



# Oklahoma Ad Valorem

# FORUM

## Director's Notes:

We enjoyed seeing lots of county assessors at the CODA meeting recently. The weather was pretty cold and miserable, but we had a good crowd for the county assessor break-out on Wednesday. Several faces were missing of some key folks, but I think that the February cold epidemic has hit about everyone. I've enjoyed working with Debbie Collins and her officer team. It's amazing how well a double-shot of cough medicine will get a person through a presentation.

Here's what's going on this month:

### Legislature Convenes:

This month's biggest event has been the opening of the 2004 Oklahoma Legislature. The budget is the primary issue, but numerous ad valorem bills are already under consideration. We have had a great deal of questions on the Five-Year Exemption, changes to the cap, senior freeze, and additional homestead exemption reimbursements.

The Geographic Information Council legislation as drafted would place a county assessor on the GIS Council, but some discussion has occurred to change that to the CODA Board.

### Field Assignments for 2004:

We've assigned our Equalization and CAMA staff for 2004 with some changes to make up for a retirement and medical leave. Our A&E Analysts, who are the best in America, are already out on the road. I know the county assessors and deputies share our appreciation of our group.

### District Meetings

Mark your calendars. We have a complete schedule now of the 2004 District meeting dates:

Northwest:	May 7 (Adair County)
Southeast:	May 14 (Garfield County)
Northeast:	May 21 (Hughes County)
Southwest:	May 28 (Beckham County)

### Mobile Home Project

The 4-C Committee is working with Oklahoma Tax Commission MIS on a project to make mobile home information available on the web. Debbie Gentry, 4-C Chair, says we are making progress. We hope to complete it in March with some training shortly thereafter.

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### A Look Ahead...

- March 9-12, Unit II (Real Property Appraisal), Tulsa
- March 30 – April 2, Unit III (Mass Appraisal), Tulsa



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### Five Year Exemption Short-Fall

The claims for payment are about \$48 million and with \$6.2 already paid out of this year’s funds, a rough shortfall projection would be about \$31 million not including the additional homestead exemption.

### State Board of Equalization (SBOE) Guidelines

The State Board of Equalization (SBOE) subcommittee has worked extremely hard over the last month or so reviewing all public service guidelines. We expect them to complete their effort some time in March. 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 make it better than it was given to us for taxpayers everywhere.

Jeff Spelman, CAE  
Director, Ad Valorem Division

P.S. “Remember taxpayers don’t call you when they’re glad, they call when they’re mad, but it is still taxpayer service that’s what it’s all about.” Anwar Caddo.

This month’s sermon from Debbie Collins: If your county hasn’t gotten Internet and E-mail, you need to check it out. At the Ad Valorem Division, we’re getting more and more questions by E-mail, and we’re finding it’s the quickest easiest way to communicate and find out what’s going on. Nearly all OSU Extensions in every county house have Internet, so it’s being used. Every single one of our new assessors either had it or was interested in getting on the train. We now have at least one-half of the counties on the web, and many of budget constraints will make posting something on the web much more cost efficient.

## Present Status of Property Tax in U.S.

*Excerpts from an Article by Jeff Spelman, CAE and Mary Spelman, PH.D. entitled “We Come to Faintly Praise the Property Tax, Not to Bury it: The Importance of the Property Tax in the United States,” appearing in the Fall, 2003 IAAO Assessment Journal.*

### Property Tax Unpopular

Despite its long-term strength, one of the standard, accepted truths about the property tax is its unpopularity. The property tax repeatedly “wins” various surveys or contests as the most hated tax, usually edging out the Federal income tax. Why is a tax that is the backbone of local government, supposedly cherished by citizens, so unpopular? Why is a tax that is administered by the level of government closest to the people and universally used to support local schools so disliked? What is the source of its unpopularity?

Economists and tax policy experts don’t seem to agree on the basis for its bad reputation, but throughout history, rancorous criticism of the property tax has existed. One of the most scalding quotes is that of E. R. Seligman (1985) who said, “The general property tax...is beyond all doubt one of the worst taxes known in the civilized world.” The 1931 Jens Jensen quote is another example: “If any tax could have been eliminated by adverse criticism, the general property tax should have been eliminated long ago. One searches in vain for one of its friends to defend it intelligently...Yet the tax persists.”



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For those of us who are practitioners, the voice of critics is quite familiar and loud. It is not difficult to recall the anger and frustration voiced by the local taxpayers and citizens about the ad valorem tax. Yet many times this criticism has been logically inconsistent. In one meeting, a group of farmers charged that the tax was so onerous that it endangered the fragile fabric of civilization. Then an hour or so later, the same group bemoaned the lack of aggressiveness on the part of the county assessor as it applied the property tax to oil field companies.

### **Inconsistent Administration**

Of all the criticisms aimed at property tax, the most enduring has been its lack of consistent administration. Since the property tax in the United States relies primarily on local officials who are often elected or politically appointed, the system is often criticized for the shortcomings of these officials. Charges have been levied that many of these assessors are not technically capable of properly valuing complex properties or that their assessments are driven by political considerations rather than market value. This situation is compounded by the large number of assessing officers in the United States. In 1986, 2,500 counties, 1,800 municipalities, and 8,900 townships had local assessing officers responsible for the assessment of property tax (Eckert 1990).

The concern is valid because the job of the local assessing official is technical, the officials are generally underpaid, and almost universally the organizations responsible for administering the assessments are underfunded. However, problems in the area of training have improved. The International Association of Assessing Officers (IAAO) since its inception in the 1930's has developed training programs for assessing officials. Many states have enacted state accreditation or training systems. My state along with a number of others has a required accreditation system with training provided by a state university. Local elected officials who do not complete the program and pass the test that completes the program within a prescribed period of time, must forfeit their office.

### **Tools Improving Assessment Accuracy And Performance**

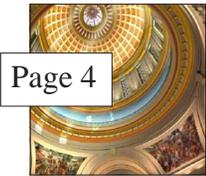
The IAAO has also been instrumental in developing and disseminating many mathematical measurement tools that can be used by county assessors to test for horizontal and vertical inequities. Several IAAO members, former education director, Joe Eckert, Rich Almy, Robert Gloudemans, and others, have brought usage of such tools into the wider assessment community. These measures are commonly used for quality control or by state oversight agencies to measure the performance of county assessors and Boards of Equalization.

By far the most important development in the last ten years has been the increased use of Local Area Networks using computers with Computer Assisted Mass Appraisal (CAMA) software. These resources are now reasonably inexpensive and readily available. The resources can dramatically improve appraisal performance in county assessors' offices. CAMA systems also offer useful tools for editing information for inconsistencies or logical errors. For example, one common programs checks for simple mistakes such as entering 25 bathrooms instead of 2.5 bathrooms. The discipline of the CAMA entry process helps standardize the data sets used, and conscientiously used, it provides accuracy and objectivity never dreamed of in the old manual systems.



## **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](mailto:cheath@oktax.state.ok.us).



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## “Mapping Minute” with Troy Frazier

### Why Map?

In the November, 2003 *Ad Valorem Forum*, we partially quoted Title 68, Article 28, Section 2821 which dealt with the statutory requirement for the county assessor to map. Now here is another statute with direct bearing to the question “Why Map?”

### Title 68, Article 28, Section 2829.1

*There is hereby created in the office of the county treasurer a revolving fund for the office of the county assessor, to be designated as the “County Assessor Fee Revolving Fund.” The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all fees collected by the assessor and all monies accruing to the fund. Monies deposited to the fund shall be expended by the county assessor and shall not be transferred to any other account for a purpose other than:*

- 1) *For maintenance, replacement and upgrade of computer hardware and software associated with county assessor databases and geographic information systems; and*
- 2) *To provide products and services generated from the database and geographic information system to both public and private parties.*

*The intent of this section is to increase the net funding level available to the county assessor to maintain electronic databases and geographic information systems as required pursuant to Section 2829 of this title.*

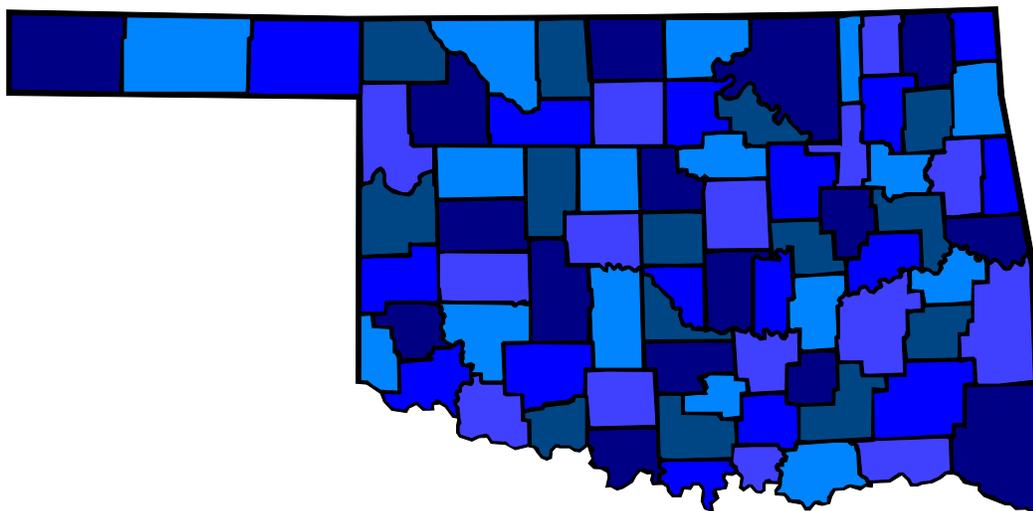
### Conclusions

This is your money. All fees from wall sized ownership maps, rural ownership plat books, special maps, etc. collected go into this fund. Most counties that have an active mapping program have raised thousands of dollars for this fund and have used it to buy new computer equipment and software for the office.

If you would like help in creating plat books and large maps, please let me know.

### Remember:

*How can anyone buy mapping products from you if you’re not mapping?*





# SBOE Subcommittee Reviews Public Service Appraisal Guidelines

Since December 15, 2003, a State Board of Equalization subcommittee chaired by State Treasurer Robert Butkin has been meeting to review the Oklahoma Tax Commission guidelines for the appraisal of public service property.

Other subcommittee members include State Auditor and Inspector Jeff McMahan, and State Superintendent of Public Instruction Sandy Garrett. Also a member of the review panel was Secretary of Finance and Revenue and Director of the Office of State Finance Scott Mecham.

This subcommittee will hold a total of seven meetings by the end of March. Each meeting was dedicated to the appraisal process of specific industry groups: electric power, airlines and railroads, fluid and gas pipelines and water companies, and telecommunications.

Each industry group was invited to present concerns they might have on the current appraisal process and were encouraged to provide specific proposed changes to the existing guidelines.

The charge of the subcommittee was to review the guidelines for their consistency with current case law, appropriateness of current appraisal guidelines, and to provide a deeper understanding of the process of public service property appraisal.

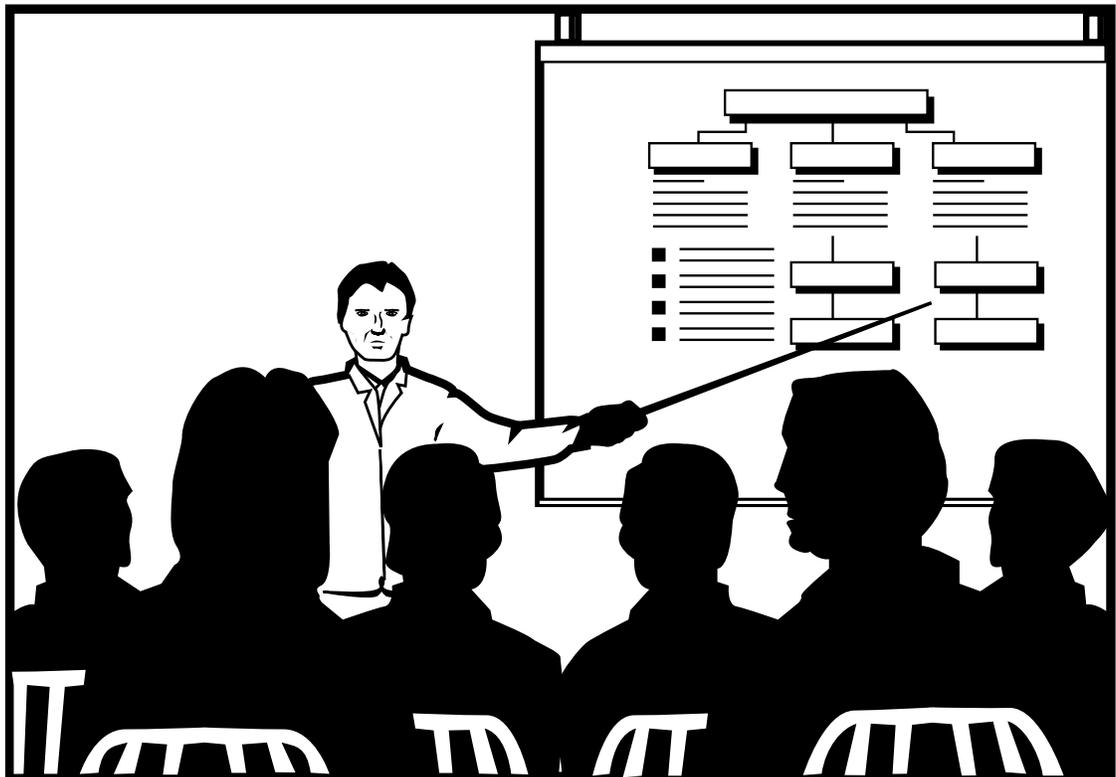
Specifically excluded from discussion were all public policy topics that required legislative or constitutional action such as the definition of public service companies, the tax base for property taxation, and the question of the overall assessment ratio for public service companies.

Each meeting began with a presentation from the Ad Valorem Division of the current guidelines for each industry group and an in-depth discussion of a specific topic.

These topics included development of the capitalization rate, method of allocating unit values to Oklahoma values, replacement cost new less depreciation (RCNLD) cost appraisal as an indicator of value, and apportionment of value to local units of governments.

The subcommittee concludes its review of public service appraisal guidelines next month.

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# Do Legislative Term Limits Affect State Tax Policy?

*Excerpts from an article by Karen Setze entitled “Do Legislative Term Limits Affect State Tax Policy,” appearing in the February 9, 2004 State Tax Notes Newsletter produced by taxanalysts.com.*

## Common Effects Of Term Limits Upon Legislatures

Some things can be counted on. Like the spray of the Old Faithful geyser in Yellowstone National Park or the swallows returning to Capistrano. Dexter Johnson, deputy legislative counsel for the Oregon Legislative Assembly, has found that he can count on a proposal for property tax relief for seniors from new lawmakers.

“I see it every session,” Johnson said. “There’s always some seniors telling people running for office that ‘we need some property tax relief.’ The new legislators come up with what they think are new ideas, and it takes a while before they realize that the reason it hasn’t been passed isn’t lack of interest—there’s plenty of that—but because it’s so expensive. They are surprised to learn that if you reduce the revenue with tax relief for seniors you have to make up for it somewhere else.”

Oregon saw a lot more freshman lawmakers during the 10 years that term limits were in effect (The law was overturned by the Oregon Supreme Court in 2002). Getting many new faces into the Legislative Assembly is what the term limits were intended to do.

Like Oregon, however, other states have noticed some unintended consequences, such as a “loss of an institutional memory on what the issues are and how they have been dealt with,” a staffer with the Maine Legislature said. Some of the same issues—even some of the same bills—are being introduced again and again.

Officials in three other states with term limits—Colorado, Ohio, and Arkansas—report similar effects. “We see issues that have been considered in the past are resurfacing,” Arkansas Revenue Commissioner Tim Leathers said.

California, Colorado, and Oklahoma adopted term limits in 1990, and within the last 13 years, another 18 states followed. In three of those states—Massachusetts, Washington, and Oregon—the state supreme court overturned the term limit law. In Idaho and Utah, the legislatures have repealed the limits.

## Research Results

Political scientists studying term limits have identified some specific effects, some of which seem likely to affect tax policy. Research by the University of Oregon’s Priscilla Southwell, Eric Lindgren, and Ryan Smith found that lawmakers in their last terms in office “appeared more likely to vote independently from party leadership on certain key bills, and such behavior was slightly more prevalent among Republicans.”

“The implications of these findings for the future of party cohesiveness within state legislatures is striking,” according to the paper by Southwell, Lindgren, and Smith. “In the past, the number of last-term legislators in any one particular legislative session was relatively small. Now that this group will be a sizable one, it is quite possible that party leaders are going to have to contend with a group of more independent-minded legislators, and they may have more difficulty getting certain bills passed despite a seemingly solid party bloc. ‘Counting noses’ may simply not work anymore.”

Will this independence be good or bad? It depends on your interpretation, say Southwell, Lindgren, and Smith. Term limit supporters have said the independence of the last-term legislator means freedom to be “an independent statesman, to reflect the broader interests of the state, and to be less constrained by the demands of large campaign contributors,” according to the paper. Other observers see this





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independence as a problem, arguing that the “lack of electoral punishments and rewards produces the potential for moral hazard. Such legislators may ‘shirk,’ if they desire to do so, by voting their personal preferences, the interests and needs of voters in their district,” the analysts say.

### Real World Experience

“Has there been an impact? Yes,” said Pat Hill, spokesperson for the California Franchise Tax Board. In Florida the perception of the impact of term limits depends on who’s talking. Dave Bruns, spokesperson for the Florida Department of Revenue, said he didn’t think term limits had had much effect on the state’s tax policy. But Martin Dyckman, editorial writer for the *St. Petersburg Times*, described them as “the worst thing that the people of Florida ever did to themselves.”

Scott Peterson, director of the South Dakota Department of Revenue’s Business Tax Division, said that “new legislators, for the most part, don’t have the biases” and are “more open-minded.” Peterson, speaking at the August 26 MSATA meeting, added that “if you really get the right issue and the right group of people, you can pass anything.”

On the downside, tax policy has “a very steep learning curve” and new lawmakers may not have a handle on it before the end of their first term, Johnson of Oregon stated. Several state officials said that new legislators often struggle to understand tax law.

“New members inevitably need time to understand tax law, as it’s an arcane subject with ramifications on the budget,” Hill said. “When we are doing our bill analyses, we will often be asked to follow up with personal meetings [with lawmakers] before they hold hearings.”

“There’s a lot of education that has to happen,” said a legislative staff person from Maine.

“We’ve had to be more attentive, get up to speed, and spend more time with [the lawmakers],” said Reimer of Colorado.

In summary, term limits have created both positive and negative effects on state tax policy since their inception in 1990.

