



Oklahoma Ad Valorem

FORUM

Director's Notes:

Ad Valorem Division "Road Tour" 2004

We're off on our traditional road tour for the Annual District and OATR meetings. I really enjoy roaming around Oklahoma and getting a chance to see what's going on in each county we visit. It's amazing to see the contrast between the completely different parts of the state. We were in Adair County just in time for the strawberry festival last week. Nothing like a eating some strawberries that were on the plant an hour ago. It's all good.

The Oklahoma Association of Tax Representatives invited us to their spring meeting in Tulsa, and we always appreciate an opportunity to discuss their issues and concerns. The OATR membership has lots of experience and knowledge in the process.

The Legislative session is winding down. There are still several significant bills still under consideration. 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.

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. Statutes are pretty strict on the deadline so please let us know if you're having problems. We'll be sending a bulletin reminder out shortly.

State Board of Equalization (SBOE) has scheduled June 7 for a review of the new public service guidelines, and its regular meeting is scheduled for June 21, which should give everyone time to complete their abstracts. Check those dates for any changes as we get closer to the meetings.

Annual Conference planning is in progress. Debbie Collins and our staff will meet with the County Assessors' Association officers shortly (We're behind a month from last year). Gary Snyder and Doug Warr from Center for Local Government Technology (CLGT) will sit in on the planning session. With help from Cooperative Extension, and the training assistance from the State Auditor and Inspector (SA&I) we should have another outstanding Conference.

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 tough 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.

Sincerely,

Jeff Spelman, CAE
Director, Ad Valorem Division

P.S. "When you're working, exercising, or eating, don't try to compete with your younger self. You are supposed to be older and wiser than the idiot you were ten or twenty years ago." - Anwar Caddo's latest quote

A Look Ahead...

- June 7: SOBE Meeting, Public Service Guidelines
- June 8-11: Unit IV, Cadastral Mapping, Tulsa
- June 21: SOBE Meeting, Certification of Abstracts
- June 24-25: Unit VII, Ag. L and Valuation, Talequah



Property Tax News From Around The Country

California

With local government budgets pinched, California county assessors are questioning whether California businesses are paying their fair share of property taxes. As a result, legislation was introduced to require companies to maintain records for at least four years, and be turned over to assessors for personal property audits. Failure to comply would be punishable by a \$10,000 fine for each year without records, plus \$10,000 every 30 days for withholding records for a maximum of \$50,000.

Tax assessors from Los Angeles to Solano county have complained of companies claiming that records, such as receipts and order invoices, are in storage or unavailable because of new computer systems. Assessors claim that these records are vital for audits of corporate property to determine whether companies are being properly assessed.

With strong opposition to the bill by California businesses, the chance for passage was in serious doubt.

Louisiana

A proposal by Louisiana Governor Kathleen Blanco to put property tax assessments on the Internet mimics a program that has been successful in Livingston Parish for three years, Assessor Jeff Taylor said.

East Baton Rouge Parish Assessor Brian Wilson said his was one of the first parishes to sign up for a pilot program being coordinated by the Louisiana Tax Commission to put assessments on the Internet. He said the latest plan is for the assessors to file their 2004 tax rolls with the commission no later than November 15. The assessments should be online about December 1.

Michigan

Michigan prisoners have been implicated in a scheme to make bogus claims for Homestead property tax rebates. Lt. Jaime Corona, commander of the state police's Lansing-based Major Case Team confirmed that his team is investigating fraudulent Homestead credit claims at the request of state Treasury officials.

Corona wouldn't say how many prisoners might be involved, where they're incarcerated, when the arrests might come or what the charges might be.

"I can tell you," Corona said, "that we are involved in an investigation pertaining to Homestead rebates that involves people in correctional facilities."

Missouri

A bill granting residential property tax relief to older and disabled Missourians went to Governor Bob Holden recently, but it would only take effect if the state made up the lost revenue to local governments.

Similar proposals have been offered for at least the past 11 years, but have failed under opposition by counties and school districts worried about losing revenue. This legislation essentially caps increases in residential property taxes for older and disabled Missourians at 5% after reassessments, which occur every other year, and at 2.5% in non-assessment years.

The tax break applies to disabled people of any age and to people 65 or older with annual household income up to \$70,000. For married couples, at least one spouse would have to be 65 or older and the other at least 60 years old.

To receive the break, homeowners would have to apply to the state Department of Revenue—and the legislature would have to appropriate money to local governments to make up for the lost taxes.

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New Jersey

New Jersey Governor James McGreevey has proposed a three-part plan to institute a new so-called "millionaire's tax" to fund property tax rebates, cap government spending, and hold a constitutional convention to discuss long-term property tax reform in that state. McGreevey's proposal would enact a 2.5% tax on income over \$500,000. According to Governor McGreevey, that would only impact 28,500 taxpayers.

According to the governor's pitch, this would raise \$800 million, all of which would go to direct property tax rebates. This would essentially double state property tax relief to individuals from \$670 million to \$1.5 billion.

The maximum Homestead Rebate check for senior citizens would increase by nearly 50 percent, from \$775 to \$1,200, with 460,000 seniors receiving the maximum of \$1,200. Under the governor's plan, direct property tax relief would triple for nearly 1.2 million families, from \$250 to a new maximum of \$800. Another 190,000 families would double their average rebates to \$500, according to the proposal.

Texas

Under the Texas school funding formula, about 13 percent of the 1,037 school districts are required to share a portion of their property tax revenue with the state's less wealthy districts.

While districts can meet their obligation by writing a check to the state, many choose to form partnerships with one or more poor districts so they know where their money is going.

Wisconsin

According to a report by the Legislative Fiscal Bureau, Wisconsin homeowners paid \$165 million more in property taxes last year than they would have if the governor hadn't vetoed a proposal to limit tax increases.

Assembly speaker John Gard pointed to the numbers as evidence why lawmakers should support his proposal to resurrect the property tax limits despite last year's veto and the failure of lawmakers to override Governor Jim Doyle's action.

A spokesman for Governor Doyle said recently that the Governor has not changed his stance. He promised another veto if the legislation is approved.

Wisconsin public schools would have had to cut \$100 million from their budgets if the limits were in place, compared to what they charged taxpayers, according to the report by the Fiscal Bureau.

Speaker Gard said he wants the Legislature to vote on the latest property tax proposal by the end of the month.

And Elsewhere Around The World... Afghanistan

The Afghan government has once again imposed a property tax in the country after a lapse of two decades. Government officials maintained that the new tax would not affect the common man in the country at all.

"The new taxes have been imposed on houses which are being given on rent of more than 15,000 Afghans (about \$350 U.S. dollars) and will not affect the masses in Afghanistan," said Ghulam Jalali Koper, a senior Afghan Finance Ministry official.





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.

Survival of the Property Tax

In the face of all the criticisms, how has the property tax continued to survive? The property tax continues to survive because of its intrinsic qualities. Like some Darwinian principle, the property tax has adapted itself, acquired powerful allies, yielded or adapted to certain changes, and found itself a fertile niche. The property tax, despite its many faults, is able to maintain its existence because of the nature of the tax itself and the political strength of those who continue to support it even in a grudging or half-hearted manner.

Also, nothing has been able to replace it. Adam Smith, the famous but seldom-read economist, enumerated certain principles of a "good" tax system, and the National Conference of State Legislatures (NCSL) prepared a 1992 document called "Principles of a High Quality Tax System" (Qtd. In David Brunori, *Governing*, February, 2003. This document presented several simple points.

"Good" Tax Policy

"Good" tax policy should raise adequate revenue, should be neutral, fair, efficient, economical, and accountable. The property tax is not perfect, but it does meet some of these standards. Properly administered it can be efficient and economical. It can raise adequate, stable revenue, and local voters certainly have the ability to make the property tax accountable through the ballot process.

As Brunori says, "After all, even the most anti-tax politician wants someone to answer when they dial 911." The property tax is the foundation of local government finance, and one of its major political strengths is that it is tied to the fortunes of local and state governments. It is almost a standard mantra among its practitioners and defenders that the property tax is the backbone of local government finance. Despite many changes and challenges to its existence, the role of the tax as an important source of revenue for every variety of local government is one of the strongest reasons for its continued survival.

Property Tax Predates Constitution

This linkage to local government has not always been as clear as it is today. As Professor John Joseph Wallis points out in his article "A History of the Property Tax in America," in *Property Taxation and Local Government Finance* the property tax predates the United States Constitution. English colonies raised taxes from a number of sources including export taxes, import taxes, and property taxes. Surprisingly, the staid Puritans in Massachusetts also raised revenue through lotteries. The property tax then did not necessarily resemble a system based on fair market value. Many of the property taxes were structured as excise taxes, basing a set amount of tax for items contained in a schedule enumerated in statute, and the tax itself was not necessarily a local tax.

Even after the American Revolutionary War, the property tax was not clearly linked to local government. Professor Wall notes that the property tax, or a tax with a similar ancestry, was the "direct tax" mentioned in the US Constitution. It was more or less a national property tax reflecting an attempt by the fledgling national government to gain control over its battered fiscal state following the Revolutionary War. It is often overlooked or forgotten that during this period, the Federal government relied very heavily on various tariff taxes with the dream of an income tax still almost one hundred years in the future.

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Property Tax Evolves Into a Truly “Local” Tax

Wallis (2001) indicates that beginning after the American Civil War and continuing until the Great Depression, the property tax became more and more associated with local government. Perhaps, it can be said that the property tax was more or less given to local governments as a result of the abandonment of the tax by the many states during the Great Depression. In Oklahoma, for example, a tobacco-chewing Populist governor of the period led a statewide campaign to “help the folks at the end of the mail route” by re-inventing the property tax exclusively as a local tax.

As one colorful Depression-era tax league citizen stated in an article by Arthur O’Sullivan (2001) on property tax limits, “I buy less food, less tobacco, and less recreation, and I’d like to buy less government” (p. 179). This argument and others were successful in persuading many states to abandon or reduce their reliance on the property tax. Across the country during this time, the iron triangle alliance among education, local government and the property tax was forged. This alliance has existed to the present day despite challenges raised by tax limitations, court cases, and other changes in the society during the last century.



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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.



Marshall and Swift Acquired by Global Information Company

Marshall and Swift announced recently that it plans to be acquired by MacDonald, Dettwiler and Associates Ltd. (MDA) Of Richmond, B.C., Canada.

MDA is a global information company providing property specific information to businesses and governments. MDA is active in data collection, information extraction, and information distribution.

As part of this merger, Marshall and Swift remains an independently operated business, maintaining independent management and product focus.

Marshall and Swift has been a leading supplier of residential and commercial cost data for the appraisal, assessor and property insurance industries for over 70 years. The company is also a major provider of Web hosting, property inspection and related services for property insurers.



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MacDonald, Dettwiler and Associates Ltd. (MDA) is an information company that provides customers around the world with essential information used for decision making. Operating through two groups, Information Products and Information Systems, MDA operates internationally and employs over 2,200 people.

Public Service Update With Mike Isbell

Like a bad penny, I'm back. I can honestly say this is a far better situation than the one I was in. Many thanks go out for the thoughts and prayers that went out for my family and me. I have the blessing of working with good people here at the commission, in the counties, and even some of the tax reps. That being said it is great to be back I still won't cut you any slack and on to business at hand.

Public service subcommittee findings are being finalized as of this writing. They will be presented to the State Board of Equalization for approval at the June 7th meeting. For those of you who provided input, your contribution is greatly appreciated. That participation allowed the subcommittee to see all aspects of our valuation process and to draw informed conclusions.

We are currently in our valuation season, valuations are being sent out to our public service companies and conferences are being held. We be busy. Any inquiries that you might have we will get to, maybe not right away but they will be answered. Inquiries about fluid and gas companies should be directed for now to William Mack or myself as Rich Sanchez, who would usually get the question, has accepted an opportunity with the Oklahoma Water Resources Board. Although his timing could be better for us, we wish him the best of luck.



“Mapping Minute” With Troy Frazier

“Time Flies”

Can you believe that it is May already? It seems like the last set of district assessor association meetings were just a couple of months ago. Do you remember the two ladies with the COG's and NRCS with the presentation about the new color aerial photos?

Since the district meetings last year, I have received phone calls and have helped various counties to utilize these new photos. It seems that a large number of you have participated in this project. However, I have heard that some of you who are participating still have not received your aerial photos.

If you are participating and have not yet received your photos, please contact your local COG representative. The COG's are the ones that are supposed to be distributing the photos. If you are not getting any response, please call Julie Adams at (405) 742-1250. She is the NRCS's state coordinator for this project. If you would like to participate in this project and have not been contacted by your local COG, please feel free to call Julie.

Remember: *The world stands still for no man (or woman). Make sure that you are not left behind.*

