

Issue Brief

Aligning Oklahoma's Tax Code with Our 21st Century Economy 2018 Oklahoma Academy Town Hall Consensus Recommendations



Consensus Town Hall Recommendations

Recommendation= Proposal as to the best course of action

(Page numbers refer to where the recommendation is found within the full report.)

Priority 1

- The Town Hall endorses that State Question 640 should be repealed or modified. The Town Hall recommends that if SQ640 is not repealed, then it should be amended to read that the threshold to both increase and lower taxes should be 60%. Town Hall participants favored lowering the threshold for raising new revenue from the current 75% to 60%, which would match the requirement threshold for local school bond proposals. It is recognized that the burdens imposed upon the Legislature to generate sufficient revenue with the current 75% threshold results in the adoption of taxes veiled as "fees" to circumvent the SQ640 restrictions. Often, these fees disproportionately fall upon low and middle-income Oklahomans.

There is wariness of using the legislative process to modify SQ640 from 75% to 60% due to the perceived past partisan and non-cooperative nature of the Legislature. Knowing that the opposition to lowering the 75% threshold would likely be strong, the Town Hall recommends an aggressive, positive PR campaign to support the effort by informing the voters. [Page 17](#)

(It is important to note, this is the fourth Town Hall to address SQ640 and the impact the 75% threshold has on Oklahoma. There has been a consensus among the participants in the 2013, 2015, 2017, and 2018 Town Hall of the asymmetry of SQ640 -- allowing the Legislature to reduce taxes with a simple majority but requiring a three-fourths vote to raise the same taxes.)

Priority 2

- The Town Hall recommends that the state should tax services, but that a judicious approach is required. The Town Hall believes a tax on services should be applied across the board, rather than to a list of specified industries. Stacking of taxes must be avoided and in areas where consumers may be paying taxes on services, special care will have to be applied so as to ensure those services would not become too expensive for the vast majority of Oklahomans. Doing so is necessary because of the ever-increasing trend towards becoming a service-based economy in order to capture a broader revenue source. Owing to the overall increase in services in our economy, it is specifically recommended that the tax rate on goods be reduced accordingly if the tax base is broadened to include services resulting in a collective increase in revenue. The impact upon municipalities and their available budgets must be considered prior to imposing sales tax expansions to services. [Page 15](#)

Priority 3

- The Town Hall, in agreement with the Oklahoma Municipal League's call for "municipally-minded tax reform" for Oklahoma, recommends authorizing a diverse tax base using ad valorem taxes, millages, implementation of Public Safety Districts, and the strategic use of taxes on services in a broad multi-prong approach to fund municipal governmental services. A wholesale tax overhaul should occur. We should not make structural changes on a line-by-line basis. To eliminate the existing system may seem radical, but is necessary to address the system's dysfunction as a whole to actually contribute to sustainable long-term planning for Oklahoma's prosperity.

These recommendations are made because Oklahoma is the only state in the nation where cities and towns are solely dependent upon sales tax for general operations. The recommendations enable giving local control to municipalities and counties, especially enabling services in rural areas. [Page 18](#)

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- The Town Hall recommends that the legislature redefine goods rather than redefining services. Before opting to expand sales tax to cover related services, intangible goods like downloads, digital services, etc., should be redefined rather than applying a sales tax to services. [Page 15](#)
- The Town Hall recommends that the State of Oklahoma provide a more equitable fee for renewables and electric vehicles to cover reductions in fuel tax collections associated with these vehicles. The Town Hall recognizes the importance of funding roads and bridges to increase tourism, attract and retain business, and preserve transportation safety and school buses, “pulling funds currently allocated elsewhere would create significant unintended consequences and allocations should not be examined in a silo.” [Page 17](#)
- The Town Hall agrees that the idea of developing a strategically designed master plan for awarding incentives rather than each application standing on its own merit, would be valuable and essential. Encouragement is given for the use of private public partnerships (PPP) and developing separate plans for specific, specialized industries. [Page 17](#)
- The Town Hall recommends a broadening of the tax base for municipalities in line with the OML recommendations. Learning from what other states are implementing to diversify funding for local government, municipalities should be awarded greater authority over raising and using ad valorem taxes to fund municipal services and operations, in cooperation with county governments to avoid unintentional repetitive taxation. [Page 19](#)
- Echoing the recommendations adopted at previous Oklahoma Academy Town Halls, The Town Hall recommends that the Legislature should implement a two-year budget cycle and more long-term planning practices to protect against the instability caused by term-limits. Essentially, as part of a more sustainable long-term approach to budgeting, our policymakers should refrain from increased appropriations or offering tax cuts during times of surplus so that we are prepared for emergencies, reduced tax collections, or moments of austerity. [Page 19](#)
- The Town Hall unanimously agrees that a consistent practice of setting aside surplus tax receipts during boom years for use during these emergency periods should be adopted by our policymakers. The Town Hall participants offered several recommendations for achieving this objective, including raising the cap in the existing Rainy Day Fund from the current fifteen percent of current revenue estimated from the previous year, or outright removing the cap, to afford more flexibility and advanced long-term planning. [Page 20](#)
- The Town Hall recommends modifying or broadening one or several of the existing revenue stabilization funds to set aside reserves derived from oil and gas tax proceeds with realistic restrictions on how the reserve is used. Utilizing existing reserve funds and modifying their principal terms could be an opportunity to avoid having to authorize a new fund by a vote of the people through a state question. Quite simply, the idea is to cap spending on oil and gas receipts and put the overage in boom years into a reserve fund and use the reserve during oil and gas bust years. It is recognized that there is a need for more public education and clarification pertaining to reserve funds, their uses, foundation, operation, and creation. [Page 20](#)
- The Town Hall recommends accepting sports betting as a covered game under compact 712. Sports betting should be implemented, as it is likely it will be adopted by competitive gaming jurisdictions (ie: Kansas, Louisiana, etc.) and it will grow both Oklahoma and tribal economies. [Page 21](#)