PROPERTY TAXES IN OKLAHOMA

The Oklahoma Constitution limits annual property value increases to 5 percent, unless the property is sold. A proposed constitutional amendment that will be voted on in November 2012, SQ 758, would lower the maximum annual increase on homestead properties to 3 percent. Another ballot measure, SQ 766 would exempt all intangible personal property from taxation. Oklahoma currently has among the nation’s lowest property taxes.

ABOUT THE OKLAHOMA PROPERTY TAX

Property taxes, also known as ad valorem taxes, are the single largest source of local government revenue (excluding state aid) and represent 54.5 percent of all local tax revenue (FY ’09). Property taxes are the primary funding source for county government. They also provide about one-fifth of common school funding and over 60 percent of vocational-tech funding.

Property tax collections in Oklahoma totaled $2.112 billion in 2008 (U.S. Census Bureau). Over the past decade, collections have grown at an annual average rate of 6.0 percent due to substantial new building and increasing value of existing properties.

Property taxes are based on a property’s value, its assessment ratio, and the millage levy.

1. Property valuation is determined by county assessors. The assessed value cannot be increased by more than 5 percent in any year, unless the property is sold. SQ 758 would lower the maximum annual increase for homestead properties and agricultural lands to 3 percent.

2. The assessment ratio is a percentage of a property’s assessed value. Counties can set assessment ratios for different kinds of property within prescribed limits: between 10 and 15 percent for personal property; 11 and 13.5 percent for real property; 22.85 percent for public service corporations, and 12.08 percent for railroads and airlines. The assessment ratio is adjusted for allowable homestead exemptions ($1,000 for most homeowners);

3. Mills, which equal one-tenth of one cent, are applied to assessed valuation, up to maximum levels set by the Constitution (39 mills for schools, 10 mills for counties and vo-tech schools, etc.). Various government units are also allowed to issue bonds paid for with additional mills if approved by popular vote.

EXISTING AD VALOREM EXEMPTIONS AND PREFERENCES

Oklahoma has in place an extensive system of ad valorem tax preferences. Low- and moderate-income homeowners, seniors, and disabled veterans receive the greatest benefits.

- Ad Valorem Homestead Exemptions
  - All homesteads (a person’s primary residence) are exempted $1,000 of the assessed value.
  - Households with gross income under $20,000 are entitled to an additional $1,000 homestead exemption.

- Preferences for Seniors
  - Property values are frozen for seniors whose income is at or below the median of their county or metropolitan area.
  - Seniors with income below $12,000 may claim a credit against income tax in the amount that their property tax exceeds 1 percent of total income, up to $200.

- Preferences for Disabled Veterans
  - An honorably discharged veteran who is 100 percent disabled, or surviving spouse, is fully exempted from ad valorem taxes for his or her homestead.

TAXATION OF INTANGIBLE PROPERTY

Intangible property taxes—such as trademarks, logos and intellectual property—now are paid only by entities assessed by the state: public utilities and transportation entities. SQ 766 would eliminate the taxability of intangible property for all entities.

OKLAHOMA’S PROPERTY TAXES ARE AMONG THE LOWEST IN THE NATION

Oklahomans’ property taxes, in 2008, were just 43 percent of the national average and the 4th lowest of the states. Oklahomans paid $580 per person in property taxes, well below the national average of $1,346. The table shows that both property taxes and total taxes are lower in Oklahoma than in neighboring states and the national average.

<table>
<thead>
<tr>
<th></th>
<th>Property taxes per person, 2008</th>
<th>Total state and local taxes per person, 2008</th>
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<tbody>
<tr>
<td>Oklahoma</td>
<td>$ 580</td>
<td>$3,379</td>
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<tr>
<td>Average of six neighboring states</td>
<td>$ 989</td>
<td>$3,716</td>
</tr>
<tr>
<td>National Average</td>
<td>$ 1,346</td>
<td>$4,371</td>
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Source: CQ Press, State Rankings 2011 from U.S. Bureau of the Census Data, Government Division