

# **Assessing Kansas' Tax Burden Among the Fifty States**

Daniel Korber, M.S.  
Senior Research Analyst  
Kansas, Inc.

Prepared for



***April 2010***



## Preface

The Kansas economy was historically built on three primary industries that drove the state's economy – agriculture, oil and gas, and aviation. These primary industries built the foundation of the Kansas economy, and while they remain inherent strengths, they are ever-changing as we transition into an integrated global economy. In essence, these industries represented the preverbal three-legged stool; however, the current economy has evolved into a dynamic five-legged table that includes: Rural Development and Agriculture; Energy and Natural Resources; Manufacturing – Aerospace and General; Professional, Scientific and Technical Services; and Biosciences.

During the strategic planning process, throughout the state it was recognized that every business matters, whether large or small, startup or multi-generational operations – Kansas must have a competitive business and tax climate to nurture businesses of all sizes and in all stages. Both startups and existing expansions are important to the economy, and the state must focus its efforts to provide a business climate that can provide the foundation for future businesses.

The Kansas, Inc. strategic planning process highlighted the importance of a tax and regulatory structure that is competitive and conducive for the growth of existing and new businesses of all sizes and sectors.

*We have to recognize what we can and cannot do, and focus on the areas where we can make an impact. Remember who and what got us here – every business matters.<sup>1</sup>*

- Kansas, Inc. Strategic Planning

## Introduction

Since its inception, Kansas, Inc. has provided extensive research in the area of business taxes, costs and regulatory structure, comparing Kansas to other states in the region and the U.S. to provide background information relative to state and local tax structure, and to assess the relative cost competitiveness of Kansas as a location for doing business.

This report and its companion, *Assessing Kansas' Government Charges Among the Fifty States* seeks to examine state and local government taxes and charges in an effort to provide an understanding of Kansas revenues and how they compare to other states. While these figures reflect only a portion of state and local government revenue, this information provides valuable insight into the role that taxes and charges have in providing services for the state's citizens, and ultimately what their impact is on the overall business climate in the state.

Excerpt from *Business Taxes and Costs, A Cross-State Comparison* –

*Since the early 1980's, the responsibility for the provision of many goods and services has shifted from the federal government to state and local agencies. Accompanying this shift has been an increase in state and local taxes. These taxes grew much faster than personal income during the 1980's and slightly faster during the 1990's. In the early 2000's, a recession and corresponding slow recovery also placed substantial stress on state and local fiscal structures.*

*Thus, state and local governments have had to perform a difficult balancing act to meet revenue needs, preserve tax systems that are considered "fair" by citizens, and maintain a business climate that is attractive, or at least not discouraging, to businesses. In many states, (not including Kansas), these pressures were relieved temporarily by budget surpluses of the late 1990's; however, the underlying challenge remains, and an economic slowdown can put most states under pressure again.<sup>2</sup>*

---

<sup>1</sup> *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance, The 2007 Kansas Economic Development Strategic Plan*, Kansas, Inc. January 2008.

<sup>2</sup> *Business Taxes and Costs, A Cross-State Comparison 2003 Update*, by Pat Oslund, David Burrell, and Luke Middleton, Policy Research Institute, University of Kansas for Kansas, Inc., February 2004.

## About the Data

### Government Finances

The U.S. Census Bureau provides periodic and comprehensive statistics about governments and government financial activities through the Census of Government Finances and the Annual Survey of Government Finances. The Census of Government Finances is conducted every five years (2007, 2002, 1997, 1992), while a sample of state and local governments is used to collect data in the intervening years.

The data is used by Congress, federal agencies, state and local governments, educational and research organizations, and the general public for:

- Development of the government component of the gross domestic product estimates
- Development of the national income accounts
- Development of personal income figures for state and county areas
- Allocation of certain federal grant funds
- Legislative research
- Comparative studies of state and local government finances
- Public and fiscal policy research and analysis

**The data used in this report includes taxes (i.e. property, sales and gross receipts, individual income, corporate income, motor vehicle license, and other taxes).**

**The U.S. Census Bureau defines taxes as compulsory contributions exacted by a government for public purposes, other than for employee and employer assessments and contributions to finance retirement and social insurance trust systems and for special assessments to pay capital improvements. Tax revenue comprises gross amounts collected (including interest and penalties) minus amounts paid under protest and amounts refunded during the same period. It consists of all taxes imposed by a government whether the government collects the taxes itself or relies on another government to act as its collection agent.**

The data used in this report is further described in **Appendix A on pg 15**.

### The 6-State Region

For comparison purposes, Kansas, Inc. has defined the 6-State Region to include: Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma. Comparisons to these states simply provide a view of how Kansas ranks compared to its nearby states. The following summary includes details relative to Kansas and the 6-State Region; however, data for all fifty states is included within the tables and figures in the report.

### Personal Income

Personal income is the income that is received by all persons from all sources. Personal income is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

## Executive Summary

### Table 1. Total State & Local Taxes, FY 1992 – 2007 (pg 5)

Examining state and local taxes over this period provides a measure of overall trends and the level of total tax revenues in each state. When examining Table 1, it is important to remember these figures are not adjusted for inflation or per capita figures, but are intended to provide an understanding of the overall level of tax revenues collected by each state.

During FY 2007, Kansas ranked 30<sup>th</sup> in total state and local taxes collected, with revenues totaling nearly \$11.4 billion. Similar to other states in the 6-State Region, Kansas rankings have been fairly consistent since 1992. Compared to states in the 6-State Region, Missouri (\$19.2 B), Colorado (\$18.6 B), and Oklahoma (\$12.0 B) ranked higher (more tax revenues collected), while Iowa (\$10.9 B), Arkansas (\$9.2 B) and Nebraska (\$7.1 B) ranked lower.

### Figure 1. Percent Increase in Total State & Local Taxes, FY 1997 - 2007 (pg 6)

Figure 1 reveals overall trends in total state and local tax revenues, and for comparison purposes, FY 1997 data is adjusted for inflation<sup>3</sup>.

From 1997 to 2007, total state and local taxes collected in Kansas increased 30.2 percent, after adjustments for inflation. This increase ranked 29<sup>th</sup> in the U.S. Compared to states in the 6-State Region, Colorado (43.0 percent) and Arkansas (39.0 percent) ranked higher (greater percent increase in total state and local taxes), while Oklahoma (30.0 percent), Nebraska (23.2 percent), Missouri (18.1 percent), and Iowa (17.8 percent) ranked lower. During this period, no states in the U.S. recorded a decrease in total state and local tax revenues.

### Figure 2. State & Local Taxes Per Capita, FY 2007 (pg 7)

Figure 2 provides a comparison of the average tax burden in each state on a per capita basis. These averages are calculated by dividing the total state and local taxes by the state's population in 2007.

State and local taxes per capita in Kansas totaled \$4,091 in 2007, ranking 20<sup>th</sup> highest in the U.S. All states in the 6-State Region ranked lower than Kansas on a per capita basis. Nebraska (\$4,035), Colorado (\$3,848), Iowa (\$3,671), Oklahoma (\$3,308), Missouri (\$3,248), and Arkansas (\$3,230) ranked lower per capita.

### Figure 3. State & Local Tax Revenue Per Capita, FY 2007 (pg 8)

Figure 3 provides a comparison of the average per capita tax burden specific to each level of government. This measure indicates how much of the tax burden can be attributed specifically to state and local government.

State tax revenues per capita in 2007 were greater in Kansas (\$2,484), than Nebraska (\$2,300), Oklahoma (\$2,289), Iowa (\$2,172), Colorado (\$1,903), and Missouri (\$1,812); while they were less than Arkansas (\$2,601).

Local tax revenues per capita in 2007 were greater in Kansas (\$1,607), than Iowa (\$1,499), Missouri (\$1,436), Oklahoma (\$1,020), and Arkansas (\$629); while they were less than Nebraska (\$1,735) and Colorado (\$1,944).

### Figure 4. Trends in State & Local Taxes Per Capita (pg 9)

Figure 4 provides a long-term comparison of how the Kansas tax burden compares to both the 6-State Region and the U.S. average over a 15-year time period. For comparison purposes, these figures are adjusted for inflation.

---

<sup>3</sup> The CPI inflation calculator uses the average Consumer Price Index for a given calendar year. This data represents changes in prices of all goods and services purchased for consumption by urban households. This index value has been calculated every year since 1913. For the current year, the latest monthly index value is used.

From 1992 to 2007, state and local taxes per capita in Kansas trended higher than the 6-State Region average, but remained lower than the overall U.S. average. Based on the data, state and local taxes per capita decreased from 2004 to 2005, and increased since 2005.

Figure 5. State Tax Revenue Sources Per Capita, FY 2007 (pg 10)

Figure 5 reveals the primary sources of tax revenues on a state government level, providing insight regarding each state's mix of taxes. For the purpose of this study, taxes are grouped into six primary categories – property, sales and gross receipts, individual income, corporate income, motor vehicle license, and other taxes.

During 2007, similar to other states in the 6-State Region, Kansas was mostly dependent on sales (\$1,101) and individual income (\$989) taxes. Compared to states in the 6-State Region, Kansas was ranked third highest with regard to sales taxes, with Arkansas (\$1,356) and Nebraska (\$1,103) ranking higher, and Kansas was ranked second highest with regard to individual income taxes, with Colorado (\$990) ranking higher. Kansas also led the 6-State Region in the level of corporate income taxes (\$190).

Figure 6. Local Tax Revenue Sources Per Capita, FY 2007 (pg 11)

Figure 6 reveals the primary sources of tax revenues on a local government level, providing insight regarding each state's mix of taxes. For the purpose of this study, taxes are grouped into six primary categories – property, sales and gross receipts, individual income, corporate income, motor vehicle license, and other taxes.

During 2007, similar to other states in the 6-State Region, Kansas was mostly dependent on property taxes (\$1,220). Compared to states in the 6-State Region, Kansas was ranked second highest with regard to property taxes, with Nebraska (\$1,348) ranking higher. Kansas did not lead the 6-State Region in any other tax category at the local level.

Figure 7. State & Local Taxes as Percent of Total Personal Income, FY 2007 (pg 12)

Figure 7 provides insight regarding the state and local tax burden as a percent of total personal income. Personal income is the income that is received by all persons from all sources.

During 2007, total state and local taxes were 10.9 percent of Kansas' total personal income, ranking 16<sup>th</sup> highest in the U.S. Kansas ranked higher (state and local taxes were a greater percent of total personal income) than all other states in the 6-State Region. Nebraska (10.6 percent), Iowa (10.3 percent), Arkansas (10.2 percent), Oklahoma (9.6 percent), Missouri (9.2 percent), and Colorado (9.1 percent) all ranked lower than Kansas.

Figure 8. Percent Growth in Per Capita State & Local Taxes, FY 1997 – 2007 (pg 13)

Figure 8 reveals long-term trends with respect to per capita tax growth in each state. For comparison purposes, FY 1997 data is adjusted for inflation.

From 1997 to 2007, per capita state and local taxes grew by 22.7 percent in Kansas, ranking 16<sup>th</sup> highest in the U.S. Compared to states in the 6-State Region, Kansas only ranked lower than Arkansas (23.4 percent), while higher than Oklahoma (19.3 percent), Nebraska (15.3 percent), Colorado (14.9 percent), Iowa (12.9 percent) and Missouri (8.1 percent).

Figure 9. Total Personal Income Growth Vs. State & Local Tax Growth, FY 1997 – 2007 (pg 14)

Figure 9 compares total personal income growth to state and local tax growth, providing a measure of whether personal income or taxes are increasing faster. For comparison purposes, FY 1997 data is adjusted for inflation.

From 1997 to 2007 total personal income increased less than state and local taxes in Kansas. Total state and local tax revenues grew by 30.2 percent, while total personal income grew by 24.7 percent. Compared to states in the 6-State Region, with the exception of Arkansas, all states experienced greater total personal income growth versus state and local tax growth.

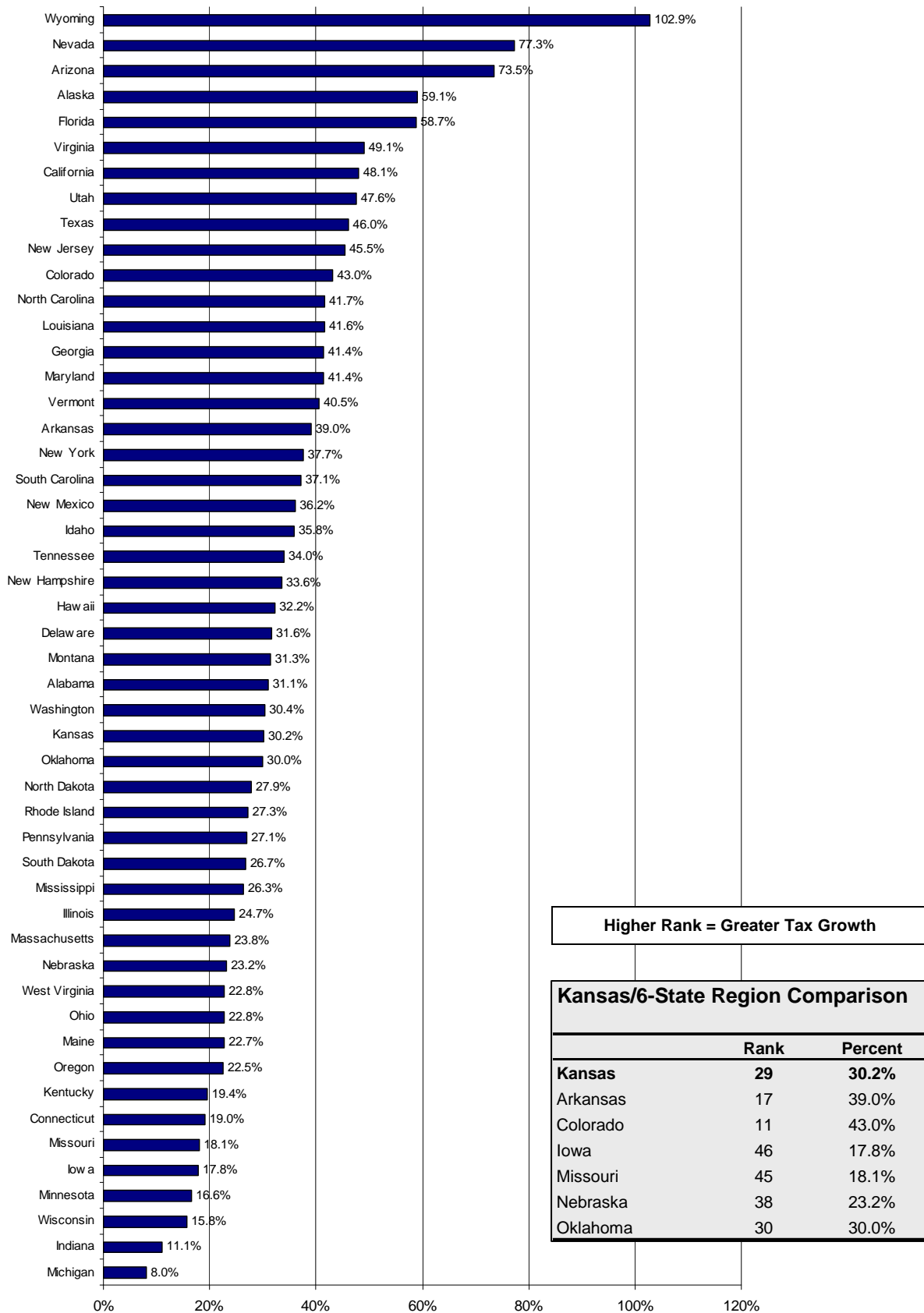
**Table 1. Total State & Local Taxes, FY 1992 – 2007**

**(\$1,000's)**

State	Total State & Local Taxes FY 1992	1992 Rank	Total State & Local Taxes FY 1997	1997 Rank	Total State & Local Taxes FY 2002	2002 Rank	Total State & Local Taxes FY 2007	2007 Rank
California	\$ 73,918,522	1	\$ 90,516,873	1	\$ 120,424,066	1	\$ 172,933,246	1
New York	63,993,572	2	75,468,453	2	88,878,112	2	134,017,241	2
Texas	32,832,276	3	43,561,750	3	58,980,508	3	82,037,189	3
Florida	25,919,228	5	35,633,024	4	44,885,437	4	72,963,487	4
Illinois	25,609,314	6	34,237,390	5	41,652,241	5	55,075,065	5
Pennsylvania	26,268,472	4	31,879,726	6	37,626,620	6	52,257,355	6
New Jersey	22,882,217	7	27,403,361	8	34,628,804	8	51,431,954	7
Ohio	21,336,525	8	29,065,488	7	36,165,190	7	46,042,915	8
Michigan	20,503,351	9	26,616,525	9	30,692,130	9	37,094,769	9
Georgia	12,369,401	13	18,170,517	11	24,058,380	10	33,153,023	10
North Carolina	12,397,236	12	17,740,952	12	22,576,419	12	32,422,471	11
Virginia	12,684,150	11	16,828,227	13	22,131,246	13	32,375,037	12
Massachusetts	15,309,017	10	20,119,738	10	23,895,436	11	32,120,073	13
Washington	11,944,237	14	16,369,783	14	19,513,503	15	27,533,277	14
Maryland	11,467,141	16	14,837,824	17	19,874,281	14	27,064,783	15
Minnesota	11,081,160	17	15,730,821	15	18,456,409	17	23,664,988	16
Wisconsin	11,609,642	15	15,625,389	16	18,609,916	16	23,339,993	17
Arizona	7,747,332	21	10,424,677	22	14,420,322	21	23,334,711	18
Indiana	10,546,151	18	14,724,298	18	16,986,637	18	21,111,365	19
Connecticut	10,035,380	19	13,738,730	19	15,124,928	19	21,095,231	20
Missouri	8,646,070	20	12,595,398	20	15,123,432	20	19,192,645	21
Colorado	7,013,534	24	10,099,939	23	13,900,024	22	18,632,752	22
Tennessee	7,726,120	22	10,626,115	21	12,973,768	23	18,363,984	23
Louisiana	7,076,326	23	9,630,044	24	12,182,065	24	17,593,803	24
South Carolina	5,706,939	29	7,802,480	28	9,751,701	26	13,803,722	25
Kentucky	6,588,521	25	8,895,688	25	10,780,757	25	13,705,597	26
Alabama	5,937,421	27	7,958,162	27	9,718,827	27	13,457,018	27
Oregon	6,237,899	26	8,066,469	26	8,994,804	28	12,748,735	28
Oklahoma	5,240,594	30	7,125,909	30	8,781,889	29	11,950,235	29
<b>Kansas</b>	<b>4,939,746</b>	<b>31</b>	<b>6,762,663</b>	<b>31</b>	<b>7,974,975</b>	<b>31</b>	<b>11,354,429</b>	<b>30</b>
Iowa	5,709,558	28	7,195,350	29	8,330,414	30	10,933,498	31
Nevada	2,712,857	39	4,567,339	35	6,432,564	33	10,443,909	32
Arkansas	3,633,180	32	5,120,299	33	6,410,855	34	9,179,610	33
Utah	3,080,795	36	4,677,396	34	6,026,142	35	8,907,029	34
Mississippi	3,458,601	33	5,361,806	32	6,523,722	32	8,732,575	35
New Mexico	2,828,753	38	4,244,527	37	4,877,614	37	7,456,363	36
Nebraska	3,235,101	35	4,492,416	36	5,316,341	36	7,141,849	37
Hawaii	3,392,340	34	3,848,690	39	4,239,557	40	6,564,657	38
West Virginia	3,003,188	37	3,852,130	38	4,653,619	38	6,102,322	39
Maine	2,665,904	40	3,554,711	40	4,541,146	39	5,628,235	40
Alaska	2,254,758	42	2,411,597	44	2,069,908	46	4,950,170	41
Rhode Island	2,244,870	43	2,915,945	41	3,622,244	41	4,786,803	42
Idaho	1,897,659	44	2,719,000	43	3,291,095	43	4,763,128	43
New Hampshire	2,495,110	41	2,751,584	42	3,598,862	42	4,742,721	44
Delaware	1,617,873	45	2,155,704	45	2,687,098	44	3,658,685	45
Montana	1,455,181	46	1,931,092	46	2,135,182	45	3,271,530	46
Wyoming	1,085,772	49	1,240,534	50	1,818,368	49	3,246,860	47
Vermont	1,305,979	47	1,617,650	47	1,965,132	47	2,931,481	48
North Dakota	1,080,252	50	1,579,118	48	1,728,755	50	2,605,298	49
South Dakota	1,108,157	48	1,463,604	49	1,841,448	48	2,391,888	50

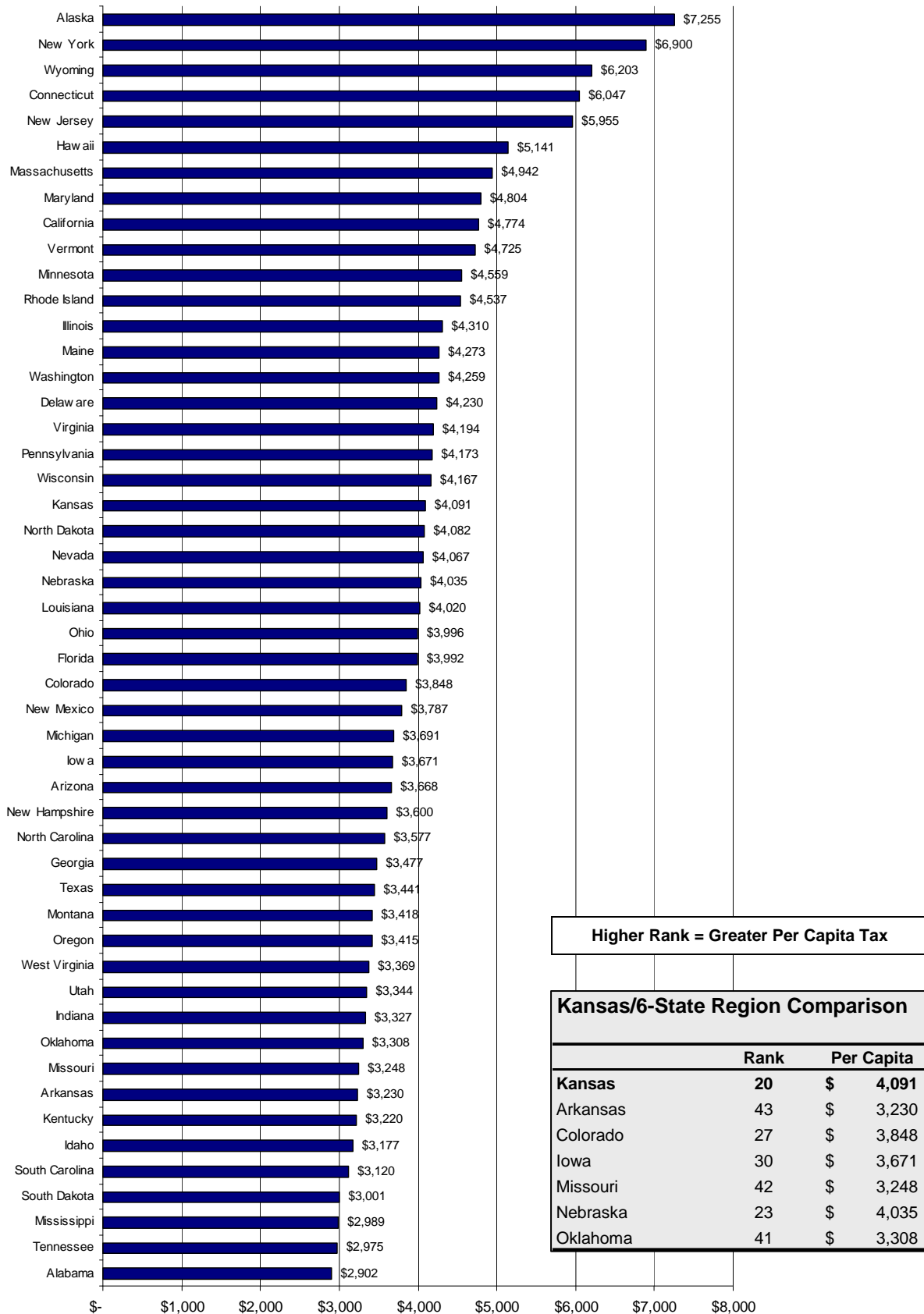
Source: Government Finances, U.S. Census Bureau

**Figure 1. Percent Increase in Total State & Local Taxes, FY 1997 – 2007  
(2007 Dollars)**



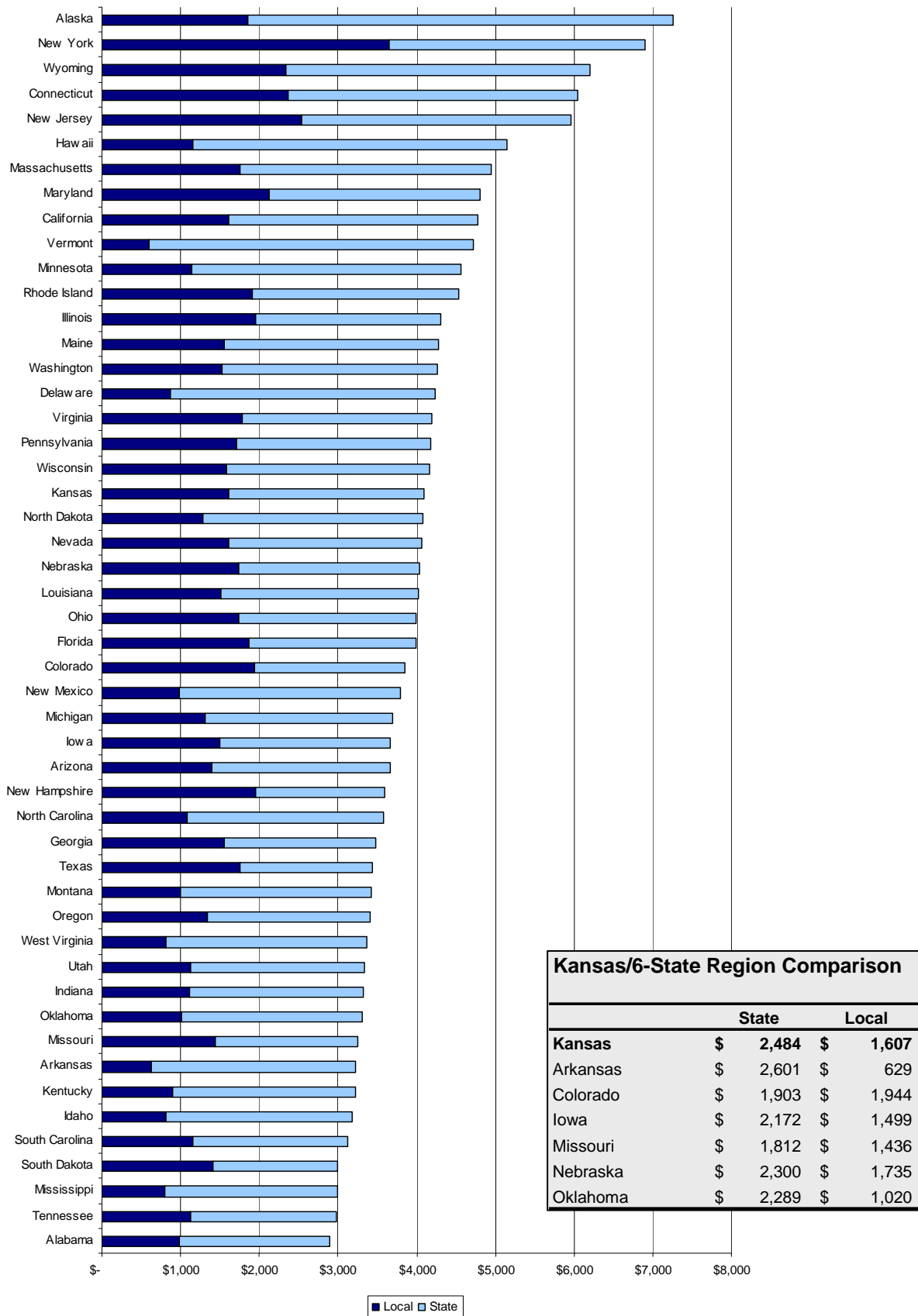
Source: Government Finances, U.S. Census Bureau

**Figure 2. State & Local Taxes Per Capita, FY 2007**



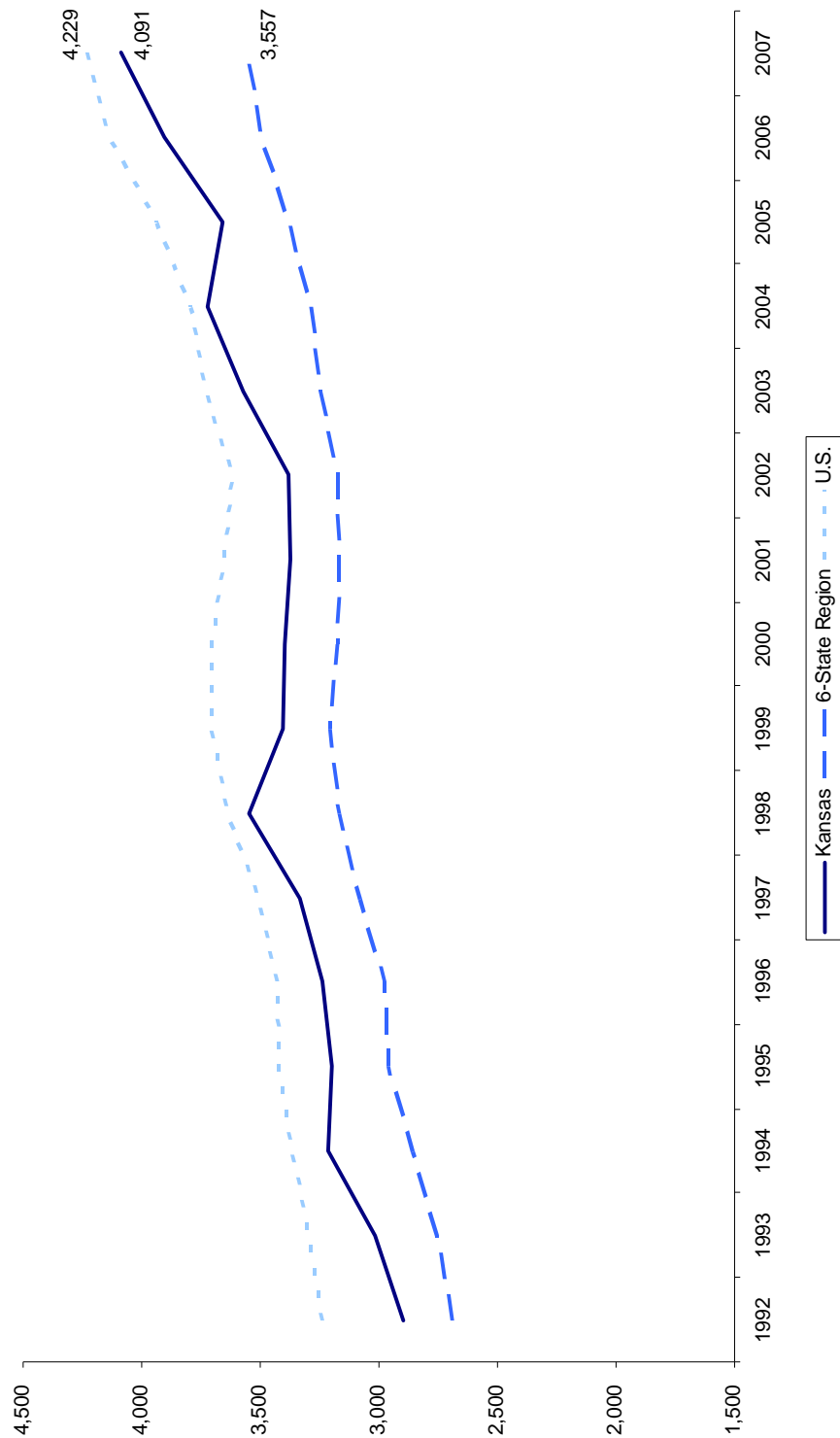
Source: Government Finances, U.S. Census Bureau

**Figure 3. State & Local Tax Revenue Per Capita, FY 2007**



Source: Government Finances, U.S. Census Bureau

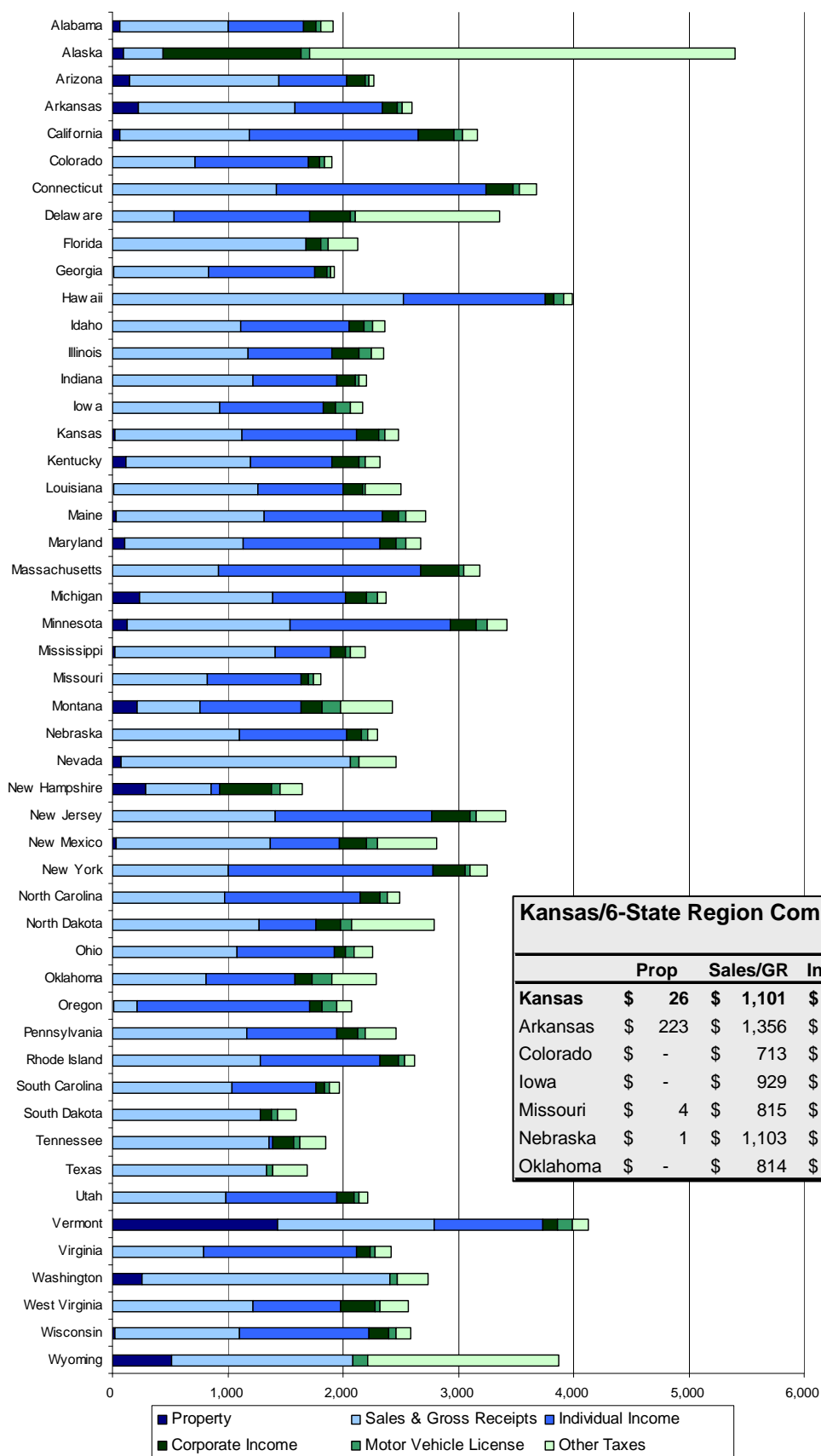
**Figure 4. Trends in State & Local Taxes Per Capita<sup>4</sup>  
(2007 Dollars)**



Source: Government Finances, U.S. Census Bureau

<sup>4</sup> State and local data was unavailable for the years 2001 and 2003. The average of 2000-2002 was used to create 2001 data. The average of 2002-2004 was used to create 2003 data.

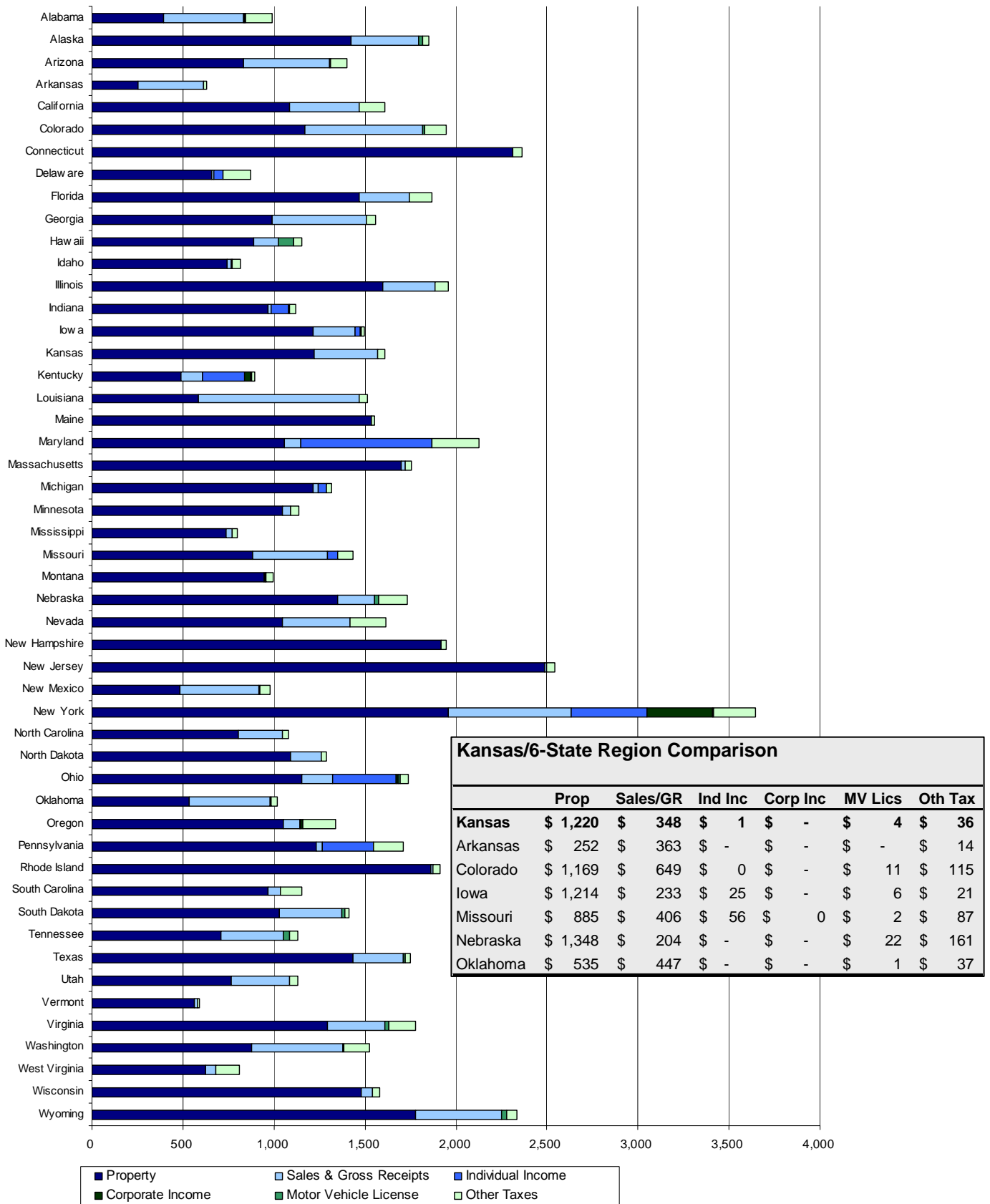
**Figure 5. State Tax Revenue Sources Per Capita, FY 2007**



Kansas/6-State Region Comparison						
	Prop	Sales/GR	Ind Inc	Corp Inc	MV Lics	Oth Tax
<b>Kansas</b>	\$ 26	\$ 1,101	\$ 989	\$ 190	\$ 61	\$ 116
Arkansas	\$ 223	\$ 1,356	\$ 763	\$ 128	\$ 46	\$ 85
Colorado	\$ -	\$ 713	\$ 990	\$ 99	\$ 42	\$ 59
Iowa	\$ -	\$ 929	\$ 895	\$ 109	\$ 135	\$ 104
Missouri	\$ 4	\$ 815	\$ 818	\$ 66	\$ 43	\$ 65
Nebraska	\$ 1	\$ 1,103	\$ 933	\$ 120	\$ 51	\$ 91
Oklahoma	\$ -	\$ 814	\$ 768	\$ 155	\$ 168	\$ 383

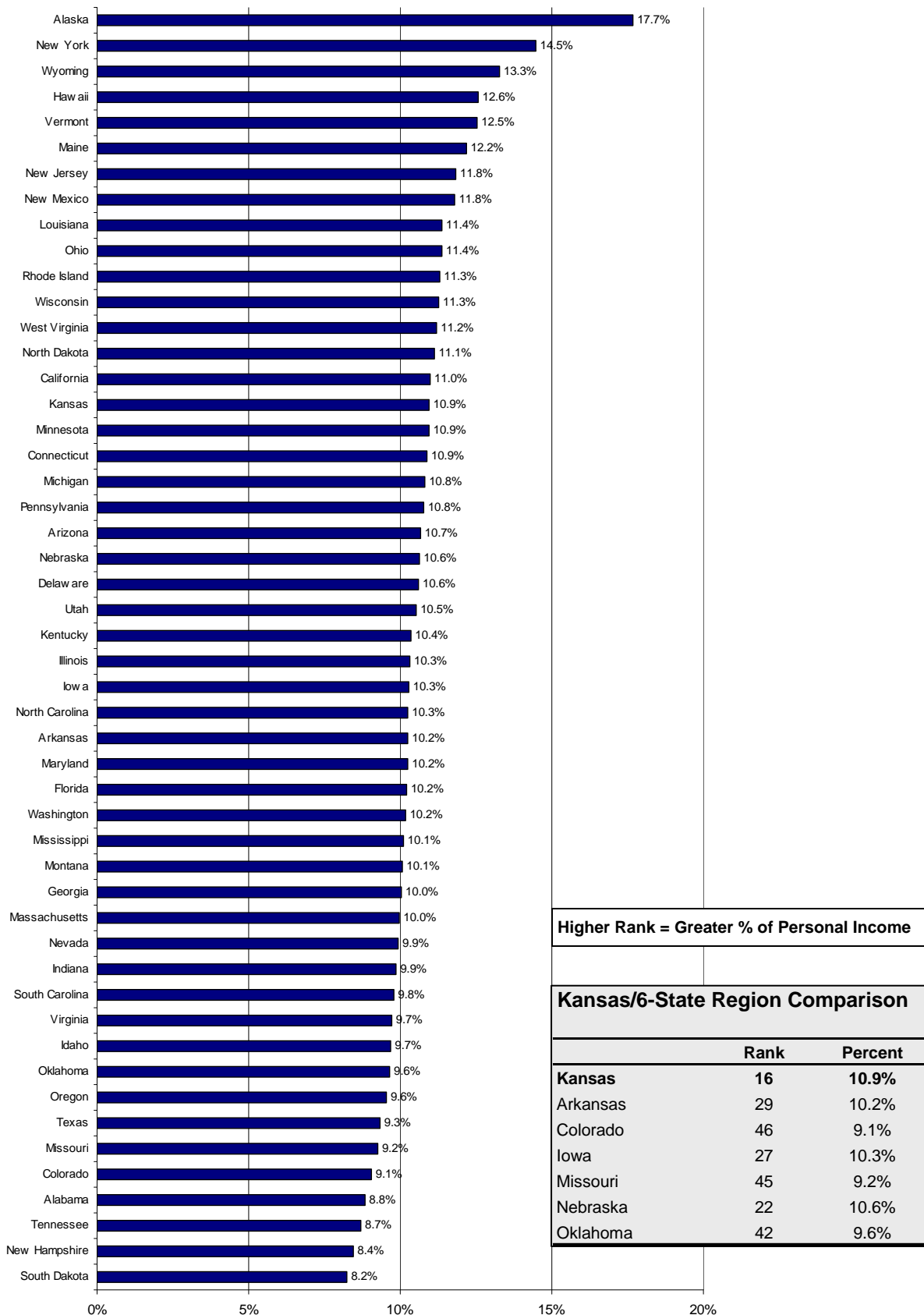
Source: Government Finances, U.S. Census Bureau

**Figure 6. Local Tax Revenue Sources Per Capita, FY 2007**



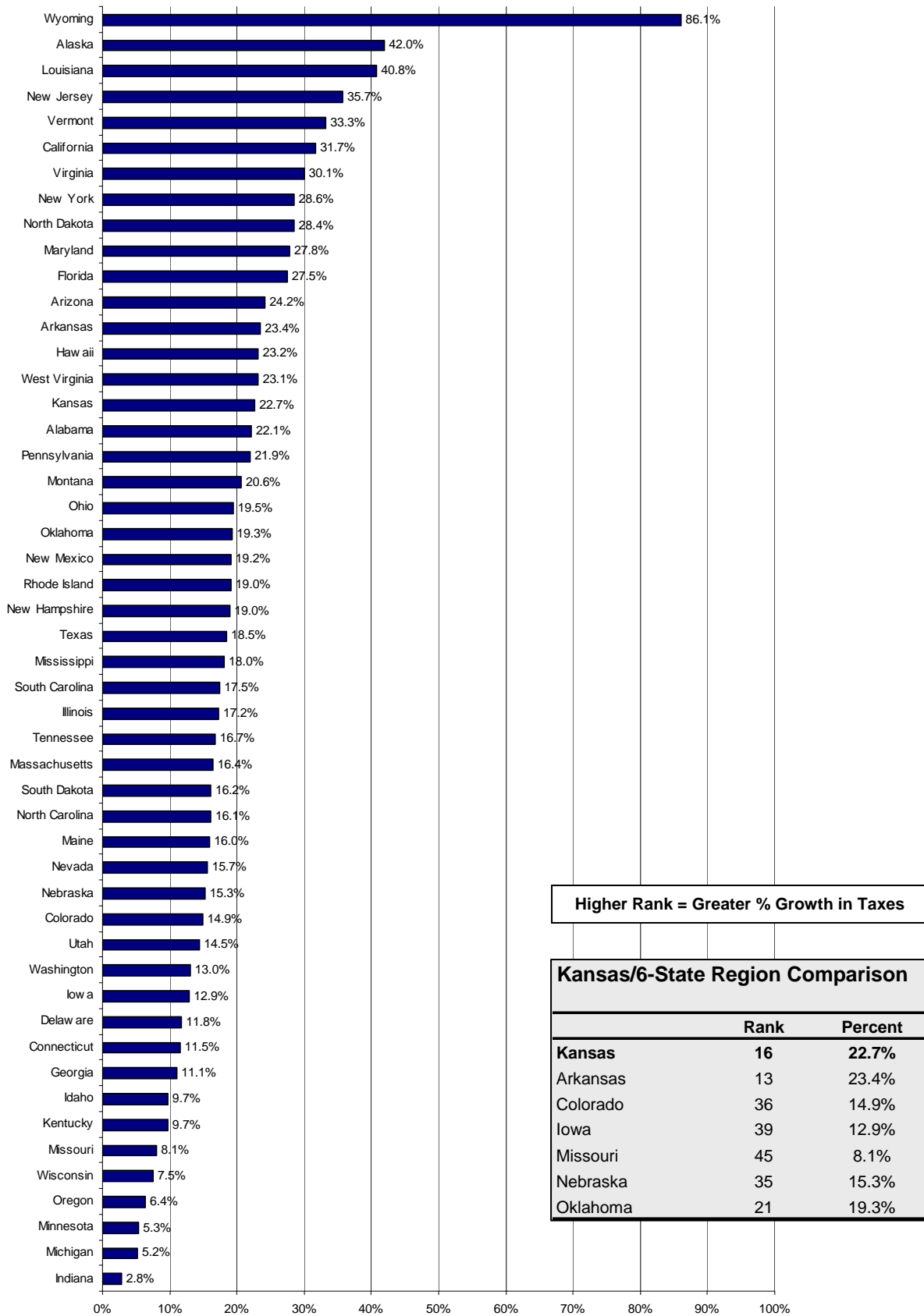
Source: Government Finances, U.S. Census Bureau

**Figure 7. State & Local Taxes as Percent of Total Personal Income, FY 2007**



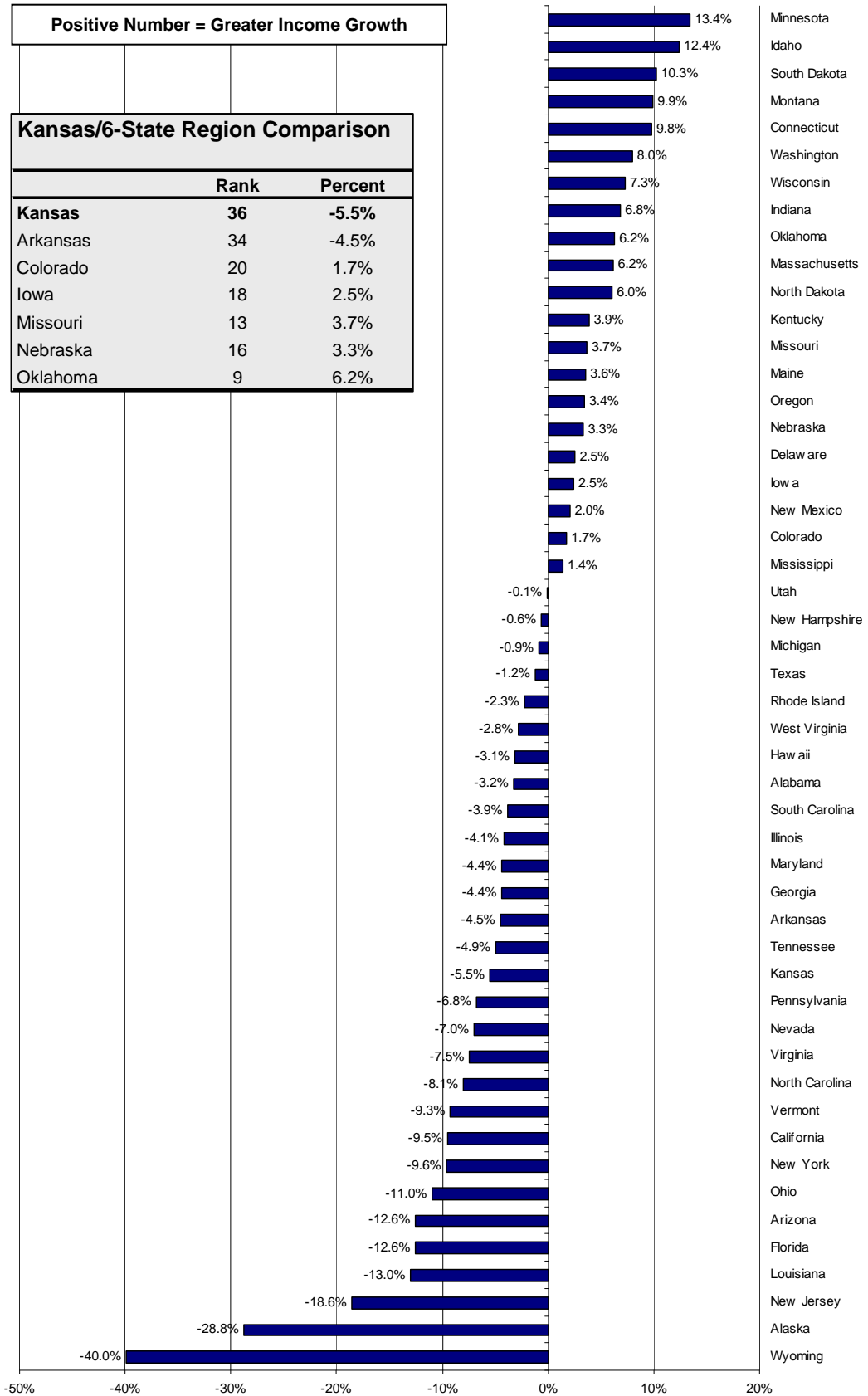
Source: Government Finances, U.S. Census Bureau, U.S. Bureau of Economic Analysis

**Figure 8. Percent Growth in Per Capita State & Local Taxes, FY 1997 - 2007  
(2007 Dollars)**



Source: Government Finances, U.S. Census Bureau

**Figure 9. Total Personal Income Growth Vs. State & Local Tax Growth, FY 1997 – 2007  
(2007 Dollars)**



Source: Government Finances, U.S. Census Bureau, U.S. Bureau of Economic Analysis

## Appendix A. Government Finances Data<sup>5</sup>

Governments are both diverse and complex organizations. To describe their financial and employment activities in a meaningful and comparable fashion – both across time and among governments – requires a set of standardized concepts and definitions.

All government finance statistics, including revenue, are categorized within four basic sectors of government. As a result, there are four basic categories of general revenue:

- Taxes\* (*This report focuses on the tax category of general revenue*)
- Intergovernmental Revenue
- Current Charges
- Miscellaneous General Revenue

### General Revenue

General revenue comprises all revenue except that classified as liquor store, utility, or insurance trust revenue. The basis for this distinction is the nature of the revenue source involved, not the fund or administrative unit established to account for and control a particular activity. There are four types of revenue within general revenue sector: taxes, intergovernmental revenue, current charges, and miscellaneous general revenue.

### Taxes

Taxes are compulsory contributions exacted by a government for public purposes, other than for employee and employer assessments and contributions to finance retirement and social insurance trust systems and for special assessments to pay capital improvements. Tax revenue comprises gross amounts collected (including interest and penalties) minus amounts paid under protest and amounts refunded during the same period. It consists of all taxes imposed by a government whether the government collects the taxes itself or relies on another government to act as its collection agent.

### Intergovernmental Revenue

Intergovernmental revenue comprises monies from other governments, including grants, shared taxes, and contingent loans and advances for support of particular functions or for general financial support; any significant and identifiable amounts received as reimbursement for performance of governmental services for other governments; and any other form of revenue representing the sharing by other governments in the financing of activities administered by the receiving government. All intergovernmental revenue is reported in the general government sector, even if it is used to support activities in other sectors (such as utilities). Intergovernmental revenue excludes amounts received from the sale of property, commodities, and utility services to other governments (which are reported in different revenue categories). It also excludes amounts received from other governments as the employer share or for support of public employee retirement or other insurance trust funds of the recipient government, which are treated as insurance trust revenue. Intergovernmental revenue is classified by function and by the level of government where it originated (i.e., Federal, state, or local). The transfer of Federal aid through the state government to local governments is reported as state intergovernmental revenue at the local level.

### Current Charges

This category comprises charges imposed for providing current services or for the sale of products in connection with general government activities. Amounts designated as current charges are reported on a gross basis without offsetting the cost to produce or buy the commodities or services sold. Utility service charges are excluded here and reported under Utility Revenue. For the Federal Government, this category includes revenue from premiums related to non-social insurance programs such as crop and farm mortgage insurance, home mortgage insurance, and the like.

### Miscellaneous General Revenue

This category comprises all other general revenue of governments from their own sources (i.e., other than liquor stores, utilities, and social insurance trust revenue). Effective with the 1988 survey, interest revenue necessary to pay the interest expenditure on all public debt for private purposes is now reported under Interest Earnings, code U20. Previously, this treatment was limited to mortgage revenue-bonded debt and was classified under Rents, code U40.

---

<sup>5</sup> 2006 Government Finance and Employment Classification Manual, U.S. Census Bureau, Governments Division.







632 SW Van Buren, Suite 100  
Topeka, KS 66603  
(785) 296-1460  
(785) 296-1463 (fax)  
**[www.kansasinc.org](http://www.kansasinc.org)**  
[ksinc@ink.org](mailto:ksinc@ink.org)