

Oklahoma
ad valorem

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FORUM

A LOOK AHEAD...

May 5-6: Basic Math,
Stillwater

May 11: Mother's Day

May 19-22: Unit III,
Mass Appraisal,
Norman

May 26: Memorial Day

District Meetings In May,
See Page 3 For Schedule

DIRECTOR'S NOTES...

DISTRICT MEETING PLANS UNDERWAY

Writing the Director's letter each month has always been something that I've enjoyed, but there have been many months we've chronicled events that have touched lives far beyond the ad valorem system—April 1995, May 3, 1999, September 11, and so many other events that have affected the collective soul and challenged the spirit of Oklahomans. I know that we join with the County Assessors Association in praying for a quick, successful conclusion to this war and are completely supporting American troops who are in harm's way.

For April, we have a number of highlights:

We're preparing for the District meetings (See schedule on **page 3**). Remember that these meetings are required, and don't forget that you can attend any of the District meetings if you have a conflict with the date for your District.

The list of ad valorem bills is dwindling, but we're continuing to watch these. The County Assessors' Association Legislative committee has been very active, and I've been impressed by the CODA web site. Jerry Stone, Oklahoma County Treasurer has done a great job on that site.

Our fourth day of our furloughs will be concluded in April with possibly one more to go in May. I've really been proud of the professionalism of our staff and their dedication in dealing with this situation. Thanks.

We're progressing well on the Windows for CAMA project. It's been a lot of work, but we think it will be worth it.

The biggest issue still out there is the Ad Valorem Reimbursement fund situation that has been closely followed by everyone. Some legislative solutions are out there, but the budget situation is still bleak. Be sure and still file your reimbursement claims, however.

We're planning to meet later this month with the County Assessors' Association Officers after the County Computer Coordination Committee (the so-called 4-C committee) to plan the Annual School in light of the budget crisis.

We appreciate the hard work and conscientious effort of all county assessors and deputies out there working to improve the Oklahoma ad valorem system and playing the role of "guardians of fairness." Thanks. Sincerely,

Jeff Spelman, CAE
Director, Ad Valorem Division

*P.S. A person
who tells you
something you
really don't want
to hear is
sometimes is
more of a friend
than someone
who tells you
everything is
going great
and you're
a hero.*
Anwar Caddo.



“OVERCOMING PROPERTY TAX DEMONS AND MYSTERIES”

Excerpts from an Article by Alan S. Dornfest, AAS
Appearing in the January, 2003 IAAO Magazine
Fair & Equitable



Who Pays The Property Tax?

The property tax is commonly thought of as a tax on homes and therefore an impediment to home ownership, which is so prized by Americans, with between 80 percent and 90 percent owning a home at some time during their lives (Berkovec and Zorn 1998).

The value of home ownership and perceived impediment concepts are so pervasive that nearly every state has enacted classification schemes, partial exemptions, or tax credits to lessen the incidence of the property tax on the residential sector (Dornfest 1994). Because of such favored treatment and because the business sector typically includes many high-value properties, it is usually more correct to view the property tax as predominantly a tax that falls mostly on non-owner-occupied residential property.



Who Pays Other Taxes?

It is also helpful to contrast the property tax with other taxes, in terms of who pays. Although the ultimate incidence (who bears the burden of the tax) of any tax relates to how much of the tax can be shifted, a complex issue that is beyond the scope of this article, studies on the initial incidence (where the burden lies initially, before it is shifted to others) often provide useful information.

These studies often will show that a higher percentage of non-property tax is paid by individuals, whereas a higher percentage of property tax is paid by business.

Administrative Issues

The property tax often is criticized as unfairly or inequitably administered and based on market value, an aspect of wealth that may not immediately translate into ability to pay. Longer periods between reappraisals or reassessments tend to worsen these negative perceptions.

This is made even worse during periods of rapid economic fluctuation, as assessed values drift rapidly away from any semblance of market value, equity, or understandability.

By the time reappraisal occurs, the magnitude of change may invoke serious public outcry, which will not be cured by demonstrating that better equity has been achieved.

The main administrative remedy to inequitable assessment involves increasing reassessment frequency and, as suggested in the standard on Property Tax Policy, “establishing regular reappraisal cycles or at least quality (vertical and horizontal equity) thresholds that trigger reappraisal.” (IAAO 1997, section 4.2.2)

Frequent ratio studies should also be conducted to “determine the need for a general reappraisal, to establish priorities for reappraisal of selected groups of properties... and to adjust appraised values between reappraisals.” (IAAO 1997, section 2.3.1.1)

In addition to appraisal equity aspects of assessment administration, open lines of communication with the public are invaluable. Many avenues are available, but assessors should also avail themselves of opportunities to explain administrative issues to legislators and the media.

The Standard on Public Relations suggests that it is “...the assessor’s responsibility to inform the taxpayer about the appraisal and assessment process, the information available for review, procedures for filing an appeal, and filing deadlines.” (IAAO 2001, section 11)

SCHOOL DISTRICT MAP GUIDELINES DETAILED

For the past several years, the Ad Valorem Division has been mailing school district maps to each county. Generally, the Division mails each office a map when there has been a boundary change.

These maps are produced by Geo Information Systems of the University of Oklahoma under direction of the Oklahoma Department of Education.

Statutory reference to school district boundary descriptions can be found in 68 O.S., Section 2815.2, which reads: "The county assessor shall maintain and use the current boundary descriptions of each and every district or part of a district in the county furnished by the State Department of Education pursuant to Section 4-104 of Title 70 of the Oklahoma Statutes."

The maps periodically mailed to the assessor's office serve as notification of any changes to the school and career tech district boundaries. If you have any questions about any boundary changes, they

should be directed to the Department of Education at (405) 521-3812.

If you observe minor differences (such as the mapped boundary does not quite follow your in-office boundaries), go with your boundaries. If there are major differences, your office must change the tax roll records to match the map sent to you. You are still required to use the currently mapped boundaries on this map until an updated map becomes available.

If you would like a digital mapping layer or have any questions relating to school district boundary procedures, please contact Troy Frazier at (405) 521-3178.

DISTRICT MEETING SCHEDULE:

May 2:
NW District
Karen Perkins (Ellis County)

May 16:
SE District
Joy Anderson (Pottawatomie County)

May 23:
NE District
Randy Wintz (Lincoln County)

May 30:
SW District
Teresa Tallon (Jefferson County)

MAPPING MINUTE

WITH TROY FRAZIER

The Ad Valorem Division participated in the "GIS Day at the Capitol" again this year. The only county assessor's office to participate this year was the perennial favorite—Oklahoma County.

Due to all the budget crises, we decided to highlight the ad valorem tax base and how it has grown by over 5% a year for the last several years (even last year). We highlighted how much of the ad valorem tax goes to other entities such as local schools, technology centers, county health, etc.

We also had a mapping program running that would give the 2001-2002 levies and estimated taxes for any point in the state. This program showed how much tax went to each agency based on a known market value.

Our overall purpose was to show how hard all of you have been working to reach and maintain market value in your respective counties. We wanted to show how the work your offices do affect the rest of the state.

We encourage you to keep up your efforts and congratulate you on your successes.

Remember:

Nobody likes to pay taxes; however, everyone likes to enjoy the services that they supply!



ANNUAL AGRICULTURAL CAP RATE RELEASED

The Ad Valorem Division has released the 2003 Agricultural Use-Value capitalization rate required for calculation of agricultural use values. The new cap rate is 7.64%.

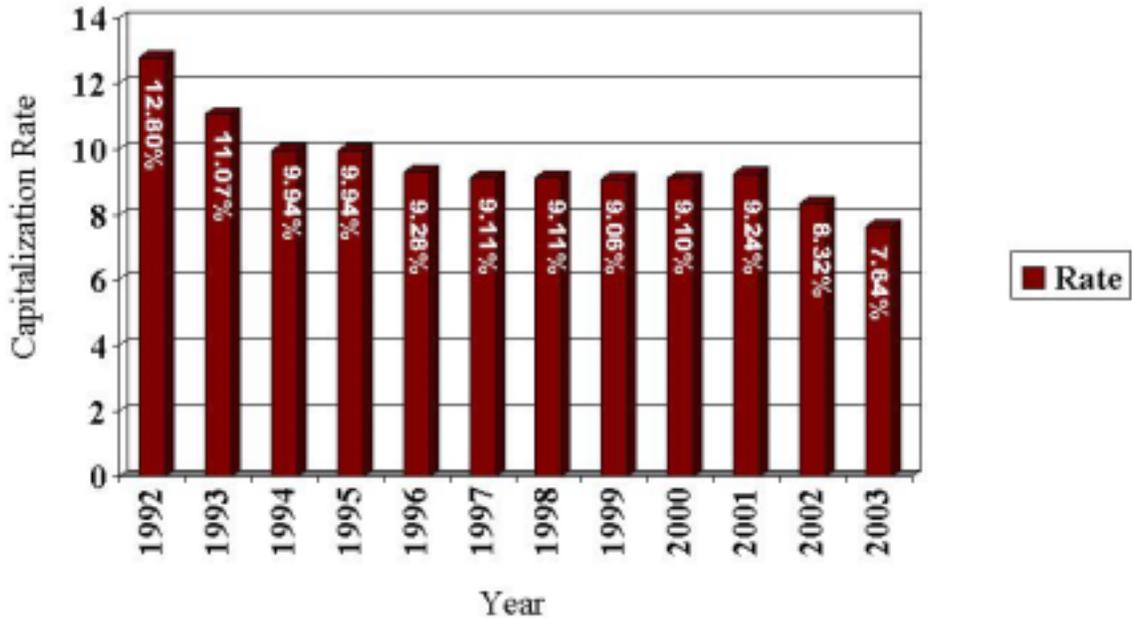
The Division is statutorily mandated to annually determine the capitalization rate for use value of agricultural land. This is in keeping with 68 O.S. Supp. 1997, Section 2817 which provides the following:

- C. The use value of agricultural land shall be based on the income capitalization approach using cash rent. The rental income shall be calculated using the direct capitalization method based upon factors including...*
- 4. A capitalization rate to be determined*

annually by the Ad Valorem Division of the Oklahoma Tax Commission based on the sum of the average first mortgage interest rate charged by the Federal Land Bank for the immediately preceding five (5) years, weighted with the prevailing rate or rates for additional loans or equity, and the effective tax rate.

Criteria utilized was derived from 2002 data, and the resulting rate of 7.64% is reflective of prevailing economic conditions. If you have any questions about the new capitalization rate, please contact Cathy Gibson of the Ad Valorem Division at (405) 521-3178.

AGRICULTURAL CAPITALIZATION RATE HISTORY



BILLBOARD VALUATION QUESTIONS ADDRESSED

Valuation of outdoor fixed advertising, better known as billboards, will be a topic for instruction at the Annual Educational Conference this August.

If you have questions you would like addressed, or have relevant materials for inclusion, please contact Kenny Chuculate at (405) 521-3178.

This session will provide information necessary to properly value outdoor fixed advertising in your county. Many other Conference planning activities are currently under way. If you have any special requests for course topics this year contact the Ad Valorem Division as soon as possible.

