

Oklahoma

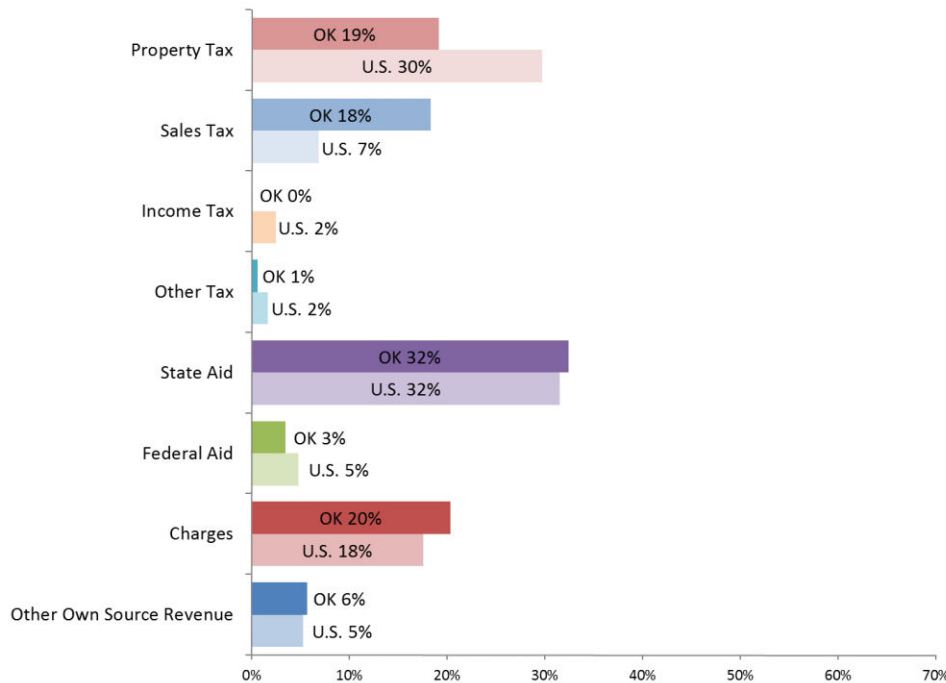
Highlights

Oklahoma relies more heavily on local option sales taxes than any other state (Burge and Rogers 2011). As a result, local governments in Oklahoma rely far less on the property tax than in most other states (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 currently only 3 of Oklahoma’s 77 counties tax continue to levy this tax on households (Errecart, Gerrish, and Drenkard 2012, Oklahoma Tax Commission 2014).

Figure OK-1
Sources of Local General Revenue, Oklahoma and U.S., 2013



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 2013, Oklahoma's total property tax as a percentage of state-local revenue ranked 49th and property taxes as a percentage of state personal income ranked last. At \$596, per capita property taxes in Oklahoma are far less than half the U.S. average (table OK-1).

Table OK-1
Selected Oklahoma Property Tax Statistics, 2013¹

	Oklahoma	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$596	\$1,441	50
Property tax percentage of personal income	1.4%	3.2%	51
Total property tax as percentage of state-local revenue	8.0%	16.9%	49
Median owner-occupied home value ²	\$112,800	\$176,700	48
Median real estate taxes paid for owner-occupied home ²	\$958	\$2,107	48
Effective tax rate, median owner-occupied home ³	0.8%	1.2%	31

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 2009-2013.

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. 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).

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, 74 of Oklahoma's 77 counties have repealed the taxation of household personal property over the last two decades (Oklahoma Tax Commission, 2014).

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, 2014). 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 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 Indian Reservation (a large area located to the northwest of Tulsa and 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. Totally disabled veterans and their surviving spouses qualify (i.e., 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 districts (TIFs) and to award property tax abatements. Most property tax abatement incentive packages are limited to a maximum of five years.

Table OK-2
Oklahoma Property Tax Features, 2013

Feature	Oklahoma	Count for 50 states plus DC
Statewide Classification of Real Property?	No	25
Assessment of property primarily by county?	Yes	30
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	19
Circuit breaker property tax relief program	Yes	34

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. In that year the state legislature extended the right to levy general sales taxes (subject to local approval) to Oklahoma's municipalities, and they set in motion a chain of events that has left the property tax playing a more diminutive 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 three rural counties (Adair, Beaver, and Texas) tax residents' household personal property. As a result, while personal property accounted for nearly one-quarter of Oklahoma's overall tax roll in 2013, commercial personal property constitutes roughly 95 percent of that value while household personal property is less than 5 percent (Oklahoma Tax Commission, 2014).

Recent Developments

Massive destruction from a series of recent tornadoes led the state legislature to provide property tax credits for qualified owners affected by natural disasters in either 2012 or 2013. Damage from tornadoes and flooding in the spring of 2015 has sparked interest in extending those provisions. Regarding property tax relief, Oklahoma Senate Bill 498 passed during the 2015 legislative session

removes the 5-year property tax exemption that newly developed wind farms previously held, mirroring a similar repeal of the tax shelter for electric power plants. The wind farm exemption cost the state \$32 million in 2013 (Monies, 2015).

Resources

Anderson, John E. and Richard W. England. 2014. *Use-Value Assessment of Rural Land in the United States*. Cambridge, MA: Lincoln Institute of Land Policy. http://www.lincolninst.edu/pubs/2391_Use-Value-Assessment-of-Rural-Land-in-the-United-States

Burge, Gregory S. and Brian Piper. 2012. Strategic Fiscal Interdependence: County and Municipal Adoptions of Local Option Sales Taxes. *National Tax Journal*, Vol.65 (2), 387-416.

Burge, Gregory S and Cynthia L. Rogers. 2011. Local Option Sales Taxes and Consumer Spending Patterns: Fiscal Interdependence under Multi-tiered Local Taxation. *Regional Science and Urban Economics*, Vol. 41(1), 46-58.

Errecart, Joyce, Ed Gerrish, and Scott Drenkard. 2012. States Moving Away from Taxes on Tangible Personal Property. Tax Foundation Background Paper No. 63. October.

Minnesota Taxpayers Association and Lincoln Institute of Land Policy. 2015. 50-State Property Tax Comparison Study. April. http://www.lincolninst.edu/pubs/3550_50-State-Property-Tax-Comparison-Study.

Monies, Paul. 2015. Oklahoma Property Tax Exemption Program Benefits Power Plant Wind Farms, NewsOK.com. <http://newsok.com/oklahoma-property-tax-exemption-program-benefits-power-plants-wind-farms/article/5419818>

Oklahoma State Constitution, 2015. <http://oklegal.onenet.net/okcon/>

Oklahoma Tax Commission. Ad Valorem Division. 2014. Oklahoma 2014 Ad Valorem Statistics. <http://www.ok.gov/tax/documents/2014%20statbook.pdf>

Oklahoma Tax Commission. Ad Valorem Division. 2016. Oklahoma Property Taxes: Taxpayers' Rights, Remedies, and Responsibilities. Taxpayer Education Series, TES-14.

Rogers, Cynthia L. 2004. Local Option Sales Tax (LOST) Policy on the Urban Fringe, *Journal of Regional Analysis and Policy*, Vol. 34(1), 25-50.

Significant Features of the Property Tax. <http://datatoolkits.lincolninst.edu/subcenters/significant-features-property-tax/>. Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

Author

Gregory S. Burge, Associate Professor of Economics, University of Oklahoma

Publication Date

October 2016