

1. Income tax provides one-third of all state revenue. The state could not provide basic, essential services without income tax revenue unless other taxes were drastically increased. State income taxes pay for salary and benefits for 17,000 classroom teachers, 19,000 Oklahoma's Promise scholarships, incarceration costs for 9,300 inmates, health care for 430,000 children, and more.

2. Oklahomans already pay comparatively low taxes. Oklahoma is 40th in the nation in state and local taxes collected as a share of personal income (2009). Per capita, Oklahomans pay about 20 percent less in taxes than the national average.

3. Further erosion of our revenue base will do lasting damage to Oklahoma. After three years of budget cuts, the state has fallen further behind in funding teacher salaries and benefits, staffing our prisons and juvenile facilities, and ensuring the safety of children at risk of abuse and neglect, among other vital functions.

4. Tax collections are at historic lows. Lawmakers already passed large cuts to the income tax in the mid 2000s. Due to these cuts, tax collections as a share of state personal income have reached 30 year lows.

5. Oklahoma's income tax rates do not hinder the business climate. Real-life examples and the most rigorous studies show tax differences between states are not a significant factor in attracting business. Far more important is access to skilled labor, nearby markets, public safety, and transportation infrastructure — most of which require public investments made possible by the income tax.

6. Oklahoma's economy is already doing better than most states that lack an income tax. Oklahoma has a lower unemployment rate and better per capita income growth over the last decade than six out of the nine states with no income tax, including Texas.

7. Tax cuts will harm Oklahoma's creditworthiness. The bond rating service Moody's refused to lower Oklahoma's cost of borrowing in part because of efforts to eliminate the state income tax. Other bond investors have called it "an experiment in state and local finance at a very vulnerable time."

8. Doing away with income tax will create pressure to raise sales and property taxes. Every state without an income tax has higher property taxes than Oklahoma. The average Texan pays three times more property tax than the average Oklahoman. Our combined state and local sales tax rate is already fifth highest in the nation. Increasing sales taxes will harm local business as consumers drive to neighboring states or shop online to avoid sales tax.

9. Income tax is vital for a balanced revenue system. Income tax is our main tool to balance the overall regressivity of state taxes, because sales and property taxes take a higher share of income from low- and middle-income Oklahomans than from the wealthy. It is a more reliable revenue source than gross production taxes, which are volatile and unpredictable depending on the price of oil and gas.

Total State Tax Collections, FY '10

