Oklahoma Ad Valorem FORUM

Volume XIII, Issue VIV • October 2004

Director's Notes:

October in Oklahoma. Fall football season is in full swing and from the election signs everywhere it looks as if there's an election coming up. It doesn't get any better, not only that it's time for the County Assessors' Association Convention at the end of the month.

At the Ad Valorem Division we've had a busy fall. You might even be able to find us buried in the turmoil of our office. We've taken down all of our cubicles and moved them for installation of some new cable for our computers and removal of an ancient (fifteen year old) carpet so we've re-arranged our offices. Not a major change, but it's been a challenge. Does anyone ever realize how much stuff we accumulate in our state and county offices? We've weeded out lots and still have boxes and boxes of material from the Ad Valorem Task Force and that's been over ten years ago. We'll be back on track in two weeks, but we may be searching for staplers and my desk calendar for years.

Progress on our CAMA Windows update is proceeding. The County Computer Coordination Committee (4-C committee) lead by Debbie Gentry has suggested that we do a survey on any remaining computer problems. We're working with State Auditor and Inspector (SA&I) to make sure that the two systems "shake hands" properly and the updates are in order. Glenn Blood along with Greg Harmon, Larry Martin, Marsha Rayburn, and Charles Wilson have put many hours into making it as smooth as possible, but like most conversions we'll have a few problems which we can correct.

Training will start soon on the Pen-based hand-held data collection system. An article appears in this newsletter on the new system. Thanks to Garfield County's Wade Patterson for taking the risk as a new explorer.

We attended the Oklahoma Association of Tax Representatives (OATR) on Monday. We had a good session with that group. Michael Kemp of Conoco Phillips will take over as President for the next year, and he is eager to get started.

As we close out the County Assessors' Association year, I would like to thank President Debbie Collins, Vice President Denise Heavner, Secretary/Treasurer Ralph Wilson, and Reporter Joy Anderson for all their hard work this year. As those who have served as Association officers know, it is a tremendous commitment to put so many extra things on your "TO DO" list. Most county assessors I know are already the busiest people in their communities anyway. So we appreciate their efforts. We had a good meeting with the county assessor leadership for 2006.

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A Look Ahead...

- **November 2-5: Unit IV, Income Approach, Oklahoma City**
- **November 25: Thanksgiving Day**

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We all share a responsibility to make the ad valorem system better than it was when it was given to us. We're the "guardians of fairness" and we appreciate the efforts of the members of the County Assessors' Association who've made that happen.

This has been an emotional month for lots of people that we know. We were really sorry to hear about the tragedy in Love County. We've also appreciated the many messages of concern and sympathy for Marsha Rayburn and her family. Thank you.

Jeff Spelman

P.S. Richard Henry Carlson from the Boston Assessing Department presented a history of property tax at the IAAO Conference. Carlson has some really interesting background on the earliest property tax. Our new hero is Aristides the Just, the treasurer and tax assessor in ancient Greece. According to Carlson's research, this ancient assessor was so conscientious and fair that he was given the nickname "The Just." Not a bad nickname for an assessor.

New Hand-Held Pen Data Collection System Options Becoming Available For State System Users

This month, Garfield County begins testing of hand-held pen-based data collection units and field data collection software for use with State CAMA System software. After the testing phase is complete, other counties will have the option to acquire and use this new technology.

Garfield County Courthouse in Enid, Oklahoma

Information from the CAMA system is downloaded onto the hand-held computer for fieldwork, then changes to records are made during the physical inspection process, streamlining office operations and freeing up staff for other critical tasks.

After the data collector returns to the office, the updated records are then transferred to the county network.

The Ad Valorem Division is assuming initial programming and startup costs required for the new software capabilities, and will pay ongoing statewide software maintenance for the new technology on behalf of the counties.

The Ad Valorem Division will receive training in use of the new mobile computing technology and will assume responsibility for training counties that elect to use the hand-held data collection units.

In addition to the State funds for support of this project, counties choosing to utilize this technology will also pay a one-time software fee of $5,000, and must purchase the hand-held computer units, which currently run about $2,000 each.

Wade Patterson, Garfield County Assessor, will give a preliminary report to Assessors and Deputies at the Fall Assessors Meeting November 3-5.

The Ad Valorem Division will only be able to assist and train a limited number of new counties each year choosing to use the hand-held systems. If you have an interest in this technology, or have questions about the software or hardware, you may contact Joe Hapgood at (405) 521-3178.

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The 2003 color aerial photography

Finally, the aerial photography that many of you have helped purchase with the Farm Services Administration and the Natural Resources Conservation Service is being made available to the general public. As a result, I am currently downloading the 2003 color aerials as well as updated 2002 TIGER road, railroad, and water layers. These federal layers as well as our own local city, precinct, rural fire protection, and school district layers will be on new mapping support CD-ROM. These CD's will be available for the assessors' fall conference next month.

Software training

As some of you are aware, we have been working with Moore-Norman Technology Center for some time developing an assessor mapping class with ArcGIS (ArcView, ArcEditor, and ArcInfo 8+). We are looking to schedule a class for the western counties in November possibly at Weatherford or Woodward and a class in December in the Tulsa area. If you are interested in attending or have suggestions, please give me a call.

If you have other mapping software needs, please give me a call. I am still visiting counties and doing regional training. If you want me to come out, just ask!

Remember: Beware of free gifts! However, they're the only kind that I can give you!

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.

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History Of The Property Tax

Excerpts From A Paper By Richard Henry Carlson, Boston Assessing Department, For The 2004 IAAO Conference

Introduction

In various forms property taxes have existed since civilization began. The form, policy, and administration have determined the level of political acceptance. In days of old the source of wealth was through land and the proceeds of land.

At times there was no monetary system setup and taxes were paid by a percentage of crops raised. It should be pointed out that through most of history, the tax assessor and the tax collector were the same person; therefore, the terms will be used interchangeably in this paper.

There have been various forms of taxation through the millennia. Some of the most common were poll taxes (per head), tariffs on goods, and property taxes on the value of land, buildings and other personal property.

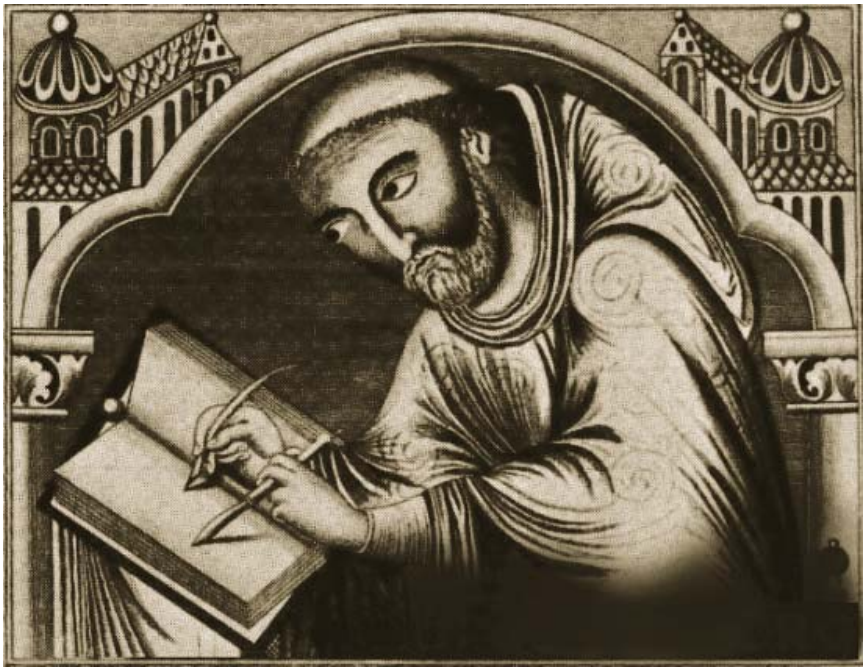
The focus of this paper is on real and personal property taxation. Let's take a short walk through time and understand what we have in common with our ancestors and what we can learn from them, and how developed the current property tax systems have come to be.

Ancient Times

The earliest known tax records come from clay tablets found in the ancient city-state Lagash (approximately six thousand years B.C.) in modern day Iraq, just northwest of the Tigris and Euphrates Rivers. The king used a tax system called bala, which meant rotation.

This meant that the assessors would focus on one area of the city-state and assess and tax one area each month, thereby breaking down the arduous task into more manageable components (This is a lesson that we have used in Boston by not attempting to focus on all property in a revaluation year, but rather in the interim years we focus great attention on the valuation of retail and industrial; and then the following year on apartments or other sub-sets of property. This allows a thorough review of assessing the various components of value and ultimately better assessments).

In Lagash taxes were very low, but in a time of crisis or war the tax rate on goods was ten percent of all goods (primarily food) produced. There is a quote attributed to an anonymous citizen of Lasgash "You can have a Lord, you can have a King, but the man to fear is the tax assessor.



Property taxes were used in Egypt, Babylon, Persia, and China and throughout the ancient world. Most people were poor and lived in buildings such as a hovel. The primary focus of early property taxation was land and its production value.

Ancient Egypt was a thriving culture from 5,000 B.C. and lasted thousands of years. Taxes were levied against the value of grain, cattle, oil, beer and land. Approximately one in a hundred people were literate, they were called scribes.

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Some of the scribes were the tax assessors. They kept records on who owned title to lands and the size of the fields; they at various times did annual or biannual data collection by counting cattle and checking the crop yields. The most common taxpayers were the farmers, where assessors coerced collection.

If a taxpayer did not pay, or was not able to pay, then one was brought before courts that immediately dispensed justice. A typical tax rate was ten percent of all production. Tax assessors were highly valued people because of their skills with hieroglyphics and ability to collect revenue.

Often when a king died the assessor was the only staff person not buried with the king because the next king valued his service. There are tombs and monuments for assessors in Egypt and Syria that rivaled some of the kings. In Egypt the famous Rosetta Stone was inscribed giving tax exemption to priests. It was a tax document.

Public Service Update with Mike Isbell

The Ad Valorem Division of the Oklahoma Tax Commission is responsible for the central valuation of railroads, airlines and public service companies, as defined in our statutes. We value the going concern. We receive financial data from the companies inclusive of balance sheet and income statements, regulatory reports, annual reports to stockholders, and virtually anything else we can get our hands on to get a true and reflective picture of the company in question.

We develop our indicators of value from this information. Income, cost, and stock and debt approaches to value come directly from this financial data that has been submitted by and collected for each centrally valued company. We, needless to say, put a lot of faith in these numbers.

Some of you might ask how could we put so much faith in the numbers submitted, given recent accounting scandals, get rich quick schemes and a general skepticism on the part of many in the public. All of these things have happened and some may continue to exist to this day. But it is precisely these things that give use more confidence in those numbers. Their byproduct are stricter rules and enforcement of Financial Accounting Standards Board Rules (FASB), Generally Accepted Accounting Principles (GAAP),

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Securities and Exchange Commission (SEC) and other regulatory forms and schedules that companies have to file.

Most companies don't go into business to lose money. They have a business plan or strategy to develop synergies in place to maximize their effect and allow them to follow their business model. They know where they are and where they want to go, and what has to happen to get them there. Some plans are better than others.

Chief Executive Officers have a fiduciary responsibility to enhance shareholder value. Shareholder value is influenced by a multitude of things, both directly and indirectly related to the company. Earnings, risk, and booked asset valuation are a few of the concerns an investor has that affect their decision process. Earnings are reflective of the going concerns' ability to implement their corporate strategy and react to changes in the market. Risk is reflective of the investors' willingness to invest knowing the costs of that investment and the potential returns. And finally, "Are the assets as booked, reflective of their value?"

We rely heavily on FASB, GAAP, SEC regulations and the adherence of companies to their standards, and try to stay up on changes as they occur. Financial Accounting Standards Board has released an Exposure Draft regarding Fair Value Measurements. The proposed statement would:

1. Define fair value as "the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, unrelated willing parties."
2. Clarify and incorporate the guidance in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements,* for using present value techniques to estimate fair value.
3. Clarify that valuation techniques used to estimate fair value should emphasize market inputs, including those derived from active markets. (Active markets being those in which quoted prices are readily and regularly available.)
4. Provide general guidance for selecting the valuation premise that should be used for estimates of fair value.
5. Would establish a hierarchy for selecting the inputs that should be utilized in valuation techniques used to estimate fair value. Those inputs differ depending on whether assets and liabilities are identical, similar, or otherwise comparable.
6. Establish the Level 1 reference market as the active market to which an entity has immediate access or, if the entity has immediate access to multiple markets, the most advantageous market.
7. Require that the fair value of financial instruments traded in active dealer markets where bid and asked prices are more readily and regularly available than closing prices be estimated using bid prices for long positions (assets) and asked prices for short positions (liabilities), except as otherwise specified for offsetting positions.
8. Require in the absence of quoted prices for identical or similar assets or liabilities in active markets, fair value be estimated using multiple valuation techniques consistent with the market approach, and cost approach whenever the information necessary to apply those techniques is available without undue cost and effort Level 3 estimates).
9. Require that the fair value of restricted securities be estimated using the quoted price of an otherwise identical unrestricted security, adjusted for the restriction.
10. Require expanded disclosures about the use of fair value to remeasure assets and liabilities recognized in the statement of financial position.

The above items are some of the proposals of this project. Companies have had the opportunity to review, offer input and to make changes necessary to implement this proposed statement. The proposal would be effective for financial statements issued for fiscal years beginning after June 15, 2005, and interim periods within those fiscal years. FASB expects to address issues relating to the relevance and reliability of fair value measurements and the unit of account that should be used for those measurements in upcoming phases.

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What Is A Micropolitan Area?

The U.S. Census has created a new classification for Oklahoma cities. It used to be that their data was divided into only "urban" or "rural" cities or towns.

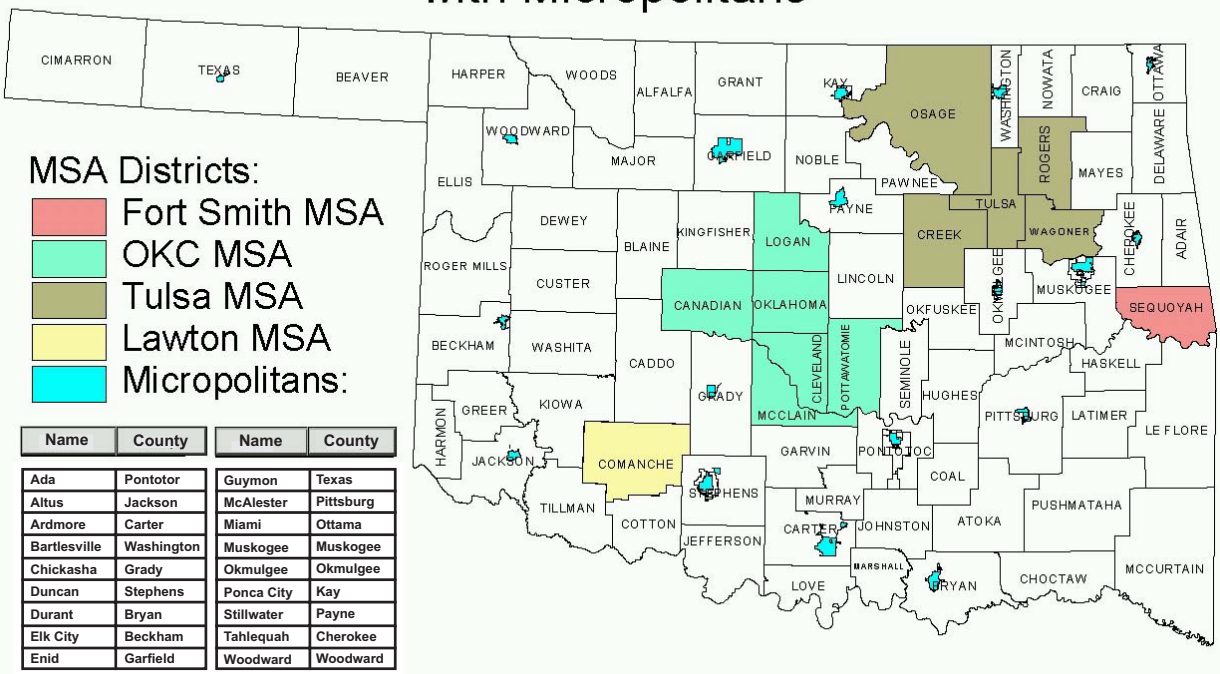
Oklahoma City and Tulsa and their surrounding suburbans were identified as Metropolitan Statistical Areas (MSAs) with over 50,000 people. (About twenty percent of the nation's population lives in MSAs.) Lawton, Enid, and Ft. Smith were also included.

A county outside an urban area such as Logan County or Creek County was added to the MSA if it was economically tied to the larger city and a certain percent of its work force had jobs in the central city or county.

If a city didn't have 50,000 people, it was "rural." Recently, growing numbers of Oklahomans and businesses have been locating in smaller cities and towns attracted by cheaper land and rural lifestyle. These cities, while smaller than suburban areas, often serve as a market center for a very large area. (Think of Guymon or Woodward or Enid or Ada or McAlester.) The problem with the "rural" and "urban" classification was it didn't recognize suburban type towns or economic center towns that were not close to an MSA.

Census planners determined that the old "urban-rural" categories did not reflect the complexity of population growth in the United States. The Census Bureau has started tracking these new growth areas in June 2003. These cities are called by the strange name of "micropolitan areas" indicating that they have at least an urban core of 10,000 people, but less than 50,000 and the community plays a role as an economic center.

Metropolitan Statistical Areas of Oklahoma - 2004 (for HUD median household incomes) with Micropolitans



Name	County
Ada	Pontotor
Altus	Jackson
Ardmore	Carter
Bartlesville	Washington
Chickasha	Grady
Duncan	Stephens
Durant	Bryan
Elk City	Beckham
Enid	Garfield

Name	County
Guymon	Texas
McAlester	Pittsburg
Miami	Ottama
Muskogee	Muskogee
Okmulgee	Okmulgee
Ponca City	Kay
Stillwater	Payne
Tahlequah	Cherokee
Woodward	Woodward

Map created by the Ad Valorem Division of OTC, September 28, 2004
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