



They Don't Do That in *Texas!*

Review of Surrounding States Ad Valorem Systems

Oklahoma Tax Commission
Annual Conference, Tulsa
2008

Dedicated to Anyone who has ever heard:

- “I’m going to sell my property and move to _____.
- Our taxes are higher than_____.
- They do _____in_____ so why don’t we do that here???

Neighboring States Ad Valorem System

- Who does the job?
- What are the neighbors' doing?
- How does that compare to Oklahoma?



Hi Neighbor How are you?

Our Neighbors

- Arkansas
- Colorado*
- Kansas*
- Louisiana
- Missouri
- New Mexico*
- **Texas***

*Touches

- Cimarron County

The Big Issues

- Tax Base
- Homestead Exemption
- Seniors/Low-income
- Agriculture
- **New Approaches**

Same Only Different

- Two States Appointed Assessors
- Two States Term Limited
- One State
 - **100% Value**
 - **Tabor**
 - **State Home Rule**
- Two “Classification” States
- Five Fractional Assessment States

Comparing States

- **Hard to Compare**
- **Grass is always Greener.**
- **Comparison Useful/ Part of Tax Policy**

Apples and Oranges

- Colorado does not have a homestead; Oklahoma has a homestead exemption.
- *True, but residential property is assessed at 7.96% in Colorado.*

Cherry Picking

- Arkansas's average millage is lower than Oklahoma:
 - Arkansas Average Millage is \$46.69.
 - Oklahoma \$85.00

True, but Arkansas's local assessment percentage is 20%; Oklahoma 11-13.5%

Always do the Math

- Louisiana's homeowner's exemption is \$7,500; Oklahoma only \$1,000.

– Louisiana 10%; Oklahoma is 11-13.5%

– A \$75,000 house has zero taxable value.



Show me the Money!!

Texas	\$30 Billion	State*
Missouri	\$5.5 Billion	State*
Colorado	\$4.84 Billion	Local
Kansas	\$3.6 Billion	State*
Louisiana	\$2.5 Billion	State**
Oklahoma	\$2.2 Billion	Local
Arkansas	\$1.25 Billion	Local
New Mexico	\$0.84 Billion	Local

National Legislative Conference 2005

13	Texas	\$1,320
18	Kansas	\$1,124
23	Colorado	\$1,059
36	Missouri	\$ 809
45	Louisiana	\$ 538
47	Oklahoma	\$ 485
48	New Mexico	\$ 448
49	Arkansas	\$ 422

Rank by Effective Tax Rate

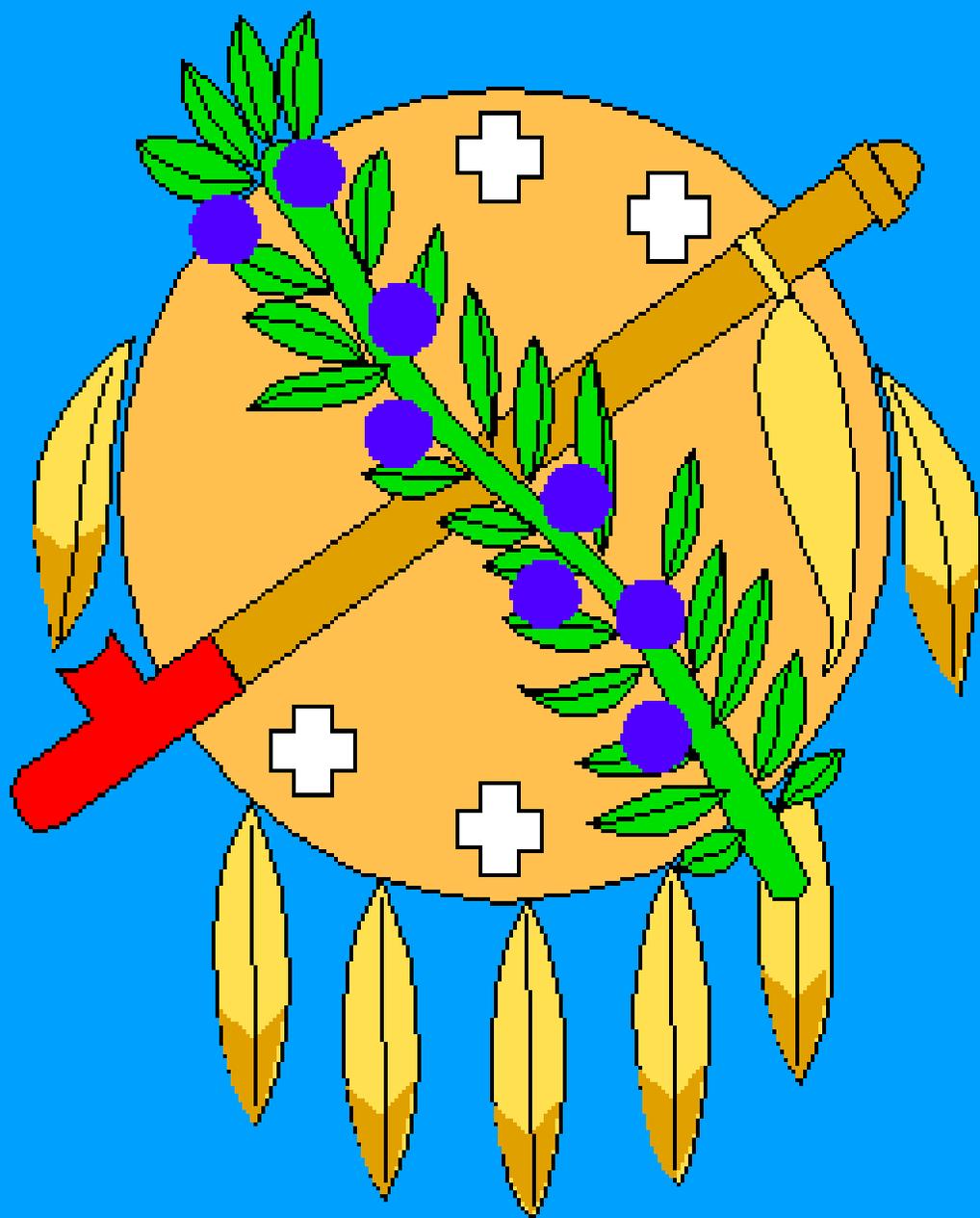
Texas	2.57%
Kansas	2.09%
Missouri	1.42%
United States	1.38%
Colorado	1.08%
Oklahoma	1.03%
Louisiana	1.02%
Arkansas	0.88%
New Mexico	0.72%

How good are
the rankings?

Don't bet the farm.

Accurate Rankings???

Ark	49	49	46	49
CO	23	32	30	35
KS	18	19	27	19
LA	45	41	50	44
MO	36	37	36	38
NM	48	47	42	48
TX	13	10	15	12
Ok.	47	46	45	47



OKLAHOMA



Oklahoma: Who does the job?

- County Assessor
- Elected to Four Year Term (No Term Limit)
- Accredited
- County level elected official

Oklahoma: What is the job?

- Fair Market Value
- **Fractional Assessment Percentage**
 - 10-13.5% Local; 22.85% Public Service**
- Millage Limitations
- SQ 676 Limitation (5% Cap)
- Homestead Exemption

Fractional Assessment

- Market Value
 - Assessment %
 - Assessed Value
 - Millage
 - Tax Bill
- \$100,000
 - X 11% 
 - 11,000
 - 80 mills
 - **\$880**

What's Different about our System?

- **County sets percentage**
- **Fixed Millages (Not set by budget process)**



Arkansas and Oklahoma

- **75 County Assessors (Elected)**

- **True Market Value**

- **Assessment Coordination Division**

- **77 County Assessors (Elected)**

- **Fair Market Value**

- **Ad Valorem Division**

Arkansas and Oklahoma

- **State Agency that does training, ratio studies, technical assistance, reappraisal orders**
- **Public Utilities and Carriers- Public Service Commission**

Same only Different

- Extensive Training requirements for county (**May not be the assessor**)
- Agriculture—Rice, Crop, Pasture, and Timber land
- Values more central by district

Arkansas and Oklahoma

- Appeals to County Board
- Budget millages set by Quorum Court. (Includes up to 15 people)

Arkansas “No Homestead”

- Arkansas has no homestead exemption, but instead \$300 tax credit.
- *Would you rather have a \$300 tax credit or a \$6,425.35 homestead?*

Arkansas

	Oklahoma	Arkansas
Market	\$100,000	\$100,000
Assessment %	11.0%	20.0%
Taxable	11,000	20,000
Millage	80 mills	42.96 mills
Tax Bill	\$880	\$859
Credit		-\$300
Final Bill	\$880	\$559

Amendment 79 (2001)

- **5% limit on homesteads from reappraisal**
- **10% limit on non-homestead real property**
- **Freeze for 65/disabled (no income level)**

Arkansas Agriculture

- **Four Land Regions (Delta, Ouachita, Ozark and Southwest)**
- **Rice, Crop, Pasture and Timber**
- **NRCS Classification/ ACD Value**

Arkansas Summary

- Similar Systems
- Higher Assessment Percentage
- Homeowner Tax Credit
- State Ordered Reappraisals



Colorado and Oklahoma

- **64 County Assessors****

- **Fractional Assessment**

- **Fair Market Value**

- **77 County Assessors**

- **Fractional Assessment**

- **Fair Market Value**

Colorado and Oklahoma

- Elected Assessors -64 Counties**
- **Term Limits** (Two terms, three terms, and eliminated terms limits)
- Two appointed Assessors (Denver and **Broomfield Home Rule** City-County)

Education

- Required Annual School
- Classes not available to public
- IAAO/ethics/ law seminar
- Colorado Real Estate Appraisers

Colorado Residential

- **Colorado Residential 7.96%**
- **Other property 29%**
- Gallagher Amendment stabilizes residential property's share of the statewide property tax base

Gallagher Amendment (1982)

- Biennial Calculation
- Legislature adjusts assessment percentage for residential
- When home values grow faster than business, homeowners pay less.

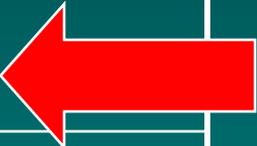
Taxpayer Bill of Rights (TABOR)

- Gallagher Amendment (1982)
- TABOR (1992) Revenues tied to inflation and population growth
- Referendum C suspended revenue limit 2006-2010.

Residential Tax Calculation

<i>Residential</i>	Oklahoma	Colorado
Market	\$100,000	\$100,000
Assessment %	11.0%	<i>7.96%</i>
Taxable	11,000	7,960
Millage	80 mills	75.541 mills
Tax Bill	\$880	\$601.31

Colorado Tax Calculation

<i>Commercial</i>	Oklahoma	Colorado
Market	\$100,000	\$100,000
Assessment %	11.0%	29% 
Taxable	11,000	29,000
Millage	80 mills	75.541 mills
Tax Bill	\$880	\$2,190.69

Colorado Relief Programs

- **Tax/Rent/Heat Rebate**
-
- **Property Tax Deferral**
-
- **Property Tax Work-Off Program**
-
- **Senior Citizen Exemption**
-
- **Disabled Veteran Exemption**

Colorado Senior Exemption

- 65 Years Old/Owner Primary Residence.
- 50% of first \$200,000 actual value.
- State reimburses local government

Senior Exemption

Market	\$250,000	\$90,000
Senior Exemption	\$100,000	\$45,000
Senior Value	\$150,000	\$45,000
Assessment %	7.96	7.96
Net Assessed	\$11,940	\$3,582
Mills	75.541	75.541
Tax Bill	\$901.96	\$270.59

Appeals Process

- Real Property Protest-June 1
- County Board (Commissioners)
- *Appeal to Arbitrator, District Court or Board of Assessment Appeals*

Colorado Agriculture

- Land must be farm, ranch, conservation practice, or restored
- 40 acres forest; 80 acres other
- Value: Capitalized at 13%
- Income: 10 year average rent/**expenses**
- **29% assessment.**

Colorado Summary

- **Similar System**
- **Gallagher Amendment and Tabor**
- **Arbitrator System on Appeals**
- **Numerous Relief Programs**



KANSAS

Kansas and Oklahoma

- **105 County Appraisers**

- **Fractional Assessment****

- **Fair Market Value**

- **77 County Assessors**

- **Fractional Assessment**

- **Fair Market Value**

Kansas

- **Kansas County Appraisers**
- *Appointed by County Commissioners-4 year term*
- **Certified by State**

Kansas Classification System

- Residential 11.5%
- Agr Land 30.0%
- Vacant Lots 12.0%
- 501 (c) 12.0%
- Public Utility 33.0%
- Commercial 25.0%
- Industrial 25.0%

Kansas Personal Property

- Mobile Homes 11.5%
- Public Utility PP 33.0%
- Motor Vehicle** 30.0%
- Commercial** 25.0%
- Other PP 30.0%
- ***Household and Inventories Exempt***

Classification System

- **Pros**

- Tax burden
- Favored classes
- Exemptions

- **Cons**

- Complexity
- Inequity
- **Fights over classification**

Assessment Percentages

	Ark	CO	Ks	La	Mo	NM
Res	20%	7.96%	11.5%	10%	19%	33.3%
Com	20%	29%	25.0%	15%	32%	33.3%
Agr	20%	29%	30.0%	10%	12%	33.3%
P.U.	25%	29%	33.3%	25%	33.3%	33.3%

Kansas Tax Calculation

	Oklahoma	Kansas
Market	\$100,000	\$100,000
Assessment %	11.0%	11.5%
Taxable	11,000	11,500
Millage	80 mills	118 mills
Less School Millage \$20K		\$46
Tax Bill	\$880	\$1,357

Kansas Homestead Refund

- Homeowner or Renter
 - **55 Years old**
 - **Disabled**
 - **Dependent children**
- Kansas Resident, Income \$29,100, no delinquent taxes and other requirements

What about the renter???

- Rented House on tax rolls
- Rent not paid from public funds
- 20% of rent assumed tax amount

Kansas Certified Appraiser

- Certified General Real Property Appraiser,
- Registered Mass Appraisal,
- Or **IAAO RES or CAE**
- **6,000 hours experience; case study**

Kansas Agriculture

- "Use Value" Appraisal
- Modified income approach
- Eight year average net income
- State values land annually

Kansas Summary

- **Appointed County Appraisers**
- **High Level of Training**
- **Classification State**
- **Homestead Refund**



Louisiana and Oklahoma

- **64 Parish **
Appraisers**
- **Fractional
Assessment****
- **Fair Market
Value**
- **77 County
Assessors**
- **Fractional
Assessment**
- **Fair Market
Value**

Louisiana Classification

- Land 10.0%
- Residential 10.0%
- Commercial 15.0%
- Business Personal 15.0%
- Public Service** 25.0%

- ** Excludes land

Louisiana Tax Calculation

Homestead	Oklahoma	Louisiana
Market	\$100,000	\$100,000
Assessment %	11.0%	10.0%
Taxable	11,000	10,000
Homestead	1,000	\$7,500
Millage	80 Mills	80 mills
Tax Bill	\$800	\$200



Mardi Gras property exempt

Special Assessment Level

- Homestead Property 65 or older
- Veterans 50% rated/disabled/MIA
- *Cannot receive freeze if adjusted gross income above \$62,180*

Louisiana Agriculture

- Use Value
- Timber methodology
- Capitalization Rate fixed 10%

Louisiana Summary

- Elected Parish Assessors **
- High Homestead Exemption
- Classification System



Missouri and Oklahoma

- **112 County Assessors (Three appointed)**
- **Fractional Assessment**
- **Fair Market Value**

- **77 County Assessors**
- **Fractional Assessment**
- **Fair Market Value**

Missouri Classification

- Real Estate **19.0%**
- Agriculture **12.0%**
- Commercial/ other **32.0%**
- Cars and boats **33.3%**

Missouri Classification

- **Historical autos** 5.0%
- **Farm Equipment** 12.0%
- **Livestock** 12.0%

Missouri Tax Calculation

	Oklahoma	Missouri
Market	\$100,000	\$100,000
Assessment %	11.0%	<i>19.0%</i>
Taxable	11,000	19,000
Millage	80 mills	58 mills
Tax Bill	\$880	<i>\$1,102</i>

Senior Exemption

- 65 or older/totally disabled/60 or older receiving survivor social security AND
- Income \$25,000 single; \$27,000 married.
- *Refund up to \$750 of tax bill.*

Or!

Homestead Preservation

- Seniors/100% Disabled tax credit for increase 2.5% (or 5% in reassessment year)
- 65 or older-Income less than \$70,000
- Taxes must be current
- Homeowner can't get both Senior Exemption and Preservation!

Appeals

- Informal Appeal to County Assessor
- Board of Equalization
- State Tax Commission (hearing officer, full Commission)
- County Circuit Court

Missouri Summary

- **Classification System**
- **Appeals to Tax Commission**
- **St. Louis Counties**



New Mexico and Oklahoma

- **33 County Assessors (Two term limit)**
- **Fractional Assessment***
- **Fair Market Value****

- **77 County Assessors**
- **Fractional Assessment**
- **Fair Market Value**

New Mexico Tax Calculation

	Oklahoma	New Mexico
Market	\$100,000	\$100,000*
Assessment %	11.0%	33.3%
Hmstd/Hm	\$1,000	\$2,000
Taxable	10,000	31,300
Millage	80 mills	45.69 mills
Tax Bill	\$800	\$1,431.62

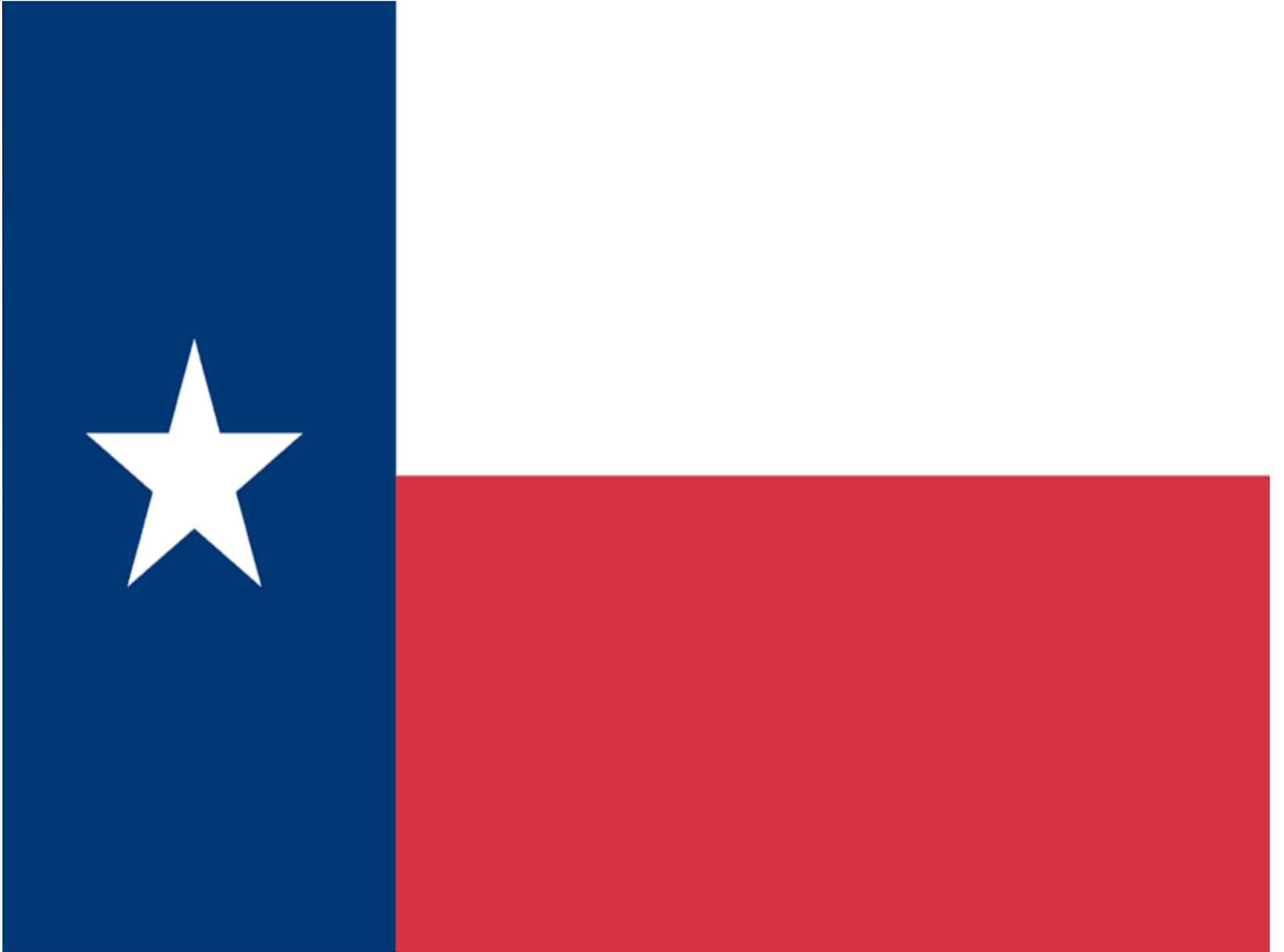
New Mexico has state millage.

Agricultural Property

- Valued on productivity value
- Application required
- Roll-back tax
- Tractors and equipment exempt

New Mexico Summary

- Higher Assessment Percentage
- No homestead (Homeowner Credit)
- Fair Market Previous Year



Texas and Oklahoma

- **254 Counties (District Appraisers)**
- **100% Value**
- **Thinks they have a football team**

- **77 County Assessors**
- **Fractional**
- **Has a football team.**

Appraisal District System

- Chief Appraiser (non-elected)
- Appraisal Review Board (citizen board)
- Appraisal District Board of Directors
- Schools, Cities, Counties make up Board of Directors

Texas Appraisal Districts

- Before 1979 multiple taxing authorities
- Different valuation from City, County, School, etc
- Different bills on same property

Texas Ad Valorem

- Produces about \$30 billion (\$20) compared to \$2.2 billion
- Schools—59% of property tax
- **42% of public school budget from ad valorem!**

Texas is 100% Value State

- Property Value is based on 100% value
- Tax Rate is based on \$ per \$100 value
- Homestead Exemption
- Exemption for 65/disabled

Texas Tax Calculation

Homestead	City	School	County
Market	\$100,000	\$100,000	\$100,000
-Exempt	\$20,000	\$15,000	0
Taxable	\$80,000	\$85,000	\$100,000
X .01	800	850	1000
Tax rate	.638	1.4386	.556596
\$2,289.81	\$510.40	\$1,222.18	\$556.60



Texas Tax Calculation

Senior/Hstd	City	School	County
Market	\$100,000	\$100,000	\$100,000
-Exempt	\$60,000	\$25,000	\$50,000
Taxable	\$40,000	\$75,000	\$50,000
X .01	400	750	500
Tax rate	.638	1.4386	.556596
\$1,612.45	\$255.20	\$1,078.95	\$278.30

Texas Agriculture

- Use Value Productivity
- Cap Rates 10% Agr and 9.86% Timber
- Typical income less expenses

Texas Summary

- **They're Texas and we're not.**
- **Appointed District Appraisers**
- **Complex Exemptions**
- **100% Value**

Our Unusual Neighbors

**The Top Five Ad Valorem
Features:**

Weird or Brilliant

1

Colorado's Tax Work Off

- 60 Years or Older
- Or Disability
- Work off taxes by temporary job
- **\$7.02 per hour up to \$702.**
- Must be homeowner

2

Missouri's Taxpayer Advocate

- Property Owner Advocate Service
- Suggest appeal strategy
- Organize your evidence
- Accompany you to hearings
- **Disclaimer: Can't represent you before Board.**

3

Harris County *isettle*

- On-Line Appeals
- County reviews property
- Change made or scheduled for Appeal.

4

Tie

Missouri's Appeals Process

- Informal to County Assessor
- Appeal to County Board
- **Appeal to State Tax Commission**
- **Appeal to Full Commission**
- Circuit Court

Kansas Classification System

- Kansas Classification System
- Different assessment percentages for all classes of property
- More assessment percentages than any other neighbor.

5

Texas Homestead Exemption

- Homestead Exemption from City
- (Set by % limit)
- Homestead Exemption from School
- (Set by state: \$15,000)

- Homestead Exemption from County
- (Set by County within limit)



Thank You.

The End

