



# Critical Considerations for Property Tax Reform

March 2026

Taxpayers hate real property taxes, mainly because people are paying the taxes as a lump sum rather than over time like sales and income taxes. But real property taxes are also one of the steadiest revenues for local governments because what is being taxed is immovable. Nearly 70% of all local tax revenue is from property tax collections. Within that 70% nearly 42% of property taxes are collected from businesses.

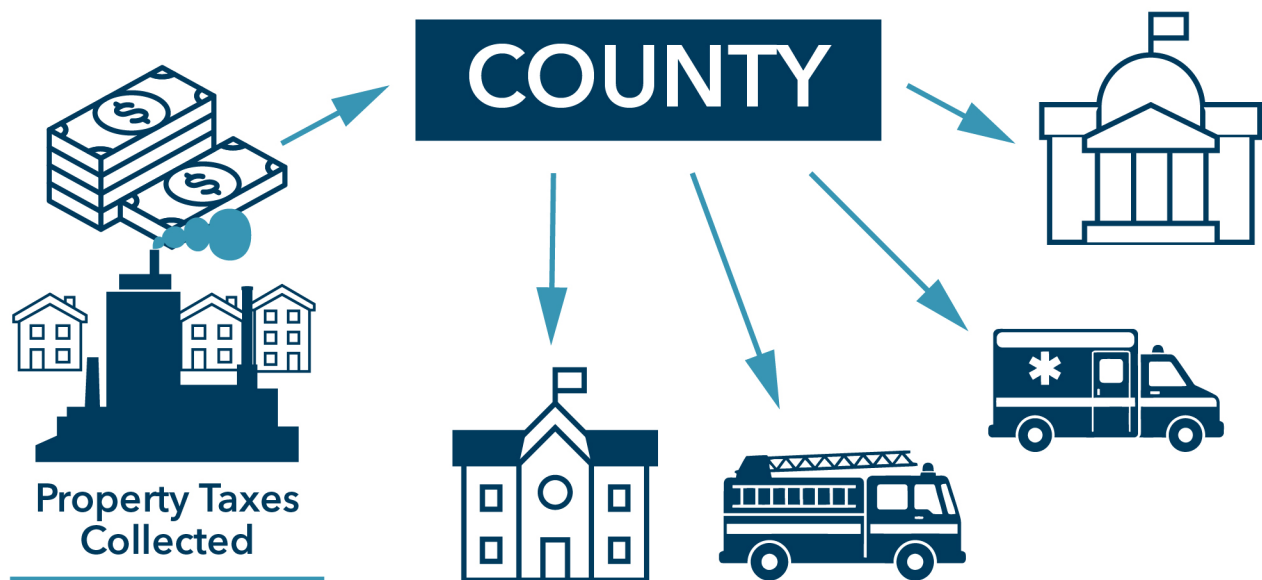
**Real property** is immovable—land, structures on the land, and sometimes other large pieces of machinery and equipment.

**Tangible personal property** is moveable—household goods, inventory, livestock, and other consumables.

The country has seen staggering property valuation increases, which results in increased property taxes levied on property owners. So, naturally, policymakers are seeking to ease the concerns of their constituents and find ways to decrease the property tax bill.

Not all solutions to property tax reform are equal, however, and lowering for some will undoubtedly increase the bill for others. Since tax revenues inevitably go toward paying for community services like education, city services, and county roads, there would have to be a back filling of revenue for local governments.

In Oklahoma, ad valorem tax collections go toward school districts, career tech, some community colleges, fire districts, EMS districts and 911 districts.<sup>1</sup> Each of these funded districts has a millage rate, the total altogether is the effective millage rate for the county.



<sup>1</sup> Oklahoma Tax Commission: [Ad Valorem Reference Guide](#). See Also Oklahoma State Extension: [Ad Valorem Taxes](#)

County assessors determine the fair cash value of a property each year, which is used to calculate property taxes. Each county sets its assessment ratio<sup>2</sup>; Constitutionally this must range between 11% and 13.5%.<sup>3</sup> The average effective millage rate<sup>4</sup> in 2024 was 0.09, collecting \$3,964,039,858.00 in revenue across Oklahoma’s 77 counties as opposed to an average effective millage rate of 0.088 in 2020 collecting \$3,071,677,166.<sup>5</sup>

**Fair Cash Value x Assessment Ratio = Gross Assessed Value (GAV)**  
**GAV – Any Exemptions (like Homestead) = Net Assessed Value (NAV)**  
**NAV x Millage Rate = Taxes Owed**

### Property Tax Surges

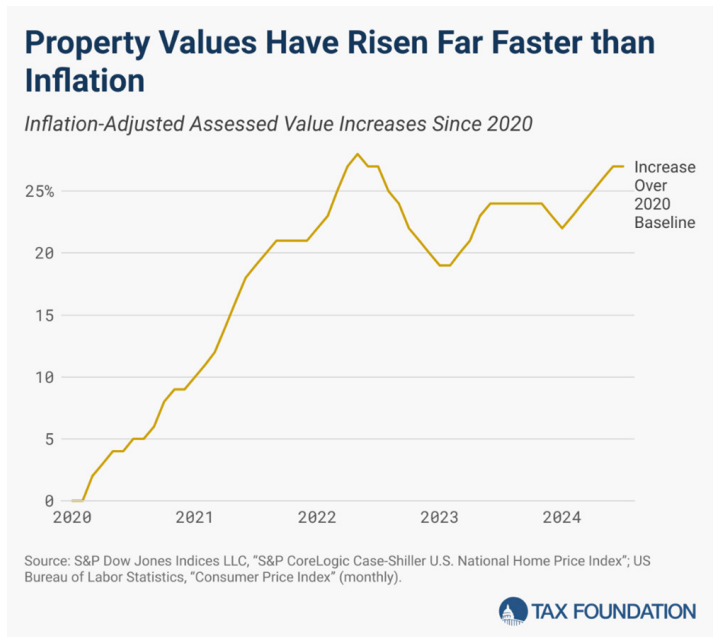
In the past four years, property tax collections have increased \$892 million in Oklahoma. All counties but one saw at least a \$1 million increase in gross assessed value between 2020 and 2024 (Beaver County saw a \$2 million decline). During this time, three counties (Marshall, Major and McIntosh) saw decreases in overall collections, where all other counties saw an increase of at least \$78,000, the average increase being \$11.5 million. Commercial real property accounts for 26% of all real property taxes paid.

Oklahoma is not alone in seeing a surge in its property taxes. The Tax Foundation estimates property values have increased faster than inflation since 2020<sup>6</sup>. The Tax Foundation goes on to note that when “jurisdictions fail to adjust millages (rates) downward”<sup>7</sup> the property owners will see an increase in their property taxes.

Policymakers must be thoughtful when considering how to decrease the property tax burden and the ways in which local governments are then able to backfill the lost revenue. Because using the wrong tool will cause unintended detrimental consequences and are inherently anti-growth.

### Tools to Taper Taxes

There are two types of proposals that can create relief, **assessment limits, and levy limits.**



<sup>2</sup> An Assessment Ratio is the amount of the fair cash value in the taxation formula.

<sup>3</sup> [Oklahoma Constitution Article 10 Section 8\(A\)\(2\)](#)

<sup>4</sup> A mill is one-tenth of a cent, or \$1 per every \$1,000 of assessed value. See [Canadian County: How Property Tax is Figured](#) for more information on mills and millage rates.

<sup>5</sup> Oklahoma Tax Commission: 2024 Ad Valorem Statistics Book and 2020 Ad Valorem Statistics Book, found [here](#)

<sup>6</sup> The Tax Foundation: [Property Tax Relief and Reform](#), 2024

<sup>7</sup> *Id.*

Assessment limits apply to individual parcels and cap the amount of property taxes an owner can pay. While levy limits apply to a group or classification of property on the amount of taxes paid. **For example, an assessment limit would say the amount of taxes owed can only increase by 2% each year, while levy limits would say residential property tax collections can only increase by 2% each year.**

**Assessment limits** can inadvertently distort the housing market by artificially keeping the assessment of value on a property low, then when an owner goes to sell the new owner pays more than previous owner. This incentivizes owning one house for longer and places an increased burden on new homeowners.

Assessment limits are harmful to growth because they reduce labor mobility as people avoid moving, distort the housing markets by pushing up prices, penalize new home buyers, and traps capital in older homes.

Conversely, levy limits are neutral to growth. **Levy limits** place a cap on the amount the government can collect from a type of property, providing relief to all members of the class if the collections reach the cap and taxes must decrease.

Feature	Assessment Limit	Levy Limit
Applies to...	Individual parcels	Entire class of property
Effect on new buyers	<b>Higher taxes</b>	Same benefit as everyone
Market distortion	<b>High</b> (lock in, inequity)	Low
Impact on growth	<b>Negative</b> (limits mobility, reduces supply)	Neutral

Another mechanism policymakers lean toward is an increase in the homestead exemption. This exemption is only available to residential property owners (so not renters) on their primary residence. It exempts a portion of the assessed value from the millage rate calculation to get to the tax owed. Oklahoma's current homestead exemption is \$1,000 of the assessed valuation.<sup>8</sup> For example, increasing the homestead exemption to \$5,000 (as in Senate Bill 1809) will decrease ad valorem revenue by \$272.3 million.<sup>9</sup> In order to maintain services at the county level where this tax is collected, this lost revenue will need to be recovered or replaced, which would likely be by an increase in taxes to other types of property, or be reimbursed by the state like with the five year manufacturing ad valorem exemption.<sup>10</sup>

Studies show that the type of tax used to fill the lost revenue is just as important for growth as the type of limitation used. Summarily, shifting from property taxes to income or sales tax decreases a state or country's GDP.<sup>11</sup> A 2010 study from Indiana found that replacing property taxes with an income tax reduced GDP by 2.8%, while shifting to a sales tax reduced GDP by 2.7%. In both scenarios, disposable income declined by 3.5%.<sup>12</sup> **Oklahoma already faces sluggish GDP growth so stunting even more with increasing either the income or sales tax to fill the property tax void would be detrimental to Oklahoma's future economic growth.**

<sup>8</sup> 68 O.S. §68-2889 (2025)

<sup>9</sup> Oklahoma Tax Commission [Revenue Impact Statement for SB 1809](#)

<sup>10</sup> [OKCO O.S. § Article 10 section 6B\(E\) \(OSCN 2026\)](#)

<sup>11</sup> The Tax Foundation: [Confronting The New Property Tax Revolt](#), 2024

<sup>12</sup> Dagny Faulk, Nalitra Thaiprasert and Michael Hicks, Center of Business and Economic Research, Ball State University: [The Economic Effects of Replacing the Property Tax with a Sales or Income Tax: A Computable General Equilibrium Approach](#), February 2010

## Critical Considerations

- Increasing homestead exemption could result in increased taxes to business, increased rent and decreased funding to schools and local government. **This tax shifting will increase millage on commercial property, both real and tangible, and create a higher effective tax burden on commercial and industrial properties.**
- **Local governments have limited sources of revenue.** Oklahoma counties have limited revenue sources: ad valorem, county clerk fees, motor vehicle fees, interest on investments, and sales tax receipts, if any. The bulk of county revenue comes from ad valorem. Counties with a low population and low assessment value of property will be hit the hardest by attempted reforms.
- **The tax shifting will decrease Oklahoma’s key point of competitiveness—our affordability.** This could limit the expansion decisions of companies. As the housing market distorts, there will be increased tax pressure on new homeowners, stunting the growth of affordable housing in the state.
- Above all, **the decreases in education funding will be detrimental to Oklahoma’s future workforce.** As a state struggling with quality workforce and literacy, a cut to education funding is not the path Oklahoma needs to consider.

## Conclusion

Property taxes fund essential local services in Oklahoma, particularly education and public safety. While rising valuations have increased tax bills in recent years, policymakers must carefully consider the structural differences between reform tools.

- Assessment limits cap individual property growth but risk economic distortion and inequity.
- Levy limits cap revenue growth and provides broader, more neutral relief.
- Revenue replacement choices significantly affect economic growth.
- Selecting the right policy tool matters. Using the wrong mechanism may provide short-term relief while creating long-term economic harm.

