

Oklahoma

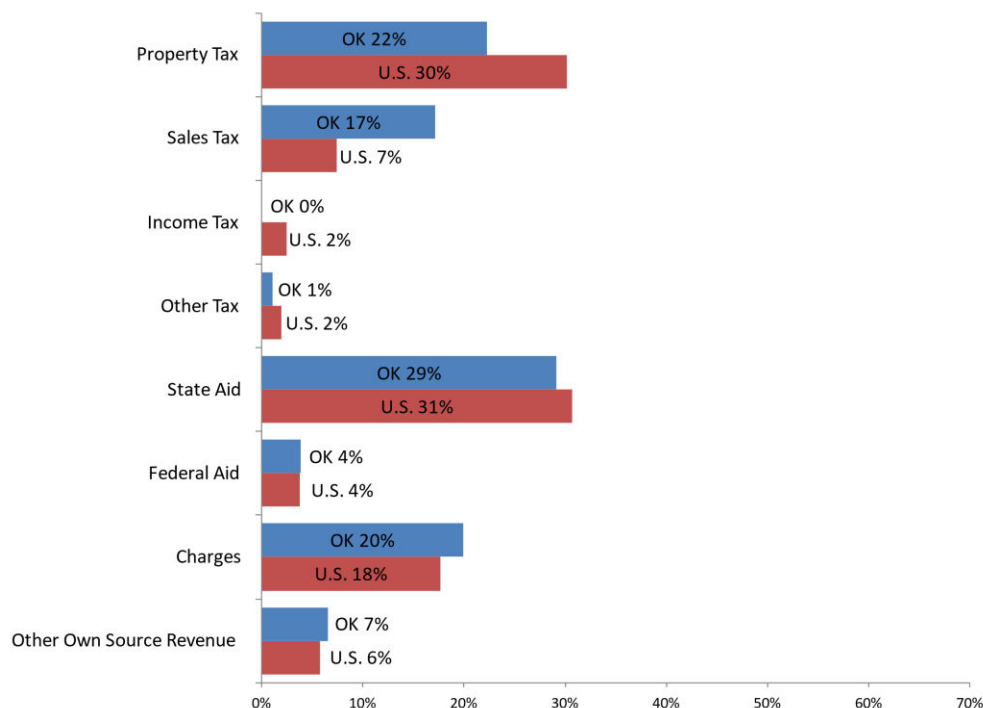
Highlights

Oklahoma relies more heavily on local option sales taxes than most states; only Louisiana derived a higher share of local government revenue from local sales taxes in 2018 (U.S. Census via Significant Features of the Property Tax). As a result, local governments in Oklahoma rely far less on the property tax than in most other states, although property taxes are still the largest component of own-source local revenue (figure OK-1).

Counties play a large role in the property tax system. They are responsible for valuing property, setting the tax rates, and collecting the taxes. In addition, under Oklahoma's local option classification system, each county determines the assessment ratio for real and personal property within the range specified in the state constitution. Assessment ratios for the five classes of property can range from 10 percent to 22.85 percent.

Oklahoma is the last state in the country to tax household tangible personal property, but as of 2019, all but one of Oklahoma's 77 counties, Beaver County, had repealed this tax on households (Oklahoma Tax Commission 2019).

Figure OK-1
Sources of Local General Revenue, Oklahoma and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Across various indicators of property tax reliance, Oklahoma consistently ranks among the lowest U.S. states. In 2019, Oklahoma's total property tax as a percentage of state-local revenue ranked 46th and property taxes per capita and as a percentage of state personal income ranked second to last. At \$826, per capita property taxes in Oklahoma are less than half the U.S. average (table OK-1).

Table OK-1
Selected Oklahoma Property Tax Statistics, 2019¹

	Oklahoma	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$826	\$1,758	49
Property tax percentage of personal income	1.7%	3.1%	49
Total property tax as percentage of state-local revenue	9.6%	16.6%	46
Median owner-occupied home value ²	\$136,800	\$217,500	48
Median real estate taxes paid for owner-occupied home ²	\$1,228	\$2,471	42
Effective tax rate, median owner-occupied home ³	0.9%	1.1%	27

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2015-2019.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The assessed values used to calculate property tax liabilities are generated annually by counties (table OK-2). Counties set assessment ratios for four classes of property within ranges established by the state constitution. Those classes and ranges are real property (11 to 13.5 percent), tangible business personal property (10 to 15 percent), tangible household personal property and livestock in excess of \$100 (10 to 15 percent), public service corporation property (22.85 percent), and railroad and air carrier property (11.84 percent) (Lansford 2017).

Business tangible personal property is taxed, including machinery, equipment, and inventories. While the taxation of household tangible personal property is still allowed under the state constitution, 76 of Oklahoma's 77 counties have repealed the taxation of household personal property over the last two decades (Oklahoma Tax Commission 2019).

Limits on Property Taxation

The legislative limitations on millage rates and rates of increase in property tax assessments in Oklahoma are relatively strict. Millage rates must fall at or below an aggregate rate cap of 15 mills, although nearly all counties have effective average millage rates below 10 mills (Oklahoma Tax Commission 2016). Temporary overrides of the limit are allowed through local voter support.

In 1997, Oklahoma amended the state constitution with Section X-8B, creating a maximum rate of annual increase in assessments of 5 percent for any locally assessed real property, which was subsequently strengthened by lowering the cap to 3 percent annually for all homestead and agricultural property assessments (Oklahoma Constitution 2015). These provisions are waived if the property is transferred or undergoes significant improvement.

While Oklahoma is not unique in exempting federally owned lands, it is worth noting the Osage Nation Reservation (ancestral land of the Osage Nation Native American tribe located to the northwest of Tulsa whose boundaries are coterminous with Osage County) falls under this exemption.

Property Tax Relief and Incentives

Oklahoma provides a homestead exemption of \$1,000 for a taxpayer's primary residence. The size doubles to \$2,000 for extremely low-income households earning less than \$20,000 annually. Eligible seniors (age 65 or older with moderate or low incomes) qualify to have the taxable value of their home frozen indefinitely. Property is revalued to full market value upon the sale or transfer of the property. Completely disabled veterans and their surviving spouses qualify (regardless of their income or wealth level) for full real property and household personal property tax relief (Oklahoma Tax Commission 2014). Oklahoma also has a modest circuit breaker with a maximum benefit of \$200 limited to elderly or disabled homeowners with income less than or equal to \$12,000.

Agricultural farmland, land used for timber production, and qualifying open space/conservation lands are assessed using current use valuation techniques as opposed to market valuation (Anderson and England 2014). Regarding commercial development incentives, local governments are authorized to create tax increment finance (TIF) districts and to award property tax abatements. Most property tax abatement incentive packages are limited to a maximum of five years.

Table OK-2
Property Tax Features of State Governments, United States, 2020

Feature	Oklahoma	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Two critical events largely set the stage for the current application of property taxes in Oklahoma. The first came in 1966 when the state legislature extended the right to levy general sales taxes (subject to local approval) to Oklahoma's municipalities, and set in motion a chain of events that has left the property tax playing a smaller role than it enjoys in most states (Burge and Piper 2012). Oklahoma's local governments raise far more funds from local option sales taxes and far less in property taxes than their counterparts in other states. One result of this structure is that the state's urban and suburban areas have a distinct advantage in raising revenue over rural communities and have thrived at the expense of areas less capable of attracting retail development (Rogers 2004).

A second defining moment came in 1994, when Tulsa County became the first jurisdiction to react to the state's newly gifted authority to exempt household personal property from the property tax. Over the next decade, more than half of Oklahoma's counties (and essentially all urban/suburban counties) followed suit. Currently, only Beaver County taxes residents' household personal property. While personal property accounted for just over a quarter of Oklahoma's overall tax roll in 2018, commercial personal property constituted over 97 percent of that value (Oklahoma Tax Commission 2019, 18).

Recent Developments

Oklahomans narrowly defeated a ballot measure in the November 2018 election that would have permitted school districts to spend their property tax revenue on operations as well as construction. Question 801, which needed a majority vote to pass, was rejected by 50.4 percent of voters. Current law requires property tax revenue raised by school districts to be placed in a building fund and used for construction (Collins et al. 2019).

Oklahoma adopted education funding reforms in its 2021 session. Almost one-third of state and local funding for K-12 education in Oklahoma comes from the property tax. In March of 2021, Governor Kevin Still signed Senate Bill 783 and House Bill 2078 into law, calling it a “monumental day for education reform” and saying the reforms were “vital to getting Oklahoma to be a Top Ten state in education.” Senate Bill 783, the Education Open Transfer Act, authorizes students to transfer to a school district outside their assigned district at any time, up to twice in a school year, as long as the receiving district has capacity. House Bill 2078 changes the state aid calculation in the school funding formula, basing aid on enrollment for the current year—previously, school districts could use enrollment from two years prior. Because of the effects of the Covid-19 pandemic on enrollment in the 2020–2021 school year, opponents claim the law will lead to large revenue losses for schools (Raache 2021).

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