



OKPOLICY.ORG

Oklahoma Policy Institute

5 things that everyone should know about Oklahoma Taxes

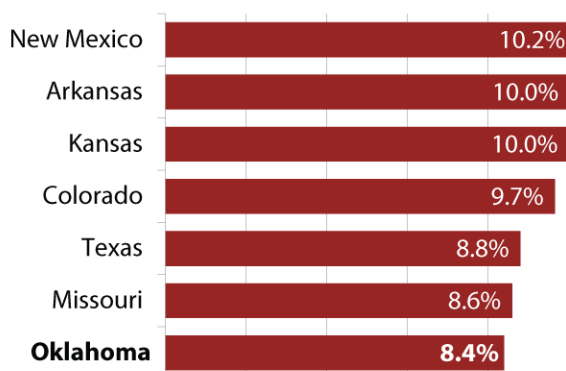
April 15, 2014 - It's tax day — the annual event when procrastinators, or those who just like to live on the edge, rush to get their tax returns filed before the midnight deadline. If your return is safely filed, or if you just want another excuse to procrastinate, here are 5 things in 5 charts that everyone should know about Oklahoma taxes.

1. Oklahoma state and local taxes are among the lowest in the nation

Trying to compare taxes between states can get very complicated very fast. State and local governments have different kinds of taxes at different rates kicking in at different income levels. One state may have higher sales tax rates, but it may be applied to a much smaller base if groceries or other common purchases are exempt. Property taxes often have numerous exemptions and caps, and they can fluctuate based on the housing market.

But we do have one way to more easily compare overall taxation — we can look at the total taxes paid [as a percentage of personal income](#). This shows that as of 2011, Oklahomans' paid the 48th lowest taxes in the nation out of all 50 states and the District of Columbia. Oklahomans paid about 8.4 cents in taxes per dollar of income, ahead of only Alabama, Tennessee, and South Dakota. Even before the tax cut [that took effect in January 2012](#), we paid less than all of our neighboring states.

State & Local Taxes as a Share of Personal Income in Oklahoma and Neighboring States, 2011



Data from U.S. Census Bureau via the Tax Policy Center

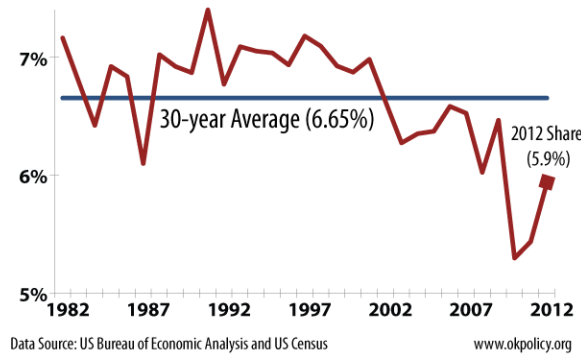
www.okpolicy.org

2. Taxes have fallen to historic lows

Besides being low compared to other states, Oklahoma's state taxes are at a historically low levels as well. In 2012, Oklahomans paid 5.9 percent of their total personal income in state taxes, well below the 30-year

average of 6.65 percent. The percentage rose somewhat due to increases in spending and taxable income as the economy recovered from the Great Recession. However, not counting the depths of the Great Recession, you would have to go back to 1975 to find a year when Oklahomans contributed as small a share of their incomes to fund state services.

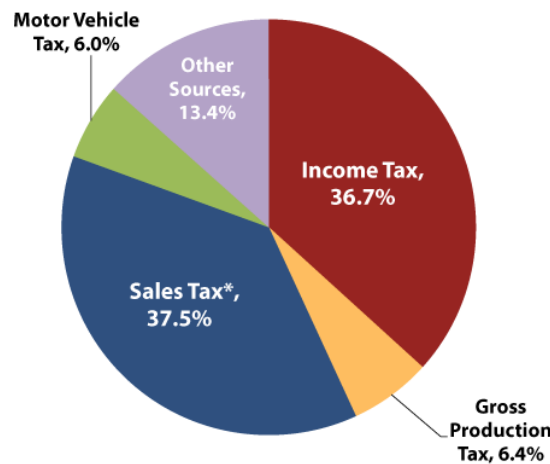
The Share of Personal Income Oklahomans are Paying in State Taxes is Near a 30-Year Low



3. Income tax is more than one-third of all of Oklahoma's tax revenue

Oklahoma's income tax is by far the largest tax revenue source for our state government. Although the state collected slightly more sales tax in FY 2013, a large part of that was collected on behalf of local governments. (Oklahoma's municipalities are heavily dependent on sales tax revenue.) The state could not provide basic, essential services without income tax revenue unless other taxes were drastically increased. For example, in 2012 [Oklahoma's personal income tax](#) paid for the cost of salary and benefits for 17,000 classroom teachers, the entire ROADS fund for repairing our roads and bridges, 19,000 Oklahoma's Promise scholarships, incarceration costs for 9,300 inmates, the state's share of health care coverage for 430,000 children, and more.

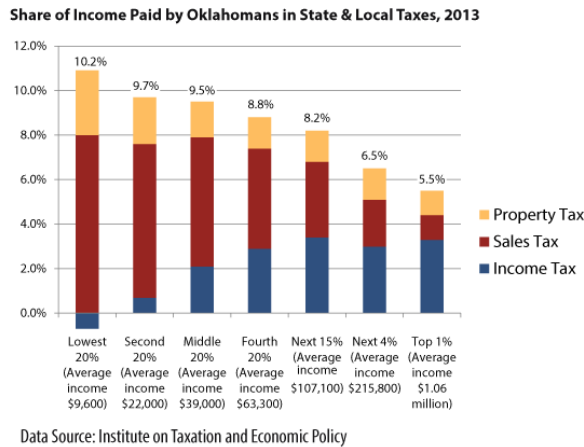
Oklahoma Tax Revenues, FY 2013



*Includes sales tax revenues collected for local governments.

4. Oklahoma's tax system is regressive (the poor pay more)

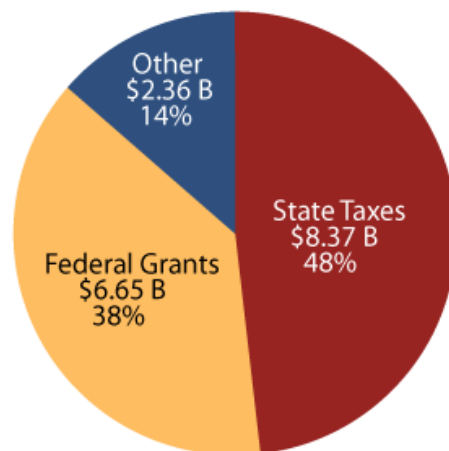
The lowest fifth of households by income in Oklahoma, who make an average of \$9,600 per year, [pay about 10.2 percent](#) of their income in state and local taxes (including property taxes that are passed down as higher rent). That's nearly twice as much as the highest income household in the state, who make an average of \$1.06 million per year and pay just 5.5 percent of that in state and local taxes. The biggest reason is the sales tax. Low-income families spend a much greater part of what they make every year, so more of it ends up being taxed. That's especially true in Oklahoma because we are one of the few states to assess a sales tax on groceries.



5. State taxes make up just half of Oklahoma's revenue

In 2013, Oklahoma collected \$8.37 billion from state taxes. That was just under half (48 percent) of the total revenue for the state that year. Grants from the federal government were the next biggest revenue source, bringing in \$6.65 billion or 38 percent of all state revenue. Oklahoma's reliance on federal funding is actually down significantly from recent years. When the Great Recession caused a huge drop in state tax revenues, the federal stimulus bill stepped in to supplement state budgets. In 2010, federal support actually surpassed state taxes among the state's funding sources. Oklahoma services still had to deal with large budget cuts in 2010 (we discussed some of the effects of those cuts [here](#), [here](#), [here](#), and [here](#)). But without the federal stimulus, it would have been much worse.

Oklahoma Revenue Sources, FY 2013



Source: Oklahoma 2013 Comprehensive Annual Financial Report

Oklahoma Policy Institute | 907 S Detroit Ave, Suite 1005, Tulsa, OK 74120 | (918) 794-3944