

BUSINESS PERSONAL PROPERTY

*Presented by the
Oklahoma Tax Commission
Ad Valorem Division*

ARTICLE X SECTION 22 of the OKLAHOMA
CONSTITUTION CLASSIFIES PROPERTY into
THREE USES for AD VALOREM TAXATION

- REAL PROPERTY
- PERSONAL PROPERTY
- PUBLIC SERVICE PROPERTY

BUSINESS PERSONAL PROPERTY MAY BE DEFINED AS:

- ALL GOODS, CHATTELS AND EFFECTS
- ALL IMPROVEMENTS THAT DO NOT BECOME PART OF THE REAL PROPERTY
- ALL OTHER PROPERTY, HAVING AN ACTUAL SITUS IN THIS STATE, AND NOT INCLUDED IN REAL PROPERTY

PERSONAL PROPERTY CATEGORIES

- FIXED ASSETS
- INVENTORIES
- LEASED EQUIPMENT
- EXEMPT

FIXED ASSETS – Generally have the following properties:

- **TANGIBLE-** They are Real, Touchable, but Not Fixed to the real property.
- **CONTRIBUTE TO THE BUSINESS-** Will be used to conduct business.
- **RELATIVE LONG LIFE SPAN-** Expected to be used over several years.
- **DEPRECIATE WITH TIME OR USE-** Over time or use, the item will lose Value.
- Common examples are- Machinery and Equipment, Furniture and Fixtures, Computers, and Tools, Dies, and Jigs.

INVENTORIES- Are the amount or storage of goods or stock.

- Some common examples are:
 - Supplies
 - Raw Materials
 - Finished Goods
 - Goods held for Resale
 - Consigned Goods
 - Bill and Hold Goods
 - Goods held for Others

LEASED EQUIPMENT

- For Ad Valorem taxes - The owner of the asset is held responsible for the taxes, unless the Lease is a Proprietary lease and ownership is transferred to the lessee with no option.
- Taxes, insurance and maintenance are contractual between lessor and lessee.

EXEMPT PROPERTY

- ARTICLE X, SECTION 6A,
- Exempts goods being forwarded at through rates from a point outside this state to a destination point outside this state.
- And some goods and materials that enter the state and leave the state within nine (9) months. (Freeport Exemption)

Exempt cont.

- Intangibles – Article X, Sec 6Av2
- Property Specifically exempt by law or relieved by reason of the payment of an in-lieu tax. - 68 O.S. 2001, Sec 2804

AD VALOREM TAXES

- Are not state taxes.
- Are administered by the county.
- Fund county government, schools, libraries, water districts, etc.
- Increases in assessment percentages or millage must be voted by the local people.

DETERMINATION OF VALUE

Appraisal to estimate fair cash value:

- Cost Approach (basis)
 - Market Approach (sales)
 - Income Approach (best in real property)
- not
- Book value, (determined by accounting guidelines for income tax purposes)
- (A.G. opinion, 80-149)

68 O.S., Sec 2817, Valuation

- 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., Sec. 2832, Persons required to list:

- 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.

68 O.S., Sec. 2838, Corporations

- A. *All corporations organized or doing business in this state, ..., shall, on or before March 15 of each year, return sworn lists or schedules of their property within each county, ..., and such property shall be listed with reference to amount, kind and value.*

68 O.S., 2818, Taxpayers Return

- A. The return of the taxpayer shall not be conclusive as to the value or the amount of any property.
- 1. Of any personal property, to conform to the fair cash value thereof, *estimated* at the price it would bring at a *fair voluntary sale*.

PURPOSE of RENDITIONS

- Oklahoma is a self declaration state.
- Taxpayer's list their assets and value.
- Fair and Equal treatment across the state.
- Uniformity in taxation.

COMPLETENESS of RENDITION

- Most rendition misunderstandings are from lack of information.
 - Descriptions
 - Age
 - Original Cost

PROCESS of ASSESSMENT

- January 1, situs date
- January 1 to March 15, filing
- January 1 to April 25, assessor reviews
- April 25, deliver assessment roll to CBOE
- June 15, assessment roll (abstract) to OTC
- October 1, tax roll to treasure
- November 1, mail tax statements
- December 30, tax payment due

PROTEST OF INCREASE IN VALUE

- Taxpayer has 20 days from date of notice to file for informal hearing with assessor.
- Assessor has 5 days to mail decision of informal hearing to taxpayer.
- Taxpayer has 10 days from date of decision to file for formal hearing with CBOE.
- Taxpayer has 10 days to file an appeal of CBOE decision in District Court within 10 days of the CBOE adjournment.

BUSINESS PERSONAL PROPERTY SCHEDULES

- **SCHEDULES**- Are produced each year to ASSIST the assessor in determining values.
- **VALUES**
 - Determined from current publications of market data and industry data.
 - Cost New
 - Current FCV (used) in AVERAGE WORKING CONDITION.

FORMS

To achieve uniformity across the state

- Schedule 3 (general asset list)
- Schedule 3A (grouped asset list)
- 904-3-P (petro. asset list)
- 901 (general filing)
- 901-P (petro. general filing)
- 901-F-R2000 (freeport filing)

Selected Statutes

68 O.S. 2001, Sec.

2802

2803

2804

2807

2817

2818

2819

2824

2826

2829

2832

2837

2838

2839

2843

2844

2845

2887

2902

STATUTES, RULES, FORMS

- www.tax.ok.gov
- Ad Valorem
- Ad Valorem Information

- General Ad Valorem Forms
- Laws
- Other Information

QUESTIONS ???

- Larry Rawlings
- Ad Valorem Division
- 405.319.8200