RULEMAKING ACTION:
Notice of proposed PERMANENT rulemaking.

PROPOSED RULES:
Chapter 10. Ad Valorem [AMENDED]

SUMMARY:
As part of the Commission’s ongoing review of its rules, many proposed amendments to the existing rules have been made to implement recent legislation. All legislative references are to the First Regular Session of the 58th Legislature (2021) unless otherwise indicated.

Section 710:10-1-4 has been amended to implement the provisions of House Bill 1009 which increased the income eligibility ceiling for additional homestead exemption qualification to gross household income not to exceed $25,000 instead of the current $20,000 limit and provided that gross household income shall not include the amount of any federal stimulus or relief payments related to the COVID-19 virus. [68 O.S. § 2890]

Section 710:10-2-6 has been updated to remove antiquated types of miscellaneous equipment.

Section 710:10-7-2.2 has been amended to implement the provisions of Senate Bill 609 which modified payroll and investment cost requirements and included custom manufacturers for purposes of eligibility and qualification for the five-year ad valorem manufacturing exemption. Additionally the amendment allows exemption qualification of replacement personal property for certain data processing facilities classified under NAICS 518210. [68 O.S. § 2902]

Section 710:10-14-4 has been amended to implement the provisions of House Bill 1990 which provides that a 100% disabled veteran owning a residence on leased land owned by a municipality, town, or city qualifies for the statutory homestead exemption from ad valorem taxes. [62:193]

Section 710:10-16-1 has been amended to implement the provisions of House Bill 1062 which provides that an unremarried spouse of a veteran killed in action owning a residence on leased land owned by a municipality, town, or city qualifies for the statutory homestead exemption from ad valorem taxes. [68 O.S. § 2888]

The proposed amendment to Section 710:10-2-1, along with other sections which may be amended, is to clarify policy, improve readability, correct scrivener’s errors, remove obsolete language, update or correct citations, update contact information, and ensure accurate internal cross-references.

AUTHORITY:
68 O.S. §§ 203 and 2902; Oklahoma Tax Commission

COMMENT PERIOD:
Persons wishing to present their views in writing may do so by 4:30 p.m., February 22, 2022, at the following address: Oklahoma Tax Commission, Tax
Policy and Research Division, Oklahoma City, Oklahoma 73194, Attention: Lisa Haws, or by email to lhaws@tax.ok.gov.

PUBLIC HEARING:
A public hearing is scheduled for 1:30 p.m., on Wednesday, February 23, 2022, at the Oklahoma Tax Commission, 123 Robert S. Kerr Ave, Oklahoma City, Oklahoma. Those wishing to make oral comments at the public hearing should request placement on the docket well in advance of the hearing date by calling Lakesha Mackie at (405) 521-3133. Time limitations may be imposed on oral presentations to ensure that all persons who have filed written requests for placement on the docket will have an opportunity to speak.

In order to facilitate entry into the building, those wishing to appear should contact Lakesha Mackie at (405) 521-3133 at least 24 hours prior to the hearing date to complete their visitor pre-registration. In order to gain access to the hearing, attendees must register at the information desk in the lobby by presenting a driver license or other photo identification.

REQUEST FOR COMMENTS FROM BUSINESS ENTITIES:
Although nothing in this rulemaking action has been determined to adversely impact small business, the Oklahoma Tax Commission (OTC) requests that, pursuant to 75 O.S. § 303(B)(6), business entities affected by these rules provide the OTC, within the comment period, in dollar amounts, if possible, information on any increase in direct costs, such as fees, and indirect costs, such as those associated with reporting, recordkeeping, equipment, construction, labor, professional services, revenue loss, or other costs expected to be incurred by a particular entity due to compliance with the proposed Rules.

COPIES OF PROPOSED RULES:
Copies of the proposed rules may be obtained from the below listed contact person. The proposed rules may also be viewed on the agency's website at http://www.tax.ok.gov.

RULE IMPACT STATEMENT:
Pursuant to 75 O.S. § 303(D), a Rule Impact Statement will be prepared and available from the below listed contact person. The Rule Impact Statement may also be viewed on the agency's website at http://www.tax.ok.gov.

CONTACT PERSON:
Lisa R. Haws, Agency Liaison, Tax Policy Division, Oklahoma Tax Commission, Oklahoma City, Oklahoma 73194. Telephone number: 405-521-3133; Email: lhaws@tax.ok.gov
CHAPTER 10. AD VALOREM

SUBCHAPTER 1. GENERAL PROVISIONS

710:10-1-4. Limitation of the fair cash value on homestead property of qualified owners; and additional homestead exemption

(a) The procedures and requirements set out in this Section shall be used to implement the limitation of the valuation on homestead property of qualified owners for ad valorem purposes and the additional homestead exemption:

(b) For purposes of qualifying for the senior valuation limitation and/or the additional homestead exemption "gross household income" means the gross amount of income of every type, regardless of the source, received by all persons occupying the same household, whether such income was taxable or nontaxable for federal or state income tax purposes, including pensions, annuities, federal Social Security, unemployment payments, public assistance payments, alimony, support money, workers' compensation, loss-of-time insurance payments, capital gains and any other type of income received, and excluding gifts. The term "gross household income" shall not include any veterans' disability compensation payments, or the amount of any federal stimulus or relief payments related to the COVID-19 virus.

(c) "Senior valuation limitation" means the implementation of Oklahoma Constitution, Article 10, Section 8C, which directed county assessors to limit the fair cash value of the homestead property of any qualified person who has made proper application. The applicant's property must be a valid homestead property, with proper evidence of a homestead or an application made in 1997 or subsequent years. As with any homestead, the general statutes for homestead qualification apply to the limitation. Only one homestead, and by extension, only one limitation is permitted in any one year. The limitation applies only to the occupied homestead property and may not be applied to non-homestead property. [See: 68 O.S. §§ 2888, 2889, 2890, 2893].

(1) Relationship to exemptions and other programs. The senior valuation limitation is available to qualified owners in addition to participation in the circuit breaker and additional homestead exemption. Availability of the senior valuation limitation is not dependent upon the county's compliance status with the State Board of Equalization.

(2) Qualified owner. The taxpayer must be at least 65 the year before the senior valuation limitation is approved, and the applicant's total household annual income for the previous year must not exceed the amount as provided in the Oklahoma Constitution, Article 10, Section 8C. The income threshold for the gross household income from all sources for an individual head of household under this Section shall not exceed the amount determined by the United States Department of Housing and Urban Development to be the estimated median income for the preceding year for the county or metropolitan statistical area which includes such county. The Tax
Commission shall provide this information to each county assessor each year, as soon as it is available.

(3) Application; qualification; duties of assessor; right of appeal. In order to be eligible for the senior valuation limitation, the individual must apply at the county assessor's office by completing form OTC 994, Application for Property Valuation Limitation and Additional Homestead Exemption. The application must be made between January 1 and March 15. The limitation will be in effect for the tax year in which the application is made and approved, based on the current year valuation.

(A) For the limitation to be valid, form OTC 994, Application for Property Valuation Limitation and Additional Homestead Exemption, must be completed in its entirety as to income, age, ownership, and other information.
(B) The county assessor has the right and duty to review the information provided, ask any necessary questions, request documentation of age, income, or other information.
(C) The county assessor shall deny any application that is inaccurate, incomplete, inadequately documented, or otherwise invalid pursuant to this Section.
(D) The county assessor may request assistance from the Oklahoma Tax Commission in determination of income qualifications under 68 O.S. § 2890.
(E) The taxpayer may appeal any denial of a senior valuation limitation application by the county assessor to the county board of equalization in the same manner as an appeal of the denial of a homestead exemption.

(4) Review of valuation for error. The county assessor should review the valuation of the property for clerical errors, incorrect physical characteristics, or other material error affecting valuation in order to protect the taxpayer. This review shall not include a revaluation of the property solely because it may be below fair cash value.

(5) Physical improvements to property. If a physical improvement is made to the property, such as a room addition, additional square footage, garage, out buildings, enclosed garage, or similar improvement, the improvement shall be valued in the same manner as these improvements are presently valued. This additional valuation shall be added to the limited value of the property before the construction occurred. If improvements are added to the property, the fair cash value shall be increased by the amount attributable to the addition. The new total value is then limited again, so long as the owner and property remain qualified. Physical additions or changes that are considered normal maintenance, such as normal repairs, minor re-modeling, roof repair or insulation, minor energy efficiency improvements, or retro fit improvements such as wheelchair ramps to provide access to the property, are not generally considered physical improvements affecting the valuation limitation.
(6) **Duration of, and conditions which terminate the limitation.** The senior valuation limitation is valid on the property as long as the taxpayer owns and occupies the property and title to the property is not transferred, changed, or otherwise modified. If the taxpayer fails to own and occupy the property or if title to the property is transferred, changed, or conveyed to another person, the senior valuation limitation shall expire. It is then the responsibility of the county assessor to value the property at fair cash value consistent with constitutional provisions, statutes and applicable rules. If the person's gross household income from all sources exceeds the amount provided in the Oklahoma Constitution, Article 10, Section 8C, the senior valuation limitation shall expire and the value of the property shall be subject to the three percent limitation increase for that year.

(7) **Instances in which tax amount may increase, despite limitation.** The senior valuation limitation applies to the valuation, however; tax increases may occur under the specific situations outlined as follows:

(A) If an additional millage such as a bond issue or other levy is added;

(B) If judgment is rendered against the county and a judicial order directs an additional levy; or,

(C) If the county voters adopt a measure increasing the assessment percentage within the county under the authority of Section 8, Article 10, of the Oklahoma Constitution.

(8) **Additional homestead exemption.** "Additional homestead exemption" means an exemption in addition to the amount of the homestead exemption authorized and allowed in Section 2889 of this Title 68, to the extent of One Thousand Dollars ($1,000.00) of the assessed valuation on each homestead of heads of households whose gross household income from all sources for the preceding calendar year did not exceed Twenty-Five Thousand Dollars ($20,000.00) ($25,000.00).

(A) To qualify for the additional homestead exemption, the individual must apply at the county assessor's office by completing form OTC 994, Application for Property Valuation Limitation and Additional Homestead Exemption.

(B) The application must be made on or before March 15 or within thirty (30) days of taxpayer's receipt of a County Assessor Notice of Increase in Valuation of Real Property form (OTC 926) whichever is later. [68 O.S. § 2890(C)].

**SUBCHAPTER 2. BUSINESS PERSONAL PROPERTY VALUATION SCHEDULES**

710:10-2-1. **General provisions**

(a) **Purpose.** The provisions of this Subchapter have been adopted, pursuant to 68 O.S. § 2875(D)(4), to provide information regarding the schedules of values
of personal property given to county assessors to assist in the assessment of personal property.

(b) **Schedules of values.** Schedules of values are intended only to provide the user with an approximation of value for the personalty "typical" for the class, not an absolute value.

(c) **Schedules of trending and depreciation.** Trending schedules are used to adjust historical cost to a current estimated replacement cost new. Depreciation schedules are used to estimate normal depreciation as applied to replacement cost new to estimate current value of the asset. The factors or percentages used are taken from *Marshall and Swift Valuation Service*, a national valuation service contracted by the Division to provide values and schedules of trending and depreciation for real and personal property. This service is updated on a monthly basis.

(d) **Caveat.** Nothing in this Subchapter, nor any other guidelines, procedures, or rates provided to assessors by the Oklahoma Tax Commission Ad Valorem Division ("Division") is intended to relieve property owners or assessing officials of their obligations by law to report, value, or assess personal property at its fair cash value. Though the schedule of values referred to in this Subchapter are typical values for business personal property, actual value of any particular asset may be affected by conditions or use.

(e) **Disclosure.** A copy of the "Business Personal Property Valuation Schedule" may be obtained by accessing the Tax Commission website at www.tax.ok.gov.

(f) **Surveys.** Individuals and organizations who wish to participate in surveys conducted by the Ad Valorem Division may notify the Division by emailing jbittner@tax.ok.gov mandy.wilkerson@tax.ok.gov.

710:10-2-6. Other equipment

(a) **Miscellaneous equipment.** "Miscellaneous equipment" means, but is not limited to, coin changers, food merchandisers, game machines, golf cars, industrial motors, organs, phonographs, pianos, and vending machines.

(b) **Sources.** The Division utilizes a national valuation service to provide tables of values for personal property, depreciation schedules, and trending tables for historical cost of the various industries. The current service prescribed by the Division is the *Marshall and Swift Valuation Service*. This service is contracted yearly and updated on a monthly basis.

**SUBCHAPTER 7. MANUFACTURING FACILITIES**

710:10-7-2.2. Exemption requirements for qualified manufacturing and research and development facilities established, expanded or acquired

(a) **Definitions.** The following words and terms, when used in this Section shall have the following meanings unless the context clearly indicates otherwise:

(l) **Manufacturing facilities** means manufacturing facilities as defined in 68 O.S. § 2902(B)(l).
(2) **Facility or facilities**, except as otherwise provided by Section 2902 of Title 68 of the Oklahoma Statutes, means and includes the land, building, structures, and improvements; used directly and exclusively in the manufacturing process. Effective January 1, 2022, and for each calendar year thereafter, for establishments which have received a manufacturer exemption permit pursuant to the provisions of Section 1359.2 of Title 68 of the Oklahoma Statutes, or facilities engaged in manufacturing activities defined or classified in the NAICS Manual under Industry Nos. 311111 through 339999, inclusive, but for no other establishments, facility and facilities means and includes the land, buildings, structures, improvements, machinery, fixtures, equipment and other personal property used directly and exclusively in the manufacturing process. 68 O.S. § 2902(B)(2).

(3) **Research & development** means activities directly related to and conducted for the purpose of discovering, enhancing, increasing or improving future or existing products or processes or productivity. 68 O.S. § 2902(B)(3).

(4) **Base payroll** means total payroll for the calendar year the construction, acquisition, or expansion assets are first placed in service and the subsequent four (4) calendar years of eligibility.

(5) **Initial payroll** means payroll for the calendar year immediately preceding the initial construction, acquisition or expansion. In the event initial payroll is not comprised of a complete year's payroll, the amounts reported must be computed to arrive at an annual figure.

(b) **Qualification or statutory requirements.** Except as otherwise provided in (6) and (7) of this subsection, To qualify for exemption facilities other than those discussed in subsections (c) and (d) must meet the requirements mandated by statute and summarized in (1) through (5) of this subsection:

(1) Facilities must satisfy the requirement of being new, expanded, or acquired.

(2) The investment cost of the construction, acquisition or expansion of the manufacturing facility must be Two Hundred Fifty Thousand Dollars ($250,000.00) or more within the calendar year in which the construction, acquisition or expansion occurred. The investment cost of the construction, acquisition or expansion of the manufacturing facility must be Five Hundred Thousand Dollars ($500,000.00) or more with respect to assets placed into service during calendar year 2022. For subsequent calendar years, the investment required shall be increased annually by a percentage equal to the previous year's increase in the Consumer Price Index-All Urban Consumers ("CPI-U") and such adjusted amount shall be the required investment cost in order to qualify for the exemption authorized by 68 O.S. § 2902. The Oklahoma Department of Commerce shall determine the amount of the increase, if any, on January 1 of each year. The Oklahoma Tax Commission shall publish on its website at least
annually the adjusted dollar amount in order to qualify for the exemption and shall include the adjusted dollar amount in any of its relevant forms or publications with respect to the exemption. Investment Cost shall not include the cost of direct replacement, refurbishment, repair or maintenance of existing machinery or equipment, except that "investment cost" shall include capital expenditures for direct replacement, refurbishment, repair or maintenance of existing machinery or equipment that qualifies for depreciation and/or amortization pursuant to the Internal Revenue Code of 1986, as amended, and such expenditures shall be eligible as part of an "expansion" that otherwise qualifies under this section.

(3) Base payroll for the calendar year the assets are placed in service must be increased over initial payroll by at least Two Hundred Fifty Thousand Dollars ($250,000.00) if the facility is located in a county with a population of less than seventy-five thousand (75,000) persons according to the most recent federal decennial census or by at least One Million Dollars ($1,000,000.00) if the facility is located in a county with a population of seventy-five thousand (75,000) or more, according to the most recent federal decennial census. For the subsequent four years of eligibility, base payroll must be maintained in an amount equal to, or greater than, the base payroll amount established for the calendar year the assets are first placed in service. With respect to any entity making an application for the exemption authorized by this Section on or after January 1, 2023, the establishment making application for exempt treatment of real or personal property acquired or improved beginning January 1, 2022, and for any calendar year thereafter, the entity shall be required to pay new direct jobs, as defined by 68 O.S. § 3603 for purposes of the Oklahoma Quality Jobs Program Act, an average annualized wage which equals or exceeds the average wage requirement in the Oklahoma Quality Jobs Program Act for the year in which the real or personal property was placed into service. The Oklahoma Tax Commission may request verification from the Oklahoma Department of Commerce that an establishment seeking an exemption for real or personal property pays an average annualized wage that equals or exceeds the average wage requirement in effect for the year in which the real or personal property was placed into service. It shall not be necessary for the establishment to qualify for incentive payments pursuant to the Oklahoma Quality Jobs Program Act, but the establishment shall be subject to the wage requirements of the Oklahoma Quality Jobs Program Act with respect to new direct jobs in order to qualify for the exempt treatment authorized by this section.

(A) To determine initial and base payroll, the Tax Commission must verify all payroll information through the Oklahoma Employment Security Commission (OESC) utilizing reports filed with the OESC for the applicable calendar years. [See: 68 O.S. § 2902(C)(4)].
(B) The amount of increased payroll shall include payroll for full-time-equivalent employees in this state who are employed by an entity other than the facility which has qualified to receive an exemption pursuant to the provisions of this Section and who are leased or otherwise provided to the facility, if such employment did not exist in this state prior to the start of initial construction or expansion of the facility.

(C) A manufacturing facility shall have the option of excluding certain components from its payroll. Manufacturing facilities electing to exclude either of the options in (i) or (ii) of this subparagraph, shall document the election by an attached addendum to the application at time of filing which states in detail any payroll exclusions. (See: 68 O.S. § 2902(C)(4)

(i) Payments to sole proprietors, members of partnerships, members of a limited liability company who own at least ten percent (10%) of the capital of the limited liability company, or stockholder employees of a corporation who own at least ten percent (10%) of the stock in the corporation may be excluded from payroll.

(ii) Nonrecurring bonuses, exercise of stock option or stock rights, or other nonrecurring, extraordinary items included in total payroll numbers as reported by the OESC may be excluded from payroll. Nonrecurring bonuses shall not include additional wages or other compensation paid on the basis of length of service.

(D) A manufacturing concern which does not meet the amount of increased payroll shall submit to the Tax Commission, with the initial application year of exemption, an affidavit, signed by an officer. The signed affidavit must state that from the start of initial construction, acquisition, or expansion, to the completion of said construction, acquisition, or expansion, or for three (3) years, whichever occurs first, the establishment or expansion of the facility will result in a net increase of the required base payroll. When the increased payroll requirement is met, the affidavit will be considered satisfied and no longer in effect.

(4) The facility will offer within one hundred eighty (180) days of the date of employment, a basic health benefit plan to the full-time employees of the facility. [See: 68 O.S. § 2902(C)(4)(b)] Calculation of the number of employees shall be made in the same manner as required pursuant to 68 O.S. § 2357.4 for an investment tax credit.

(5) A manufacturing facility requesting an exemption must hold title to real or personal property, or have an equity interest in real or personal property.

(6) Effective January 1, 2017, an entity engaged in the generation of electric power by means of wind, as described in the North American Industry
Classification System No. 221119, shall not be defined as a qualifying manufacturing concern for purposes of the exemption authorized pursuant to Section 6B of Article X of the Oklahoma Constitution or qualify as a manufacturing facility as defined in this Section. While facilities which qualified for exemption pursuant to the filing of an exemption application before 2018 will be allowed to claim the exemption for any periods remaining in the five years provided all qualification requirements are met, no initial application for exemption shall be filed by or accepted from an entity engaged in electric power generation by means of wind on or after January 1, 2018.

(7) (c) **Distribution facilities; qualification requirements.** For applications received after November 1, 2007, establishments primarily engaged in distribution as defined under industry Numbers 49311, 49312, 49313 and 49319 and Industry Sector Number 42 of the NAICS Manual latest revision, must meet all criteria required by statute and outlined in (4) and (5) of this subsection (b) and the following subparagraphs paragraphs:

(A) (1) Initial capital investment of at least Five Million Dollars ($5,000,000.00);
(B) (2) Employment of at least one hundred (100) FTE full-time equivalent employees, as certified by OESC;
(C) (3) Wages and salaries which equal or exceed equal to or exceeding one hundred seventy-five percent (175%) of the federally mandated minimum wage; and the average wage requirements in the Oklahoma Quality Jobs Program Act for the year in which the real property was placed into service; and
(D) (4) Commencement of construction on or after November 1, 2007, to be completed within three (3) years from the date of commencement of construction. [See: 68 O.S. § 2902(B)(1)(e)].

(d) **Computer data processing, data preparation or information processing services provider; exemptions and qualification requirements.** Computer data processing, data preparation or information processing services providers classified in U.S. Industry Number 518210 of the North American Industrial Classification System (NAICS) Manual, 2017 revision, are eligible for exemption as outlined below:

(1) **Real and personal property exemption.** Except as otherwise provided by this subsection, any new, acquired, or expanded computer data processing, data preparation, or information processing services provider as described in subsection (d) of this Section may apply for real and personal exemptions under 68 O.S. § 2902 for each year in which new, acquired, or expanded capital improvements to the facility are made for assets placed in service not later than December 31, 2021.

(2) **Personal property exemption.** An establishment described by this subsection, the primary business activity of which is outlined in Industry No. 518210 of the NAICS Manual, 2017 revision, that has applied for and been
granted an exemption for personal property at any time within five (5) years prior to November 1, 2021, may apply for exemption for items of eligible personal property to be located within improvements to real property and such real property and improvements having been exempt from ad valorem taxation prior to November 1, 2021 pursuant to 68 O.S. § 2902 if such personal property is placed in service not later than December 31, 2036. No additional personal property of such establishment placed in service after such date shall qualify for the exempt treatment otherwise authorized pursuant to this paragraph.

(3) **Exemption qualification requirements.** To qualify for exemption outlined in paragraphs (1) and (2) of this subsection, an eligible establishment as classified under this subsection must meet the following requirements:

(A) Net increase in annualized payroll of the applicant at any facility or facilities of the applicant in this state of at least Two Hundred Fifty Thousand Dollars ($250,000.00), which is attributable to the capital improvements,

(B) Net increase of Seven Million Dollars ($7,000,000.00) or more in capital improvements, while maintaining or increasing payroll at the facility or facilities in this state which are included in the application, and

(C) the facility offers, or will offer within one hundred eighty (180) days of the date of employment of new employees attributable to the capital improvements, a basic health benefits plan to the full-time-equivalent employees of the facility, which is determined by the Department of Commerce to consist of the elements specified in subparagraph b of paragraph 1 of subsection A of Section 3603 of this title or elements substantially equivalent thereto.

(e) **Wind electric generation facility; exclusion as manufacturing facility.** Effective January 1, 2017, an entity engaged in the generation of electric power by means of wind, as described in the North American Industry Classification System No. 221119, shall not be defined as a qualifying manufacturing concern for purposes of the exemption authorized pursuant to Section 6B of Article X of the Oklahoma Constitution or qualify as a manufacturing facility as defined in this Section. While facilities which qualified for exemption pursuant to the filing of an exemption application before 2018 will be allowed to claim the exemption for any periods remaining in the five (5) years provided all qualification requirements are met, no initial application for exemption shall be filed by or accepted from an entity engaged in electric power generation by means of wind on or after January 1, 2018.

(f) **Review of facility eligibility.** To confirm eligibility, the Tax Commission may request any information from the applicant or require verification of any information as needed.

(g) **Requirements for acquired existing facility.** An acquired existing facility must be unoccupied for a period of twelve (12) months prior to
acquisition for initial qualification. [See: Art. 10, Section 6B, Okla. Const. and 68 O.S. § 2902(A)].

(e) [h] **Transfer of exemption.** If the ownership of a qualified facility currently enrolled in the exemption program changes during the five-year exemption period, the exemption shall continue in effect for the balance of the five-year period, so long as all other qualifications are maintained.

**SUBCHAPTER 14. DISABLED VETERANS IN RECEIPT OF COMPENSATION AT THE ONE HUNDRED PERCENT RATE**

**710:10-14-4. Qualified owner**

Applicants must be heads of households who have been honorably discharged from active service in a branch of the Armed Forces of the United States or Oklahoma National Guard, and who have been certified by the United States Department of Veterans Affairs (USDVA), or its successor, to have one hundred percent (100%) permanent disability sustained through military action or accident, or resulting from a disease contracted while in active service. The exemption extends to the surviving spouses of such veterans who are certified by the United States Department of Veterans Affairs to receive benefits under the terms of this Subchapter. Each applicant must provide to the county assessor, a current United States Department of Veterans Affairs benefits award letter from the USDVA office located in Muskogee, Oklahoma that certifies the one hundred percent service-related disability, or that the individual is in receipt of compensation at the one-hundred percent rate. One hundred percent (100%) disabled veterans or surviving spouses thereof owning and occupying a residence on leased land owned by a municipality, town, or city is considered a homestead for purposes of qualification for the ad valorem exemption authorized pursuant to Article 10, Section 8E of the Oklahoma Constitution.

**SUBCHAPTER 16. UNREMARRIED SURVIVING SPOUSES OF PERSONS WHO DIED IN THE LINE OF MILITARY DUTY**

**710:10-16-1. General provisions**

(a) The procedures and requirements set out in this Subchapter shall be used to implement the exemption for the full fair cash value of homestead property of qualified unremarried surviving spouses.

(b) The exemption for "unremarried surviving spouses of military personnel who died in the line of duty" refers to the implementation of an amendment added to the Oklahoma Constitution, Article 10 § 8F, by State Question 771, effective for the 2014 calendar year and years thereafter. The amendment directs county assessors to exempt the full amount of the actual fair cash value of the homestead property. The applicant's real property must be a valid homestead property with evidence of a homestead exemption or be eligible
for homestead exemption. Only one homestead and by extension only one exemption, is permitted in any one year. The exemption applies only to owner-occupied homestead property and may not be applied to non-homestead property. [See: 68 O.S. §§ 2888, 2889, 2890, and 2893]

(c) The exemption provided by this Section may be transferred under circumstances where a qualifying spouse sells a homestead property previously exempted pursuant to this Section and acquires, in the same calendar year, a new homestead property in this state. The full fair cash value of the newly acquired property shall be exempt from ad valorem taxation. The exemption on the property sold will remain in effect through the end of the calendar year.

(d) An unremarried spouse of a veteran killed in action owning and occupying a residence on leased land owned by a municipality, town, or city qualifies as a homestead for purposes of qualification for the ad valorem exemption authorized pursuant to Article 10, Section 8F of the Oklahoma Constitution.
Pursuant to 75 O.S. §303(D), the Oklahoma Tax Commission provides the following rule impact statement with regard to proposed rule changes to Chapter 10 of Title 710 of the Oklahoma Administrative Code.

**DESCRIPTION:** Section 710:10-1-4 has been amended to implement the provisions of House Bill 1009 which increased the income eligibility ceiling for additional homestead exemption qualification to gross household income not to exceed $25,000 instead of the current $20,000 limit and provided that gross household income shall not include the amount of any federal stimulus or relief payments related to the COVID-19 virus.

Section 710:10-2-6 has been updated to remove antiquated types of miscellaneous equipment.

Section 710:10-7-2.2 has been amended to implement the provisions of Senate Bill 609 which modified payroll and investment cost requirements and included custom manufacturers for purposes of eligibility and qualification for the five-year ad valorem manufacturing exemption. Additionally, the amendment allows exemption qualification of replacement personal property for certain data processing facilities classified under NAICS 518210.

Section 710:10-14-4 has been amended to implement the provisions of House Bill 1990 which provides that a 100% disabled veteran owning a residence on leased land owned by a municipality, town, or city qualifies for the statutory homestead exemption from ad valorem taxes.

Section 710:10-16-1 has been amended to implement the provisions of House Bill 1062 which provides that an unremarried spouse of a veteran killed in action owning a residence on leased land owned by a municipality, town, or city qualifies for the statutory homestead exemption from ad valorem taxes.

The proposed amendment to Section 710:10-2-1 is to update contact information.

**CLASSES AFFECTED:** County assessors, Ad Valorem Division, custom manufacturers, disabled veterans, spouses of deceased veterans, and taxpayers may be affected by this rulemaking action.

**CLASSES BENEFITED:** All taxpayers affected by this rulemaking action will benefit by the promulgation because it provides accurate and up-to-date contact information for the Tax Commission and clarity of Oklahoma tax laws and Tax Commission procedures.
PROBABLE ECONOMIC IMPACT OF THE PROPOSED RULE UPON AFFECTED CLASSES OF PERSONS OR POLITICAL SUBDIVISIONS: There are no anticipated increase to costs associated with the proposed rule changes.

LISTING OF ALL FEE CHANGES, INCLUDING A SEPARATE JUSTIFICATION FOR EACH FEE CHANGE: The rulemaking action does not levy, implement, or increase an existing fee.

PROBABLE COSTS TO THE AGENCY: Costs to promulgate and enforce the proposed rules will be funded through normal agency budget. No measurable impact on State revenues is anticipated.

ECONOMIC IMPACT ON POLITICAL SUBDIVISIONS: The agency does not anticipate any economic impact on any political subdivision to implement the proposed rule changes at this time.

SMALL BUSINESS IMPACT: After consideration with reference to Section 303(A)(4) and 303(B)(6) of Title 75, it is believed that the proposed rules will have no adverse impact upon Small Business.

ALTERNATIVE METHODS AND COSTS OF COMPLIANCE: There are no less costly or non-regulatory methods or less intrusive methods for achieving the purpose of the proposed rules. No formalized compliance cost minimization measures have been pursued.

DETERMINATION OF THE EFFECT ON PUBLIC HEALTH, SAFETY AND ENVIRONMENT: The agency does not anticipate any impact on public health, safety, or environment as a result of implementation of the proposed rules at this time.

DETERMINATION OF THE DETRIMENTAL EFFECT WILL THERE BE ON THE PUBLIC HEALTH, SAFETY, AND ENVIRONMENT IF THE RULE CHANGE IS NOT IMPLEMENTED: The agency does not anticipate any detrimental effect on public health, safety, or environment as a result of failure to implement the proposed rules at this time.

DATE PREPARED: December 15, 2021