

## PROPERTY TAXES IN OKLAHOMA

The Oklahoma Constitution limits annual property value increases to 5 percent, unless the property is sold. Measures being considered this legislative session would lower the maximum annual increase on homestead properties to 3 percent. (HJR 1016 and SJR 5). HJR 1016 also would limit most commercial property assessment increases to 3 percent. 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 52 percent of all local tax revenue. Property taxes are the primary funding source for county government. They also provide about one-third of common school funding and two-thirds of vocational-tech funding.

Property tax collections in Oklahoma totaled \$1.8 billion in 2006 (U.S. Census Bureau). Over the past decade, collections have grown at an annual average rate of 7.8 percent due to substantial new building and increasing value of existing properties.

Property taxes are determined by 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. *SJR 5 and HJR 1016 would lower the maximum annual increase for homestead properties to 3 percent.* HJR 1016 also would limit commercial property assessment growth to 3 percent per year except in cases where property values had fallen in previous years.

2. The *assessment ratio* is a percentage of a property's value. Counties can set assessment ratios for different kinds of property within prescribed limits, ranging from 10 percent to 15 percent. 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 currently 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 household income of their county or metropolitan area (SQ 714, 2004).
- 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.
- Seniors with income under \$10,000 who reside in manufactured homes are allowed a \$2,000 exemption.

#### • Preferences for Disabled Veterans

- Any head of household who is an honorably discharged veteran and is 100 percent disabled is fully exempted from ad valorem taxes for his or her homestead. This benefit is also extended to a surviving spouse (SQ 715, 2004).

### OKLAHOMA'S PROPERTY TAXES ARE AMONG THE LOWEST IN THE NATION

Oklahomans' property taxes, in 2005, were just 43 percent of the national average and the 4th lowest of the states. Oklahomans paid \$486 per person in property taxes, well below the national average of \$1,134. The table shows that both property taxes and total taxes are lower in Oklahoma than in neighboring states and the national average.

	Property taxes per person	Total state and local taxes per person
Oklahoma	\$ 486	\$2,849
Average of seven neighboring states	\$ 819	\$3,151
National Average	\$ 1,134	\$3,705

2005 taxes per capita. Source: CQ Press, from U.S. Bureau of the Census Data