OSU
OKLAHOMA COOPERATIVE EXTENSION SERVICE

Current Report

CR-960
0102

Division of Agricultural Sciences and Natural Resources • Oklahoma State University

Our Taxes: Comparing Oklahoma with Other States for 1997

Notie H. Lansford, Jr.
Department of Agricultural Economics
Oklahoma State University

Judith I. Stallmann
Department of Agricultural Economics
Texas A&M University

Oklahoma Taxes at a Glance

For the state of Oklahoma, the major sources of revenue are income and sales taxes. For local governments, the major sources of revenue are sales and property taxes.

Like most states, Oklahoma has both a corporate and personal income tax.

Oklahoma ranks:

- 44th in state and local taxes per capita. The average Oklahoman paid $2,150 in all state and local taxes for fiscal year 1997, below the national median of $2,521.
- 32nd in state and local taxes per $1,000 of personal income. For every $1,000 of personal income, the average Oklahoman pays $102 in state and local taxes, or about 10.2% of personal income. This is below the national median of $105, and less than the national average 10.5% of income.
- 47th in property taxes per capita ($331) and 48th in property taxes per $1,000 of personal income ($15.68).
- 30th in sales taxes, including all general and selective sales taxes per capita ($868) and 18th in sales taxes per $1,000 of personal income ($41.19).
- 32nd in individual income taxes ($512 per capita) and 25th per $1,000 personal income ($24.30).
- 41st in combined corporate income and franchise taxes ($79 per capita) and 36th per $1,000 of personal income ($3.73).
- 47th in federal revenues per capita ($683) and 32nd in federal revenues per $1000 of personal income.
- 6th in license, severance, and miscellaneous taxes per capita ($360) and 5th per $1,000 personal income ($17.10).

Our Taxes: Comparing Oklahoma with Other States

Taxes—local, state, and federal—are a frequently debated topic. The State of Oklahoma is no exception. Tax revenue composes a major component of the state budget, and specific tax rates and instruments are often topics of discussion. In addition, the use of tax abatements for economic development at the local level is a continuing subject of debate. The objective of this report is to provide basic information about the Oklahoma state and local tax system and its relative size compared to other states within the United States.

When comparing all state and local taxes in the United States, Oklahoma ranks as a lower tax state in most respects. Oklahoma ranks 44th on state and local taxes per capita according to the latest Census of Governments report. Although the overall tax burden in Oklahoma is low compared to other states, the burden of the sales tax ranks near the center among the 50 states, and the license and severance taxes rank relatively high. Recent changes in car tag fees may lower this ranking. Furthermore, exempting groceries from the sales tax, as discussed annually, would result in making this tax less regressive. (Regressivity results when lower-income families pay a higher percentage of their income in state and local taxes than higher income families). Oklahomans have chosen, like most other states, to employ a personal income tax and a broad-based corporate income tax.

This report is based on data from the Oklahoma Tax Commission and the 1997 Census of Governments, the most complete set of data available across all states. While tax dollar amounts have changed, the objective of this paper is to make comparisons among states. It is assumed that the relative ranking of states changes slowly over time.

Oklahoma State Taxes and Revenues

Oklahoma state taxes include the general sales and use tax, income tax, motor vehicle tax and license fees, and motor fuels tax. These taxes provided 76% of state and local tax revenues in 1997. But taxes provide only 58% of state and local "general" revenues and 45% of total state and local revenue (Figure 1). General revenues may be described as money available for a wide variety of uses. It is uncommitted, while other money may be committed to specific uses.

Federal revenues are an important share of state and local revenues, comprising 14% of total revenue for Oklahoma. Various "charges" for goods and services, such as tuition, room, and board at state universities, make up another 21% of total state and local revenue. "Other Revenue," such as municipal utility and insurance trust revenue, makes up the remaining 20% of total state and local revenue (Figure 1).

Oklahoma Local Taxes

The major taxes for all local governments and special districts are the sales and property taxes, which provide 94% of all local and special district tax revenues. Federal revenues to local government are relatively small, 3% of general revenue and 2% of total local government revenue.

Overview of U.S. State and Local Taxes

Although tax structures among states have many similarities, they also have some important differences (see sidebar, "Establishing a Basis of Comparison"). The most significant differences among states are whether or not they have:

- A general sales and/or gross receipts tax
- An individual income tax
- A corporate income tax

Establishing a Basis of Comparison

Comparing taxes across states may seem straightforward, but state tax systems vary in types of taxes, tax rates, and tax levies. To compare taxes among different states, we must first establish a basis of comparison:

- **Taxes are measured per resident.**
  Because state populations vary, comparing total taxes collected by each state is not useful. Instead, the average tax on an individual resident of the state—a per capita tax—is a better way to measure the relative burden of a state's tax system on its residents. The per capita tax is a measure of the average tax burden.

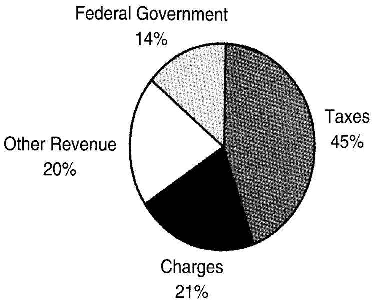
- **Taxes are also measured per $1,000 of personal income.**
  Tax systems may also be compared among states by the amount of taxes paid per $1,000 of personal income. This comparison is useful because average incomes vary among states. A state with low per-capita income may also have a low per-capita tax, but its tax per $1,000 of income, or its tax as a percentage of income, may be high. This is sometimes referred to as "tax effort." Tax effort is often used in allocating revenues from federal to state and local governments. Government jurisdictions with higher effort may qualify for relatively more federal funds than those with lower efforts.

- **Similar taxes must be aggregated.**
  For example, the Census Bureau aggregates the general sales tax, motor vehicle and manufactured home sales tax, hotel and motel tax and other selective sales taxes in Oklahoma.

- **State and local taxes are reported together rather than separately.**
  In some states, for example, the property tax is collected by both local and state governments, whereas in other states it is collected only by local government. To compare property taxes meaningfully across states, all property taxes, both state and local, must be included.

- **All taxes collected by a state are counted as being paid by residents of that state.**
  In fact, many taxes are paid by out-of-state residents. For example, out-of-state tourists pay sales taxes and hotel/motel taxes. For popular tourism states, these tax revenues can be substantial. Out-of-state business owners and stockholders pay part of business property taxes, corporate income taxes and corporate franchise taxes.
  The more a state exports its taxes to out-of-state residents, the lower the actual tax burden is on state residents. Exporting taxes to out-of-state residents, however, is not reflected in this report because of lack of information on tax exporting.

- **Individual and business taxes are aggregated.**
  Property taxes, for example, include those paid by both individuals and businesses. It might seem that only individual taxes should be included in the per capita calculation and that business taxes should be calculated separately, as an average per business. Individual and business taxes, however, are aggregated because all taxes, including business taxes ultimately are paid by individuals.
  Owners of unincorporated businesses (individuals) pay business taxes. Corporate stockholders pay business taxes in the form of personal income taxes on dividends, capital gains taxes, and lower dividends because dividends are allocated after corporate taxes are paid.
  Just as not all state residents pay property taxes, not all residents pay business taxes. The data give an average; some residents pay less (perhaps even zero tax) and others pay more.
  Businesses pay several taxes: the corporate income tax, severance taxes, sales taxes on their purchases and property taxes. Unfortunately, it is not possible to separate the businesses' share of some of these taxes from the taxes paid by individuals. A similar calculation would be needed for every state. This computation would be needed to determine the impact of the state's tax structure on the competitiveness of its businesses.



Total Revenue = $16.107 billion
$4,860/person
$231/$1,000 income

Figure 1. Oklahoma State and Local Government Revenue by Source, FY 1997

All states tax property, gasoline, tobacco, and alcohol, either at the state or local level, or both.

Alaska, Delaware, Montana, New Hampshire, and Oregon have no general sales tax. Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming have no individual income tax. In addition, New Hampshire and Tennessee tax only interest and dividend income and are often listed among the states with no individual income tax.

Texas, Nevada, Washington, and Wyoming have neither a corporate income tax nor individual income tax. South Dakota has no individual income tax and no broad-based corporate income tax, but does tax banks.

Because states choose not to impose certain taxes, they often impose higher rates for other taxes. For example, although it has no individual or corporate income tax, Texas has among the highest sales and property taxes.

Table 1: State and Local Taxes, Fiscal 1997

	Taxes per Capita (State)	*Taxes per $1,000 of Personal Income (State)*
United States Average	$2,721	$104.95
Median	$2,521 (Iowa)	$104.87 (Indiana)
Maximum	$4,988 (District of Columbia[1])	$146.76 (Alaska)
Minimum	$1,842 (Alabama)	$84.27 (Tennessee)
Oklahoma Average Rank	$2,150 44th	$102.00 32nd

Source: Census Bureau, 1997 and BEA
[1] Second-ranked Connecticut is $4203.

Oklahoma ranked 44th in the nation on state and local taxes per capita. The average Oklahoman paid $2,150 in all state and local taxes for fiscal year 1997 (Table 1), the year with the most complete information available. Oklahomans averaged $571 less than the national average of $2,721 per capita. The average U.S. per capita tax is calculated by adding the total taxes paid across all states and dividing by the national population. The national median is $2,521 per capita (State of Iowa, Table 1). Half the states have a tax higher than the median, and half have a tax lower than the median (Figure 2). Because the comparisons include the District of Columbia, the median state is the one ranking 26th. The lowest per capita taxes are in Alabama at $1,842; the highest are in Washington, D.C., at $4,988.

Oklahoma ranks 32nd in state and local taxes per $1,000 of personal income. For every $1,000 of personal income, the average Oklahoman pays $102 in state and local taxes, or about 10.2% of personal income. This is below the national average of $105 (10.5% of personal income) and below the median of $105 (Table 1). By either measure, our state qualifies as a lower-tax state (Figure 3). However, Oklahoma is a state with relatively lower personal income. Therefore, the 32nd ranking in taxes per $1,000 personal income indicates a relatively good tax effort, near the average among the states ($104.95).

Alaska has the highest state and local taxes per $1,000 of income ($147). It ranks 4th in per capita taxes. Because a large share of Alaska's taxes are oil and mineral severance taxes, much of the tax burden is exported from the state to fuel consumers elsewhere.

Property tax

Property taxes are a major source of revenue for local governments, but only a minor source for state governments. Seven states have no state property tax (Oklahoma, Delaware, Iowa, New York, South Dakota, Tennessee, and Utah) while many more have only a minimal or selective property tax. Virginia, for example, taxes railroad property at the state level only (Spar).

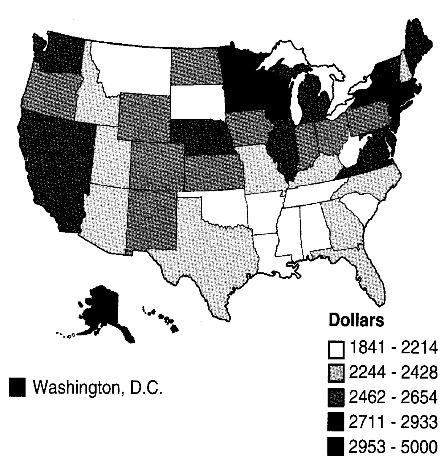


Figure 2. Total State and Local Taxes Per Capita, 1997

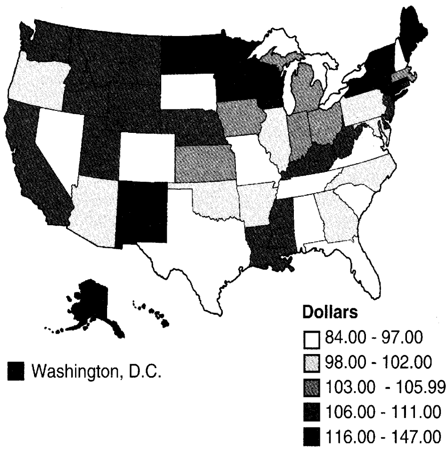


Figure 3. Total State and Local Taxes per $1,000 Personal Income, 1997

Table 2: Property Taxes, Fiscal, 1997

	Taxes per Capita (State)	*Tax per $1,000 of Personal Income (State)*
United States Average	$817	$31.52
Median	$762 (Colorado)	$30.58 (Michigan)
Maximum	$1,587 (New Jersey)	$55.76 (New Hampshire)
Minimum	$240 (Alabama)	$11.27 (Alabama)
Oklahoma Average Rank	$331 47th	$15.68 48th

Source: Census Bureau, 1997 and BEA

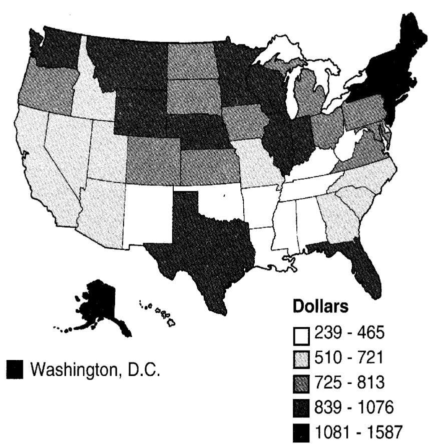


Figure 4. Property Taxes Per Capita, 1997

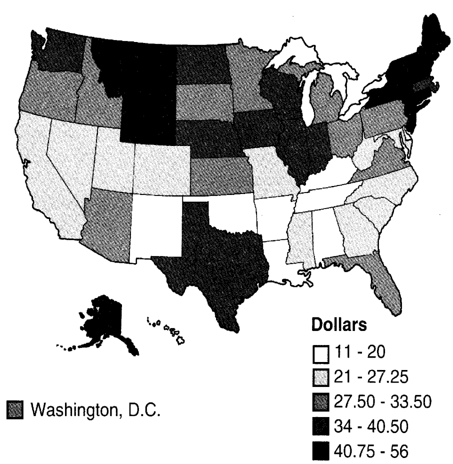


Figure 5. Property Taxes per $1,000 Personal Income, 1997

Another difference among states, and even among local governments within a state, are the exemptions and special treatments for property taxes. For example, some states exempt some portion of the value of a home. Oklahoma statutes provide for a $1,000 homestead exemption applied against the assessed valuation (fair cash value multiplied times the assessment percentage). Low-income homeowners and homeowners over 65 years old may receive additional tax relief on their homes if they qualify. City and county property tax abatements may be given to some businesses.

State and local property taxes in the U.S. average $817 per capita. Oklahoma averages $331 per capita in property tax, which is a local property tax only (Table 2). Oklahoma ranks 47th in property taxes per capita. At $1,587, the New Jersey property tax per capita is the highest in the nation. Alabama has the lowest state and local property tax per capita at $240 (Figure 4).

People with higher incomes generally own higher-valued properties than those with lower incomes. Thus, a high per capita property tax may reflect, at least in part, higher-than-average incomes in the state. To compensate for varying levels of income among states, state and local property taxes are compared per $1,000 of personal income. A state with a relatively low per capita tax and higher tax per $1,000 of personal income would indicate a low-income state with average to good tax effort.

Oklahoma property taxes per $1,000 of personal income are $16, ranking it 48th in the nation. Thus, Oklahoma has similar ranks on both property tax measures. The national average is $32, and the median is $31 per $1,000 of personal income (Figure 5). New Hampshire has the highest state and local property taxes per $1,000 of income at $56; it ranks second in property taxes per capita. Because it has neither an individual income tax nor a general sales tax, New Hampshire heavily taxes property. It is also interesting to note that the states which tax property most heavily are in the Northeast (Figure 5). Alabama ranks lowest on both measures (Table 2), with $240 per capita and $11 per $1,000 of personal income. Property taxes are paid by property owners. Those not owning property, such as renters, do not pay property tax directly. They typically pay property taxes indirectly, however, as part of their rent. Whether a landlord is able to pass the property tax on to the tenant as part of the rent depends on supply-and-demand conditions in the local rental market. In the short run, if the vacancy rate is high, the landlord may be unable to pass the tax to the renter. However, property taxes are an integral part of the landlord's cost structure for providing rental space, which in the long run must be fully covered by rental income. Hence, the property tax is usually incorporated into rental rates.

General and selective sales and use taxes and gross receipts taxes

Because of differences among states, similar taxes must be aggregated into categories. The sales tax category includes the general sales tax, all selective sales taxes and gross receipts taxes. The Census Bureau defines these taxes as: "Taxes on goods and services, measured on the basis of the volume or value of their transfer, upon gross receipts or gross income there from, or as an amount per unit sold (gallon, package, etc.); and related taxes based upon use, storage, production, importation, or consumption of goods and services."

In Oklahoma the state and local sales and use taxes plus motor fuels, alcohol, tobacco, and hotel and motel taxes are examples of what the Census classifies as "sales and gross receipts taxes." The general sales and gross receipts taxes are aggregated because both are based on the gross receipts from a business activity. In the case of a sales tax, it is the gross receipts of only specified business activities.

Oklahoma state government's second largest revenue source is sales (and use) taxes. With sales taxes of $868 per capita, Oklahoma ranks 30th in the nation, below the national average of $977 (Table 3). Nevada has the highest per capita sales and gross receipts taxes, at $1,767 (Figure 6). As one of the nation's leading tourism states, Nevada receives much of its sales and gross receipts taxes from nonresidents by heavily taxing activities on which tourists spend money. Kansas has the median per capita tax ($932), and Oregon has the lowest per capita tax ($256). Oregon has only selective sales taxes, but no general sales tax. Alaska, Delaware, Montana, and New Hampshire also have no state-level general sales tax. They do have sales or gross receipts taxes on some specific items such as gasoline, alcohol, and tobacco. Oklahoma ranks higher on sales taxes per $1,000 of personal income. Oklahomans pay $41 of every $1,000 of personal income in sales taxes (both general and selective). Oklahoma ranks 18th in the nation (Table 2). The national average is $38 of sales and gross receipts taxes per $1,000 of personal income; the national median is $37 (Figure 8). Hawaii ranks highest in sales and gross receipts taxes per $1000 of personal income. Like Nevada, Hawaii is a major tourist destination and receives much of its sales tax revenues from nonresidents. Oregon again ranks lowest.

Table 3: Sales and Gross Receipts Taxes, Fiscal 1997

	Taxes per Capita (State)	*Taxes per $1,000 of Personal Income (State)*
United States Average	$977	$37.70
Median	$932 (Kansas)	$37.08 (California)
Maximum	$1,767 (Nevada)	$64.49 (Hawaii)
Minimum	$256 (Oregon[1])	$10.26 (Oregon)
Oklahoma Average	$868	$41.19
Rank	30th	18th

Source: Census Bureau, 1997 and BEA

[1] Alaska, Delaware, Montana, New Hampshire and Oregon have no state general sales tax, only selective sales and gross receipts taxes.

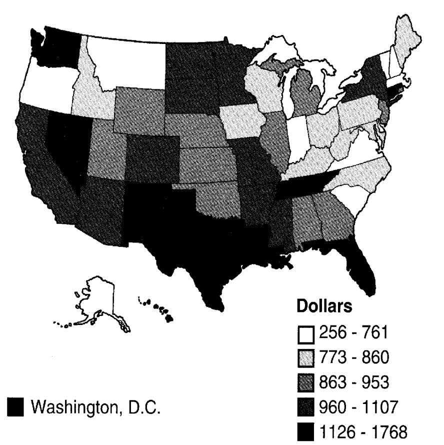


Figure 6. Sales and Gross Receipts Taxes per Capita, 1997

In 34 states, local governments can also impose sales taxes (Moody). In Oklahoma, city sales tax rates are unlimited, while county rates may not exceed 2%. Local governments may also impose a hotel-motel (lodging) tax.

The sales tax rate does not completely reflect the tax burden because the burden also depends on how narrow or broad the tax base is. In Oklahoma, the general sales tax applies to all goods except prescription drugs and a limited list of other products. As an economic development incentive,

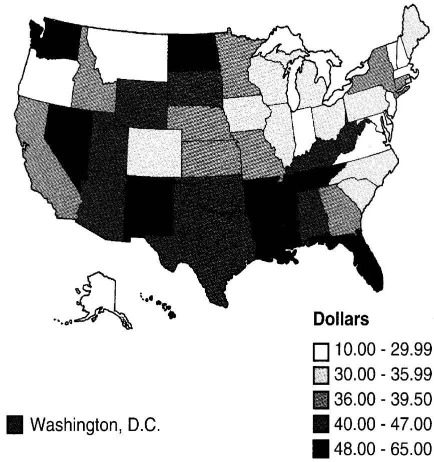


Figure 7. Sales and Gross Receipts per $1,000 Personal Income, 1997

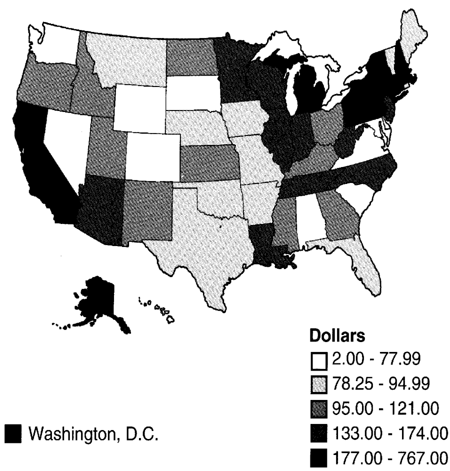


Figure 8. Corporate Income and Franchise Taxes per Capita, 1997

goods (inputs) purchased for some production and manufacturing purposes are exempted. Pickup tires to be used in agricultural production are an example. Unlike Oklahoma, other states, including neighboring Texas, may apply the sales tax to numerous services in addition to goods.

Because the general sales tax applies to most consumer goods in Oklahoma, it does not affect consumer choices of goods. The tax does not generally affect the competitiveness of Oklahoma retailers because consumers generally do not cross state lines to shop, except along borders. Electronic and mail-order commerce, however, is an exception and growing concern. Many such sales escape taxation. While consumer choice among goods is unlikely to be significantly affected by the sales tax, the lack of tax on services may lead both consumers and businesses to choose untaxed services over taxed goods and services, causing some inefficiencies. Depending upon one's point of view, inequities may also result across income groups.

The sales taxes businesses pay on their purchases increase their costs, potentially making them less competitive with businesses in other states. Equipment and materials for manufacturing and for farm and ranch use are exempted from sales tax, allowing those industries to be more competitive.

Relying heavily on sales taxes makes this portion of the Oklahoma tax system regressive. That is, lower-income families pay a higher percentage of their income in sales taxes than do higher income families. Exempting groceries from sales tax, as some policy makers have proposed, would reduce the regressivity of the sales tax.

However, low income individuals and families may currently receive up to $40 relief on income tax as authorized by the Sales Tax Relief Act.

Corporate franchise and income taxes

Most states impose a license or franchise tax on corporations for the privilege of doing business within the state. In Oklahoma, this tax applies to every corporation, association, joint-stock company and business trust organized under the laws of the state. The corporate franchise tax is $1.25 for each $1,000 used or invested in an Oklahoma business enterprise, with a maximum tax of $20,000. Twenty-five states have similar franchise taxes.

To compare the taxation of corporations across states, corporate franchise taxes and the corporate income taxes were added together for each state (Figure 8). North Dakota is the only state without a corporate franchise tax. Utah instituted a corporate franchise tax in 1995 (Moody). Four states do not have a corporate income tax: Nevada, Texas, Washington, and Wyoming. In addition, South Dakota's is not broad-based—it applies only to banks. Only New York has a local corporate income tax (Moody).

Delaware ranks first in combined corporate taxes per capita at $766 (Table 4). There is a wide range in combined corporate taxes, with the lowest combined tax per capita of $2 in Washington and a median of $110 in Mississippi (Figure 8). Washington has no corporate income tax and only a nominal fee for a corporate franchise tax. Instead, it relies on a gross receipts tax with twenty different rates, depending on the type of business activity (Moody). Oklahoma, with a tax of $79 per capita, ranks 41st in the nation.

Oklahoma ranks 36th in combined corporate income and franchise taxes per $1,000 of personal income. On the taxes per $1,000 of personal income basis, again Delaware ranks highest, and Washington the lowest (Figure 9).

If the corporate franchise tax is more than a nominal fee, it may affect competitiveness among businesses within the state. Unincorporated businesses in the state that produce the same products or services do not pay the tax, giving them a cost advantage over corporations. Because both corporations and noncorporations must sell products in a competitive market at similar prices, corporations with noncorporate competitors cannot pass on this tax to consumers by adding it to their products' prices. This gives unincorporated businesses a competitive advantage over corporate businesses in the state.

This can affect the state economy in two ways:

Table 4: Corporate Income and Franchise Taxes, Fiscal 1997

	Taxes per Capita (State)	*Taxes per $1,000 of Personal Income (State)*
United States Average	$148	$5.72
Median	$110 (Mississippi)	$4.89 (Kansas)
Maximum	$766 (Delaware[1])	$27.76 (Delaware[2])
Minimum	$2 (Washington)	$0.07 (Washington)
Oklahoma Average	$79	$3.73
Rank	41st	36th

Source: Census Bureau, 1997 and BEA
[1] Alaska ranks second with $546 and Washington, D.C., third with $343.
[2] Alaska ranks second with $20.24 and New York third with $11.

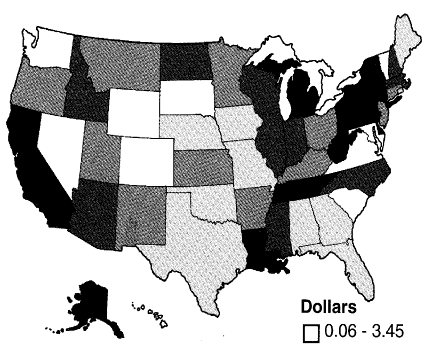


Figure 9. Corporate Taxes per $1,000 Personal Income, 1997

- Corporations paying the franchise tax earn less profit per unit than businesses not taxed. This reduces the money available for shareholders, reinvestment, or other uses.
- Businesses with corporate franchises may respond to the cost disadvantage of the tax and restructure the business into an organization not subject to the tax. Of course, some corporations may be unable to use this option.

Hence, the franchise tax may impede the development or growth of some corporations, particularly new or small corporations.

Individual income tax

The states without individual income taxes are Alaska,

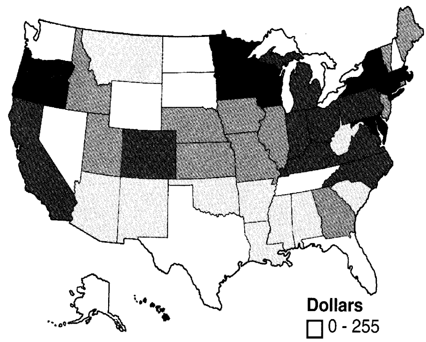


Figure 10. Individual Income Taxes per Capita, 1997

Florida, Nevada, South Dakota, Texas, Washington, and Wyoming (Figure 10). New Hampshire and Tennessee also have no broad-based income tax, but do tax interest and dividend income. Local governments in fourteen states can also impose an individual income tax (Moody).

The national average state and local individual income tax is $594 (Table 5). The median is similar, $599 per capita. The highest per capita individual income tax is $1,425 in Washington, D.C. Of the states imposing a broad-based individual income tax, the minimum is $255 per capita in North

Table 5: Individual Income Taxes, Fiscal 1997

	Taxes per Capita (State)	*Taxes per $1,000 of Personal Income (State)*
United States Average	$594	$22.91
Median	$599 (Utah)	$24.28 (Arkansas)
Maximum	$1,425 (District of Columbia[1])	$40.45 (District of Columbia)
Minimum	$0 (6 states [2])	$0.00 (6 states[4])
Oklahoma Average	$512	$24.30
Rank	32nd	25th

Source: Census Bureau, 1997 and BEA
[1] New York ranks second with $1,213.
[2] The minimum for a state that imposes a broad-based individual income tax is $255 in North Dakota
[3] Texas, Alaska, Washington, Nevada, Florida, and Wyoming.
[4] The minimum for a state that imposes a broad-based individual income tax is $12.21.

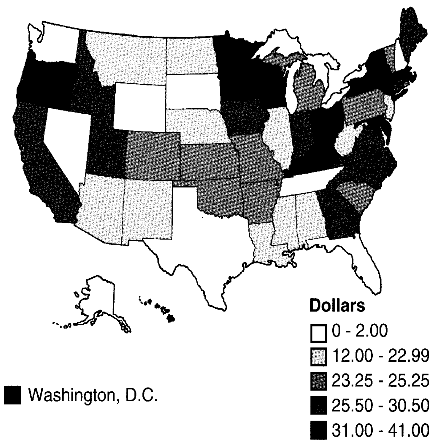


Figure 11. Individual Taxes per $1,000 Personal Income, 1997

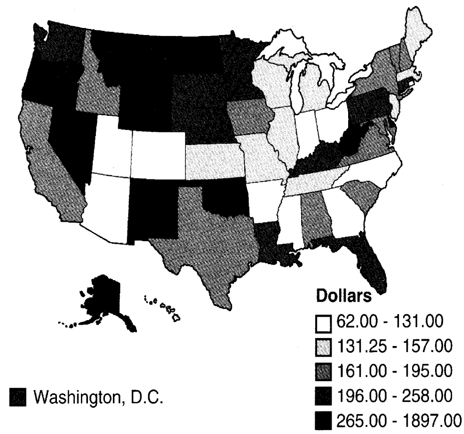


Figure 12. License and Miscellaneous Taxes per Capita, 1997

Dakota. Oklahoma's average individual income tax per capita is $512. Recent legislation reducing income tax rates in Oklahoma should reduce the tax relative to other states.

Nationally, the average state and local individual income tax per $1,000 of personal income is $23. The median is similar ($24), virtually identical to Oklahoma. Among states with a broad-based individual income tax, the tax per $1,000 of personal income ranges from $40 in Washington, D.C. to $12 in North Dakota (Figure 11).

Income taxes generally are progressive taxes. In most states, the state income tax is "piggy-backed" on the federal income tax and requires little cost for collection. This is the case in Oklahoma. Furthermore, state income tax is deductible from federal income tax. This is a taxpayer advantage of the state income tax relative to the state sales tax and other non-deductible taxes.

Licenses and Miscellaneous Taxes

State and local governments require licenses for many activities. The difference between a license and a tax is that licenses are paid only by those who participate in a particular activity, such as driving a car. The corporate franchise tax is classified as a license, but we have included it with the corporate income tax. There are also many small taxes and fees included here, such as fees and taxes for recording mortgages. The most notable for Oklahoma are severance taxes and estate taxes.

While any given fee or tax may be small, when added together they do contribute substantial revenues to state and local governments, about $1.2 billion dollars for Oklahoma in 1997. Licenses, including motor vehicle and operators licenses contributed about 46% of this amount; severance taxes (on extraction of natural resources such as oil), about 34% (Census Bureau). Severance taxes were a more important tax in the history of Oklahoma, but as oil prices fell in the 1990s and as the state diversified, oil became a smaller share of the state's economy and a smaller share of tax revenues.

Table 6: Licenses and Miscellaneous Taxes, Fiscal 1997

	Taxes per Capita (State)	*Taxes per $1000 of Personal Income (State)*
United States Average	$184	$7.10
Median	$183 (Alabama)	$7.20 (Virginia)
Maximum	$1,897 (Alaska[1])	$70.28 (Alaska[2])
Minimum	$62 (Indiana)	$2.61 (Indiana)
Oklahoma Average and Rank	$360 6th	$17.10 5th

Source: Census Bureau, 1997 and BEA
[1] Wyoming ranks second with $654 and Delaware third with $404.
[2] Wyoming ranks second with $27.70 and Montana third with $19.22.

Alaska receives the most revenue per capita from licenses and miscellaneous taxes ($1897), nearly three times that of second-ranked Wyoming (Figure 12). Oklahoma ranks 6th, well above the national median of $183 (Table 6). Indiana collects the least in licenses and miscellaneous taxes ($62). Alaska also receives the highest revenue from licenses and miscellaneous taxes per $1000 of personal income ($70), more than three times that of second-ranked Wyoming (Figure 13). Oklahoma receives $17.10 per $1000 of personal income, ranking 5th in the nation. Indiana again ranked lowest. Oklahoma's high ranking in this category reflects the relatively

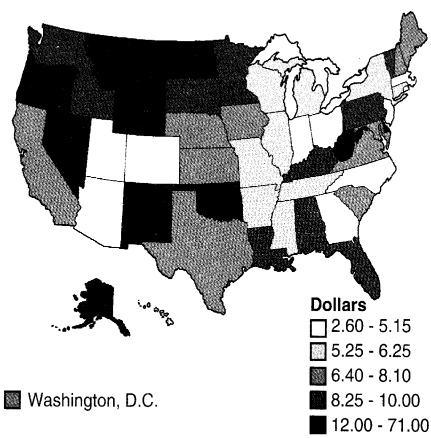


Figure 13. Licenses and Miscellaneous Taxes per $1,000 Personal Income, 1997

high auto license fees, as well as the continued importance of the severance tax on petroleum production. In 2000, Oklahoma lowered annual auto registration fees (an estimated $17 million in fiscal year 2002), so Oklahoma's ranking may decline (Oklahoma Tax Commission).

Because this category contains a broad mix of fees and taxes, it is difficult to evaluate their impact on the state of Oklahoma relative to other states. These also include taxes that are tailored to the particular conditions of the state. Severance taxes, for example, are imposed by states with large mineral deposits. Eighteen states do not have a severance tax (Census Bureau). If significant amounts of minerals produced within the state are sold outside the state, severance taxes are a way of exporting taxes. Although paid by the mineral producer, the tax (or a portion of it) may be added to the mineral's selling price.

The producers' ability to export the tax depends on the competitiveness of the mineral's national and international markets. For example, oil moves internationally from many sources to many consumers. Because all producers must sell at the international price of oil, producers in a given area cannot pass along a new severance tax unless their costs are lower than average. For other minerals, such as diamonds, supply sources are few, and competition in the market is limited. For these, much more of a severance tax can be exported to the consumer.

Enterprises, Insurance Trusts, Charges and Miscellaneous

State and local governments may operate enterprises, such as liquor stores or utilities, that provide revenues to the government. These revenues do not include the taxes on utilities or alcohol. In addition to utilities, state and local governments charge for some services and products within other agencies. Special assessments to pay for special capital items are also included as charges. In addition, states maintain various insurance trust funds, the investments of which provide revenues to the state for specific uses. These enterprises, charges, insurance funds and miscellaneous revenues contributed approximately $6.7 billion to Oklahoma in 1997. Among these various revenue sources, the miscellaneous charges by agencies contribute the greatest amount ($2.46 billion), followed by insurance trust funds ($2.40 billion). Utilities and liquor stores contributed $0.86 billion, interest $0.59 billion, and special assessments and other charges contributed another $0.40 billion (Census Bureau). Alaska received $12,619 per capita from enterprises, insurance trusts, charges and miscellaneous (Table 7). This is

Table 7: Enterprises, Insurance Trusts, Charges and Miscellaneous, Fiscal 1997

	Taxes per Capita (State)	*Taxes per $1000 of Personal Income (State)*
United States Average	$2,396	$92.42
Median	$2,172 (Alabama)	$94.32 (District of Columbia)
Maximum	$12,619 (Alaska[1])	$467.55 (Alaska[2])
Minimum	$1,553 (Connecticut)	$43.57 (Connecticut)
Oklahoma Average and Rank	$2,027 32nd	$96.16 24th

Source: Census Bureau, 1997 and BEA
[1] Washington ranks second with $3,408
[2] Wyoming ranks second with $143.

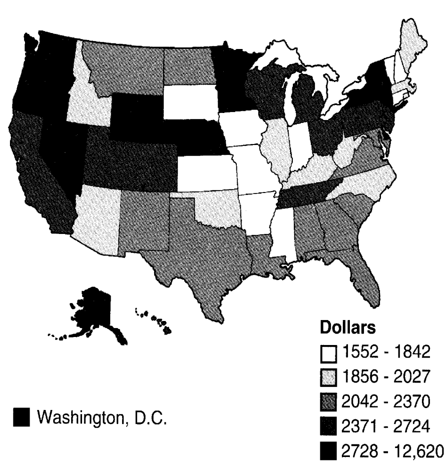


Figure 14. Charges and Enterprises per Capita, 1997

$9,000 more per capita than second-ranked Washington. Oklahoma receives $2,027 per capita, ranking 32nd in the nation. This is below the national average and the median. Connecticut collected the least per capita at $1,553 (Figure 14).

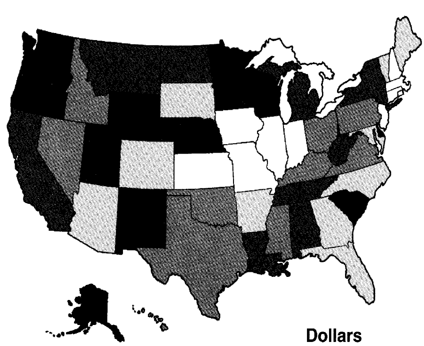
Alaska also collected the most revenue from enterprises, insurance trusts, charges, and miscellaneous per $1000 of personal income. Once again, its collections were approximately three times those of the second-ranked state, Wyoming. Oklahoma ranked 24th, collecting $96 per $1000 of personal income, slightly above both the national average and median. Connecticut collected the least per $1,000 of personal income, less than one-tenth of that collected by Alaska (Figure 15).

Because of the variability among states—in the enterprises they run, the goods and services for which they charge, the insurance funds they manage, whether or not they have a lottery and how it is managed, and how the revenues generated may legally be used—it is not possible to evaluate the impact on the state. Generally, consumers have little choice on utilities, but utility deregulation will have impacts in the future. The costs of utilities affect the competitiveness of businesses.

Federal Government Revenues

Another source of revenues for state and local governments comes from the federal government. These revenues are usually designated for specific programs that the state or local government administers for, or in partnership with, the federal government. It does not include federal expenditures on programs managed by the federal government, such as military bases.

On average, the federal government provides $913 per capita in revenues to state and local governments. Oklahoma receives less than this ($683 per capita) and ranks 47th in the nation (Table 8). Washington, D.C., receives $3,772, and Alaska receives $1,987. Virginia receives $575, the lowest per capita (Figure 16).



Dollars

- 43.00 - 77.50
- 78.00 - 87.50
- 88.00 - 98.00
- 99.00 - 105.00
- 106.00 - 468.00

Washington, D.C.

Figure 15. Charges and Enterprises per $1,000 Personal Income, 1997

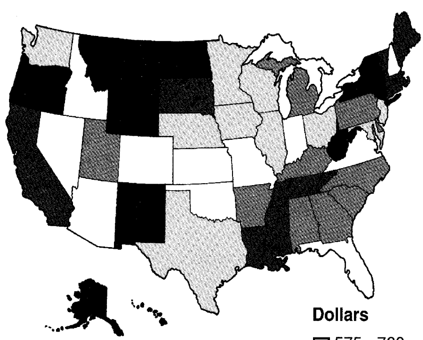
Table 8: Federal Government Revenues, Fiscal 1997

	Per Capita (State)	*Per $1000 of Personal Income (State)*
United States Average	$913	$35.24
Median	$885 (Michigan)	$35.66 (Georgia)
Maximum	$3,772 (District of Columbia[1])	$107.07 (District of Columbia[2])
Minimum	$575 (Virginia)	$20.44 (Nevada)
Oklahoma Average and Rank	$683 47th	$32.39 32nd

Source: Census Bureau, 1997 and BEA

[1] Alaska ranks second with $1,987.

[2] Wyoming ranks second with $76.68.



Dollars

- 575 - 760
- 767 - 860
- 873 - 951
- 974 - 1170
- 1176 - 3773

Washington, D.C.

Figure 16. Federal Revenues per Capita, 1997

Oklahoma ranks 32nd on federal revenues per $1000 of personal income (Table 8). Washington, D.C., again ranks highest with revenues of $107, $30 higher than second-ranked Wyoming (Figure 17). Nevada receives the least ($20). The national average and the median are approximately $35.

However, comparing the relative rank of states on federal revenues received is insufficient to evaluate the impact of those revenues. It would also be necessary to take into account the taxes and fees that the citizens and business in each state send to the federal government. In other words, such an evaluation requires the use of net, rather than gross, revenues.

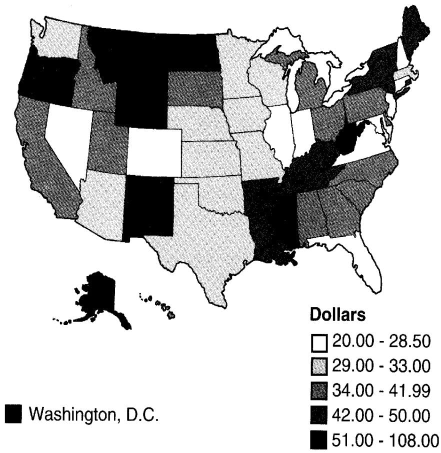


Figure 17. Federal Revenues per $1,000 Personal Income, 1997

Summary

Compared to the average state and local taxes paid by U.S. residents, Oklahoma taxes are lower. The state ranks 44th in the United States on state and local taxes per capita and 32nd on state and local taxes per $1,000 of personal income. The 32nd ranking in tax per $1,000 income is only about $3 (and 3%) below the average and median. Hence, Oklahoma is an average tax effort state. Oklahoma ranks low on property taxes and near center on sales and gross receipts taxes. Oklahoma also ranks relatively low on individual and corporate income taxes. Despite its low to mid-level rank on state and local taxes, taxation continues to be a major issue in Oklahoma.

References:

Census Bureau. "Governments Finance and Employment Classification Manual." http://www.census.gov/govs/www/toc.html. June 1992.

Moody, Scott (ed). *Facts and Figures on Government Finance*, 34th ed. Washington, D.C. The Tax Foundation. 2000.

Oklahoma Tax Commission. Fiscal Impact Statement and/or Administrative Impact Statement, Second Regular Session, Forty-Seventh Oklahoma Legislature. HB2189.

Spar, Michael A. *Virginia Statistical Abstract,* Charlottesville: Center for Public Service, University of Virginia. 1994.

The Oklahoma Cooperative Extension Service
Bringing the University to You!

The Cooperative Extension Service is the largest, most successful informal educational organization in the world. It is a nationwide system funded and guided by a partnership of federal, state, and local governments that delivers information to help people help themselves through the land-grant university system.

Extension carries out programs in the broad categories of agriculture, natural resources and environment; home economics; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of the Cooperative Extension system are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and based on factual information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

Acknowledgment

The authors gratefully acknowledge the contributions of Carol D'Ann Cochran, who created the original maps and tables for this publication.

OSU Extension Facts are also available on the World Wide Web at: **http://agweb.okstate.edu/pearl/**

Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Samuel E. Curl, Director of Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Dean of the Division of Agricultural Sciences and Natural Resources and has been prepared and distributed at a cost of $916.62 for 1,500 copies. #1946 0102 RJ.