

Oklahoma

Highlights

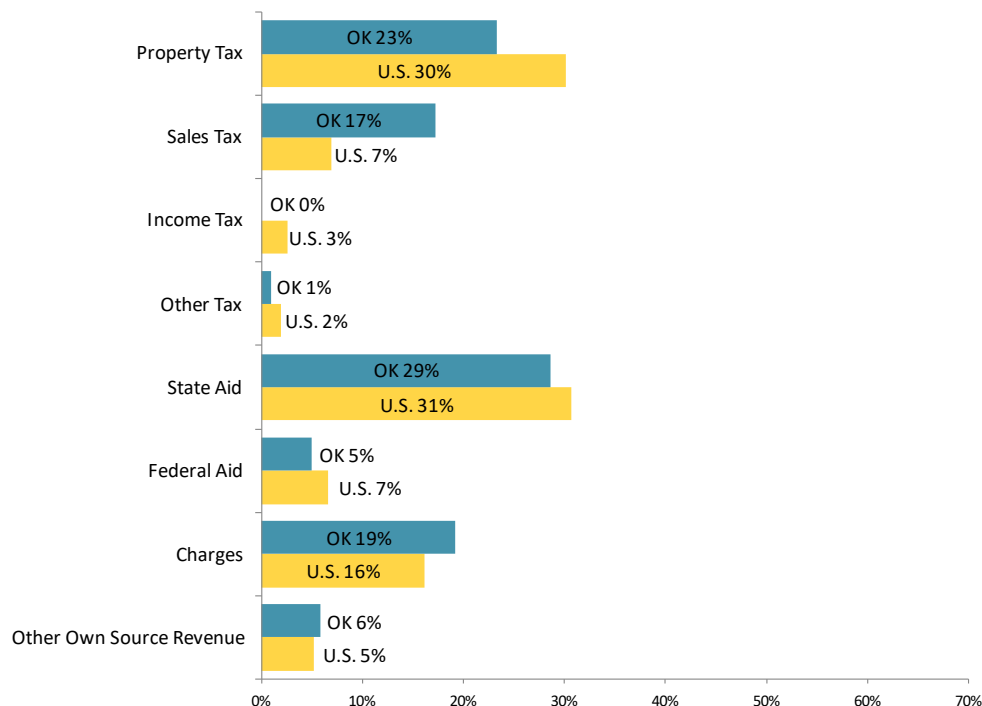
Oklahoma relies more heavily on local option sales taxes than most states; only Louisiana derived a higher share of local government revenue from local sales taxes in 2020 (U.S. Census via Significant Features of the Property Tax). As a result, local governments in Oklahoma rely far less on the property 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 was the last state in the country to tax household tangible personal property. Beaver County was the last of the state's 77 counties to abolish the tax on household personal property effective 2020 (Oklahoma Tax Commission 2021, 5).

Figure OK-1

Sources of Local General Revenue, Oklahoma and U.S., 2021



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 2021, Oklahoma's total property tax as a percentage of state-local revenue ranked 45th and property taxes per capita and as a percentage of state personal income ranked second and third to last respectively. At \$918, per capita property taxes in Oklahoma are less than half the U.S. average. Accounting for the low overall cost of housing in the state, the effective tax rate outcome falls back towards the middle of the distribution at 26th (table OK-1).

Table OK-1
Selected Oklahoma Property Tax Statistics, 2021¹

	Oklahoma	U.S. Average	Rank (of 51) 1 is highest
Per capita property tax	\$918	\$1,898	49
Property tax percentage of personal income	1.8%	3.1%	48
Total property tax as percentage of state-local revenue	9.4%	15.5%	45
Median owner-occupied home value ²	\$150,800	\$244,900	48
Median real estate taxes paid for owner-occupied home ²	\$1,351	\$2,690	42
Effective tax rate, median owner-occupied home ³	0.9%	1.1%	26

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 2017–2021.

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, all of Oklahoma's 77 counties have repealed the taxation of household personal property over the last two decades (Oklahoma Tax Commission 2021, 5).

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 2021). 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 \$25,000 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 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. Senior homeowners age 65 or older with income at or below the median household income for the county qualify for a valuation freeze. Oklahoma also provides an exemption for disabled veterans and a credit for properties damaged by natural disasters (Significant Features of the Property Tax).

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, whereas TIF districts can reallocate collected tax revenues for up to 25 years.

Table OK-2
Property Tax Features of State Governments, United States, 2022

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. As of 2020, all counties exempt household personal property. While personal property accounted for 40 percent of Oklahoma’s locally assessed property in 2020, commercial personal property constituted over 96 percent of that value (Oklahoma Tax Commission 2021, 17–19).

Recent Developments

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 changed 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 warned the law would lead to large revenue losses for schools (Raache 2021). Enrollment rebounded nearly reaching pre-pandemic levels in the 2022-23 school year. Aside from the drop from the 2019-2020 to 2020-2021 school year, enrollment has grown each year in Oklahoma in recent decades (Oklahoma Department of Education 2022).

The 2021 legislature modified Oklahoma’s manufacturing exemption and homestead exemption programs. The legislature raised the investment and payroll requirements for Oklahoma’s property tax exemption for manufacturers. Qualifying manufacturers must invest at least \$500,000 beginning in 2022, with an adjustment each year for inflation. Manufacturers must pay wages that exceed the minimum Oklahoma Quality Jobs Program Act wage requirements (Amended Okla. Admin. Code § 710:10-7-2.2). The legislature also raised the income limit for Oklahoma’s additional homestead exemption for low-income households from \$20,000 to \$25,000. Qualifying households receive a \$2,000 exemption instead of the standard \$1,000 exemption (Amended Okla. Admin. Code § 710:10-1-4) (Helmes 2022).

Three new laws regarding property appeals emerged from the 2022 legislative session. Two of the bills grew out of an interim study exploring valuations of oil, gas, and wind energy properties (Prather 2022). As of September 2021, \$80 million dollars of property tax revenues that would have flowed to school districts was held up in escrow accounts, some of it for years. In Oklahoma, when a company disagrees with the valuation by the county assessor and cannot reach an agreement, it could appeal to the county board of equalization, and finally to a district court. A company with a pending appeal can file a form to “pay under protest” which requires the county to hold the funds in escrow until the dispute is resolved. Questions surrounding depreciation of wind turbines and counties’ reliance on third party consultants led to inconsistent and confusing practices and protracted appeals (Prather 2021). Legislation enacted in 2022 directs appeals of decisions by the county board of equalization on valuations over \$3 million to the court of tax review instead of the district court (House Bill 3901); requires county assessors to notify school districts and other affected jurisdictions by June 1 of any protests filed on property valued over \$3 million (HB 2627); requires that taxpayers protesting valuations provide documentation at the time of appeal, and receive a protest timeline with applicable deadlines (HB 2627); specifies that for non-residential protests, the county may appoint an appraiser to assist with the valuation, but that appraiser may not participate in negotiations or appeals, and such contracts are subject to the state’s Open Records Act; (HB 2627); and clarifies that wind energy facilities are not eligible for the state’s manufacturing exemption (HB 4451).

Beaver County became the last Oklahoma county to repeal the local tax on household personal property effective for 2020. Oklahoma was the only state in which counties still taxed household personal property (Oklahoma Tax Commission 2021).

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Publication Date

October 2023, data updated March 2024