



Oklahoma Ad Valorem

FORUM

Director's Notes:

Somebody has a birthday next month in Tulsa. It's the Diamond Anniversary Year for the Oklahoma Tax Commission Annual Conference for county assessors and deputies. This is our sixtieth production of the Annual Conference and it will be held August 10-13, 2004 at the Marriott Southern Hills in Tulsa. At sixty years young, the conference is now one of the oldest continuous conferences in the nation. The Annual Conference continued through World War II despite all the turmoil of that period of wartime, and our staff is looking forward to another busy, fun, informative week in Northeast Oklahoma.

Registration has been really busy and almost all of the counties have either registered or completed their hotel reservations by the time we finished this newsletter.

As usual, we've invited the State Board of Equalization (SBOE) members and the President of the Oklahoma Association of Tax Representatives to the opening session, and we'll also honor all those county assessors or deputies who've completed their initial and advanced accreditation programs last year. Oklahoma's program is one of the best and most rigorously tested programs in the nation. The Center for Local Government Technology (CLGT) and the Ad Valorem Division will present advanced accreditation certificates at the opening session.

On the topic of Tulsa, Michael Wallis and David Fitzgerald's book "Oklahoma Crossroads" is a great book on Oklahoma. It's a really interesting combination of wonderful photography and Wallis's crisp writing (Wallis is a world renowned expert on Route 66, and I read his book shortly after Lincoln County's Route 66 District meeting in 2003). "Oklahoma Crossroads" has some great material on the history of Oklahoma covering nearly every inch of the northeast part of the state from as far west as Pawnee and south to Muskogee.

As some of you know, I grew up in Cimarron County, but I have a connection to Tulsa. I am a graduate of Oliver Wendell Holmes Kindergarten with "post-kindergarten advanced First Grade studies" at Eliot Grade School in Tulsa, so one of my favorite pictures in "Oklahoma Crossroads" was David Fitzgerald's picture of the old 345-foot tall Philtower. When the Philtower was constructed in 1927, it was the tallest structure in Oklahoma and the top of the tower would be lit in different colors to predict the weather. I remember looking up at that building to see it turn blue or green.



Philtower Building
Tulsa, Oklahoma

Continued on page 2...



Volume XIII, Issue VII • July 2004

Continued from page 1 “Director’s Notes”...

The Philtower’s no longer the tallest building around, but just like our Annual conference there’s something to be said for tradition and consistency. Sixty years later. Some things like our conference and the commitment of county assessors and deputies to continue to train and take advantage of educational opportunities just get better with age.

We’re looking forward to a great week in Tulsa.

Sincerely,

Jeff Spelman, CAE

P.S. One other note on the Philtower. Waite Phillips, the man who constructed the Philtower, later donated the building to the Boy Scouts to fund the famous Philmont Scout camp in Northeast New Mexico.

A Look Ahead...

- August 10-13: 60th Annual Educational Conference, Tulsa
- August 24-27: Unit I, Intro. To Assessor’s Office, Norman



I have good news! We are finally hiring replacements for some of the vacant positions in the Ad Valorem Division. I can also start visiting more and more counties again. By the end of the year I hope to be able to visit the seven counties that I have not visited since 2000 and the twenty counties that I have not been to since 2001. I would like to get back to a schedule of making visits to every county at least once every two years.

We will still visit counties with specific requests. We will still conduct 3-day regional training sessions in different parts of the state. We will still help with software installation. We will still provide training in MIMS, the MIMS plot program, ArcView 3.2, ArcView 8.3, ArcEditor 8.3, AVParcel, and AutoCAD Map. We will still help in creating plat books and large maps. We will still provide what mapping resources we can, such as digital soil layers.

Remember: If you need anything, just whistle. You know how to whistle, don’t ya? You just put your lips together and blow.

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.





Present Status of Property Tax in U.S.

Continuation of 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.

Is Property Tax A Benefit Tax?

The property tax has another positive feature that I would argue helps its survival: the connection between the benefits of the tax and its taxpayers. The existence of this connection does not enjoy a consensus among students of the property tax, and several economists vigorously debate this issue.

It also underlies conflicting viewpoints over whether the property tax meets the NSLC’s recommendation that a “good” tax should be neutral. Tax neutrality is defined as a tax that does not change taxpayers’ behavior or encourage poor economic decisions in response to the tax.

Assessing officers often hear two versions of the property tax benefit issue. Many taxpayers freely admit that they moved to a community for good schools or other amenities. “We knew the property taxes in ‘Community A’ were high, but we wanted to get our children in that school system.”

Benefits Versus Burdens

The taxpayer in this case felt that the benefits of a good school system far outweighed the burden of comparatively higher property taxes. In contrast, some argue that high property taxes will drive homeowners and businesses out of the area.

This debate has been underway for a long time. Wallace Oates cites the work of Charles Tiebout, by all accounts an interesting, personable scholar, who supposedly coined his famous aphorism almost as a joke. Tiebout was a young graduate student, and in response to a professor’s comment, he said that if people did not like the property tax, they could simply “vote with their feet” (Oates, 2001).

They can move to a place with lower property taxes. Taxpayers, he reasoned, make a series of decisions to select or leave a place based on a personal evaluation of the services in the community, existing tax, and the possibilities of an increased tax burden.

Economists have argued about the validity of the Tiebout hypotheses. Does a taxpayer make such an important decision on the basis of property taxes? Do the taxpayers who move to a community for good schools change their thought processes after their children are grown? Are they willing to endure higher taxes to pay for the education of the children of others? Do they move? Or are they likely to use the political process to try to lower their taxes?

Definition of “Benefit Tax”

The heart of this issue is whether or not the property tax is a “benefit tax.” A benefit tax is defined as a tax that is associated by the taxpayers with a direct benefit to their interests. Without oversimplifying the argument, William Fischel (2001) argues that the property tax survives because the taxpayer can clearly see the connection between a bond issue for the high school gym for the basketball team. The homeowner has a vested interest in that decision. Good schools and presumably a good basketball team not only provide those benefits but also increase the market value of the homeowners’ property.

The tax is capitalized into the value of the home. “Homeowners want local officials (their board of directors) to choose a mix of spending, taxes, and land use regulations to maximize the value of their homes. This choice has the benign effect of making the local property tax a fee for service and an efficient form of taxation—really just the revenue of the municipal corporation” (Fischel, p. 33).

Continued on page 4...





Continued from page 3 "Present Status of Property Tax"...

Opposing Viewpoint

Economists such as George R. Zodrow disagree. Zodrow (2001) takes the opposite position that "property tax differentials...result in an inefficient allocation of...capital" (p. 79). He says that the location of property in low property tax areas essentially is an inappropriate redistribution of capital. Assessing officers have seen this side of the argument in the debate over competing property tax breaks for industry. Does a company locate somewhere that is not in reality economically efficient to capture a property tax break?

This question is not only in the realm of the economists. It has a very real impact on the community if a poor decision results in the closing of the plant, the loss of jobs, the waste of public investment for roads and sewage facilities, and the saddling of the local government with the unwanted ownership of a 200,000 square foot facility custom built for a particular type of industry and unsuited for anything else.

Property Tax News From Around The Country

Australia

Property owners have sought to defy rising prices in the real estate market by transferring drastically undervalued houses, units and land to family and friends in tax scams.

Treasury officials are so concerned about "revenue leakage" they have engaged already over-stretched valuers from the Natural Resources Department to assist with a clampdown by the Office of state Revenue in Queensland.

Investigators are targeting property transfers completed between January 2000 and September 2003 where stamp duties were less than those paid at the previous sale, or less than the unimproved land value of the property.

An educational audit following legislative changes in 2001 uncovered "numerous transactions with potential understated values" and allowed the Queensland Government to recoup \$662,060 in lost revenue.

Those found to be most at fault were solicitors, conveyancing agents and banks doing self-assessments for the transfer of property between family members and other related parties.

California

Debate over how the state distributes tax dollars to local governments continues to consume the attention of California officials. "It's a basic philosophy of who's going to run local government: Is it going to be the officials who were elected to do that, or is it going to be run out of Sacramento?" said Dwight Stenbakken, deputy executive director of the League of California Cities.

The debate dates back to 1978, when voters approved Proposition 13. The measure protected homeowners against wild surges in property taxes and transferred control over property tax allocation from local municipalities to the state in a division of power that continues to spark friction between Sacramento and local governments, and has led to the current budget impasse.

Illinois

Chicago Mayor Richard Daley recently renewed his call for overhaul of the Cook County property tax assessment system.

A recently approved bill awaiting Illinois Governor Rod Blagojevich's signature would limit annual increases in assessments to 7 percent and give tax relief to seniors, long-time homeowners and low-income residents. The legislative "fix" is a temporary one, lasting for three years.

Continued on page 5...

July 2004

Volume XIII, Issue VII





Continued from page 4 "Property Tax News"...

Daley argues that public officials should use the time afforded by the temporary fix to make permanent changes.

More than 220,000 Cook County property owners appealed their assessments, a 43 percent increase from last year. The City of Chicago is looking for a top-to-bottom review of how property is valued and a "discussion of (whether there is) a better assessment system out there."

Maine

A Maine ballot measure that would cap property taxes statewide at one percent of the assessed value of a property still enjoys substantial support, though that support has eroded since March, according to a new statewide poll.

The percentage of likely voters who said they would vote for the measure dropped from 44 percent in March to 35 percent in June, according to the poll by Strategic Marketing Services. About 37 percent said they were not certain how they would vote. They either said they didn't know or were leaning for or against the tax cap.

Nearly 47 percent of voters said they would vote for, or lean toward voting for, the plan by Carol Palesky's Maine Taxpayer Action Network to limit taxes to 1 percent of the assessed value of a property. About 32 percent said they would vote against the cap or lean toward doing so. Twenty-one percent said they don't know how they would vote.

Pennsylvania

Pennsylvania Governor Ed Rendell has signed a pair of bills that will legalize slot-machine gambling to finance \$1 billion a year in property tax reductions for homeowners across the state.

The bills authorize up to 61,000 slot machines at 14 sites—more slots than any other state except Nevada grants. Most of the resulting tax revenue would be used to cut local property taxes by an average of 20 percent.

Rendell, who had made the slots-for-tax-relief the centerpiece of his 2002 election campaign, celebrated with leaders of both parties who compromised to make the legislation possible.

"A good example of government working for the people," Rendell said in a news conference from the capitol rotunda.

South Carolina

A property tax cap bill passed at the end of the legislative session by the South Carolina House of Representatives has counties across the state in an uproar.

The bill, H. 3065, mandates a 20 percent cap on property tax, an issue which has been the subject of significant controversy for some time, according to Gonza Bryant, president of the South Carolina Association of Counties.

"The Association of Counties has opposed a statewide mandatory cap on property tax values from day one," he said. "We worked with groups representing economically disadvantaged individuals, utility companies, and other business interest to defeat this legislation."

Senator Vincent Sheheen said the idea behind the legislation is sound, but the bill itself still needs work.

"The idea behind it is to keep excessive spikes in reassessment from occurring," Sheheen said. "I don't think it's a perfect solution. The goal is good, but I think it is something that will need to be worked on next session."

Governor Mark Sanford has until January to sign the bill or veto it; if he does neither, it becomes law without his signature. However, even if this happens, there is a very real chance of litigation over it, Bryant noted.

Continued on page 6...



Continued from page 5 "Property Tax News"...

Wisconsin

A proposal to cut property taxes by raising the 5 percent state sales tax to 6 percent has rekindled the decades-old Wisconsin dialogue over how to pay for public schools.

A recent poll and interviews with taxpayers found a common theme: Wisconsin residents closely follow the debate over whether to raise the sales tax, end some tax exemptions, and cut property taxes.

That shift—which would be the biggest change in state tax policy since the last sales-tax increase in 1983—was recommended by a task force studying how to pay for public schools. Those behind the plan say that if it's done right, it could cut property taxes about 20 percent.

Democratic Governor Jim Doyle has promised to consider it—along with two other studies he has ordered of Wisconsin's tax climate—as he decides how to finance the state budget that he will propose to the Legislature in January.

Public Service Update With Mike Isbell



Public service, railroad and airline values were presented to and certified by the State Board of Equalization June 21st. The guidelines for valuation of public service, airlines and railroads were presented by the sub committee and accepted by the State Board of Equalization June 16th. My work here is done. I can now stretch back and throw my legs on my desktop and marvel at the wonderful view outside my office window. Yeah, right!

Notification letters have been sent by the State Board of Equalization to all public service, railroad and airline companies regarding their certified Oklahoma fair cash value, the assessment ratio applied and their total assessed value. After the 20-day protest period has expired, and adding a few days for mailroom activity, values will be apportioned and sent to the State Board for disbursement to the counties by July 31st. Title 68, O.S. Sec 2867 (D) states that within ten days after receipt of certificates of assessment from the State Board of Equalization for railroad and public service companies each county assessor is to prepare and file an abstract of assessed valuations to their county excise board.

The counties, if they don't already have them, should soon be in receipt of county detail information for those centrally valued companies who are in their county for 2004, and apportioned values will be arriving later this month. Check for additions or omissions, fluctuations, current to past years assessed values, and county detail sheets. Remember any new companies appearing on the public service tax rolls for your county as identified by these checks should be crosschecked against county renditions to determine if the same property has been filed twice.

Any questions or concerns that you may have after these checks should be forwarded to the Public Service Section of the Ad Valorem Division. Please submit these inquiries in writing and we will respond to you in kind. Remember there are 76 other counties so please be patient, we will get back to you as soon as we can.

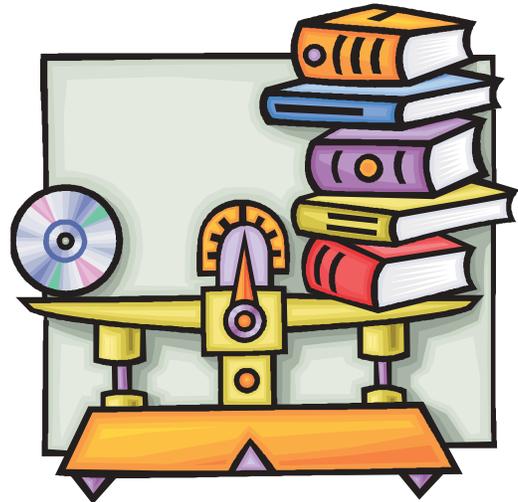




Educational Conference Plans Finalized

◇ Diamond Edition  60th Anniversary ◇

“ How To: ”



and more...

The Ad Valorem Division is putting the final touches on the 60th Annual Educational Conference for Assessing Officers, which will be held at the Marriott Southern Hills in Tulsa August 10-13. The theme for the “diamond anniversary edition” of the Conference is “How To.”

If you have not completed your registration information and returned it to the Ad Valorem Division, please do so as soon as possible. This will assist us in planning and logistics with the hotel.

If you are turning back any hotel rooms, please contact our office so that we can retain the rooms in our block for use by other conference attendees.

Conference Highlights

The Ad Valorem Division has worked with the County Assessor’s Association, Center for Local Government Technology, and the State Auditor and Inspector to put together another outstanding educational offering for everyone in your office. Following is a brief overview of class topics by general area.

“Administrative”

A wide range of relevant topics will be covered in the Administrative area, including such subjects as “The Importance of Market Value” with Jewette Farley, CAE, “Deeds and Trusts,” “Housing Trends,” Tax Roll Correction Paper Trail,” “Manufactured Home Update,” “Legislative and Legal Update,” among many others.

Volume XIII, Issue VII • July 2004



Continued on page 8...



Continued from page 7 "Educational Conference"...

“Appraiser”

Varied subjects including “Valuation Appeals,” “Case Study Valuation of Convenience Stores,” and “Valuation of Billboards” will be presented this year in the Appraisal area. Practical information on “How To” will be covered, in keeping with the Conference theme. This should be a useful and informative week for Assessors and deputies performing appraisal functions in the counties.

“Personal Property”

There will be the usual update on “Five Year Exempt Manufacturing,” instruction on “Business Personal Property Renditions,” and detailed instruction on the use of the “Business Personal Property Square Foot Guide,” presented by Steve Sutterfield, PPS. Those involved in valuation of personal property will find these sessions to be educational and helpful.

“Mapping”

Both general mapping topics as well as software specific training will be provided in the mapping sessions at the Conference. General topics include such subjects as “Importance of GIS,” “Training Opportunities,” “Data Interchange With The Fed’s,” and “Rural E-911.”

Software specific training will cover “MIMS for Beginners,” “MIMS for More Advanced Users,” and “ArcView 8.3 Editing.” Friday’s session in the mapping area will provide an opportunity for “Questions and Answers About Mapping.”

“Computer Support”

“Hands-On” computer sessions include training in the State Assessment Administration Software, State CAMA system, Microsoft Excel spreadsheet program, and Microsoft PowerPoint presentation software.

Additionally, in the Friday Computer sessions, user meetings will take place for the State CAMA and AA programs, TerraScan, and Colorado Customware, giving software users an opportunity to come together to discuss issues of importance.

“Assessment Overview”

These sessions have become a popular part of the Annual Educational Conference. Both new employees and longtime Assessors or deputies who are wanting a refresher on various topics will find something of interest here.

Topics are numerous, and include “Introduction to the County Assessors Office,” “Assessment Appraisal,” “Administration,” “Public Service,” “Mobile Homes, Tax Laws and Statutes,” “Five-Year Manufacturing Exemption,” and various CAMA and valuation subjects.

The Assessment Overview students will join with the appraiser students on Thursday for the “Case Study Valuation of Convenience Stores,” presented by Doug Warr, AAS and Gary Snyder of CLGT.



See You In August!



The Ad Valorem Division is excited about the “60th Edition Diamond Anniversary” of the Educational Conference. Only one thing is lacking from making it a complete success, and that’s YOU! We look forward to seeing everyone in Tulsa August 10-13 to learn “How To.”

If you’ve got questions about course offerings, after receiving your registration information, please call the Ad Valorem Division and we’ll assist you in selecting sessions that are useful and appropriate for each of your employees.

Volume XIII, Issue VII • July 2004

