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State Ballot Question Issue Brief #5 **SQ 714: Freezing the Value of Seniors' Property**

Current Law

Article 10 of the Oklahoma State Constitution allows any head of household aged 65 years or older with an annual gross household income of \$25,000 or less to apply to freeze the value of their property. The property value is frozen where it was during the first year in which the householder met both age and income requirements. Oklahoma law currently limits property value increases by appraisal to 5% per year for all other homeowners, unless the property is sold.

The Proposal

Voters are asked to increase the income limit from \$25,000 to the median household income of the county or Metropolitan Statistical Area (MSA) for the previous year. Oklahoma has five MSAs: Enid, Ft. Smith, Lawton, Oklahoma City, and Tulsa. The new threshold will range from approximately \$31,000 to \$51,000 for the 2005 tax year. As under current law, property values will continue to be adjusted for improvements made to the property. The valuation freeze ends if the householder ceases to own and occupy the property or ceases to meet the income threshold. The provision would take effect on January 1, 2005.

Fiscal Impact

The Oklahoma Tax Commission estimates a first year cost of \$400,000 to local governments. This amount represents tax revenue that would otherwise result from *growth in property values*. Because property tends to appreciate, the revenue forgone will compound over time.

The Beneficiaries

An estimated 71,434 senior homeowners could be added to the rolls of those already enjoying this ad valorem tax relief. (The 2000 Census reveals that there are 85,041 households that had incomes in the \$25,000 to \$50,000 range, which corresponds approximately to the population that will become newly eligible for the freeze, and that 84% of all senior householders in Oklahoma live in homes they own).

State Question 714

This measure amends the Oklahoma Constitution. It amends Section 8C of Article 10. This measure changes the way the fair cash value of a homestead is figured. It applies to individuals over 65 years of age. It changes the income limit for the head of household. The income limit would change from more than \$25,000 to the estimated median income for each individual county or the metropolitan statistical area which includes the individual county.

These issue briefs are intended to help Oklahoma voters make informed decisions on the issues before them. For more information, contact Monica Barczak at (918) 382-3354 or mbarczak@captc.org

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Community Action Project (CAP) is a comprehensive anti-poverty agency whose mission is to help individuals and families achieve economic self-sufficiency. CAP's public policy department aims to promote policies that will benefit low-income Oklahomans through research, education, and advocacy.