



Oklahoma Ad Valorem

FORUM

Director's Notes:

March Madness again. I don't know if we're talking about the last of the homestead filing period or the NCCAA basketball tournament or maybe our county assessor in Tulsa County who was involved in a pretty scary incident on one of his volunteer patrols as a Tulsa County Sheriff's reserve deputy. Glad he's okay.

March is always a busy time of year with personal property renditions, homesteads, five-year exemptions, and work on the assessment rolls. You never know what's out there. I think that even after several years in the business, we all learn something new each day about ad valorem.

This is the first year anniversary of the "4-C" Committee / Oklahoma Tax Commission MIS project to make mobile home information available on the web. Debbie Gentry, "4-C" Chair, says it's worked out pretty well. I appreciated everyone's help. If people put their minds together, they can achieve a lot.

We've been working lots of legislation. As the session proceeds, many of the ad valorem bills are still making their way through the legislative process, but nothing is certain this early. Public service court cases are proceeding and we'll keep everyone up to date. We're starting to gear up for public service valuations. We've had lots of calls and questions about renditions as everyone prepares for the next couple of busy months.

Read an interesting article the other day in a business magazine. I don't know if I believe this one. The writer said that many young adults (teenagers and up) are often having gatherings or parties that are "cell phone, pager, etc" free. The idea is that this generation, the most digitally connected, the same generation that has been talking on cell phones since they were seven years old, actually some times crave some silence and peace from all the distractions. I thought that was amazing especially after last week where I saw a guy in heavy I-35 traffic talking on two cell phones at once. I would have loved to get to the bottom of that deal. Why two phones? And how did he even have enough attention span to know where he was.

Mark your calendars. We have a complete schedule now of the 2005 District and meeting dates:

- Oklahoma Association of Tax Representatives May 6 (Tulsa)
- Northwest: May 6 (Sequoyah County)
- Southeast: May 13 (Pittsburg County)
- Northeast May 20 (Dewey County)
- Southwest: May 27 (Canadian County)

A Look Ahead...

- March 29 – April 1, Unit III, Mass Appraisal, Tulsa
- April 18-21, Unit IV, Income Approach, Tulsa

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Thanks to everyone for their help on the various legislative surveys. We appreciate the hard work and conscientious effort of all county assessors and deputies out there. We hope that everyone's work helps improve the Oklahoma ad valorem system and make it better than it was given to us for taxpayers everywhere. Like Tom Cusack says, "keep in mind, we should be the guardian of fairness. Watch out for the dragons in the uncharted waters."

Jeff Spelman, CAE
Director, Ad Valorem Division

P.S.: "One of the greatest victories you can have over someone is to beat him at politeness."
Anwar Caddo, World famous Ad Valorem Philosopher, quote stolen from Josh Billings

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IAAO State Chapter News From President Wade Patterson



Hello Everyone:

You might remember from last month's *Ad Valorem Forum*, the Oklahoma Chapter of the IAAO is considering sponsoring a course in Oklahoma this summer.

A survey was conducted of IAAO chapter members on which course they would most like to have in Oklahoma. Course 300, Fundamentals of Mass Appraisal, received the most votes. This course provides an introduction to mass appraisal and is a prerequisite for the 300 series of courses offered by the IAAO. Topics covered include single-property appraisal versus mass appraisal, components of a mass appraisal system, data requirements and analysis, introduction to statistics, use of assessment ratio studies in mass appraisal, modeling of the three approaches to value, and selection of a mass appraisal system.

We will decide very soon on the date, location, cost, and instructor for the course. In all probability, we will try to have the course in late June or sometime in July. The date will depend on the instructor selected to teach the course. We will have the information finalized in a few weeks and will let you know as soon as possible.

The course will be available to anyone interested. You do not have to be an IAAO member to attend. If you have any questions, please feel free to contact me at lwade@garfieldcountymail.com.



Sincerely,
L. Wade Patterson,
Garfield County Assessor
2005 Oklahoma IAAO President

Receive The "Forum" By Email:

To receive the "Ad Valorem Forum" by email, please forward your email address to Cyndi Heath at cheath@oktax.state.ok.us.



You, Me, and the Cities...

Some of you have been receiving requests from cities concerning their city limit boundaries and may be wondering what is going on. Here is a short history. In 2000, Title 11, Section 21-112 of the Oklahoma Statutes was amended to read:

“When any territory is annexed to or detached from a municipality, whether by ordinance or court order, the mayor shall file and record a duly certified copy of the ordinance or court order, together with an accurate map or plat of the territory, in the office of the county clerk of the county in which the territory, or the greater portion of it, is located *and with the Ad Valorem Division of the Oklahoma tax Commission*. The record in the office of the county clerk shall be conclusive evidence of such annexation or detachment.”

Sales Tax Database

For the past five years, we have been collecting and mapping ordinances of boundary changes when the cities have followed through with this requirement. Since then, the Oklahoma Tax Commission has had Geo Information Systems of OU create a sales tax database that matches zip+4 zip codes with the proper sales tax rates. This database is based on the municipal mapping that we have been doing. Last year, this database went live for use by vendors. Soon, the State will join with other states to start taxing sales of products purchased over the phone and Internet using this database.

Election Board Computerized Database

The Oklahoma State Election Board has been computerizing their election database for the past several years. They have been producing their database off of the city, school district, and precinct mapping that Geo Information Systems has been producing for various state agencies. This year, the Election Board is requiring the county election board offices to use this database for all elections. The local offices have been making cities aware of potential mismatches.

If there are any mistakes, all the cities have to do is tell me what to change. If they (or you) have any questions, just call me at (405) 521-3178. Thanks!

Remember: *The only stupid mapping question is the one not asked!*





Property Tax News From Around The Country



Florida...

(From an article appearing in the South Florida Sun-Sentinel by Robin Benedick) A Florida statewide property tax cap, designed to protect owners from being taxed out of their homes, has had an unintended side effect: It's left some residents feeling trapped in their houses.

Since 1995, Florida's Save Our Homes Act has limited the taxable value of a home from rising by more than 3 percent per year. Because home prices have risen by double digits in recent years, the assessed value of many homes for tax purposes is well below their market values.

The tax jolt comes when the property sells, and new buyers must pay based on the home's current market value. For some potential sellers, the jolt comes before that.

With her children grown, Martha Smith planned to sell the three-bedroom home in eastern Fort Lauderdale she has owned since 1978 for \$400,000. But she soon realized that to stay in the area, the rise in taxes she would face meant she could afford a home priced only at \$250,000—enough for a one-bedroom condo.

"It didn't pay for me to downsize," said Smith, 53, an office manager at a Boca Raton Interior design firm. "Because of the taxes, I'm better off staying where I am."

Such immobility is limiting the supply of homes for sale, further fueling demand in a region where median home prices have reached \$300,000, up from the mid-\$13000's five years ago, according the Florida Association of Realtors.

"The available inventory under \$400,000 is so slim," said Fort Lauderdale area Realtor Beth Daly of Coldwell Banker. "It's almost impossible to enter our market now under \$150,000. Realtors consider larger tax bills a leading deterrent for buyers.



Iowa...

Real estate developers across the state filed a lawsuit recently claiming the state's property tax system penalizes apartment owners by charging them twice the rate of condominium owners.

The lawsuit, filed in Polk County District Court, claims the state's property tax system is unconstitutional. Under that system, apartments are taxed as commercial properties while condominiums are taxed at residential rates, roughly half that of apartments.



Minnesota...

In a unique proposal, Governor Tim Pawlenty wants to let Minnesotans vote on property tax hikes by checking off and mailing in a survey attached to their yearly truth-in-taxation statement.

If at least 20 percent of the property owners weren't satisfied with a tax increase, the city or county would have to hold a referendum or go back to their old budget.

Pawlenty compared the surveys' user-friendliness to I-Pods and gourmet coffee, while critics said they would make citizens less likely to participate in local government.



Nevada...

Nevada lawmakers' chief legal adviser said recently that there may be constitutional problems with a property tax cap—one of the leading proposals designed to give homeowners some relief from increases of up to 80 percent in their tax bills.

Legislative Counsel Brenda Erdoes told the Senate Taxation Committee that she hasn't been requested to produce a formal legal opinion, but it appears that a cap could violate a requirement in the Nevada Constitution for uniform and equal property taxes.



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"We do have some concerns," Erdoes said following the hearing. She added that even though no formal opinion is being prepared, legislators are getting "conceptual advice" on various tax relief plans.



Texas...

A House proposal to overhaul the state's school funding system mandates that 15 percent of future budget surpluses be spent on property tax reduction.

The future cutbacks would be in addition to property tax relief now being considered by the Legislature as sweeping school finance overhaul. That plan would reduce the property tax cap by a third, from \$1.50 per thousand of property value to \$1.

Republican House Speaker Tom Craddick said the measure would give taxpayers assurance that future funding priorities wouldn't detract from promises of more property tax relief.

But, some opponents argue that the provision would tie the hands of lawmakers to address future budgetary needs, such as spending on homeland security or health care.



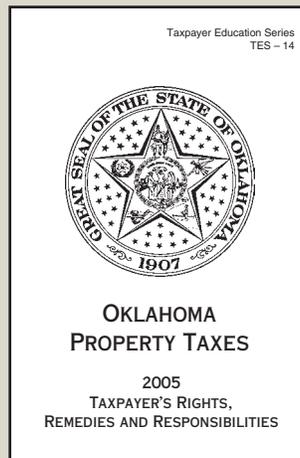
Elsewhere Around The World...UK

The British government's preferential business tax rates to two former state-owned telecom operators is being investigated by the European Commission, which said this could amount to an effective state aid, which distorts competition.

The inquiry was prompted by a complaint from a rival UK telecom operator which supplies telecom services mainly to the business sector, as well as concerns expressed by other rivals.

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Property Tax Booklet



Updated and Released

The booklet entitled "Oklahoma Property Taxes, 2005, Taxpayer's Rights, Remedies and Responsibilities" has been updated and an initial mailing to assessors has been completed. This booklet is also posted on the ad valorem web page at:

<http://www.oktax.state.ok.us/advpubs.html>.

If your county needs additional copies of this publication, please contact the AdValorem Division at (405) 521-3178.

The booklet contains a summary of relevant information for the ad valorem taxpayers of the state covering a wide range of assessment topics.





“How-To” Series:

Calculation of “County Adjustment Factor”

In the last issue of the *Ad Valorem Forum*, we discussed the mechanics of creating neighborhoods, assigning neighborhood codes, and applying adjustment factors to the cost values in your system. This month, we will review the steps in the Neighborhood Delineation Process, and begin a discussion of the specifics of calculating a county adjustment factor.

County Adjustment Factor Review

NBHD Delineation Steps, CAMA Valuation Process:

- Set Preliminary NBHD Boundaries
- Assign NBHD Numbers
- Plot Sales On Maps
- Adjust Boundaries As Necessary
- Run Sales Extract On Area Being Analyzed
- Plot Sales Ratios From Extract On Map
- Readjust NBHD Boundaries Again, If Needed
- Make Determination Of Preliminary Adjustment Factors
- Apply Adjustment Factors And Run Another Sales Extract
- Readjust Factors If Necessary Based On Result Latest Sales Extract
- Review Values In Field And Look For Any Remaining Problems On Individual Parcels

A county adjustment factor is simply the adjustment necessary to move the median sales ratio for a particular class of property as close to 100% as possible. It is applied only to the building value, as the land value should already be established at true market value. It should not be calculated until reliable land values have been established, accurate property characteristics have been collected on sold properties and entered into the CAMA sales file.

Why Calculate?

Why might you need to calculate a County Adjustment Factor? Because cost figures provided by the Ad Valorem Division are typical statewide values for each class of structure. Since identical properties in Boise City and Broken Bow might be expected to sell for differing amounts, and since the state cost figures would indicate the same value for these houses, county adjustment factors are calculated and applied.



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"How-To"

To calculate the county adjustment factor (after accurate land values are developed and entered, and after accurate property characteristics are gathered and entered), run an overall countywide ratio study separately for residential, commercial, and manufactured home properties to determine an overall appraisal to sale ratio for each property class in the county. If it is possible to accurately define land values for rural residential properties, they should be included in the study. If the rural residential land values are not accurate, do not include them in the study.

Next, take 100 divided by the Present Ratio (Median) = County Adjustment Factor. Once calculated, this figure is entered into the proper place in the CAMA system tables.

In next month's *Forum*, we will review calculation of neighborhood adjustment factors.

Public Service Update With Mike Isbell

Airlines, Railroads and Public Service Companies rely on their financial data to complete the returns they file with us. It is very seldom that the tax representative who completes our return has the dual responsibility of the completion of their companies Regulatory Reports.

The Annual Reports, filings to the Security and Exchange Commission, FERC Reports, Financial Statements and Balance Sheets are all prepared by those with expertise in those fields. Arthur Anderson comes to mind.

Made the hair on the back of your neck stand up with that one, as well it should have. But it does bring us to the topic of this article, the Sarbanes-Oxley Act of 2002. This act establishes a Public Company Accounting Oversight Board and the rules by which it operates. Among other things this Board shall:

1. Register public accounting firms;
2. Establish, or adopt, by rule, "auditing, quality control, ethics, independence, and other standards relating to the preparation of audit reports for issuers;"
3. Conduct inspections of accounting firms;
4. Conduct investigations and disciplinary proceedings, and impose appropriate sanctions;
5. Perform such other duties or functions as necessary or appropriate;
6. Enforce compliance with the Act, the rules of the Board, professional standards, and the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto.

The Securities and Exchange Commission (SEC) has oversight and enforcement authority over the Board. In order to audit a public company, a public accounting firm must register with the Board. The Board must notify the SEC of pending investigations involving potential violations of the securities laws, and coordinate its investigation with the SEC Division of Enforcement as necessary to protect an ongoing SEC investigation.

The SEC may, by order, "censure or impose limitations upon the activities, functions, and operations of the Board" if it finds that the Board has failed to ensure compliance of accounting firms with applicable rules without reasonable justification.

Some checks and balances are in place. Hopefully another Enron or WorldCom type situation can be averted. And, if everyone is doing their part, those who prepare and those who audit the public service returns have some confidence in that the numbers should be clean.

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