

WHERE DO OUR LOCAL TAXES GO?

Understanding how state and local taxes are separated is a tricky business. Some of the tax dollars that you spend are used both locally and by the state. This is called **intergovernmental revenue** because both state and local governments get a percentage of the same tax dollars. For example, a portion of local sales taxes are shared with the state government to benefit all Oklahoma citizens.

The state of Oklahoma has both **metropolitan** and **rural** areas, so taxes are usually collected and reported by counties. County hospitals generate the most **revenue** for the county from user fees. Revenue is any income created at the local, state, or federal levels that is used to support public services and programs. Another large source of income for local governmental revenue is property taxes. Property taxes are calculated based on the value of the property and where it is located. Some counties have higher property taxes than other counties.

In addition to sales taxes, cities and towns collect fees for the use of water, electricity or gas, sewage, and trash services. Most taxes collected (with the exception of property taxes) are called **regressive taxes**—that is, they **are essentially the same amount collected, regardless of whether a person has a low income or a high income**. For example, a monthly water bill and the taxes collected on it are based on how much water has been used by the taxpayer, not on whether the person has a low income or high income. A sales tax on groceries remains the same percentage, regardless of income, and is calculated based upon how much customers purchase.

These revenues are used to support local government services. Services vary widely by the size of the city or town, the money available, and the wishes of the community. Most municipal services include local police protection, fire and emergency services, water, sewer, garbage collection, local street construction and repair, parks and recreation areas, libraries, and animal shelters.

Property taxes are an important source of revenue for local schools, vocational and/or technical education, libraries, and city and county government. As in most states in the United States, property taxes are the backbone of funding of local government and schools. Oklahoma's property tax (with some changes) has fulfilled this basic function since statehood.

Generally, local schools receive the largest share of the property tax. Spending on schools is then followed by city bond issues, county government, vocational and/or technical schools, libraries, and the city and county health departments.

In addition to providing needed services to residents, some revenue dollars are spent on enforcing building codes, parking requirements, and city **ordinances** (or city requirements for living within the city limits). Usually, these city ordinances have been approved by the city council or voted on by the local citizens. For example, if a city ordinance allows no resident to have barnyard animals living in their backyard, then some local tax dollars pay for this ordinance to be enforced. Cities and towns want to maintain their services and attractiveness to encourage new people to live there. Oklahoma City residents, in recent years, have voted on and approved an extra one-cent sales tax to create new tourist areas, such as Bricktown, and improve local school facilities.

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