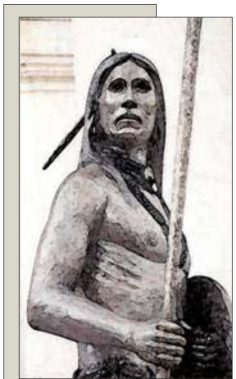

Oklahoma
Ad Valorem
FORUM

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Director's Notes:

The Ad Valorem Division Road Tour 2003.

We're off on our traditional road tour for the Annual District and OATR meetings. I count it as one of the best things about my job—going around Oklahoma and getting a chance to see the unique and interesting things that each county has to offer. After all the stress that everyone in the United States has experienced this winter with concern about the war and our troops overseas, it is nice to welcome the red buds and another Oklahoma spring.

Our staff always enjoys the District meetings and seeing everyone. As a result of the budget situation, you may not see as many of us at the meetings and we'll be carpooling even more than we usually do, but we'll have someone at every district meeting.

As I said last year, the new format of four County Assessors' Association Districts is working out well. Four meetings instead of five makes a lot of sense during the last busy weeks of the Legislative session.
The Oklahoma Association of Tax Representatives invited us to their meeting in Tulsa, and we always appreciate their invitation to the Ad Valorem Division and a chance to discuss their issues and concerns. The OATR membership has lots of experience and knowledge in the process.

The Legislative session is starting to wind down. Budget has been the central concern this year more than anyone can remember. In the next few weeks, there will be some additional discussion as the legislative session concludes. We'll get everyone up to date on new legislation after the session is over.

Glen Blood reports that the Windows testing is progressing well. I'm pleased that will be an asset to the state system. Thanks to Dewey and Kay Counties for their courage to be guinea pigs. (That's not to say that Glen Blood or anyone in our office would be confused with a guinea pig.)

The Ad Valorem Division will be sending out reminders on the abstract submission dates later this month. Please remember that the abstracts are due on June 15, and again the deadline falls on a weekend. Please avoid any delay by getting those abstracts in as early as possible. Statutes are pretty strict on the deadline so please let us know. We'll be sending a bulletin reminder out shortly.

The Annual Conference in 2003 is proceeding subject to budgetary changes. We're excited about this year's conference. We've met with Kathi Mask and the County Assessors' Association officers last month and got a good start. Gary Snyder and Doug Warr from Center for Local Government Technology (CLGT) helped with the planning session. With help from Cooperative Extension, we should have another outstanding conference even if we have to

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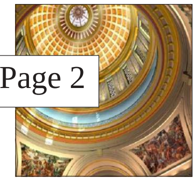
A Look Ahead...

- June 3-6, Unit VI, Mapping, Tulsa
- June 15, Father's Day
- June 26-27, Unit VII, Ag Land, Stillwater



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modify aspects of the conference as a result of budget (It's interesting to note that the Annual Conference continued throughout WWII so we need to carry on the effort).

We'll see everyone at the district meetings. Have a good month. We appreciate all you do for your taxpayers and all the hard work of county assessors and deputies everywhere. It's a hard job, but ad valorem is an extremely important part of local government in Oklahoma. We're all working to pass the system on better than it was given to us. Like Tom Cusack says, "keep in mind, we should be the guardian of fairness."

Sincerely,

Jeff Spelman, CAE
Director, Ad Valorem Division

P.S. "The ad valorem system was designed by geniuses so it could be run by idiots. Or maybe that was the other way around… Designed by idiots so it takes geniuses to run?!" —Anwar Caddo's latest quote

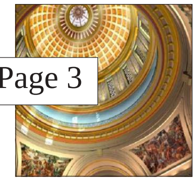
"Mapping Minute" With Troy Frazier

NEWS FLASH— It looks like federal agencies are going to fly the entire state with color, "leaf-on," one-meter aerial photos…Federal agencies have just released digital soil maps for another eight counties in the past six months bringing the total available to seventeen!

NEWS FLASH— The Ad Valorem Division just held its first three-day regional mapping training session this year in Woodward. The subject covered was AVParcel…A person within the Ad Valorem Division stated that counties could ask to host three-day regional training sessions on specific mapping software titles! The same person stated that individual counties could still ask for one-day on-site visits for help!

NEWS FLASH— The annual school is on the horizon…If anyone has a specific item that they wish to be covered in the mapping sessions, now is the time to speak!

Remember: ***You, the unwilling, led by the unknowing, have been doing so much for so long with so little that you are now uniquely qualified to do anything with absolutely nothing!***



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AG Opinion On Five-Year Fund Issued

In a recent AG opinion the Attorney General's Office said the state must reimburse counties and other entities for revenues lost to property tax breaks granted to manufacturers—even if the fund set aside for that purpose runs out of money.

AG Opinion 03-16, issued April 16, stated that counties and other entities were to be made whole based upon the constitutional provisions for reimbursement.

The state exempt manufacturing reimbursement fund is headed for a significant cash shortage this year, creating the possibility that counties and other ad valorem tax recipients might encounter delays in receiving reimbursement for lost tax revenue.

Claims for reimbursement for 2003 total approximately $38.4 million. There is estimated to be about $16.5 million currently available for claims payment. May collections are estimated to be approximately $3.6 million. The State Legislature may allocate an additional $14.4 million to offset property tax revenue losses of public schools, but that would not cover the impact of tax exemptions on other property tax-dependent entities.

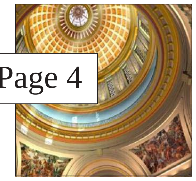
The Tax Commission has approved a claims reimbursement payment plan that would reimburse schools first, and other ad valorem tax recipients later through installment payments coming from ongoing income tax revenues collected from June through September, at which time reimbursement would be complete.

This approach allows for full reimbursement of manufacturers' exemptions this year, but will compound the shortfall for next year, since tax revenues normally reserved for the following year's claims will have been used to help pay this year's obligations.

It is likely that Additional Homestead Exemption and Vegetative Filter Strip reimbursements will not be funded at all this year.

The Five-Year Exempt Manufacturing Reimbursement Program was created in 1992, and has been amended 17 times since then, changing eligibility and broadening the program.

Lawmakers set aside one percent of state income tax revenues to reimburse lost property tax revenue, but the fund has not kept pace with the increase in reimbursements distributed under the program.



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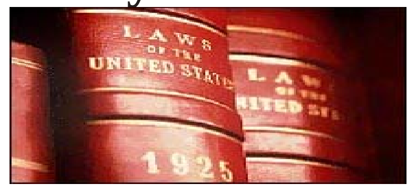
"Overcoming Property Tax Demons And Mysteries"

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



Ability To Pay

Taxpayers quickly recognize that wealth as measured by the market value of real property is not as readily accessible as is income from wages or other sources. Whether or not such values have been increasing, property-rich/income-poor taxpayers' concerns often provoke legislative attention and reaction.

In jurisdictions where residential property sectors have been inflating in taxable value more rapidly than non-residential categories, property taxes will tend to shift to residential property. This will occur regardless of budget constraints, although the magnitude of any shift will be less in systems that are budget, rather than rate, driven.

Regressivity

Because of the weak tie between property-related wealth and income or ability to pay, the property tax is presumed to be regressive, with the poor paying a higher proportional share of their income toward this tax than the rich. Economists are divided about this issue and some believe that the rich own more capital and therefore pay proportionally more of their income in property tax (Mieszkowski 2001).

One study analyzed property tax burdens in relation to income and found regressivity only for lower income families (below $15,000 in 1980). This study demonstrated the property tax to be progressive for higher income groups (Pechman 1996).

Alternatives To Property Tax

Because of the complexity of the issue of regressivity of the property tax, it is perhaps best viewed from the perspective of potential property tax substitutes.

Obviously, few local units of government have adopted other taxes as significant revenue generators. In fact, property tax remains the only tax utilized at the local level in all fifty states and the District of Columbia (a fact that needs to be emphasized to dispel the myth that some "states" have eliminated the property tax).

User fees or charges are the next largest specified revenue source and have tended to become far more prevalent and widespread in recent years, especially when property taxes have been severely constrained.

In California, for example, fees for new development, real-estate transfers, new business licenses, parks, and recreation increased from 25 percent of city revenue in 1978 (before the strict property tax limitations of Proposition 13) to 31 percent in 1991 (O'Sullivan, Sexton, and Sheffrin 1995).

Such charges tend to target more directly users of particular services and can have a significant negative impact on users. Aside from the probable regressiveness of such charges, costs to individual users may be higher than if property taxes had been levied across a broad sector of the community.

For instance, a user fee for fire protection services, which are critical, but rarely needed, would undoubtedly be very high. Most property owners would escape paying because they simply wouldn't use the service.

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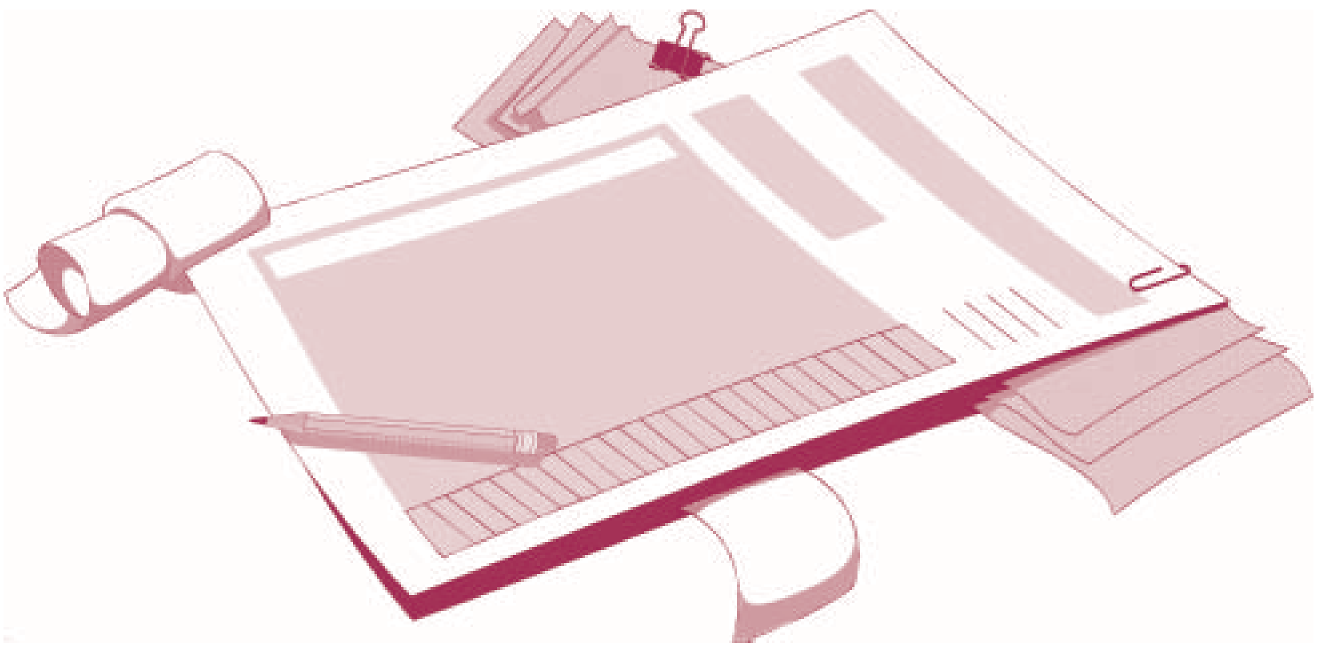
Location Field On 936 Forms Critical

There are a growing number of instances where the "from" and "to" fields on the Manufactured Home Certificate Form 936 reflect a rural mail route or post office box.

Without an actual physical address or legal description sufficient to locate the home, movers cannot get a size and weight permit from DPS. This is making it very difficult on owners and selling dealers to successfully move these homes. We have been asked to please remind everyone to provide the correct information.

Please make every effort possible to indicate the proper location information required on the form. As a reminder, always forward a copy of the 936 to the receiving county if located in Oklahoma.

It takes everyone doing their best to properly track and assess these homes. Improper information or procedure can cause many hours of additional work

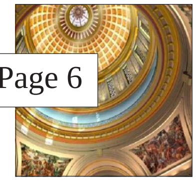


Continued from page 4 "Demons and Mysteries"...

Tax burden can be "exported," or shifted between governments, because some taxes levied by states or local governments are deductible from federal income taxes for tax return filers who itemize deductions.

This is permitted for property tax and state and local income taxes, but not for sales tax and user fees. Few local jurisdictions use income taxes and, when sales taxes or user fees are substituted for property tax, this loss of deductibility raises the cost to the individual taxpayer, or fee payer (Woolery 1989).

A similar effect occurs when tax relief mechanisms provide state replacement dollars for property tax, but not for user fees. In this instance, when local governments reduce property tax, but increase fees, individuals who would have had their property tax paid by the tax relief program end up paying more than they would had the property tax remained unchanged.



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MFG Home Title Surrender Conversion Outlined

As of July 2002 with the passage of SB 983, manufactured home owners and finance companies are now able to surrender the titles on manufactured homes if the home is permanently attached to the real property.

Only the Tax Commission may purge the title, not the finance company. If a lender believes they had surrendered title prior to July 2002, they have not. What they may have done is give the owner a title without a lien entered or kept the title at the finance company (also known as "holding the title") which is prohibited in Oklahoma.

There are several forms available from the Tax Commission, Motor Vehicle Division pertaining to surrender of title.

Application for Title Cancellation of a Manufactured Home Permanently Affixed to Real Estate

Notice of Owner of the Existence of an Active Lien Upon receipt of application to Cancel Oklahoma Certificate of Title

Notice to County Assessor of Cancellation of Oklahoma Certificate of Title

Notice of Lien Holder of Application to Cancel Oklahoma Certificate of Title.

Lenders that are holding titles may now apply to surrender those titles and have them purged. If the land/home was transferred by warranty deed or deed of trust the lender will need to call the Motor Vehicle Division at 1-800-522-8165, ext. 13344 for instructions.

Since 1985 Oklahoma law has allowed a manufactured home to be classified as real or personal property. If the home is situated on land owned by the owner of the manufactured home it should be classified as real property.

If it is located on land owned by someone else it is classified as personal property. In either case the manufactured home is still subject to title and registration and should be designated as MH on the assessment roll and valued as a separate line item.

Until July 2002, the law did not allow a homeowner or lender to surrender the title and have the home classified as real property. Under Oklahoma law if the title has been properly surrendered the manufactured home is no longer subject to title and registration under the motor vehicle code.

When a manufactured home is listed with the county assessor as real property the county assessor is required to separate the account into three (3) line items, "Land," "Mfg. Home," and "Other Improvements." The owner will be assessed on the total assets listed.

When the home is listed as "personal property" the owner of the home is assessed only on the home and any other improvements they may have on the site. The person that owns the land is responsible for payment of the tax on the land only.

When an owner or finance company properly surrenders the title to the manufactured home, the Motor Vehicle Division will notify the county assessor that the home is now permanently affixed to the real estate and the title has been surrendered. At this point the home will be assessed as any other real property being land and improvements, and no longer classified as a manufactured home.

When valuing manufactured homes that have had the titles surrendered the appraiser should be aware of market conditions and adjustments that may affect the value of the assets. Conventional mass appraisal techniques may be used as with any other real property asset using proper market data and adjustments for this type of asset.

If you have any questions concerning the surrender of title procedure you may contact Ruby Daley at the Motor Vehicle Division in Oklahoma City at (405) 521-3344.