

CENTER ON BUDGET AND POLICY PRIORITIES

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OKLAHOMA

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Oklahoma is rated as having a significant risk of a structural deficit based on its score of seven on the risk scale for structural deficits.



- In Oklahoma, the percent of sales subject to sales tax declined by 16.3 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points. Moreover, Oklahoma's sales tax covers less household services than the average state.
- Oklahoma could lose an estimated \$223 to \$349 million in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.
- The top bracket of Oklahoma's income tax starts at a relatively low level making it a less progressive tax. An individual earning \$30,000 in Oklahoma pays income tax at the same rate as someone earning \$300,000.
- During 1994-2000, Oklahoma reduced its personal income tax rate. This is problematic since income taxes provide stronger growth over the long term than other types of taxes.
- Oklahoma has a constitutional spending limit that restricts existing program appropriations to 12% plus inflation. Oklahoma has two types of limits on the growth of local property taxes: a property tax rate limit and an assessment increase limit. It also has a supermajority requirement for all tax increases.
- Oklahoma remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated \$11.5 million per year.
- Two other national studies (Hovey 1998 and Boyd 2002) found that Oklahoma has a structural gap.
- Lastly, although this paper did not categorize Oklahoma as having unusually high spending needs, it does face some spending pressure from the number of students with special needs.