

FUNDING THE GAP

Strong Cities, Strong State

When addressing taxation in Oklahoma it is important to analyze the situation from a macro perspective. Understanding the complex and unique outlooks at every level of government will provide policy makers the information they need to make qualified and informed decisions. Cities and towns provide a plethora of services to residents of Oklahoma, and their contribution to the state's quality of life and growing economy are often overlooked.

A BROKEN TAX PLAN

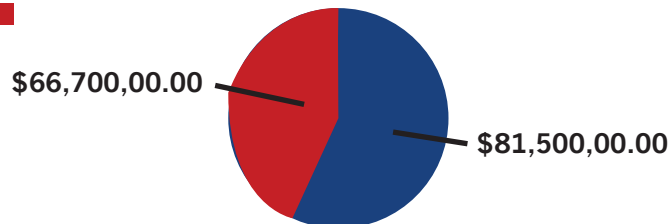
When your state is 1 out of 50 states to do anything you are either leading or lagging. Oklahoma's place as the only state in the union where cities and towns are almost entirely dependent on sales tax for general operations may not be putting us on the leading end of governmental taxation systems. Over subsequent decades Oklahoma leaders have implemented policies that have contributed to the erosion of municipal revenue options. For example, today 76 counties across Oklahoma have a sales tax option. When combined with the steep competition between municipalities for retailers, this effectively caps sales tax rates. This is due to the fact that cities are forced to choose between increasing the tax rate and the detrimental effects of citizens taking their business outside of city limits to save money. Another policy decision that has contributed to the erosion of municipal revenue is the decrease in the local share of motor vehicle fees (MVF's). In 1933 cities and towns received 15% of MVF's. That number plummeted and today sits at a lowly 3.1%. Given the fact that 41% of state highways alone are driven through municipalities, that municipal proportion is lagging.

SOMETHING'S GOTTA' GIVE: THE INTERNET TAX HAVEN

The "internet tax haven" has created additional burdens for municipalities. As technology made it easier for online purchases, governments did not keep laws ahead of the curve, and as a result we now see more and more consumers avoiding sales tax altogether. Many would argue this is a "new tax" and fail to see that it is just the enforcement of existing taxes. Recently, Rep. Jason Chaffetz (R-UT) introduced the Remote Transactions Parity Act, which would regulate how states can enforce sales taxes for online purchases. This plan, or one like it, is a step towards balancing the playing field and directing sales tax revenue to the state, county, and municipal governments that need it.

Oklahoma Revenue Lost to Online Purchases in 2015

State ■ Local Governments ■



201 N.E. 23rd Street
Oklahoma City, OK 73105
405-528-7515 800-324-6651 405-528-7560 Fax
www.oml.org

PROBLEMS WITH SALES TAX

Consumers switching to untaxed Internet sales results in a loss of \$81.5 million to the state and \$66.7 million loss to local entities in 2015.

Volatile source of revenue.

Municipal sales tax earmarked for local schools, hospitals, economic development, and colleges.

Combined state/county/city rates can crowd out the ability for cities to increase sales taxes.

(54 Cities with combined rates at 10%+).