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Oklahoma Policy Institute

10 Things You Should Know ABOUT OKLAHOMA'S BUDGET & TAX SYSTEM

- 1) **Oklahomans pay 10 cents of every dollar we earn in state and local taxes** - *Oklahomans' taxes are 42nd in the nation per capita and as a share of personal income (2006).* Just over one in every three dollars at the state level comes from the income tax. The sales tax is the second largest revenue source for both state and local government (behind the income tax and property taxes, respectively).
- 2) **Oklahoma's property taxes are among the lowest in the nation** - *Oklahoma's property taxes are 46th in the nation as a share of income.* The average Texan pays 2.6 times more than Oklahomans in property taxes (2006).
- 3) **Low- and moderate-income Oklahomans pay a greater share of their income in state and local taxes than do upper-income Oklahomans** - In fact, the bottom three-fifths of taxpayers pay 11 cents of every dollar, on average, in state and local taxes, compared to less than 9 cents of every dollar for the wealthiest 5%. This is because sales taxes hit low- and moderate-income families hardest.
- 4) **Recent tax cuts have eroded state revenue collections** - The Legislature responded to the state's energy-fueled economic surge by enacting permanent tax cuts with a fiscal impact of some \$770 million in FY '10. As a result, state appropriations were unable to keep pace with rising costs even prior to the economic downturn .
- 5) **Cutting taxes is not an efficient way to grow the state economy** - Substantial research shows that state personal income tax rates have a minimal impact in spurring business investment or individual migration. Since Oklahoma is already a low tax state, further tax cuts risk diverting resources from the investments in physical and human capital that our economy needs.
- 6) **Government spending in Oklahoma, per capita, is 20.5%, below the national average** - *Total state and local direct general expenditures per capita in Oklahoma are 50th in the nation (2005).* Limited investments in a wide range of services have hampered Oklahoma's ability to boost the state's prosperity, security and well-being.
- 7) **About 9/10th of Oklahoma's annual state budget is spent by the ten largest agencies** - The \$7.2 billion state budget is spent overwhelmingly on education, health care, social services, transportation and public safety.
- 8) **State spending has been growing less rapidly over time than the state economy** - In 2008, about 5.6 cents of every \$100 in state personal income went to state appropriations, less than the 25-year average of 5.9%.
- 9) **Oklahoma has a strict systems of constitutional tax and spending limits** - Our Constitution requires a three-quarter vote of the Legislature or a vote of the people to raise state taxes. Oklahoma must balance its budget each year and put surplus funds aside into a rainy day fund.
- 10) **The state faces serious fiscal challenges in the years ahead** - With an aging population, unfunded pension obligations and an outdated tax system, Oklahoma will struggle to provide adequate levels of funding for basic public services - even without state policies that make the situation more difficult.