_

# Processing of Applications

- ✦ Desk Audit
- ✦ Payroll & Full-Time Employee count verified with OESC
- ✦ New applications are scheduled for physical inspection for qualifying assets used directly and exclusively in manufacturing







**RHINO**

**STEEL**

Meet or exceed  
protection standards  
established by  
ANSI Z41P1  
Test # 91











# Tax Bill Balancing

- ✦ Separate Tax Bill for each account  
XM1, XM2, etc
- ✦ Real and Personal Property normally  
on separate statements – OK
- ✦ Corrections to Match

# 710:10-7-18,19,20

- ✦ Proper Designations must be made on assessment rolls & tax rolls
- ✦ Send tax statements to Oklahoma Tax Commission for ALL accounts





KEEP THIS TOP PORTION FOR YOUR RECORDS  
PLEASE DO NOT SEND CASH

For answers to any questions concerning this Tax Notice, call  
(405)111-1345

**BUSINESS PERSONAL ^**

**TAX BILL**

Acct No: 708 Pay Group:

Date Prepared: 12/19/2007 01:47pm

Assessed Value:

**2007^**

Blk:

SKD:4123 FD: Exempt Amount: TifD: Lot:

**DOUG'S HAPPY PETS CO XM-5**  
C/O SMALL COUNTY TREASURER  
400 STREET  
SMALL, OK 44444

01152008

Tax Amount  
Tax Payments:  
Tax Balance:  
Cost Amount  
Im Amount

392,949  
392,949  
120.28  
47,263.91  
0.00  
47,263.91  
0.00  
LOO

**\$47,263.91**

**DELQ.DUE**

First Half Pay: \$23,631.95  
Second Half Pay: \$23,631.95

Paid By

TEAR ALONG THIS PERFORATION AND RETURN PORTION BELOW WITH YOUR PAYMENT INCLUDE YOUR CHECK FOR TOTAL AMOUNT, MAIL TODAY TO SAVE ADDITIONAL INTEREST/COST

**SMALL County Treasurer**  
**2007 BUSINESS PERSONAL**

Addn:  
SKD:4123 FD; TifD: Lot: Blk:

**DOUG'S HAPPY PETS CO XM-5**  
SMALL COUNTY TREASURER  
400 STREET  
SMALL, OK 44444

First Half Pay: Second  
Half Pay:

**DELQ.DUE**  
\$23,631.96

**TAX BILL Date Prepared: 12/19/2007 01/47pm**

Acct No: 1XXA Pay Group:

Assessed Value: Exempt Amount 391949  
Net Value %,949  
Rate 1^028  
Tax Amount 47,263,91  
Tax Payments: 0.00

Tax Balance: 47,263.91  
Cost Amount 0.00  
tot Amount 0.00

Paid By

**\$47,263.91**

Make Checks Payable to : Me  
 TINY COUNTY TREASURER  
 789W.108TH, SUITE 101  
 LARGER, OK 88888

Parcel ID Number  
 75

### Taxpayer Copy

- Breakdown	Mills	Amount	— i
COUNTY GENERAL	10.00	2,953.46	
COUNTY HEALTH	2.00	590.89	
VO-TECH GENERAL	10.00	2,953.47	
VO-TECH BUILDING	5.00	1,476.74	
COUNTY WIDE 4-MIL	4.00	1,181.39	
CITY SINKING	5.72	1,689.38	
SCHOOL DIST GEN.	35.00	10,337.15	
SCHOOL DIST BLDG	5.00	1,476.74	
SCHOOL DIST SINK.	24.17	7,138.54	
TOTALS	100.89	29,797.56	

Personal Tax

Stillwater

ASB

Legal Description:

06-XM-4 MISC TR 89-108N-54S

2007

	7895 R BT Values
Gross Assessed	295,347
Exemptions	0
Net Assessed	295,347
Total Tax	29,797.56
Total Tax Payments	0.00

Total Due **\$29,797.56**

398

DOUGIE'S HAIR MFG  
 PO BOX 689542  
 LARGER, OK 88888

Retain this portion for your records or when paying in person bring entire statement

## 2 Second Half Payment Personal Tax

School Dist

Taxroll Item #  
 7895 R

TINY COUNTY TREASURER  
 789W.108TH, SUITE 101  
 LARGER, OK 88888

Tax Year  
 2007

TINY MISC TRS

06-XM-4 MISC TR 89-108N-222E D-752

Payment Enclosed

0998

Owner 125070

Delinquent Taxes 2006P

Payment Enclosed	
Payroll no	
SECOND Half Tax	14,898.78
Penalty	
Mail/SA	
Lien	
Advertising	
Other	
Total	14,898.78

DOUGIE'S HAIR MFG  
 PO BOX 689542  
 LARGER, OK 88888

Enter Address Changes Here

Return this stub with  
 SECOND HALF  
 payment before APRIL  
 1ST

W M Deputy.

## '52 First or Full Payment Personal Tax

School Dist

Tax Year  
 2007

Taxroll Item #  
 7895 R

TINY COUNTY TREASURER  
 789W.108TH, SUITE 101  
 LARGER, OK 88888

STILLWATER MISC TRS

06-XM-4 MISC TR 089-108N-222E D-752

Payment Enclosed

0998

Owner 125070

- Payments —	
Circle One	
FULL PAYMENT	29,797.56

**MAKE CHECKS PAYABLE TO:**

Your Treasurer  
 Top County Treasurer  
 P.O. Box 1110 Hat,  
 Oklahoma 22222

KEEPUM HAPPY CO OKLAHOMA  
 TAX COMMISSION 2501 LINCOLN  
 BLVD  
 OKLAHOMA CITY, OK, 73194-

Tax Roll Item Number Tax Year  
 xcvb 2007

Parcel Number

Tax Type School District 189-45  
 Personal Manufactured Home  
 AcrM/Loti

Tax Rate (mills)  
 86.4000

Gross Assessed Value  
Exemptions Net Assessed Value  
 94,595

V.I.N.  
 94,595

Legal Description:

Tax Distribution; Mills: Amount:

**FILED FORM 900 XM XM-2 2006**  
**(ACQUIRED 2005) 5 YR MANUFACTURING EXEMPT**  
**2ND YR OF 5 YR EXEMPTION**

County School County General  
 County Health School General

4.2500 10.6200 402.03 1,004.59  
 2.1200 37.0300 200.54 3,502.86

School Building School Sinking Votec  
 General Votec Building EMS Payment  
 due dates and penalty

5.2900 500.41  
 10.1700 962.03  
 10.5800 1,000.82  
 3.1700 299.87  
 3.1700 299.87

Taxes become delinquent January 1st. Late penalty is 11/2% per month  
 until paid. You may pay 1/2 the total amount due by December 31st. The  
 second half must be paid by March 31st.

**Payable Upon Receipt**

Each statement for less than (\$25.00) must  
 be paid in full

Total 2007 Tax Due 3,173.02

Retain this portion for your records or when paying in person bring both portions of your statement Detach

and mail this portion with your payment or bring both portions when paying in person

189-45

2007

Amount  
 8,974/44

Tax Type	Owner Id #	Mrtg. Code	School District	Acres	/Lots	Item Number	Tax Year
----------	------------	------------	-----------------	-------	-------	-------------	----------

Personal 7458.04

Back Taxes 14,269.0  
 legal description

**FILED FORM 900 XM XM-2 2006 (ACQUIRED 2005) 5 YR MANUFACTURING**  
**EXEMPT 2ND YR OF 5 YR EXEMPTION**

Year  
 2006

enter address changes here

KEEPUM HAPPY  
 % OKLAHOMA TAX COMMISSION  
 2501 LINCOLN BLVD OKLAHOMA  
 CITY, OK. 73194-

Payment  
 Type Half  
 — I

Certificate	
Half Tax	4,086.51
Total 2007 Tax Due	\$8,173.02

Ann

Please send a stamped envelope if return of receipt is requested



# Reimbursement

- ✦ **November and December** 2 copies of printouts to county assessors for verification
- ✦ **December** Tax Statements sent to OTC
- ✦ **March** Claim forms sent to county assessor for completion and signature by County Clerk
- ✦ **April** Claim forms submitted to Oklahoma Tax Commissioners for approval
- ✦ **June** Reimbursement sent to the County Treasurer – 1<sup>st</sup> payment for School Districts

# Reimbursement Growth

- ✦ 1986    \$143,257
  - 7 Counties
  - 9 Companies
  - 9 Applications
- ✦ 2010    \$36,137,567
  - 51 Counties
  - 170 Companies
  - 555 Applications

# So Where does the Money come from?

- ✦ State Pays Exempt Portion
- ✦ Reimbursement From 1% of State Income Tax
- ✦ Disbursement
  - Exempt Manufacturing
  - Double Homestead
  - Vegetative Buffer Strips

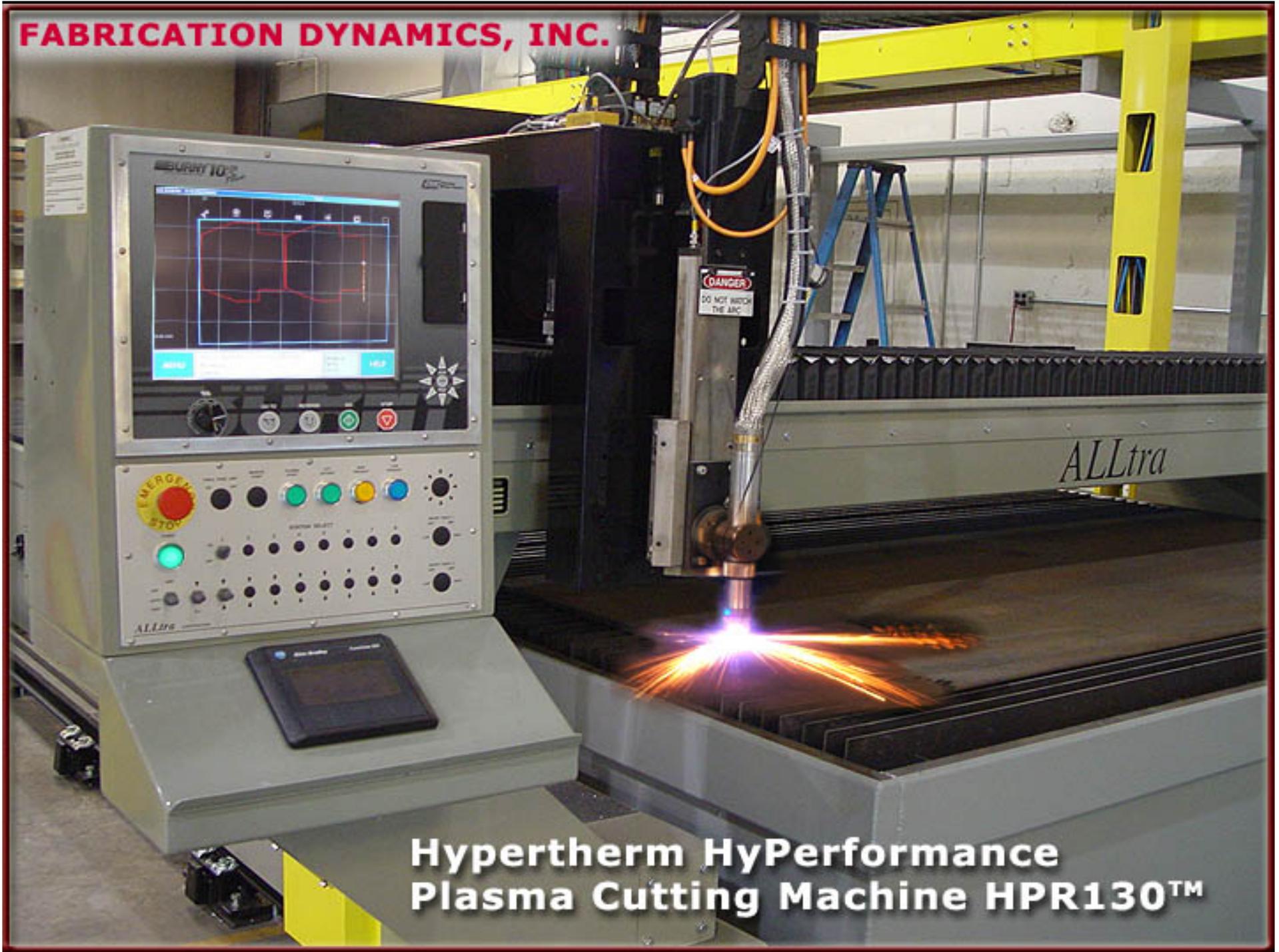
# Why?????

- ✦ Why is a boxing ring square?
- ✦ Why doesn't glue stick to the inside of the bottle?
- ✦ Why is it that doctors call what they do "practice"?
- ✦ Why is it that rain drops and snow falls ?
- ✦ Why isn't there a special name for the tops of your feet ?
- ✦ Why is abbreviated such a long word?
- ✦ Why is the third hand on a watch called the second hand?
- ✦ Why didn't Noah swat those two mosquitoes?
- ✦ Why do you need a driver's license to buy booze when you can't drink and drive ?
- ✦ Why is it considered necessary to nail down the lid of a coffin ?
- ✦ Why do they call the airport ' the terminal' if flying is so safe?

# What Equipment Qualifies?



**FABRICATION DYNAMICS, INC.**



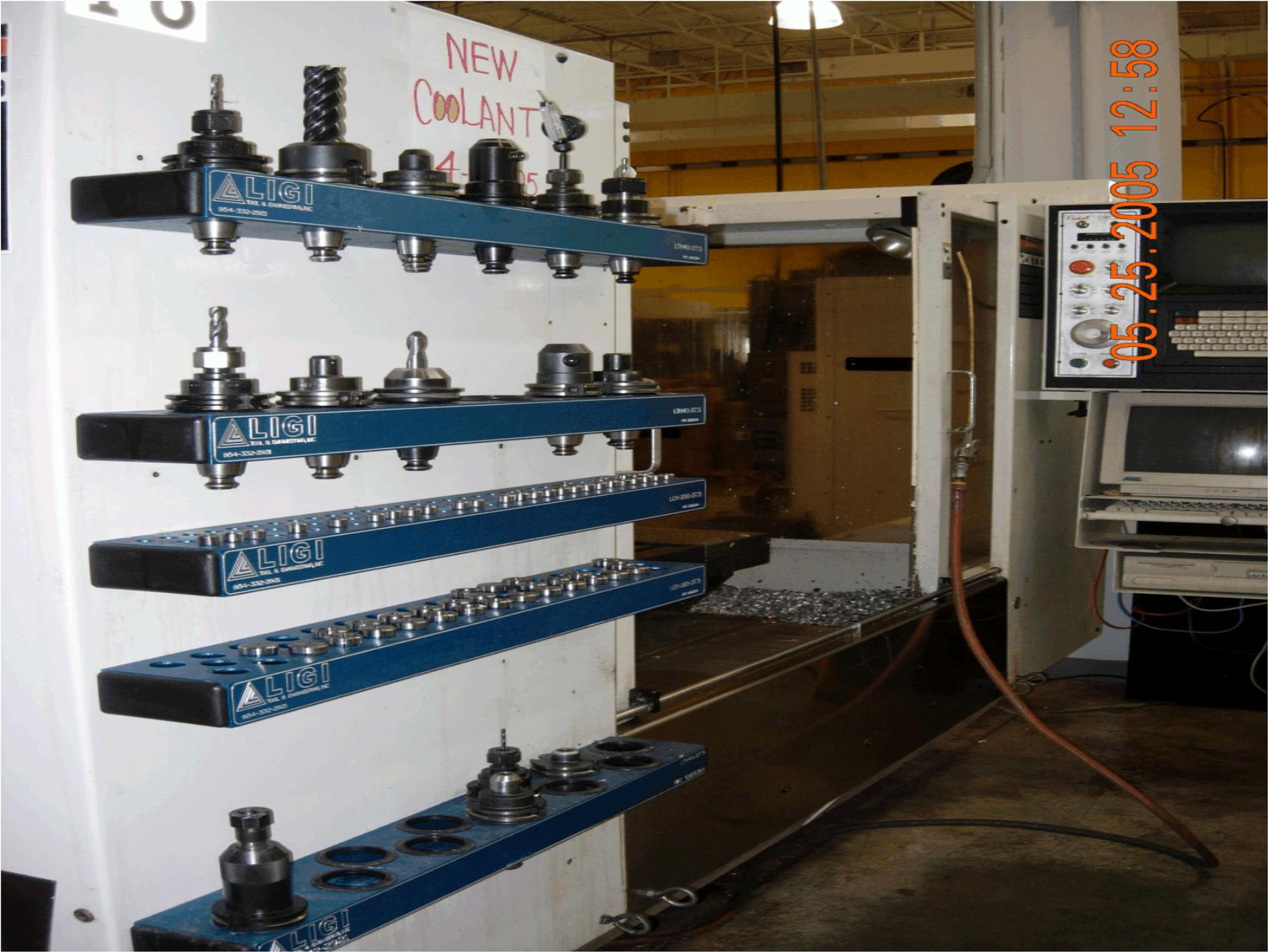
**Hypertherm HyPerformance  
Plasma Cutting Machine HPR130™**











NEW  
COOLANT  
4-25-05

05.25.2005 12:58

LIGI  
TOOL & ENGINEERING, INC.  
904-330-0900

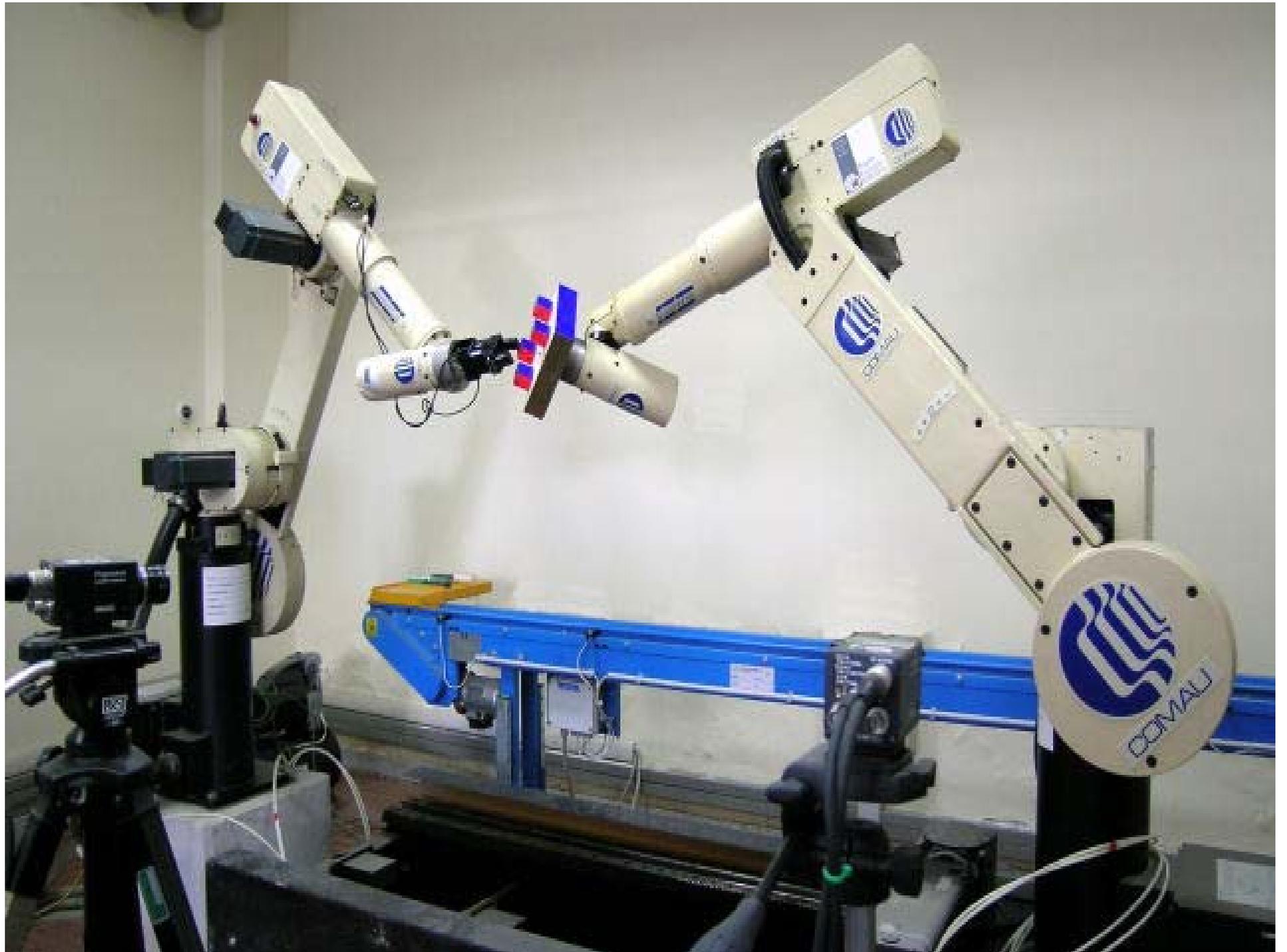






© OCEAN MACHINERY INC.  
www.oceanmachinery.com







OPEN  
D. ORC



Mazak

SLANT TURN  
60N



Cives Recycling Company Model M 10 Vertical Baler







Date	Cloud	Revenue	Rev Start - MFT	Rev End - MFT	Total Revenue
5-24	1870	1121	2485-251	1226-132	4657
5-25	916	921	2572-224	888-125	4097
5-29	1254	7947	284-137	222-189	3099
5-30	1017	237	244-255	266-181	2376
5-31	1059	1586	389-256	245-156	5920
6-1	1194	1184	2377-225	146-124	5981
6-4	1164	1562	2285-236	215-177	5638
6-5	1059	1670	2097-232	2243-199	5249
6-6	1067	976	3085-215	2206-110	5746
6-7	1034	1177	3480-240	2307-180	5658
6-8	1043	913	2470-218	1873-177	5246
6-11	1295	1051	225-222	1982-113	4649

PLEASE TURN OFF YOUR PHONE

Day	Rev
2006-12	1121
2006-11	921
2006-10	7947
2006-09	237
2006-08	244
2006-07	266
2006-06	389
2006-05	245
2006-04	237
2006-03	222
2006-02	146
2006-01	118
2005-12	116
2005-11	106
2005-10	106
2005-09	106
2005-08	106
2005-07	106
2005-06	106
2005-05	106
2005-04	106
2005-03	106
2005-02	106
2005-01	106

# IX. Appendix

This information is for planning purposes only. Generally, the Oklahoma Tax Commission determines when tax incentives apply.

## A. Overview

### 1. Incentive Overview Chart

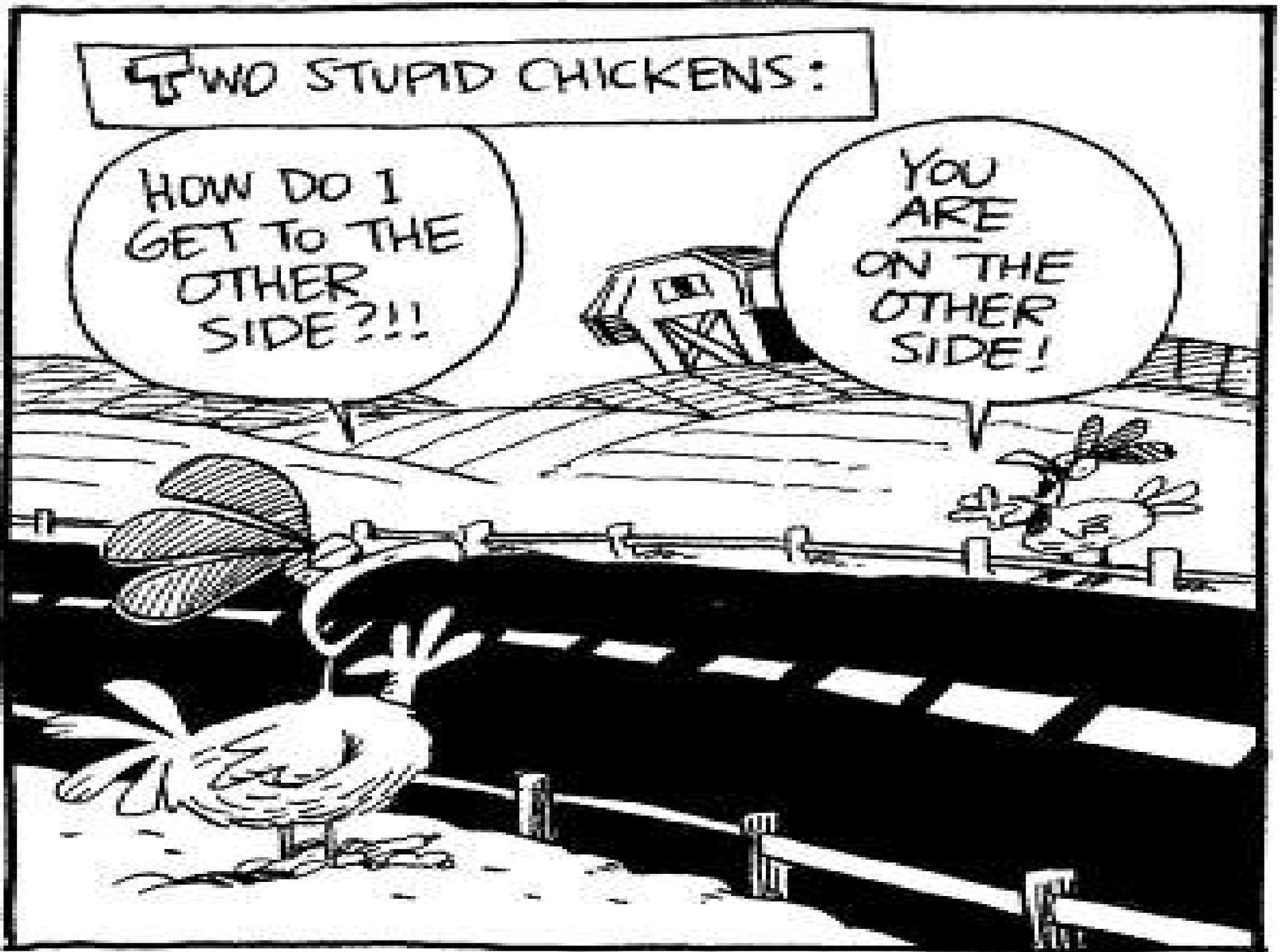
For manufacturers and certain types of service companies (research, development and computer services), Oklahoma offers two options. Companies may choose either the Quality Jobs cash-back program, or the Investment or New Jobs income tax credit package. Ad valorem exemptions are available for capital investments made by certain types of companies provided that qualified investment exceeds \$250,000 within the calendar year and the company complies with certain payroll thresholds. The package may include a refund of sales taxes paid for construction materials by manufacturers. Incentives are also available for investment in equipment to curtail hazardous waste and in conversion of vehicles to clean burning motor fuel. For most service companies, the cash-back program is the primary incentive. Training costs are generally covered for industries making a significant contribution to the number and quality of Oklahoma jobs.

10 Benefits You Should Review for:	1. Cash Payments Quality Jobs <i>pg.3</i>	2. High Impact Cash Payments <i>pg. 3</i>	3. Small Employer Cash Payments Quality Jobs <i>pg.4</i>	4. Investment New Jobs Income Tax Credit <i>pg.12</i>	5. Sales Tax Refunds <i>pg.22</i>	6. Ad Valorem Exemptions <i>pg.9</i>	7. Training for Industry "TIP" <i>pg.9</i>	8. Inventory Tax Exemption Freeport <i>pg.12</i>	9. Sales Exemptions <i>pg.22</i>	10. Computer R&D Jobs <i>pg. 17</i>
Large Manufacturers \$2.5 Million New Payroll	<input checked="" type="checkbox"/> Unless Taking #4 or 5			<input checked="" type="checkbox"/> Unless Taking #1	<input checked="" type="checkbox"/> Unless Taking #1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Medium-Size Manufacturers \$1 Million New Payroll		<input checked="" type="checkbox"/> Unless Taking #4 or 5		<input checked="" type="checkbox"/> Unless Taking #2	<input checked="" type="checkbox"/> Unless Taking #2	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Small Business-Manufacturers 90 or less Employees at application			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Unless Taking #3		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Aircraft Maintenance	<input checked="" type="checkbox"/> Unless Taking #2, 3, 4 or 5	<input checked="" type="checkbox"/> Unless Taking #1, 3, 4 or 5	<input checked="" type="checkbox"/> Unless Qualifying for #1 or 2	<input checked="" type="checkbox"/> Unless Taking #1, 2 or 3	<input checked="" type="checkbox"/> Unless Taking #1, 2 or 3	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Repair Parts	
Computer Services or Data Processing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Unless Qualifying for #1	<input checked="" type="checkbox"/> Unless Qualifying for #1 or 2		<input checked="" type="checkbox"/> Unless Taking #1, 2, 3 or 9	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Unless Taking #1, 2, 3
Research and Development	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Unless Qualifying for #1	<input checked="" type="checkbox"/> Unless Qualifying for #1 or 2		<input checked="" type="checkbox"/> Unless Taking #1, 2, 3	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Repair Parts	<input checked="" type="checkbox"/>
Large Service Companies \$2.5 Million New Payroll	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Small Business Service Companies		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Unless Qualifying for #2				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

TWO STUPID CHICKENS:

HOW DO I  
GET TO THE  
OTHER  
SIDE?!!

YOU  
ARE  
ON THE  
OTHER  
SIDE!



Questions???????



# **FREEMPORT EXEMPTION**

# FREEPORT EXEMPTION

*Presented by*  
*OKLAHOMA TAX COMMISSION*  
*AD VALOREM DIVISION*

# Article X, Section 6A, Oklahoma Constitution

## FREEMPORT EXEMPTION

All property consigned to a consignee in this state from outside this state to be forwarded to a point outside this state, which is entitled under the tariffs, rules, and regulations approved by the interstate Commerce Commission to be forwarded at through rates from the point of origin to the point of destination,

(cont..)

if not detained in this State for a period of more than ninety (90) days, shall be deemed to be property moving in interstate commerce, and no such property shall be subject to taxation in this State;

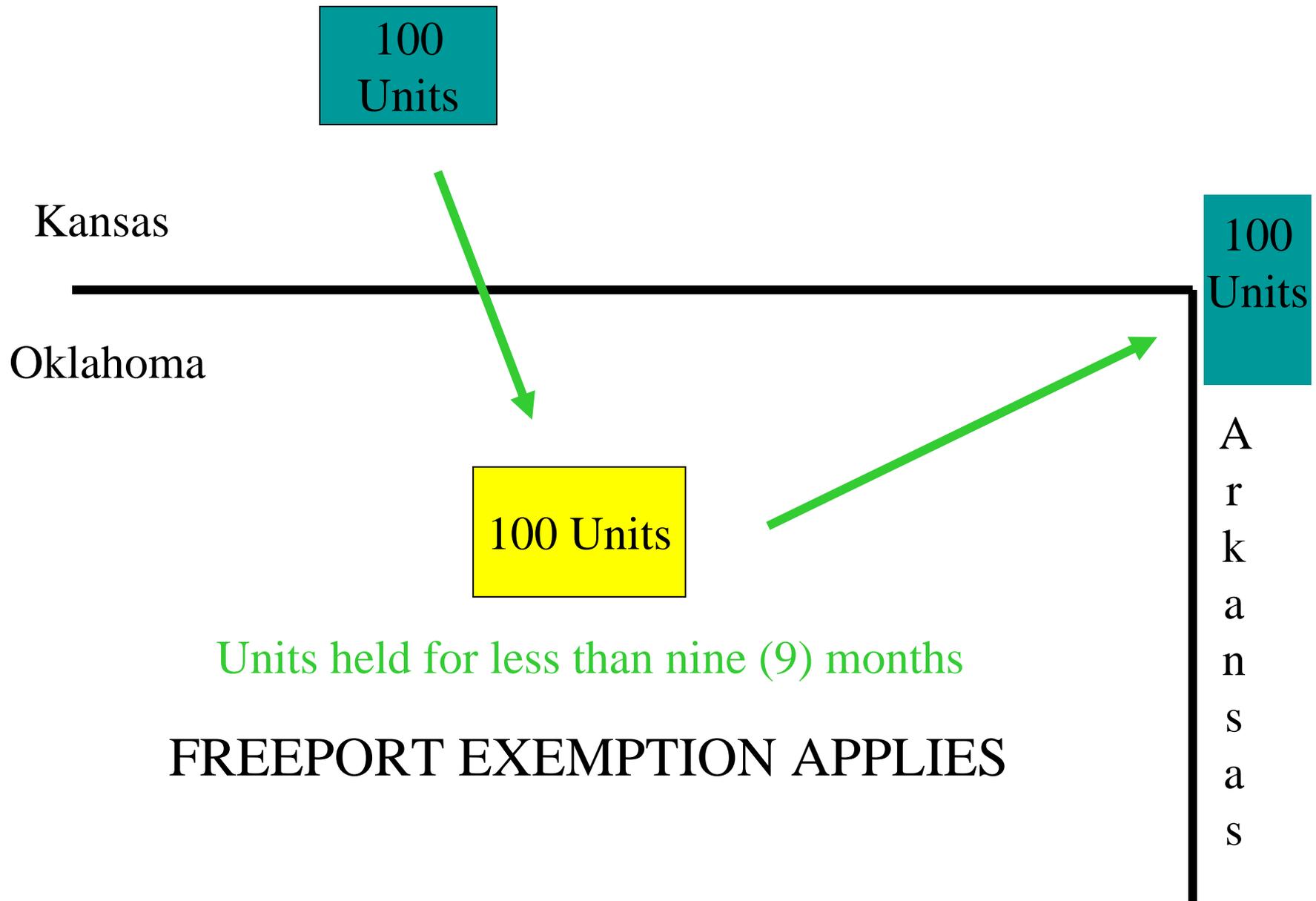
provided, that goods, wares and merchandise, Whether or not moving on through rates, shall be deemed to moving interstate commerce, and not subject to taxation in this State if not detained

**(cont..)**

more than nine (9) months where such goods, wares and merchandise are so held for assembly, storage, manufacturing, processing or fabricating purposes: provided, further, that personal property consigned for sale within this State must be assessed as any other personal property.

Added by S. Q. No 443, adopted Sept.  
17, 1968

***FREEPORT EXAMPLES :***



100  
Units

Kansas

Oklahoma

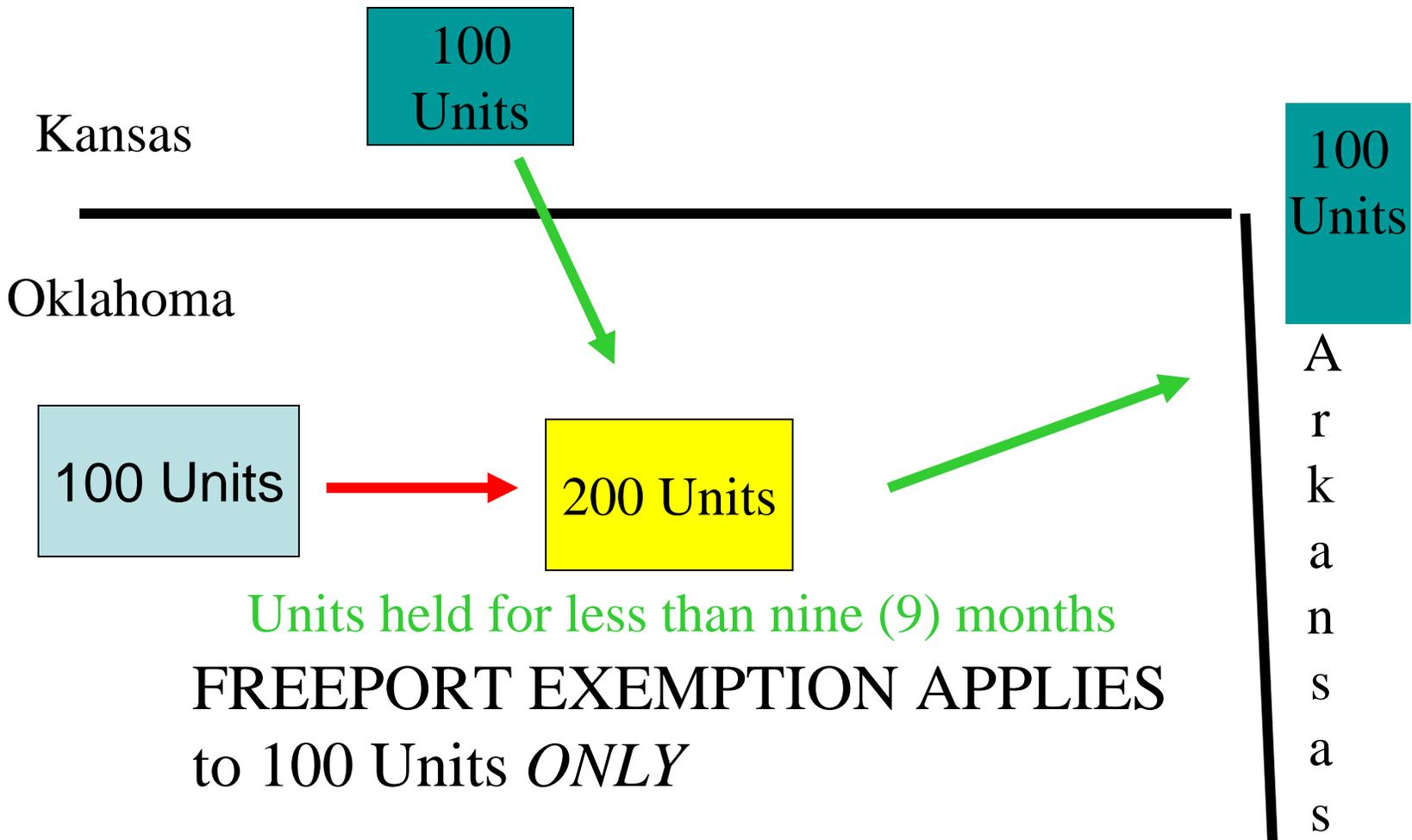
100 Units

100 Units

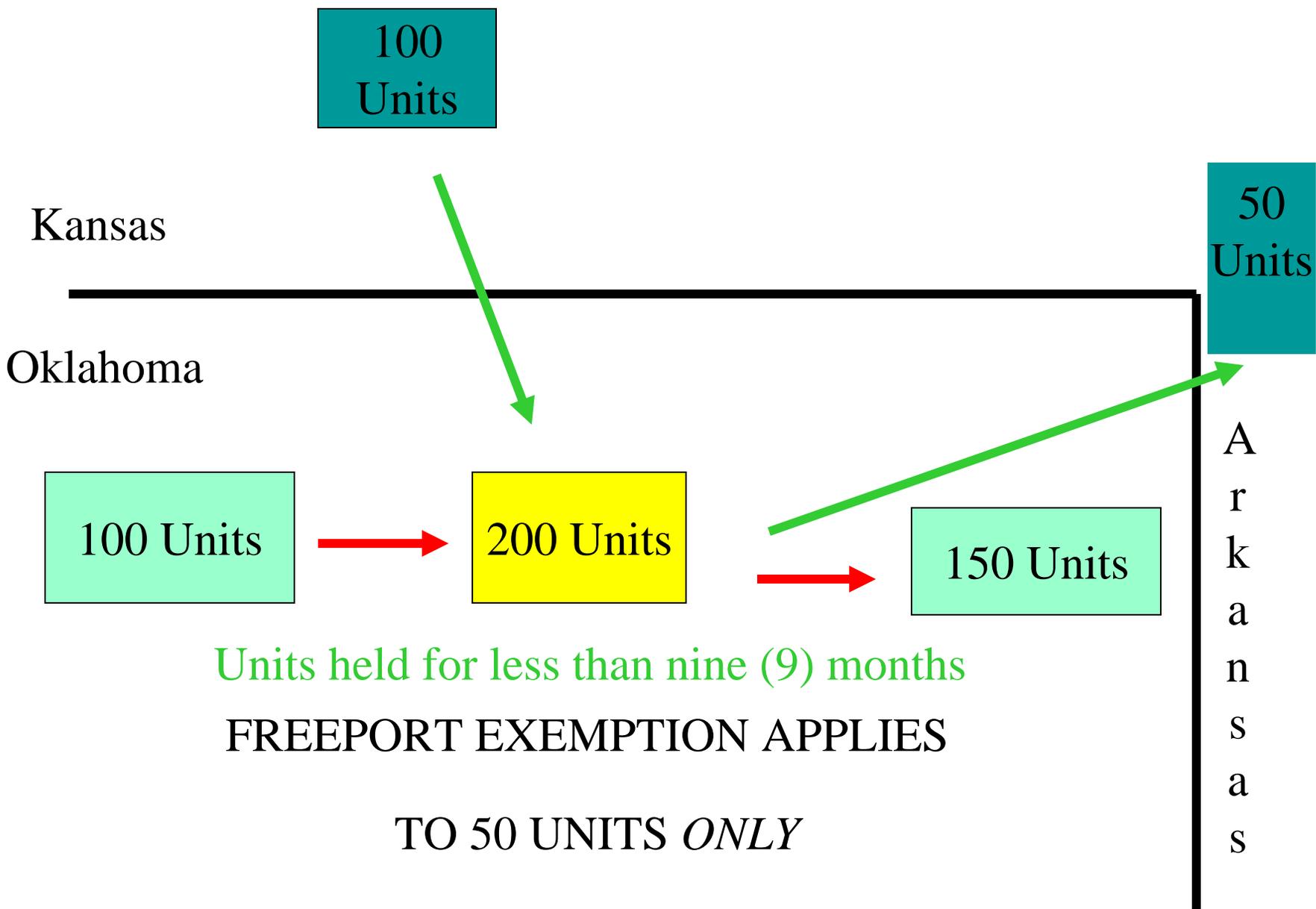
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Units held for less than nine (9) months

FREEPORT EXEMPTION DOES  
NOT APPLY



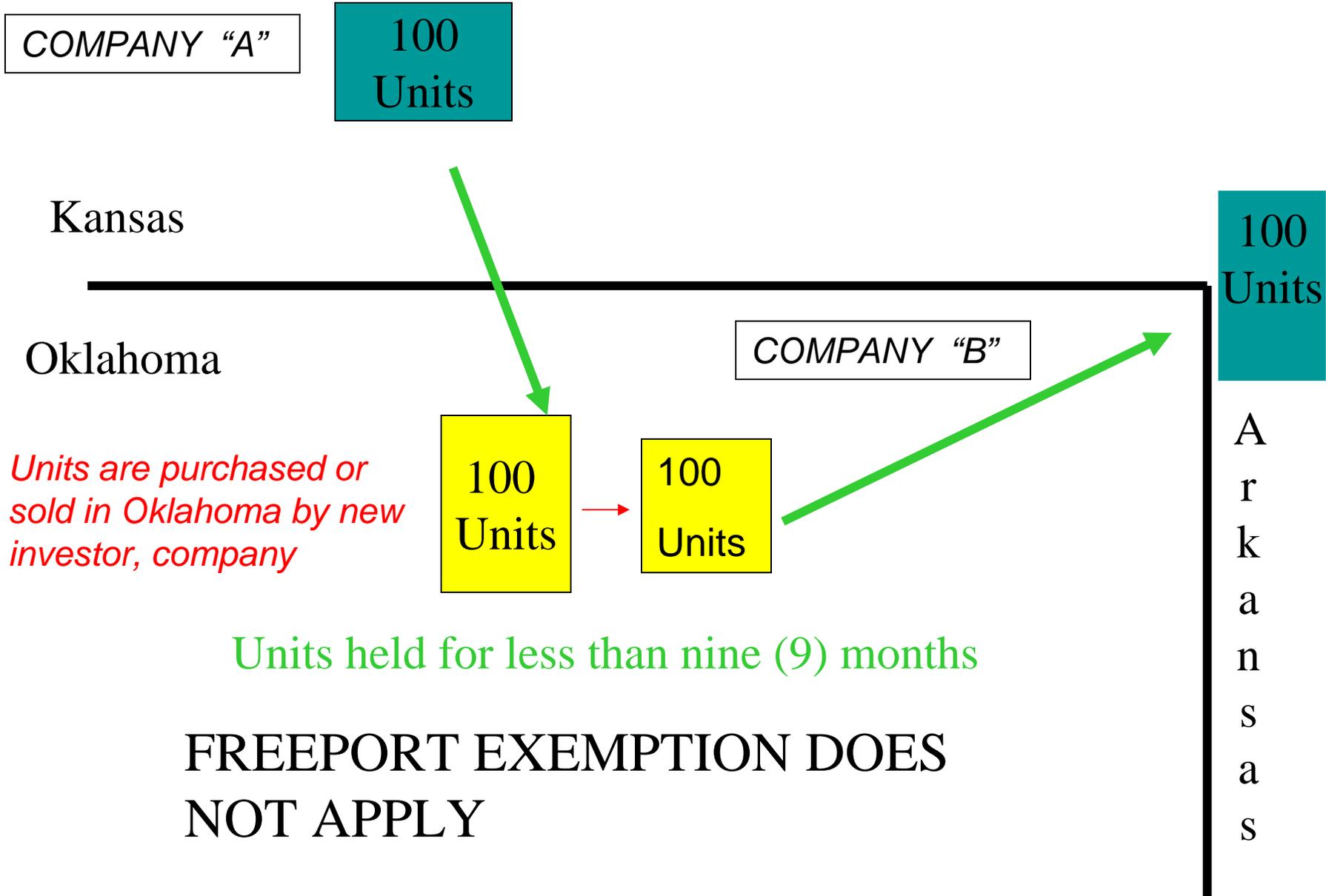
Units held for less than nine (9) months  
FREEPORT EXEMPTION APPLIES  
to 100 Units *ONLY*



Units held for less than nine (9) months

FREEPORT EXEMPTION APPLIES

TO 50 UNITS *ONLY*



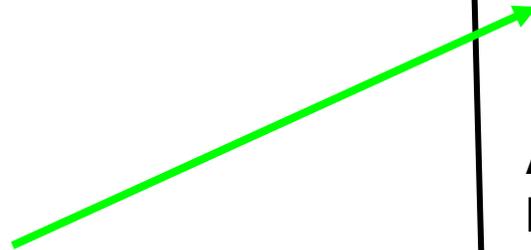
**KANSAS**

**OKLAHOMA**

**100  
UNITS**



**100  
UNITS**



**100  
UNITS**

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Units are held for less than nine (9) months

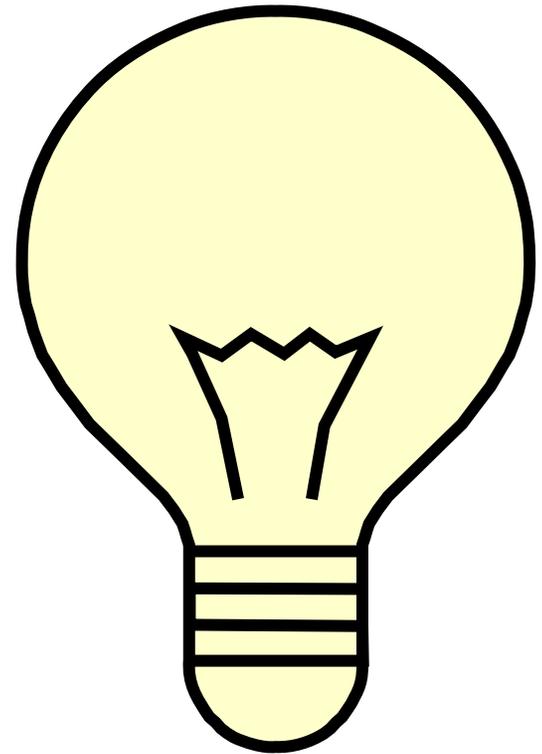
**FREEPORT EXEMPTION DOES NOT  
APPLY**

# *FREEPORT FAST FACTS:*

- 1. IT MUST ENTER FROM OUTSIDE OKLAHOMA
- 2. STAY LESS THAN NINE (9) MONTHS
- 3. IT MUST EXIT OKLAHOMA
- 4. ANY PART PURCHASED OR SOLD IN OKLAHOMA DOES NOT APPLY

?????

QUESTIONS



# **HOTEL/MOTEL VALUATION**



# Hotel/Motel Valuation

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University. All rights reserved

# Hotel / Motel Valuation

## Outline:

- i. i · clicker
- ii. Lodging Industry
- iii. Types of Hotel / Motels
- iv. Market Analysis
- v. Revenues and Expenses
- vi. Valuation Process
- vii. Round Table Discussion

# Lodging Industry

- 2000 B.C. – First record of innkeeping law
- Had corporal penalties for watering down beer

# Lodging Industry

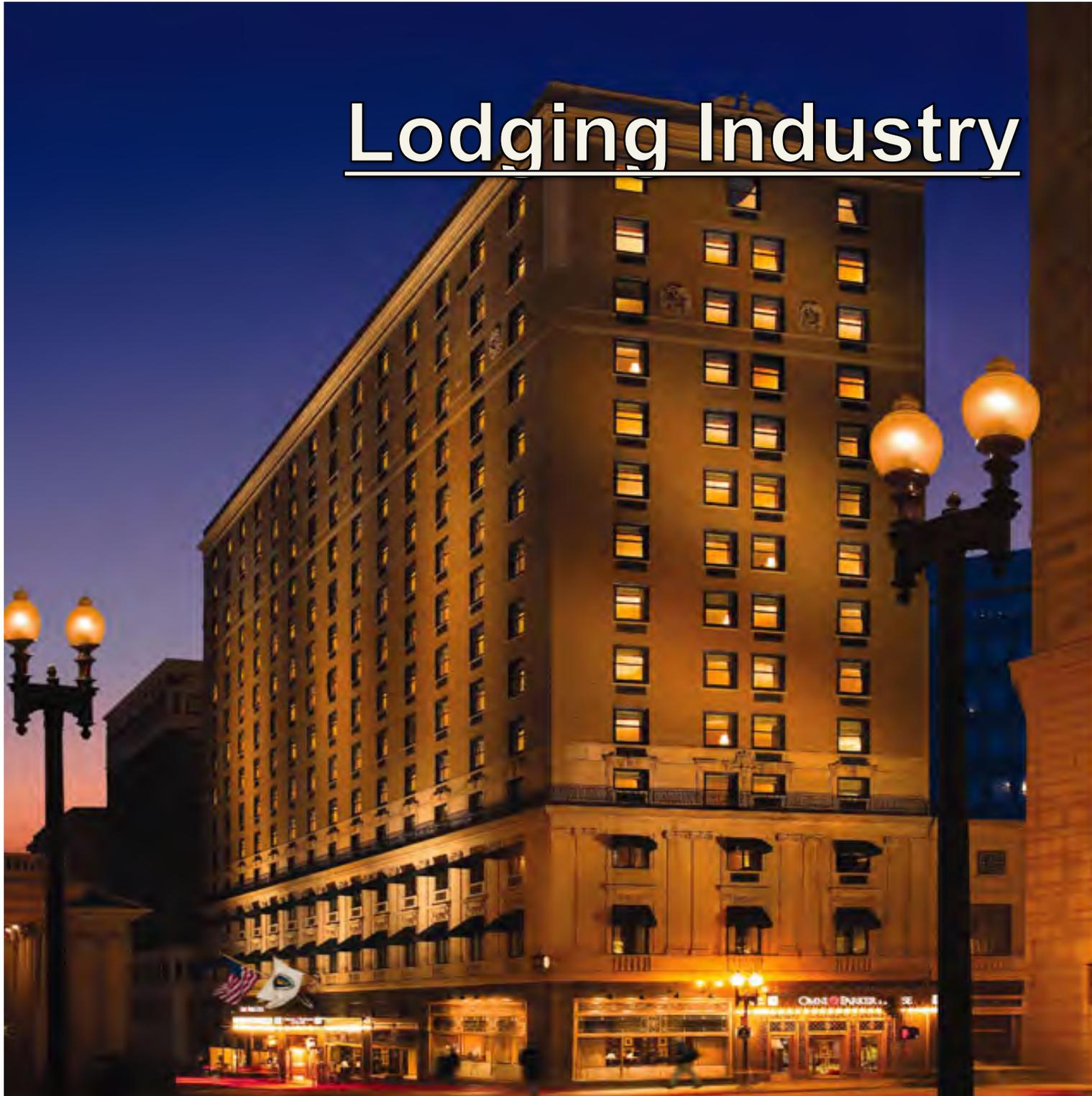


13<sup>th</sup> Century innkeepers of Florence, Italy  
formed first hotel guild

# Lodging Industry

Colonial Inn's in the 1800's spank up along  
seaport towns, stagecoach roads and canals

# Lodging Industry



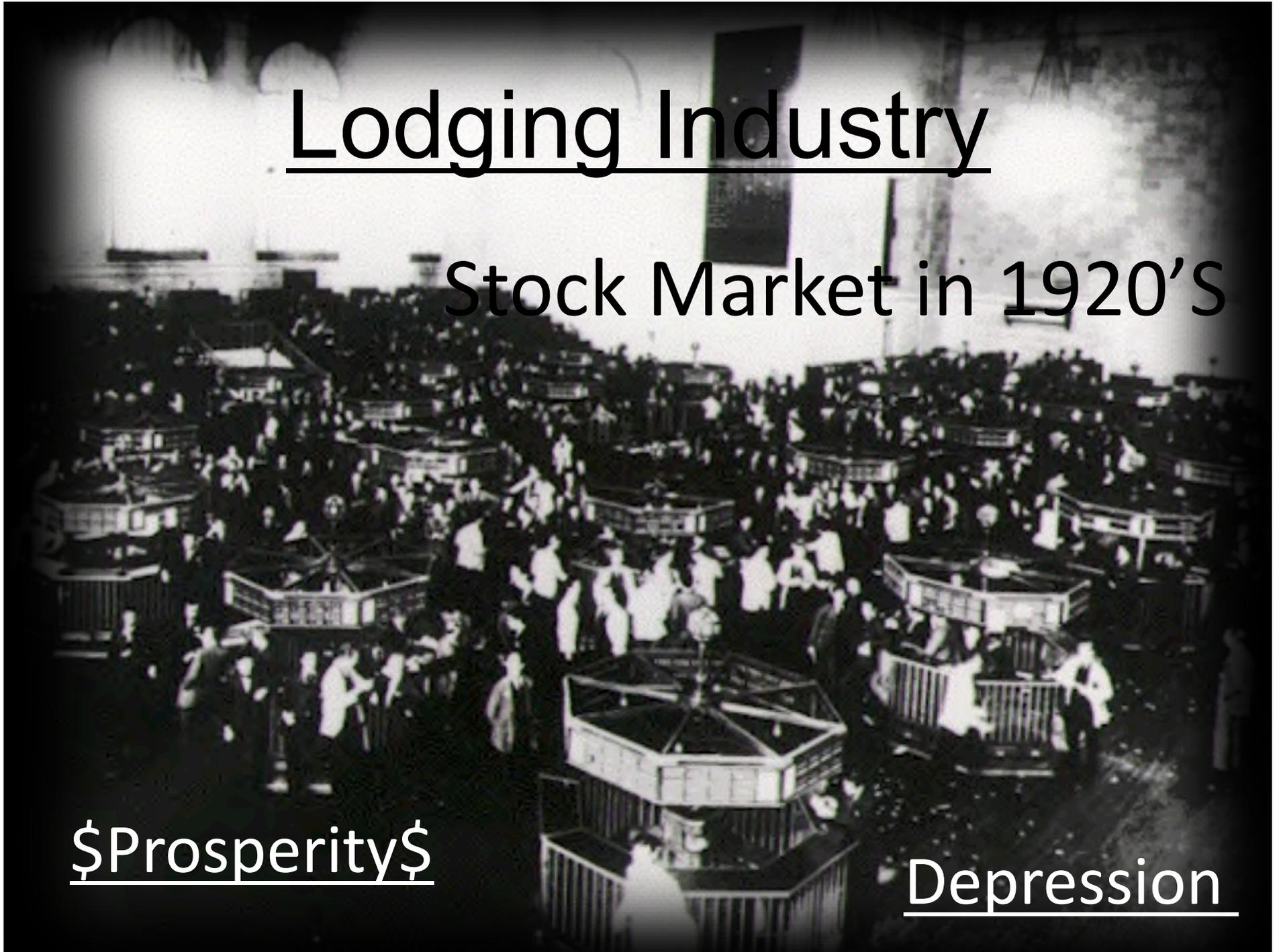
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1855

# Lodging Industry

Stock Market in 1920'S

\$Prosperity\$

Depression



# Lodging Industry

World  
War II





We Became the “mobile Society”



# Lodging Industry



“Motor Hotels” - 1960’s

# Lodging Industry

“Motor Hotels” - 1960's



# Lodging Industry



1960's & 1970's

# Lodging Industry



1980's



# Lodging Industry



1980'S

# Lodging Industry

- 1980's massive building boom
- Interest rates down
- Falling energy prices
- Massive amounts of capital available
- Real estate tax benefits
- Hotel segmentation
- Savings and Loan's start making commercial loans



# Lodging Industry

1990's

- Recession
- Recovery
- expansion

05/09/2008

# Lodging Industry

2000 to current:

- Expansion
- Recession
- ???????



# *Doug & Gary get in the Hotel Business*



Address : 111 Bates Ave

# Types of Hotel/Motels

- Full-service and convention hotels
- Limited or Select service hotels
- Extended-stay hotels
- All-suite hotels
- Resort hotels

# Types of Hotel/Motels

## Full-service and convention hotels:

- Have meeting space, ballroom, banquet, and dining and lounge space for large groups of people, minimum service levels, report food & beverage income
- Full Service Upscale
  - Examples include: Conrad Hotels, Ritz Carlton, Four Seasons Hotels, and JW Marriot
- Full Service
  - Examples include: Hilton, Marriott, Doubletree and Hyatt

# Types of Hotel/Motels

## Limited or Select-service hotels:

- Will have little or no space designed for large groups or formal dining, may have lounge and on-site restaurant
- Select Service
  - Examples include: Courtyard by Marriott and Hilton Garden Inn
- Limited Service
  - Examples include: Hampton Inn, Fairfield Inn, Days Inn, and La Quinta Inn

# Types of Hotel/Motels

## Extended Stay hotels:

- Residential styled rooms, have large living areas and full eat-in kitchens, recreational facilities, typical stay is 5 or more consecutive days
  - Examples include: Homewood Suites, Resident Inn, and Extended Stay Hotels

# Types of Hotel/Motels

## All Suite hotels:

- All rooms are suites, separate living and sleeping areas, limited food and beverage facilities
  - Examples include: Homewood Suites, Hyatt, and Holiday Inn and Suites

# Types of Hotel/Motels

## Resort hotels:

- Similar to Full-service hotels, lots of amenities and best locations, beautiful physical hotel, considered a destination in themselves
  - Examples include: The-Venetian-resort-hotel-casino, Walt Disney World Resorts, Four Seasons at Bora Bora

# Resort Hotels



# Market Analysis

1. Find out how many hotels/motels are in your county
2. Collect their total room count, room types and number, year built, occupancy rate, average daily rate (ADR), average room size, amenities (restaurant, lounge, pool, etc.)
3. Build a spreadsheet with the information you collected stratified by type (full service, limited service, etc.)

# Market Analysis

How to collect information on hotels/motels:

- Onsite inspection (use check list)
- e-mail
- form letters
- phone calls
- internet

# Market Analysis

Property	Number of Rooms	Year Built	Occupancy	Average Daily Rate (ADR)	Revenue Per Available Room (RevPar)	Market Value Per Room
Courtyard by Marriott	113	2009	25%	\$95.00	\$23.75	\$54,648
Hilton Garden Inn	121	2008	40%	\$99.00	\$39.60	\$60,720
Fairfield Inn	74	1995	55%	\$75.00	\$41.25	\$50,449
Hampton Inn	61	1996	55%	\$75.00	\$41.25	\$49,121
La Quinta Inn & Suites	117	1997	55%	\$75.00	\$41.25	\$55,262

# Revenues and Expenses

Total Revenue – Income generated from all hotel operations

- Room Revenue – Total revenue generated from the sale or rental of rooms
- Other Revenue sources
  - Food
  - Beverage
  - Telephone
  - Other income

# Revenues and Expenses

## Allowable Operating Expenses :

- ❖ – Expenses that are ordinary and typical expenses that are necessary to keep the property functional and rented competitively with other similar properties

# Revenues and Expenses

## Non-allowable Expenses :

- Depreciation (recapture)
- Debt service (principal & interest)
- Capital improvements
- Income tax
- Owner's business expense
- Franchise fees and special corporation costs
- Property taxes\*

\*Since property taxes are included in the capitalization rate, they are not considered an allowable expense in determining net operating income.

# Income And Expense Reports

## Franchise fees and special corporation costs

- A franchise is usually an exclusive right to furnish public services or to sell a particular product in a certain community.
- Normally franchise fees, special corporation costs, and items of this nature are charges against the owner of the property or the business, rather than the property itself, thus would not normally be considered operating expenses of the real estate.

Does your county use the Income Approach?

- A. Yes
- B. No
- C. Not sure

Does your county allow Franchise fees as an expense?

- A. Yes
- B. No
- C. Not sure

	Expense Item (hotel property)	Use as Stated	Pro-Rate	Eliminate
A	Management fee (5% of EGI)			
B	Miscellaneous expense			
C	Landscaping			
D	Real estate taxes			
E	Security personnel			
F	Replaced carpet in 10 rooms			
G	Electric, gas, water and trash			
H	Insurance (1 year policy)			
I	Mortgage payments			
J	Cleaned AC units			
K	Interest on mortgage			
L	Maintenance			
M	Purchased 8 room refrigerators			
N	Public relations and publicity			
O	Franchise fee			
P	New parking lot			

	Expense Item (hotel property)	Use as Stated	Pro-Rate	Eliminate
A	Management fee (5% of EGI)	X		
B	Miscellaneous expense	X		
C	Landscaping	X		
D	Real estate taxes			X
E	Security personnel	X		
F	Replaced carpet in 10 rooms		X	
G	Electric, gas, water and trash	X		
H	Insurance (1 year policy)	X		
I	Mortgage payments			X
J	Cleaned AC units	X		
K	Interest on mortgage			X
L	Maintenance	X		
M	Purchased 8 room refrigerators		X	
N	Public relations and publicity	X		
O	Franchise fee			X
P	New parking lot		X	

# Valuation Process

## 3 Approaches to Value:

- ❖ Cost Approach

- ❖ Sales Comparison Approach

- ❖ Income Approach

# Valuation Process

## What is the Income Approach Value?

- The process of converting the future benefits (income) of the property ownership into an expression of present worth (market value)
- **Basic Income Formula:**

$$\text{Value} = \text{Income} / \text{Rate}$$

	Fairfield Inn	Hampton Inn	La Quinta Inn
Number of rooms	74	61	117
x Days/year	365	365	365
No. of rooms/yr	27,010	22,265	42,705
x Occupancy rate	65%	65%	65%
No. of occupied rooms	17,557	14,472	27,758
x Average daily rate	\$85	\$85	\$85
Rooms revenue	\$1,492,303	\$1,230,141	\$2,359,451
Other income	\$50,000	\$50,000	\$50,000
Total income before expenses	\$1,542,303	\$1,280,141	2,409,451
Expense Ratio	70%	70%	70%
Net operating income (NOI)	\$462,691	\$384,042	\$722,835
÷ Capitalization rate	12%	12%	12%
Property Value	\$3,855,756	\$3,200,353	\$6,023,628
Value per room	\$52,105	\$52,465	\$51,484

# **HOTELS AND INCOME APPROACH**

Oklahoma Tax Commission  
66th Annual Educational Conference  
For Assessing Officers



*New Directions*



*In Assessment*

August 10—13, 2010  
Tulsa, Oklahoma  
Southern Hills Marriott

# Hotels and Income Approach

Oklahoma Tax Commission  
66th Annual Educational Conference  
For Assessing Officers



*New Directions*



*In Assessment*

August 10—13, 2010  
Tulsa, Oklahoma  
Southern Hills Marriott

***The key to the assessment process is  
an accurate estimate of:***

***Market Value***

This goal is fairly easy to achieve for simple types of properties:

Vacant land

Single family residences

# Income Approach

For income producing properties  
Traditional valuation using:

***“IRV”***

$$\mathbf{Value = Income \div Rate}$$

# Income Approach

**IRV** works if you have comparable sales

The traditional income approach works on income producing properties that:

# Income Approach

**That have:**

**1. Long term leases**

***comparable to others***

***“typical” for business type***

**2. “rents” as the Income stream**

**3. No other income except for some miscellaneous (vending, parking, etc.)**

# Income Approach

***BUT***

***As properties become more complicated,  
the issues involved in developing value estimates that are:***

- 1. Accurate***
- 2. Defendable***

***Become more difficult***

# Income Approach

*From the phone calls we've had from some of you'all and as we conducted our research for this session, it has become apparent:*

***Hotels / Motels*** are  
***near the top of the***  
***difficulty*** list

# **Income Approach**

*The next few slides will discuss a  
different method of*

***Hotels / Motels***

***Valuation***

# Income Approach

This technique was developed by:

\* **Stephen Rushmore** is president and founder of HVS, a global hospitality consulting organization with offices around the world. Steve has provided consultation services for more than 12,000 hotels throughout the world during his 35-year career and specializes in complex issues involving hotel feasibility, valuations, and financing. He can be reached at [srushmore@hvs.com](mailto:srushmore@hvs.com) or [516 248-8828](tel:5162488828)

# **Income Approach**

**The lodging facilities comprise  
more than**

**Land**

**Bricks**

**and Mortar**

# Income Approach

Lodging facilities are:

**retail oriented, labor intensive  
businesses**

**that require a high level of  
management expertise**

# **Income Approach**

**Lodging facilities require:**

**a significant investment in personal property (furniture, fixtures, equipment)**

**That has a relative short useful life and is subject to rapid depreciation and obsolescence ( 10 yrs or less per OTC)**

# Income Approach

When a hotel is sold, generally the entire property is transferred, including:

Land

Improvements

Personal Property

the existing going business

# **Income Approach**

**A hotel can have:**

**Income from**

**rooms**

**restaurant**

**bar**

**pantry**

**coin operated vending**

**and other**

# **Income Approach**

**A hotel does not have tenants that sign long term leases**

**Unlike an apartment complex or an office building**

**A hotel experiences a complete turnover of tenants every 2 – 4 days**

# **Income Approach**

**If a hotel**

**Benefits from a nationally recognized hotel-company name either by franchise affiliation or a management contract**

**This benefit can create a significant amount of business value**

# **Income Approach**

**The sale price therefore reflects the value of each of these components**

**Since we are trying to estimate market value of the real estate, then only the real components (land and improvements) should be considered.**

# **Income Approach**

**Personal Property can be valued separately**

**The going business “probably” cannot be valued. (Intangible ??)**

# Income Approach

Hotels should be valued using **stabilized net income**

The net income reflecting the anticipated operating results over its remaining economic life during all stages of “buildup”, “plateau”, and “decline”.

# **Income Approach**

## **Stabilized net income**

**Contains income attributed to:**

**Land and Improvements**

**But also**

**Income to furniture and equipment**

**Going business**

# **Income Approach**

**To remove these components:**

**Their income contributions will be removed from NOI**

# **Income Approach**

**The sample of data used in this example is real, current and was provided to us for classroom use.**

**Our subject property is not a full service  
hotel**

**126 rooms**

**For the average of last three years**

**Average Daily Rate \$96.95**

**Occupancy 66.7%**

**RevPar \$64.90**

**For the average of last three years**

**Our subject property's total room  
revenue**

**126 rooms x 365 days x 96.95 x 66.7% =**  
**(ADR) (Occ)**  
**\$2,973,973 (room revenue)**

**+ Other Dept Income and other Inc**  
**68,007 (telecom, other)**

**Total Revenue \$3,041,980**

## For the average of last three years

Our subject property's  
departmental expenses      \$859,314

undistributed expenses      \$768,150

Income before Fixed Charges

\$1,414,517

Less Fixed Charges

\$ 168,448

---

**NOI**

**\$1,246,068**

# Income Approach

## Cap Rate Development

Using the Band of Investment  
(mortgage and equity components)

Current hotel mortgage rates 7.5 –  
8.5% (8%) 20 year term

Current Loan to Value 65%

Equity 35% at 13%

# Income Approach

**Assessment Rate 12%**

**Tax Rate 108 mills**

**Effective Tax Rate = .12 x .108  
= 1.3%**

# Income Approach

<u>Component</u>	<u>Portion</u>	<u>Rate</u>	<u>Wt Rate</u>
------------------	----------------	-------------	----------------

1 <sup>st</sup> Mortgage	.65	x .10037	= .0652
--------------------------	-----	----------	---------

Equity	.35	x .13	= .0455
--------	-----	-------	---------

.1107

Effective Tax Rate (.12 x .108)	.013
---------------------------------	------

Cap Rate

.1237 or 12.37%

# Personal Property Adjustment

2 calculations

A return of personal property

A return on personal property

# Personal Property Adjustment

## A return of personal property

Based on the fact that P.P. has a short life and must be replaced every 6 – 10 years (OTC = 10) ( a reserve for replacement of 10%) of RCN of \$1,008,000

\$8,000 / room (126)

$$.10 \times \$1,008,000 = \$100,800$$

# Personal Property Adjustment

## A return on personal property

Should reflect the cost of the capital to purchase the furniture and equipment  
( using the overall cap rate after taxes)

$$126 \text{ rooms} \times \$8,000/\text{rm} \times .1107 = \$111,628$$

# Personal Property Adjustment

Return of \$100,800

Return on \$111,628

Total Income to Personal Property **\$212,428**

# Business Value Adjustment

Management Fees 6% total revenue

Franchise Affiliation 4% room revenue

$$.06 \times \$3,041,980 = \$182,519$$

$$.04 \times \$2,997,973 = \$118,959$$

$$\text{Total Business Inc. Adjust.} = \$301,478$$

# NOI Adjustments

Stabilized Net Income		\$1,246,068
Less		
PersProp Inc Adj.	-	212,428
Bus Inc Adj.	-	301,478
		<hr/>
Income Attributed to Real Est		<b>\$732,162</b>

# Income Approach

Net Income to Real Estate    \$732,162  
Cap Rate    12.37%

$$I \div R = V$$

$$732,162 \div .1237 = V$$

$$\text{\$5,916,830} = V$$

# Income Approach

	Value	per room
Assessor's Office	\$6,161,403	\$48,900/rm
Fee Appraisal	\$2,400,000	\$19,047/rm
Value set by BOE	\$3,800,000	\$30,159/rm
New Technique	\$5,916,830	\$46,959/rm

# Income Approach

		Taxes
Assessor's Office	\$6,161,403	\$79,852
Fee Appraisal	\$2,400,000	\$31,104
Value set by BOE	\$3,800,000	\$49,248
New Technique	\$5,916,830	\$76,682

# Income Approach

	Taxes	per rm	#stays
Assessor's Office	\$79,852	\$634	9.8
Fee Appraisal	\$31,104	\$246	3.8
Value set by BOE	\$49,248	\$391	6.0
New Technique	\$76,682	\$609	9.4

## Hotel Info Websites

HVS	<a href="http://www.hvs.com">http://www.hvs.com</a>
SmithTravel Research	<a href="http://www.strglobal.com">www.strglobal.com</a>
Loopnet	<a href="http://www.loopnet.com/">http://www.loopnet.com/</a>
Hotel Resource	<a href="http://www.hotelresource.com/">http://www.hotelresource.com/</a>
Hospitality Net	<a href="http://www.hospitalitynet.org">http://www.hospitalitynet.org</a>
Fantini and Gorga	<a href="http://www.fantinigorga.com">http://www.fantinigorga.com</a>
BOMA	<a href="http://www.boma.org">http://www.boma.org</a>
Bloomberg	<a href="http://www.bloomberg.com">http://www.bloomberg.com</a>
Realty Rates	<a href="http://www.realtyrates.com">http://www.realtyrates.com</a>

## **SELECTED STATUTES**

# REFERENCE GUIDE:

## SELECTED BUSINESS PERSONAL PROPERTY STATUTES

Presented by  
OKLAHOMA TAX COMMISSION  
AD VALOREM DIVISION

# INDEX

PROPERTY SUBJECT TO TAX	3
PERSONAL PROPERTY DEFINED	4
VALUATION FAIR CASH VALUE	6
RETURN NOT CONCLUSIVE	7
SPECIAL ASSISTANCE	8
GUIDANCE AND ASSISTANCE	9
APPRAISERS	10
MASS APPRAISAL	11
PERSONS TO LIST	12
COUNTY ASSESSOR TO TAKE LISTS	13
CORPORATIONS	14
LIST OR SCHEDULES	15
REFUSAL TO FINISH INFORMATION	16
PERSONS REQUIRED TO LIST	17
UNLISTED PERSONAL PROPERTY	18
OMITTED PROPERTY	19
UNDERVALUED OR UNDERASSESSED	20
EXEMPT PROPERTY	21

# 68 O.S. 2001, § 2804.

## Property subject to tax.

All property in this state, whether real or personal, except that which is specifically exempt by law, and except that which is relieved of ad valorem taxation by reason of the payment of an in lieu tax, shall be subject to ad valorem taxation.

# **68 O.S. 2001, § 2807.**

## **Personal property defined.**

Personal property, for the purpose of ad valorem taxation, shall be construed to include:

1. All goods, chattels and effects;
2. All improvements made by others upon lands,...
3. The dormant, and other stock of nurserymen,...
4. All horses, cattle, mules, asses, sheep, swine, goats and other livestock...
5. All household...
6. Personal, private or professional libraries;...
7. All wagons, vehicles or carriages and all farm tractors...<sup>4</sup>

# 2807 (cont.)

8. All machinery and materials used by manufacturers,...
9. All goods and capital employed in merchandising;
10. All abstractors' books and the records...
11. All agricultural implements or machinery...
12.
  - a. All tanks and containers used to store or hold...
  - b. All oil, gas, water or other pipelines,...
  - c. All telegraph and telephone lines,...
  - d. All railroad tracks,...
  - e. All oil and petroleum products in storage; and
13. All other property,.... and not included within the definition of real property.

**68 O.S. 2001, § 2817. Valuation  
and assessment of property –  
Fair cash value – Use value.**

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

# 68 O.S. 2001, § 2818. Taxpayer's return not conclusive of value – Raising or lowering returned value

- A. The return of the taxpayer shall not be conclusive as to the value or amount of any property. The county assessor shall have the authority and it shall be his duty to raise or lower the returned value:
- C. In the performance of his duties, the county assessor, or his duly appointed and authorized deputy, shall have the power and authority to:
1. Go upon any premises and enter any business...  
to view, inspect or appraise ...
  2. Examine any person under oath...

# **68 O.S. 2001, § 2824. Special assistance in valuation of certain property.**

Any county assessor may request special assistance from the Oklahoma Tax Commission in the valuation of property which requires specialized knowledge not otherwise available to the assessor's staff. Upon approval of such request, the Oklahoma Tax Commission may assist the assessor in the valuation of such property in such manner as the Oklahoma Tax Commission, in its discretion, considers proper and adequate.

# 68 O.S. 2001, § 2825. Valuation guidance and assistance.

The Oklahoma Tax Commission shall make and publish such rules, regulations and guides which it determines are needed for the general guidance and assistance of county assessors. Each assessor is hereby directed and required to value property in accordance with the standards established by law.

# 68 O.S. 2001, § 2826. Appraisers – Nature and effect of services – Valuation to be made by assessor

Appraisers whose services may be obtained by appointment by the assessor or who may be assigned by the Oklahoma Tax Commission, upon request of the county assessor, to assist any county assessor **shall act in an advisory capacity only.** **Valuations made by such appraisers shall not be binding upon the assessor.** All valuations made pursuant to the Ad Valorem Tax Code shall be made and entered by the assessor pursuant to law.

# 68 O.S. 2001, § 2829. Valuation of property pursuant to accepted mass appraisal methodology.

- A. **Each county assessor**, in order to comply with the provisions of Section 17 of this act requiring the annual valuation of all taxable real and personal property within the county, **shall establish the fair cash value of such taxable property using an accepted mass appraisal methodology.**
- B. For purposes of this section "accepted mass appraisal methodology" shall mean the process for making estimates of fair cash value for a property about which no direct or timely information is available concerning economic value by using known information about the property characteristics, location, use, size, sales price and other information of similar properties....

# 68 O.S. 2001, § 2832. Persons required to list property.

- A. Property subject to ad valorem taxation shall, unless otherwise provided, be listed for taxation by the owner thereof or his duly authorized agent.
- B. Property belonging to or controlled by the following shall be listed by the following persons or their duly authorized agents:
  - 1. A corporation or joint stock association, by an officer;
  - 2. A partnership, by a partner;
  - 6. A body politic or corporate, . . .
  - 8. Persons, companies, or corporations . . .
  - 9. Merchandise consigned or floor-planned . . .

## 68 O.S. 2001, § 2836. County Assessor to take lists.

- B. If any taxpayer shall fail to meet the county assessor and list his property on the date advertised, such taxpayer may render a written list of all his personal property and make written application for homestead exemption, and shall subscribe and swear to the oath required by each taxpayer as to its correctness. **Such written lists or applications shall not constitute a valid return or application unless made on the forms prescribed by the Oklahoma Tax Commission and in the manner required by law.**

# 68 O.S. 2001, § 2837.

## Corporations – Assessment

**All corporations organized, existing or doing business in this state**, other than railroads, air carriers and public service corporations assessed by the State Board of Equalization, and other than national banks, state banks, trust companies, and building and loan associations, **shall be assessed upon the value of their real property and personal property as listed separately by such corporation** and less the value of any property which may be relieved of ad valorem taxation by the payment of an in lieu tax.

# 68 O.S. 2001, § 2838. Corporations – Lists or schedules of property ...

- A. All corporations organized, existing or doing business in this state, ... shall, on or before March 15th of each year, return sworn lists or schedules of their taxable property within each county...
- B. It shall be the duty of each corporation to make, under oath, and deliver to the county assessor of the county where its principal business is transacted, a statement on forms prescribed by the Oklahoma Tax Commission...and such other financial information as may be deemed necessary to enable the county assessor to determine the value of real or personal property owned by any such corporation;...

**68 O.S. 2001, § 2839. Statements of capital invested and other necessary information – Neglect, failure or refusal to furnish information.**

- A. **It shall be the duty of each taxpayer, upon written request** of the county assessor... **to furnish, under oath, a written statement showing the amount of capital invested** in any plant, equipment, stock of merchandise or material,...the taxpayer shall have **ten (10) days from receipt of the written request** within which to prepare and **furnish such statement under oath.**

## § 2839 (continued)

B. Should any taxpayer neglect, fail or refuse to make a proper itemization of his property in any county, or neglect, fail or refuse to furnish any other information required by this section, or Section 38 of this act it shall be the duty of the county assessor or the county board of equalization to ascertain, from the best information obtainable, the value of the property of such taxpayer, and as a penalty shall add ten percent (10%) of the value thereof so ascertained. The penalty shall not be applied until the taxpayer shall have had ten (10) days' notice of the intention to apply the penalty and an opportunity to be heard.

# 68 O.S. 2001, § 2843. Unlisted personal property – ...

- A. If any personal property is not listed with the county assessor on or before March 15th of any year, the county assessor shall proceed, as soon as the omission is discovered, to ascertain and estimate from the best information obtainable, the amount and value of such property,...
- B. ...has any property belonging to others under his control or charge...he shall, upon written request of the county assessor...make report, under oath, of the amount and ownership of such property, and upon refusal,... shall be personally liable for the taxes on such property.

# 68 O.S. 2001, § 2844. Omitted property ...

A. If any real, personal property,... **is omitted in the assessment of any prior year or years**,... at any time and as soon as such omission is discovered...and the last three (3) years as to personal property...

# 68 O.S. 2001, § 2846. Undervalued and under assessed property ...

A. Whenever real or personal property has in any year, through false representations or concealments willfully and fraudulently made by the owner or agent... been grossly undervalued and has escaped for that year...the county assessor...at any time within two (2) years from the date of such original undervaluation, cause such property to be entered on the assessment roll and tax books for the year or years so undervalued.

# EXEMPT PROPERTY:

- FREEPORT EXEMPTION
  - Art. X, § 6Av1
- INTANGIBLE PERSONAL PROPERTY
  - Art, X, § 6Av2
  - O.S. 68, § 2804
    - Specifically exempt
    - In-lieu of
- EXEMPT PROPERTY
  - O.S. 68, § 2887

# FREEPORT EXEMPTION

## Art. X, § 6A

- All property consigned to a consignee in this state from outside this state to be forwarded to a point outside this state, which is entitled under the tariffs, rules, and regulations approved by the interstate Commerce Commission to be forwarded at through rates from the point of origin to the point of destination, if not detained in this State for a period of more than ninety (90) days, shall be deemed to be property moving in interstate commerce.,

## Freeport (continued)

- and no such property shall be subject to taxation in this State; provided, that goods, wares and merchandise Whether or not moving on through rates, shall be deemed to moving interstate commerce, and not subject to taxation in this State if not detained more than nine (9) months where such goods, wares and merchandise are so held for assembly, storage, manufacturing, processing or fabricating purposes: provided, further, that personal property consigned for sale within this State must be assessed as any other personal property.

# INTANGIBLE PERSONAL PROPERTY

## Art, X, § 6A

- Intangible personal property as below defined shall not be subject to ad valorem tax or to any other tax in lieu of ad valorem tax within this State:
- (a) Money and cash on hand, including currency, gold, silver, and other coin, bank drafts, certified checks, and cashier's checks.
- (b) Money on deposit in any bank, trust company, or other depository of money, within or without the State of Oklahoma, including certificates of deposit.
- (c) Accounts and bills receivable, including brokerage accounts, and other credits, whether secured or unsecured.

## Art, X, § 6A (continued)

- d) Bonds, promissory notes, debentures, and all other evidences of debt, whether secured or unsecured; except notes, debentures, and other evidences of debt secured by real estate mortgages which are subject to the Mortgage Registration Tax under Sections 12351 - 12362, inclusive, Oklahoma Statutes, 1931 (68 O.S.1961, Sections 1171 - 1182).
- (e) Shares of stock or other written evidence or proportional shares of beneficial interests in corporations, joint stock companies, associations, syndicates, express or business trusts, special or limited partnerships, or other business organizations.

## Art, X, § 6A (continued)

- (f) All interests in property held in trust or on deposit within or without this State, and whether or not evidenced by certificates, shares, or other written evidence of beneficial ownership.
- (g) Final judgments for the payment of money.
- (h) All annuities and annuity contracts.
- The effective date of this Amendment shall be January 1, 1969; provided, that the intangible personal property taxes levied for the year 1968 shall be collected.