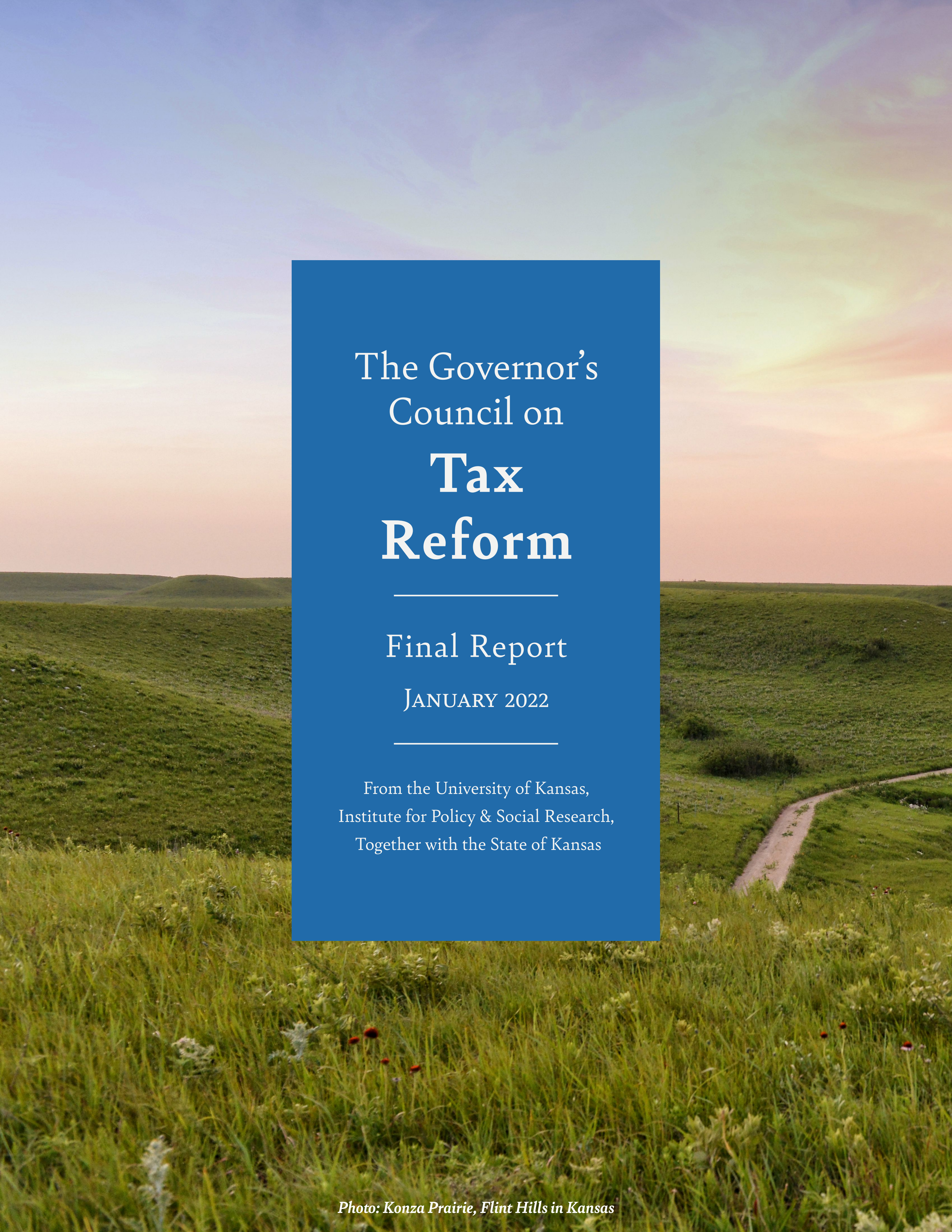

The Governor's Council on Tax Reform

Final Report

January 2022

From the University of Kansas,
Institute for Policy & Social Research,
Together with the State of Kansas

Photo: Konza Prairie, Flint Hills in Kansas

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The Governor's Council on Tax Reform

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The last five years for Kansas have been defined by a great deal of bipartisan work to restore the state's fiscal health and its economy after the failed tax experiment. Bipartisan collaboration was also necessary to address the greatest public health challenge in a century. Responding to those crises would have been all but impossible under a more stringent set of supermajority requirements. The Council believes that if the COVID-19 crisis has taught us anything, it is that the maximum level of flexibility is necessary for the public sector to respond to unanticipated catastrophes.

About this Report

Executive Summary

As its highest priority, the Council strongly endorses Governor Kelly's Axe the Food Tax proposal and calls on the state legislature to immediately seize this historic opportunity to eliminate the state sales tax on food.

The Council strongly opposes any new constitutional restrictions on state or local taxation or spending authority. These measures limit the ability of elected officials to respond to the needs of their constituents.

The Council recommends that Kansas state and local tax policy adhere to the Three-Legged Stool concept that balances income, sales, and property taxes. This approach, endorsed by both Republican and Democratic administrations in Kansas, has proven to serve Kansas taxpayers by preventing an over-reliance on a single tax source.

The Council discussed additional tax policies to be considered if it is determined during the 2022 legislative session that sustained revenue growth above the current revenue estimates will provide more flexibility.

Additional Measures Cited by the Council's Property Tax Subcommittee:

Expand the Homestead Property Tax Refund circuit-breaker program to support the ability of fixed-income Kansans to pay property taxes without narrowing the local property tax base.

Expand the $20,000 homestead exemption from the statewide mill levy to target property tax reduction to residential homeowners.

Fund the Local Ad Valorem Tax Reduction Fund (LAVTRF) demand transfer to support reductions in local property tax levies.

Expand local excise tax authority to enable cities and counties to seek voter approval of other local revenue streams beyond sales taxes to reduce reliance on local property taxes.

Provide additional state funding for the State Board of Tax Appeals (SBOTA).

Update Senate Bill 13 to make it workable for local governments.

Other Recommendations Endorsed by the Full Tax Council:

Maintain the state's commitment to its annual property tax valuation system based on fair-market value.

Expand the standard deduction to provide additional income tax relief. Expanding the standard deduction impacts the largest number of Kansas individual income taxpayers.

Broaden the sales tax base to include digital goods. Base expansion would improve revenue elasticity and allow for potential income or property tax relief.

Maintain and improve funding of the Budget Stabilization (or "Rainy Day") Fund to protect infrastructure investments and long-term stability of the state budget. This would be in addition to the existing 7.5% statutory ending balance requirement for the State General Fund (SGF).

Increase utilization of the Hypothetical Taxpayer model to evaluate and provide context regarding future proposals and their impact on the Three-Legged Stool principle of taxation and individual taxpayers.

Infrastructure and State Budget Issues:

Close the "Bank of KDOT" and restore funding to support the state's transportation system.

Expand broadband access to promote economic development in the state.

Expand Medicaid to provide access to health care for low-income Kansans and support hospitals.

Support K-12 and higher education to provide a strong education for Kansas children and promote economic growth.

About this Report

Introduction

Since the Governor's Council on Tax Reform was first created in 2019, it has met to study tax policy issues and make recommendations to ensure that the people of the state of Kansas can rely on a fair and effective tax system. This is the final report of the Council.

Tax Council's Mandate

On September 9, 2019, Governor Laura Kelly issued Executive Order No. 19-11 establishing the Governor's Council on Tax Reform. The Governor directed the Council to:

- Identify goals, initiatives, performance metrics, and other methods of assessing or achieving increased effectiveness and fairness in the state's tax system;
- Explore, assess, recommend, and report on various tax strategies and policies that may increase the effectiveness and fairness of the state's tax system;
- Receive input from the public – including relevant not-for-profit or business stakeholders, experts, and other organizations not represented on the Council – regarding various tax strategies or policies; and
- Submit an initial report in December 2019, informing and advising the Governor of the Council's assessments and recommendations.

The Governor in 2019 emphasized that Kansas' fiscal health was still very much in a recovery phase, and that it would take time to repair the damage to the state's economy and its public sector resulting from the failed tax policies implemented in 2012. Projections from November of 2019 indicated that even without major spending targeted at reversing that damage and notwithstanding the updated revenue numbers added in the November 2019 Consensus Revenue Estimate, the SGF would be facing a deficit position within several fiscal years. The Governor therefore urged extreme caution when considering any tax policy changes that could negatively impact any sustained recovery effort.

The Council originally was charged with submitting an initial report to the Governor late in 2019 or early in 2020 regarding potential legislative recommendations for consideration during the 2020 session with a mandate to continue to monitor a number of public finance issues throughout 2020 before submitting a final report by December 1, 2020.

The mission of the Council evolved in a number of ways as a result of the global COVID-19 pandemic. The pandemic significantly truncated the 2020 legislative session and its policy deliberations – while at the same time creating an entirely new set of demands on the public sector and reducing available resources to address such demands because of the collapsing economy and its impact on receipts. No major tax policy changes were adopted in the 2020 legislative session. In response to the pandemic, the federal government provided significant funding to state and local governments via the $2.2 trillion Coronavirus Aid, Relief and Economic Security Act (CARES) in March 2020; the $920 billion Consolidated Appropriations Act of December 2020; and the $1.9 trillion American Rescue Plan Act (ARPA) of March 2021. Of these funds, the State of Kansas received $1.034 billion in discretionary funds from the CARES Act and an additional $1.58 billion from ARPA.

Given the high degree of uncertainty and volatility in the state, national, and global economy as a result of COVID-19, Governor Kelly announced on November 19, 2020 that the Council's important work would be extended into 2021 to continue to highlight the latest economic and revenue forecasts and drive a robust discussion of how to the state could target tax reform to have the greatest impact for Kansans while ensuring that the state continued to achieve a balanced and sustainable budget. During the 2021 legislative session, the Kansas Legislature passed Senate Bill 50 (SB-50), and we discuss those provisions below.

Principles for Evaluating Kansas Tax Policy

Given the Governor's emphasis on the effectiveness and fairness of the tax system, we define the properties of ***fairness/equity*** and ***efficiency*** that guided the work of the Tax Council.

Fairness/Equity

Historically, the fairness of a state tax system has been determined using two key measures: horizontal equity and vertical equity. Notions of progressivity and regressivity also inform tax equity.

Horizontal Equity. At its basic level, horizontal equity provides that taxpayers in the same financial circumstances with equal ability to pay should bear the same tax burden. Exemptions or deductions for some but not all taxpayers would negate horizontal equity and create horizontal inequity.

Vertical Equity. Vertical equity is based on the premise that those who earn more money or have more economic resources should be taxed at higher rates than those earning less income and having fewer economic resources. Vertical equity promotes proportional or progressive taxes where tax as a share of income increases as income increases.

Progressivity. A tax is progressive when the tax burden as a share of income increases as income increases. For example, the federal income tax is progressive.

Regressivity. A tax is regressive when the tax burden as a share of income decreases as income increases. For example, sales taxes are regressive because low-income households spend more of their income on consumption compared to high-income households.

Efficiency

The costs of administering and collecting taxes should be kept as low as possible for both taxpayers and the agency charged with administering the tax system. Prior Kansas tax review commissions and virtually all other state tax study commissions nationwide have recognized the following key elements of an efficient tax system.

Simplicity. A simple tax code eases the administrative burden for taxpayers and the tax agency. A simpler tax system is also more transparent.

Stability. Stability in a state tax system provides a degree of certainty for individuals and businesses alike that allows them to plan for the future. A stable tax system also reduces compliance and tax administration costs. Moreover, stability provides a predictable revenue stream upon which states can rely when structuring budgets.

Neutrality. A tax code should be applied uniformly without exemptions or exclusions that can distort the process of making economic decisions.

Tax Base. A tax structure therefore should be designed such that the base for each tax is as broad as possible. Under such a structure, tax rates can be maintained at the lowest possible level resulting in enhanced compliance, public acceptability, and stability of the revenue resources.

Elasticity. The overall state and local tax system should have a high enough revenue elasticity (such that receipts grow fast enough in response to growth in personal income) to ensure that ongoing demands on the public sector can be met without constantly having to consider additional tax increases.

Conclusion

This is the final report of the Governor's Tax Reform Council. In it we provide an overview of the recent history of Kansas tax policy as well as a comparison of Kansas per capita taxes with our surrounding states of Colorado, Nebraska, Iowa, Missouri and Oklahoma. Additional chapters examine the distribution and incidence of income, sales, selective sales and property taxes in Kansas. In order to evaluate the impact of various tax policies, we developed a series of hypothetical taxpayers based on income and household composition. We used these hypothetical taxpayers to quantify the impact of policies on taxes paid as well as the equity of tax policy. In particular we demonstrate the effects of eliminating the food sales tax and itemization of individual income taxes. The report concludes with the rationale for a detailed set of recommendations. Appendix A provides a summary of Tax Council meetings and previous recommendations.

Chapter One

Overview

In this chapter we explore the past twelve years of tax policy changes in the state of Kansas, describe the three-legged stool of Kansas tax policy, define the concepts of tax equity and efficiency, discuss data sources used in the report, and compare Kansas taxation to surrounding states.

Kansas has experienced radical shifts in tax policy since 2012. When Governor Kelly took office, she took steps to achieve structural balance, fully fund K-12 schools, rebuild statutorily required ending balances, and close the "bank of KDOT" (page 13).[1] Following Governor Kelly's lead, the Tax Council reasserted the importance of the three-legged stool for state and local tax policy and encouraged a renewed emphasis on the sound principles of equity, effectiveness, and efficiency.

Kansas Tax Policy 2010-2021

Kansas tax policy in the past decade has been a roller-coaster ride of dramatic changes. The Great Recession of 2007 to 2009 resulted in a steep drop in economic growth. Kansas Gross State Product (GSP) fell 5.8% in the second quarter of 2009 compared to the previous year while US GDP fell by 4.0%. Total state taxes fell by $846 million between fiscal years 2008 and 2010. The stress on the public sector, coupled with the requirements of maintaining a balanced budget, led to a bipartisan agreement to both cut spending and increase of the state sales tax from 5.3% to 6.3% in fiscal year 2011. The sales tax was scheduled to decrease to 5.7% in fiscal year 2014 after the Kansas budget had stabilized.[2]

The jobless recovery from the Great Recession was uneven across different regions, and a number of Kansas policymakers argued that the traditional three-legged stool approach should be abandoned to create a tax climate to compete regionally and nationally for economic and employment growth. Coming off a landslide victory in the 2010 election that provided record Republican majorities in the legislature, Governor Brownback and Republican House leadership proposed a significant income tax reform package that he and other proponents said was designed to give Kansas leverage in this regional economic competition. The 2012 self-described[3] Brownback "tax experiment" had several novel features. Prior to 2012, Kansas had a three-bracket individual income tax system with a top rate of 6.45% that had remained in place since the 1990s. Under the new law, the top bracket was repealed altogether, with the two lower brackets also reduced, leaving a top marginal tax rate of 4.6%. Certain non-wage business income, including income received by "pass-through" entities, was exempted from income tax completely. The law also increased the standard deduction for heads of household and married couple filers. The state sales tax rate that was scheduled to drop to 5.7% in fiscal year 2013 instead was decreased only to 6.15%. In addition, the law eliminated targeted tax credits including the refundable food sales tax rebate, the child and dependent care credit and the homestead property tax refund for renters.

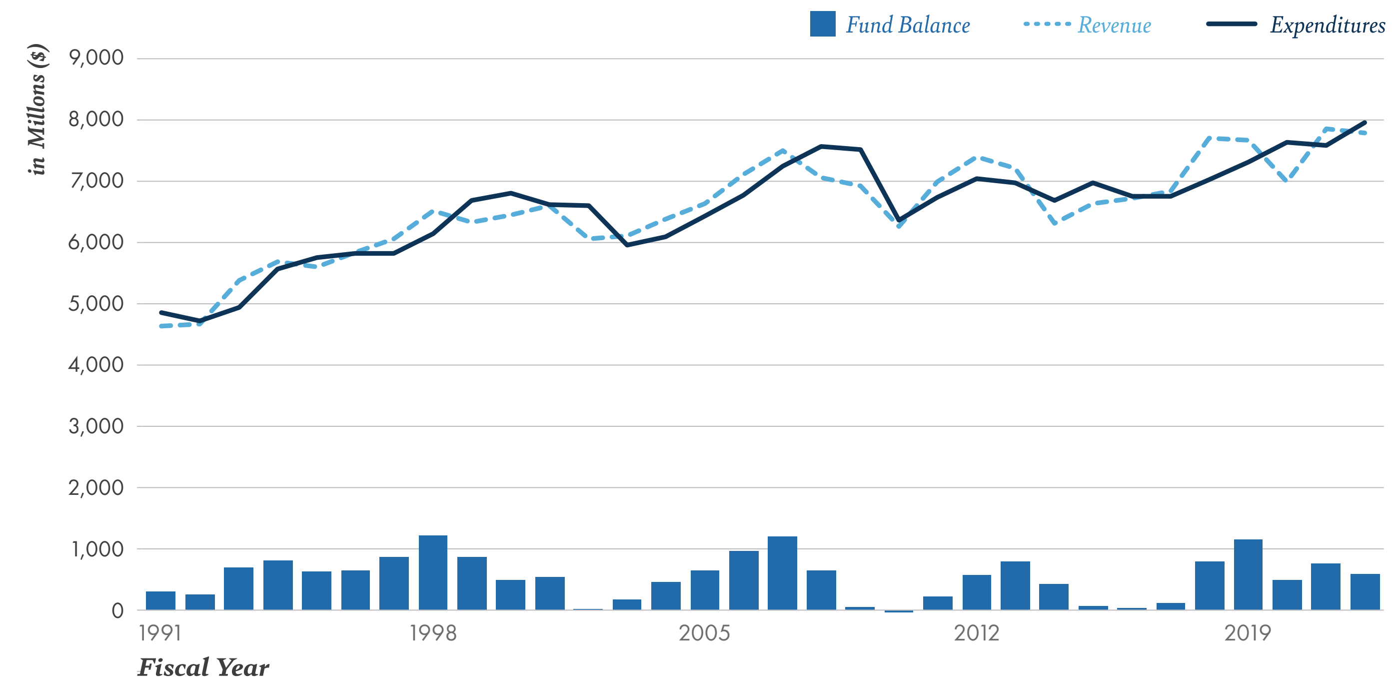
Gypsum Hills in Kansas

However, a number of revenue offsets that were originally proposed were not included in the final 2012 bill. Proponents of the tax cuts nevertheless claimed that the fiscal consequences would not be as challenging as the Brownback administration's own projections indicated, since hired out-of-state consultants to argue that economic growth stimulated by the tax cuts would offset revenue losses. In opposition to the legislation, bipartisan opponents from the private and public sectors raised concerns not only about the fiscal implications the new law would have for the state, but also, the raft of equity issues it created based on the type of one's income. As wage earners continued to pay income tax, those individuals and businesses that benefited from pass-through income would see a years-long tax holiday in Kansas. For those Kansans still paying taxes, the largest benefit was showered on the highest earners in the state through rate reductions and the elimination of the highest tax bracket. To make matters worse for low- to middle-income Kansans, many would see a tax increase due to the repeal of many tax credits that benefited many Kansas families far more than any tax reduction.

After the 2012 elections swept many moderate Kansas Republicans out of office and Democrats continued to underperform at the top of the ticket, Governor Brownback and his new legislature returned to face a gaping deficit. In order to balance the budget, revenue offsets that had been left out in 2012 were coupled with a new round of even bigger tax cuts in the future that set the state income tax on a so-called "glide path to zero." The new legislature also decided to keep a higher statewide sales tax than was required under the law passed by the 2010 legislature, keeping the state sales tax at 6.15% rather than returning it to 5.7%. During fiscal year 2014, the first fiscal year when the initial tax cuts were annualized, the state received a nasty surprise when income tax receipts fell $307 million below the final revenue estimate for that year. Over the summer and fall of 2014, a Moody's downgrade of the state's debt made headlines. The 2015 session enacted a second backfilling tax increase that included a partial reversal of certain 2012 and 2013 tax cuts, decelerating implementation of the glide-path formula; more cuts to deductions; a second increase in the sales tax to 6.5%; and a cigarette tax hike to $1.29 per pack. But despite all of these tax increases, Kansans continued to worry whether it would be enough after years of out-year budget projections showing the state careening off a cliff.

Figure 1.1 shows SGF ending balances, revenue and expenditures from 1991 to 2022. The ending balances were low during fiscal years 2001, 2002, 2009, and 2010 due to the 2000 stock-market bubble burst, 9/11, and the Great Recession. However, starting with the Brownback tax cuts in fiscal year 2013, expenditures exceeded revenues without the presence of any major external factors.

Figure 1.1. *State General Fund in Kansas, in 2021 Dollars.*



Source: Kansas Division of the Budget, Governor's Budget Report, various years, https://budget.kansas.gov/budget-report/ (accessed July 14, 2021); National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, http://nber.org/cycles/cyclesmain.html (accessed July 14, 2021). Recession Periods: July 1990 - March 1991; March 2001 - November 2001; December 2007 - June 2009; and February 2020 - present.

During this time, many agencies received funding cuts or relatively flat funding, such as through the K-12 school block grant, but there was never enough revenue growth to offset the losses caused by the 2012 tax experiment. While the rest of the country grew out of the Great Recession, ending balances in Kansas remained precipitously low.

In 2017, the legislature passed Senate Bill 30 over Governor Brownback's veto with two-thirds majorities in both legislative chambers. The non-wage "pass-through" income exemption was repealed, and the three-bracket income tax system was restored, albeit still at lower rates across the board than had been in effect for many years. The glide-path formula also was repealed. Itemized deductions for medical expenses, mortgage interest and property taxes paid were slated to be gradually restored. The child and dependent care tax credit was restored. However, the refundable food sales tax credit and the inclusion of renters in the homestead property tax program were not restored.

Taxable Income ($)	Tax Year			
	1992-2012	2013-2017	2017	2018-Present
0 to 30,000	3.50%	2.70%	2.90%	3.10%
30,001 to 60,000	6.25%	4.60%	4.90%	5.25%
60,001 and above	6.45%	4.60%	5.20%	5.70%
Sales Tax Rates	4.90% - 6.30%	6.15% - 6.50%	6.5%	6.5%
Cigarette Tax Rates	$0.79	$1.29	$1.29	$1.29

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Table 1.1. *Changes to Kansas Income Tax Rates for Married Filing Jointly.*

Source: Kansas Department of Revenue.

Tax and budget policy analysts from groups as diverse as the Tax Foundation and the Center for Budget and Policy Priorities agreed that the "Tax Experiment in Kansas was a failure in public policy.

Table 1.1 shows the changes to Kansas income tax rates for a married couple filing jointly between 1992 and 2021. As a result of the infamous tax experiment, Kansas has lower income tax rates and higher sales tax rates than a decade ago.

Many economists and think tanks have analyzed the economic impact of the Brownback tax cuts. DeBacker, Heim, Ramnath and Ross (2019) examined whether the pass-through income exemption had any impact on business formation, the expansion of existing business activity, and state economic growth.[4] Using tax data from 2010 to 2014, they found that the pass-through exemption led to increased tax avoidance in terms of shifting income from wages to business income. They found no evidence that the Brownback tax cuts resulted in increased economic activity. Turner and Blagg (2018) examined whether the tax cuts resulted in increases in employment compared to states that did not enact tax cuts.[5] They found that tax cuts did not result in any net increase in private-sector employment. Tax and budget policy analysts from groups as diverse as the Tax Foundation[6] and the Center for Budget and Policy Priorities agreed[7] that the "Tax Experiment" in Kansas was a failure in public policy.

The Tax Cut and Jobs Act of 2017 and Senate Bill 50

The federal government enacted tax legislation in 2017 that had a significant impact on state tax receipts and policy. The Tax Cut and Jobs Act (TCJA) of 2017 reduced tax rates for businesses and individuals, increased the standard deduction and family tax credits for households, eliminated personal exemptions, and made it more difficult to itemize deductions. In particular, the deduction for state and local income and property taxes was capped at $10,000 and the mortgage interest deduction was reduced. The increase in the standard deduction and decrease in the itemized deductions made it far more likely for taxpayers to take the standard deduction at the federal level. The TCJA also added a new tax on global intangible low-taxed income (GILTI) to discourage firms from continuing to shift profits offshore, a practice that had been occurring for many decades.

Kansas is a state that conforms to the federal tax code and generally uses federal law as a starting point for the state individual and corporation income taxes. This conformity reduces tax compliance costs for individuals and businesses and reduces the administrative burden of the Department of Revenue. In many cases, the conformity has helped Kansans take advantage of federal tax policy changes, but in some cases, changes to federal policy are made that do not flow down to state taxpayers. During the 2021 legislative session, Senate Bill 50 (SB-50) was passed over the veto of Governor Kelly. This bill included provisions to decouple Kansas from certain provisions of the federal tax code and to require marketplace facilitators to collect sales taxes. In particular, major provisions of SB-50 included a 100% deduction for corporate "global intangible low-taxed income" (GILTI), a full deduction for net interest expenses, an increased standard deduction that provided at most $28.50 per taxpayer, itemization of taxes at the state level regardless of filing status at

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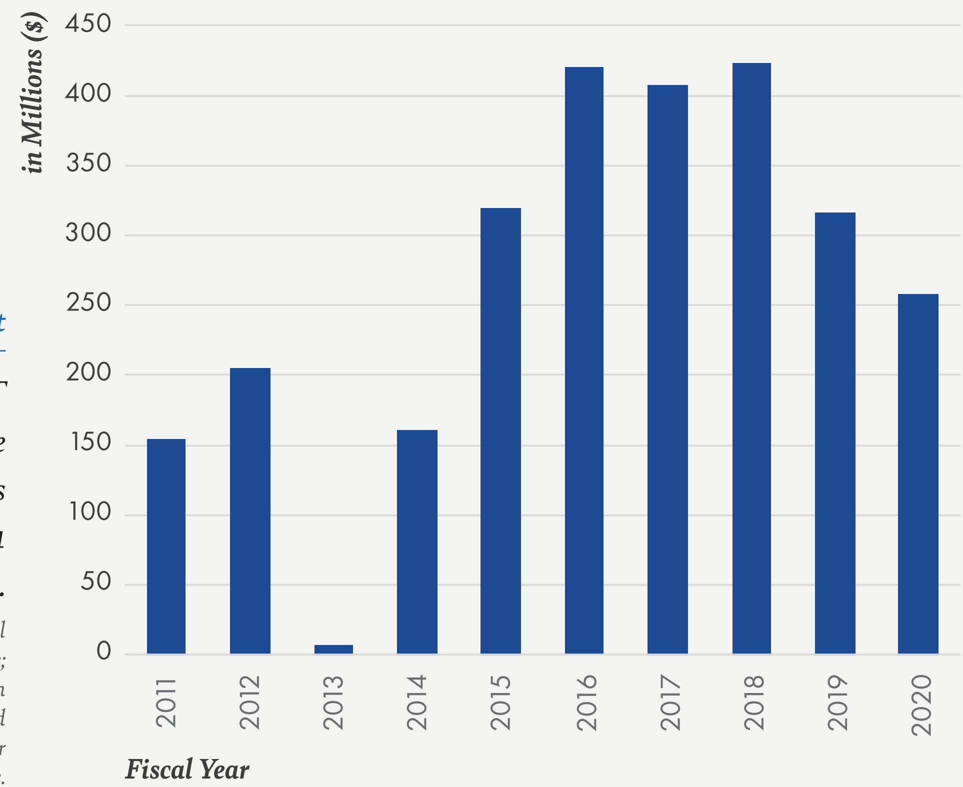
Figure 1.2. *KDOT Transfers to State General Fund in Millions of Dollars, FY2011 - FY2020.*

Source: Institute for Policy and Social Research, the University of Kansas; data from Kansas Legislative Research Department, State Highway Fund Transfers to State General Fund and Other Agencies.



the federal level, and the partial closure of the marketplace facilitators' loophole, with a *de minimus* threshold for remitting sales taxes of $100,000 in Kansas sourced-sales. Due to the lack of balance in the legislation between those it would benefit the most and those that would receive a maximum benefit of $28.50, the Governor vetoed this legislation, and the Legislature overrode the veto in May of 2021.

Given the dramatic changes in the Kansas tax code since 2012, we now examine the opportunity costs to the state of these tax cuts.

Two Examples of the Opportunity Cost of Tax Cuts

The Bank of KDOT. Even with the tax increases enacted in 2013 and 2015 to backfill the hole created by the 2012 tax legislation, the Kansas budget remained in crisis. To balance the budget, the Governor and Legislature would annually "raid the bank of KDOT" by eliminating previously scheduled transfers from the SGF to support the state's transportation program. Kansas ranks fourth in the nation with 140,372 miles of public roads with over 10,000 miles in the state highway system that carries the

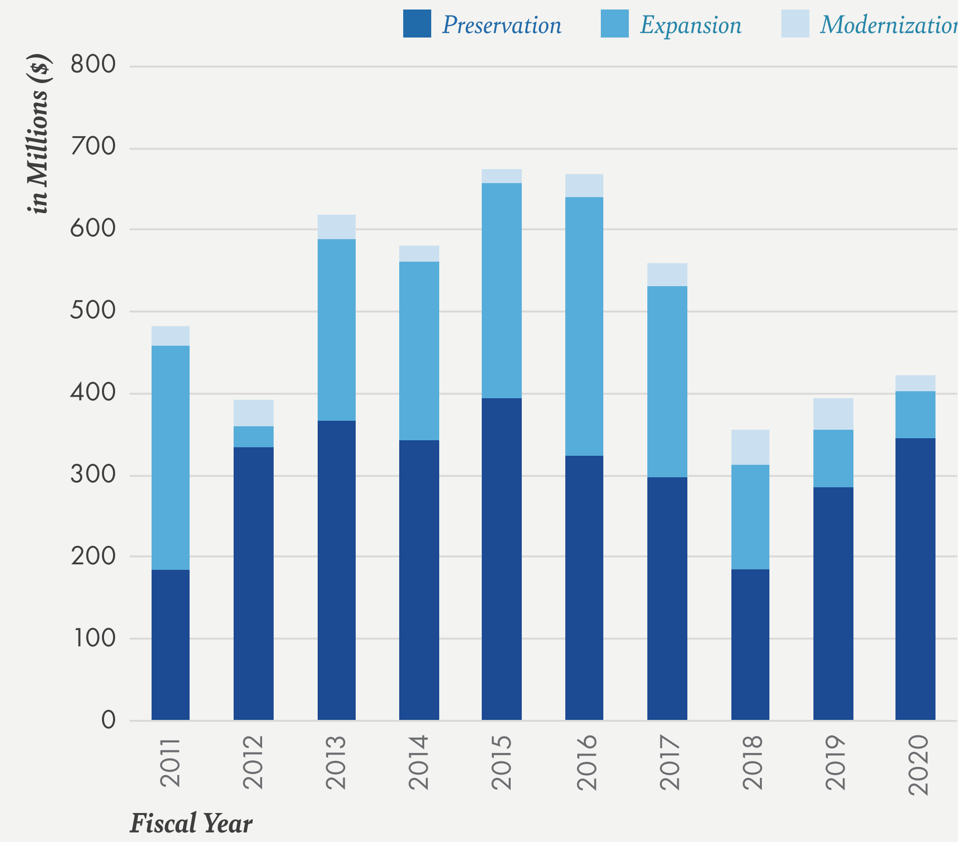


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Figure 1.3. *KDOT Expenditures in Millions of Dollars for Preservation, Expansion, and Modernization, FY2011 - FY2020.*

Source: Institute for Policy and Social Research, the University of Kansas; data from Kansas Legislative Research Department, State Highway Fund Transfers to State General Fund and Other Agencies.

majority of traffic. It is estimated that as much as $2.6 billion dollars was swept from the Kansas Department of Transportation (KDOT) budget to pay for the Brownback tax cuts.[8] Figure 1.2 shows the transfer of funds from KDOT to the SGF between fiscal years 2011 and 2020. This diversion of money away from KDOT froze 21 highway projects in the state and delayed road maintenance. Figure 1.3 shows KDOT expenditures for preservation, expansion and modernization. Starting in 2016, at the peak of transfers from the "bank of KDOT" expenditures on preservation and maintenance started to fall, followed by expansion.

In 2008, KDOT calculated the impact of reducing preservation funding by 60% over the period from 2009 to 2020.[9] The analysis indicated that the Kansas economy would lose 12,000 jobs and $670 million per year in Gross State Product (GSP). Raiding the bank of KDOT resulted in a 29% reduction in preservation expenses between 2011 to 2020 (approximately half of the 60% reduction used in the model). Based on the assumptions used in the KDOT analysis, Kansas may have lost 6,000 jobs and $335 million per year in GSP, approximately a 2% decrease.

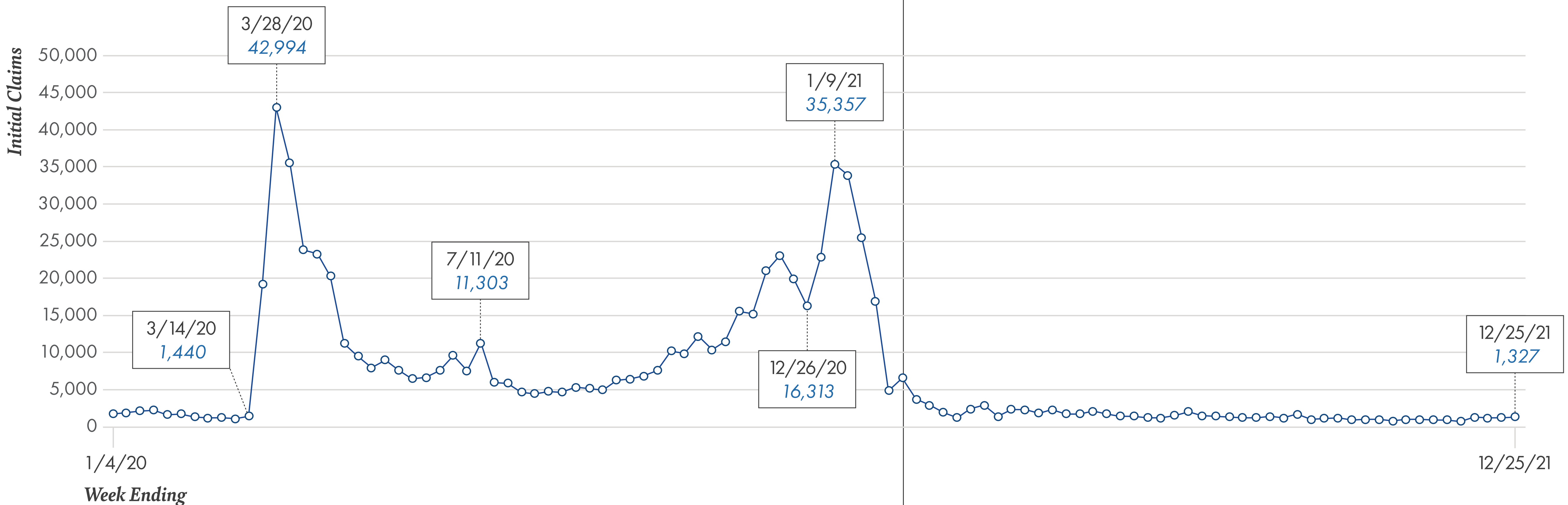

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Figure 1.4. *Kansas Initial Claims Filed by Week, January 2020 - December 2021.*

Source: Institute for Policy and Social Research, the University of Kansas; data from Kansas Department of Revenue.

The Antiquated Unemployment Insurance System. The COVID-19 pandemic resulted in unprecedented increases in unemployment insurance (UI) claims and eligibility categories. In order to support workers who lost their jobs due to the pandemic, the CARES Act created the pandemic unemployment assistance program for self-employed workers and others who typically did not qualify for UI. States were required to administer these new programs. Due to antiquated IT systems and the short timeframe provided by the federal government to set up completely new programs, the Kansas Unemployment Insurance system was not up to the task. Figure 1.4 shows UI insurance claims from the Kansas Department of Labor (KDOL) for 2020 and 2021. Initial claims peaked in March 2020 and again in January 2021. UI claims remained abnormally high until the summer of 2021.

The Kansas UI system runs on a mainframe that was installed in 1977 that uses a specialized version of COBOL. The code works, but it is difficult to operate. If a non-standard claim was filed, KDOL employees would fix UI claims manually. This worked under normal circumstances. But when claims increased during the COVID pandemic in 2020, KDOL employees could not process thousands of claims by hand or through the tedious steps required to process unique and small batches of claims through COBOL. In addition, domestic and international fraudsters targeted UI systems throughout the United States, causing an exponential increase in risk compared to the relatively infrequent and often inadvertent occurrence of pre-pandemic unemployment fraud. Kansas was able to avoid paying as much in fraud as other states, but according to at least one estimate, the state paid $290 million in fraudulent claims in 2020.[10]

If the state had not failed to invest in its infrastructure over the 10 years prior to the pandemic, it's possible that it could have avoided much of this international wave of UI fraud. In 2004, KDOL received $21 million in bonding authority to upgrade its UI benefit system. In 2004, KDOL received $21 million in bonding authority to upgrade its UI benefit system. In 2007, $26 million of Reed Act money was authorized for UI modernization through the end of the decade. Although money was available, the project was behind schedule and contracts were terminated. The UI modernization program was canceled in 2011 during the Brownback administration despite the existing system being obsolete and the state investing $51 million. Full-time employment at KDOL fell by 159 people between 2011 and 2019, and spending fell by $168 million between 2011 and 2017 to help balance the state budget in the aftermath of the Brownback tax cuts.[11] Instead of investing in the state's infrastructure and spending a total of $90 million to fix the UI system, the state ignored the problem and rang up a $290 million bill in UI fraud.

Kansas learned several important lessons from the Brownback tax experiment. First, tax cuts do not pay for themselves, nor do they have a smaller fiscal impact than projected because of additional economic growth. Cutting taxes reduces revenue for state expenditures. Second, tax cuts, especially the exemption of pass-through income from taxation, do not result in economic, employment, or population growth. Instead, in Kansas these policies resulted in increased tax avoidance. Third, cutting taxes also results in cutting government investments in infrastructure and services. The difficulties experienced by the Kansas Unemployment Insurance system are the result of decades of unwillingness among policymakers to invest in the modernization of the state's infrastructure that came at the expense of risky tax policy.

Given these difficult lessons in tax policy, the Tax Reform Council reasserted the importance of the three-legged stool of taxation that is based on the sound principles of equity, effectiveness, and efficiency.

The Kansas Three-Legged Stool

After the statewide reappraisal and property tax classification in Kansas in the late 1980s, the perception was widespread that certain property tax burdens were excessive. The courts in that era also had found K-12 education to be underfunded. As a result, lawmakers sought to solve both issues at once – public angst over property taxes and additional K-12 funding – by passing the historic 1992 school finance law that raised sales and income taxes and pushed that revenue through the new formula to provide more resources as well as massive property tax relief for most districts. In doing this, the policy goal was to create three relatively co-equal and sturdy legs for the three-pronged state and local finance stool. The belief was that with a balanced and diversified revenue portfolio that depended equally on income, sales and property taxes, Kansas would have a less volatile public finance system that could better withstand economic downturns: in essence, that a "three-legged stool" is sturdier than a one- or two-legged stool.

One fresh example at the time as to why this notion was embraced occurred during the mid-to-late 1980s. A bad regional recession in 1986-87 saw many of the state's key sectors, including oil and gas, agriculture, and aviation manufacturing all struggling at the same time. Kansas had significant revenue shortfalls and budget cuts during

"The state and local tax system should be balanced and diversified. A diversified tax system offers a blend of economic tradeoffs. Because all revenue sources have their weaknesses, a balanced tax system will reduce the magnitude of problems caused by over-reliance on a single tax source. It will also result in lower rates on each tax and reduce the pressure of competition from other states that have lower rates for a particular tax."

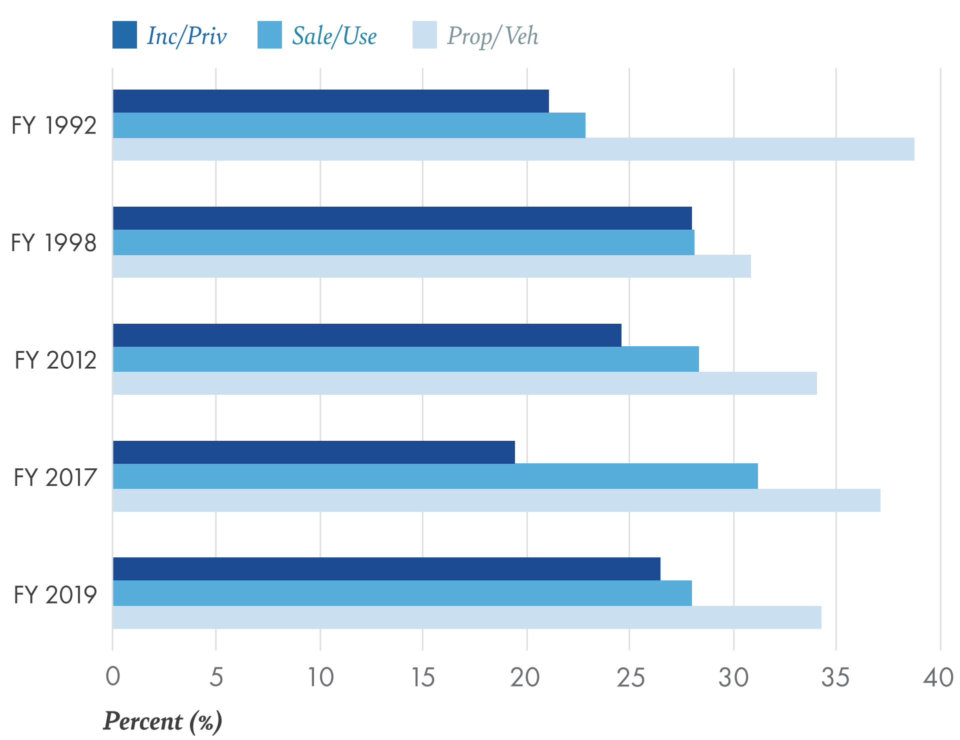
- Governor Bill Graves Tax Equity Task Force, 1995

this era, but nowhere near the magnitude of those in Texas. Because Texas does not have an income tax and gets much of its money from sales and severance taxes, its eggs are in fewer baskets. The stress on Texas' public sector turned out to be far more severe because that state's revenue portfolio was not as diversified.

Economists generally believe that with a diversified revenue portfolio, Kansas state and local governments are better able to withstand economic downturns. Kansas policymakers in both political parties embraced this balanced approach for some 20 years, and maintenance of a strong three-legged stool was often discussed as an important policy objective. Indeed, the Governor's Tax Equity Task Force[12] formed by Governor Bill Graves in 1995 specifically embraced the balanced "three-legged" approach.

Finally, there are a number equity considerations implicit in this broad-based approach to state and local taxes. In relying on all three major sources, the state's revenues rely on one tax that is considered regressive (sales), one progressive (income) and one mixed (property). Also, with a revenue net cast relatively broadly, the odds are greater that virtually all stakeholders – from college students to farmers to small retailers to large multinational corporations – have some skin in the game and are contributing to at least one or more of the three major ways to finance the Kansas public sector.

Figure 1.5 shows the three legs of the Kansas public finance stool from fiscal years 1992 to 2019. The three legs of the stool are defined based on state and local tax collections for a given fiscal year. Income taxes include individual and corporate income and privilege taxes. Sales and use taxes include state, county, city, municipal university, and other special district sales and use taxes. Property taxes include land, buildings, motor vehicle, recreational vehicle, 16M and 20M "tagged" vehicles, and rental car excise taxes. The three legs do not add up to 100% because they exclude other taxes (e.g. other excise, severance, etc.). These remaining sources accounted for 11.2% of total tax collections in fiscal year 2019. Prior to the 1992 school finance bill, Kansas was overly reliant on property taxes. By 2012, property taxes again became the longest leg of the stool, and this trend was exacerbated by the tax cuts between 2012 and 2016. By 2017, the income tax leg fell below 20%. The Council found that one of many unfortunate results of the massive income tax reductions between 2013 and 2016 was associated with again having the stool further out of balance, placing a great deal more relative reliance on the less-progressive property and sales tax sources. Data from fiscal year 2019, the first year when the provisions of SB-30 were fully realized, indicate that the balance had begun to be restored as a result of that legislation.



Left

Figure 1.5. *Three Legs of the Kansas Public Finance Stool from FY1992 - FY2019.*

Source: Institute for Policy & Social Research, the University of Kansas; data from Kansas Department of Revenue.

Kansas Taxation in Comparison and Surrounding States

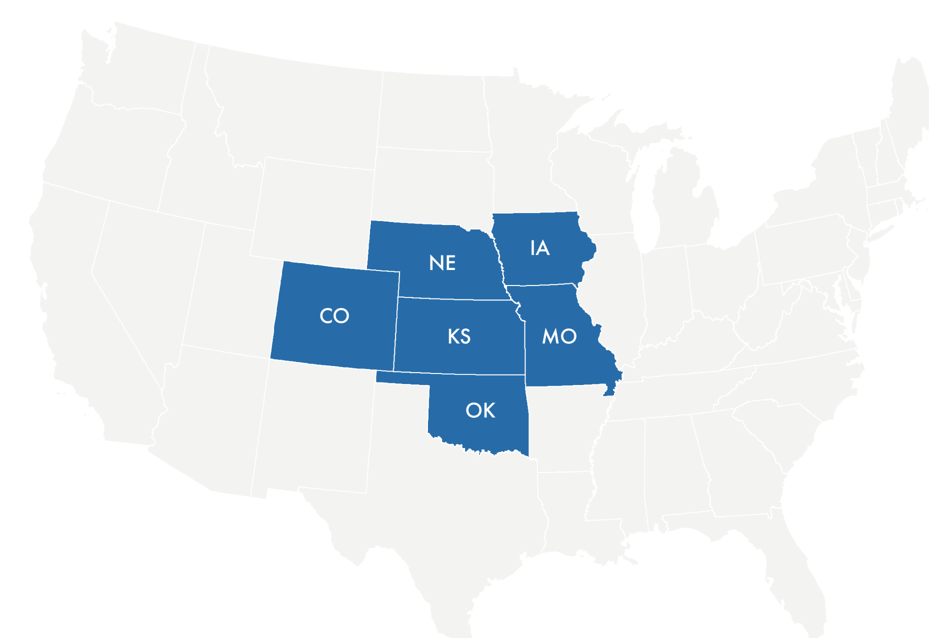
Data Sources

Much of this analysis is based on data from the Census Annual Survey of State and Local Government Finances, which provides annual data on fiscal year revenues and expenditures at the state and local level. In order to calculate tax revenues per capita and as a share of personal income, Census midyear population estimates and personal income estimates from the Bureau of Labor Statistics were used. Some of the tax revenue data included in this report come from the Census Quarterly Summary of State and Local Tax Revenue (QTAX). QTAX provides more current data than the Census Annual Survey, and allows for quarterly analysis, but does not provide local tax collections at the state level.

Analysis done by Tax Foundation, a nonprofit that has studied tax policy since 1937,[13] was useful in looking at comparisons between all 50 states. Tax Foundation's work also served as a model for creating comparison measures between states that define and implement similar taxes in different ways. Data on alcohol consumption came from the National Institute on Alcohol Abuse and Alcoholism, and use tax collections came from the Kansas Department of Revenue. A wide variety of data sources were used in the hypothetical taxpayer analysis and are described in detail in that chapter.

Right

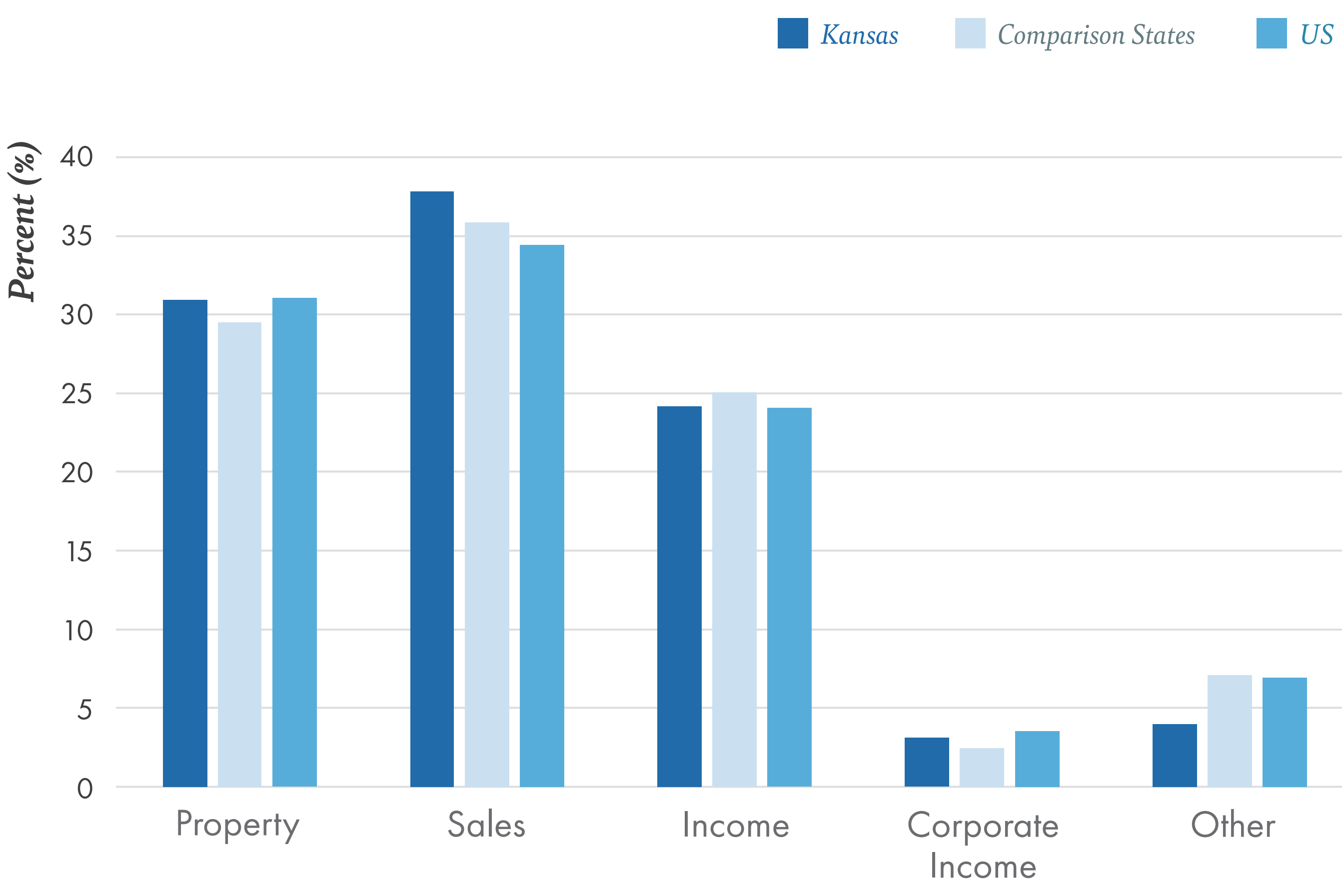
Map Showing Kansas and Comparison States.



Kansas Compared to Surrounding States

To set the stage for a broader discussion of tax policy, we provide Census Annual Survey of State and Local Government Finance data on Kansas taxation as a share of source, and in comparison to the average of our surrounding states of Colorado, Iowa, Missouri, Nebraska and Oklahoma and the US average for fiscal years 1990 to 2019. In our analysis we adjust the data by population to create per capita measures. Figure 1.6 shows State and Local Tax Revenue as a share of source for fiscal year 2019 for Kansas. Note that the definitions of income, sales and property taxes differ in this figure compared to the fine-grained approach used in the three-legged stool analysis that accounts for more categories of state and local taxation. In particular, this analysis excludes other taxes as a share of total state and local taxation. Compared to our surrounding states and the US, Kansas relies more heavily on sales and property taxes and less on personal income taxes.

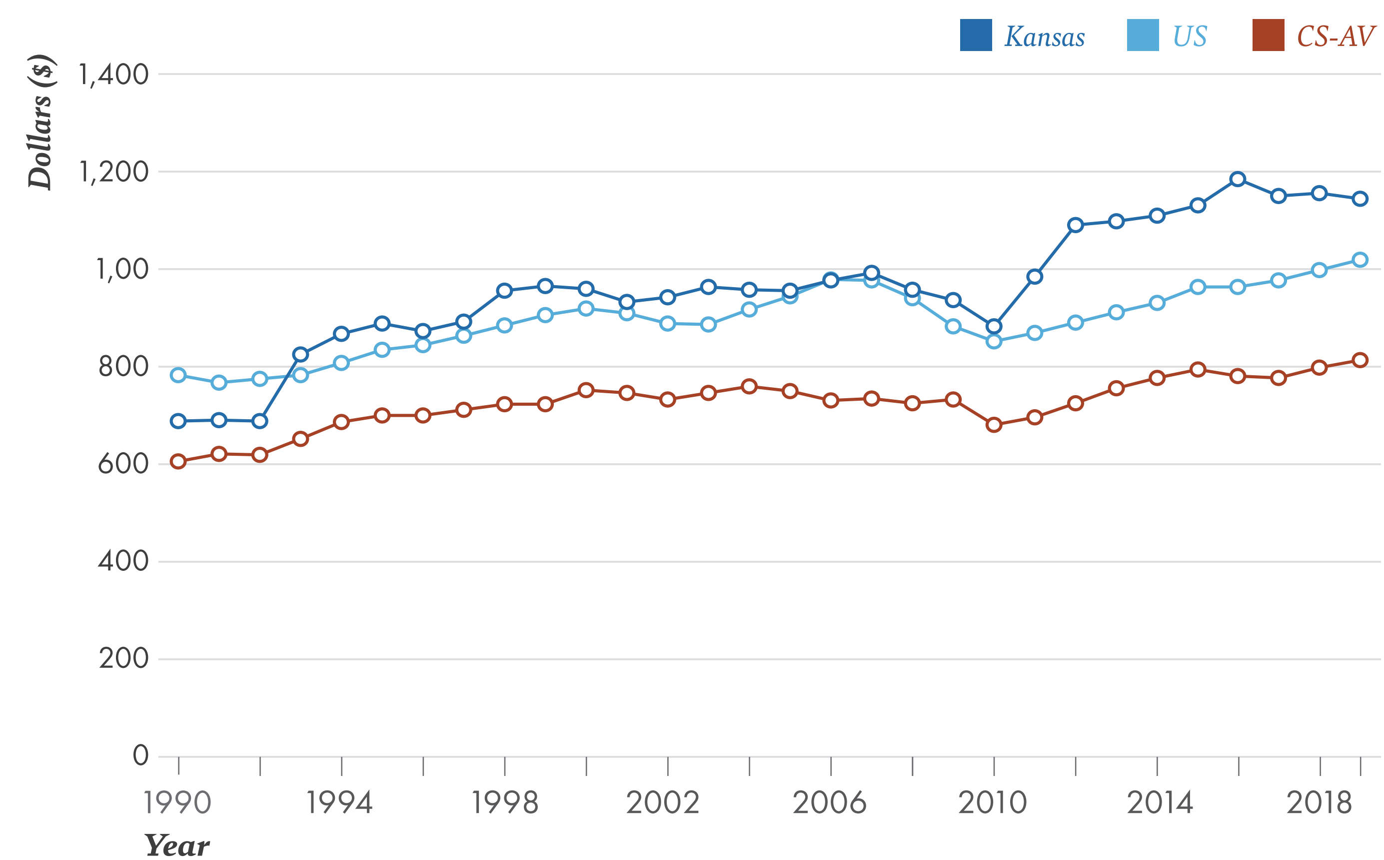
Figure 1.6. State and Local Tax Revenue by Source, 2019, Kansas, US, and Comparison States.



Source: Institute for Policy and Social Research, the University of Kansas; data from U.S. Census Bureau, Quarterly Summary of State and Local Government Tax Revenue.
Note: Data as a Percent of Total Tax Revenue.

Figure 1.7 shows the time series of per capita sales tax in Kansas, the US and our comparison states between 1990 and 2019. Sales taxes in this figure also include excise taxes. Historically, Kansas had similar per capita sales tax revenue compared with US averages and higher per capita sales tax revenue than in the comparison states. Kansas per capita sales tax revenue grew relative to the US and comparison states starting with the sales increases in 2011 and 2013. As of 2012, Kansans are paying about $200 more per capita in sales taxes compared to the US and close to $400 more compared to surrounding states. Figure 1.8 (page 23) shows the same analysis for individual per capita income tax. Kansas tracked the US and comparison states in terms of per capita income tax through the mid 2000s, and then the per capita income tax burden increased about $100 more in Kansas between 2005 and 2012.

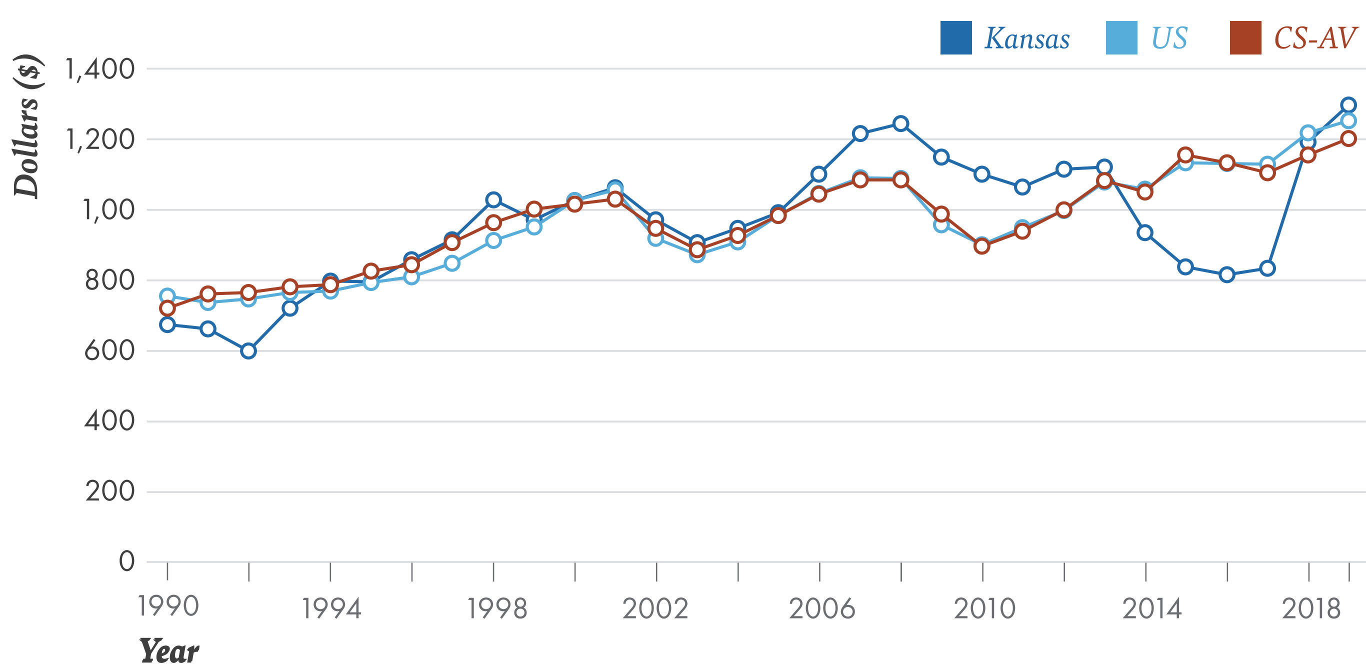
Figure 1.7. State Sales Tax Revenue Per Capita in Kansas, US, and Comparison States.



Source for Figures 1.7 through 1.10: Institute for Policy & Social Research, The University of Kansas; data from US Census Bureau Annual Survey of State and Local Government Finances, 1977-2019 (compiled by the Urban Institute via State and Local Finance Data: Exploring the Census of Governments; accessed 03-Jan-2022), https://state-local-finance-data.taxpolicycenter.org.
Note: Data in 2019 inflation-adjusted dollars.

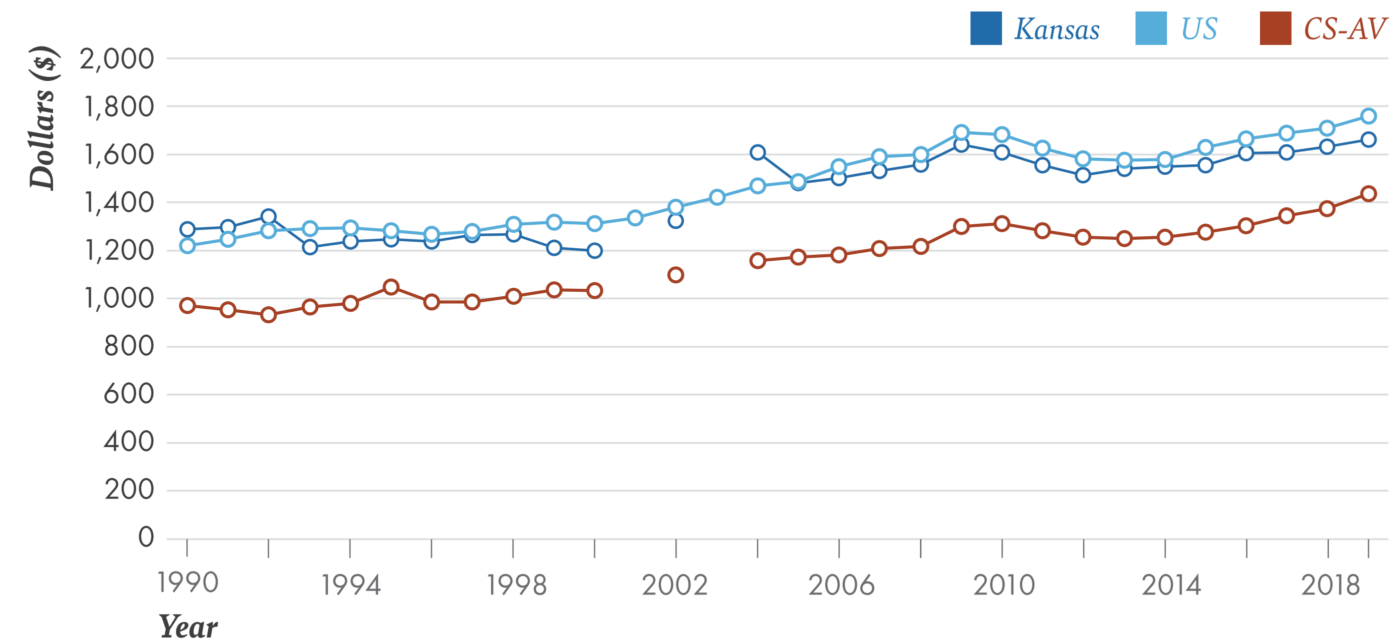
The tax cuts of 2012 to 2015 reduced the income tax per capita by about $300, but the tax increases after 2017 show that Kansas is tracking comparison states and US averages since then. Figure 1.9 shows the time series of per capita property taxes. Per capita property taxes in Kansas track the US average but are higher than in comparison states by $225 in 2019. This is because the comparison states rely more heavily on other types of taxes besides property taxes (e.g. excise taxes on marijuana in Colorado). Figure 1.10 shows per capita "Other Taxes" that exclude sales, income and property taxes. Motor fuels taxes, severance taxes, licensing and other fees, to name some examples, are included in "Other Taxes." In the early 1990s, Kansas tracked the US and comparison states in per capita "Other Taxes." However, Kansas reliance on other taxes did not appreciably change while it grew in both the US and comparison states. (During the 2000s, Kansas repealed several tax sources, including the estate tax and the corporation franchise tax. These two sources had combined to account for over $100 million of receipts as recently as fiscal year 2007.) Kansans pay nearly $150 less per capita in other taxes relative to the comparison states and even less compared to the US average. These four figures show how Kansas over time has relied more on sales, income, and property taxes and less on other types of taxation.

Figure 1.8. Individual Income Tax Revenue Per Capita Kansas, US, and Comparison States.



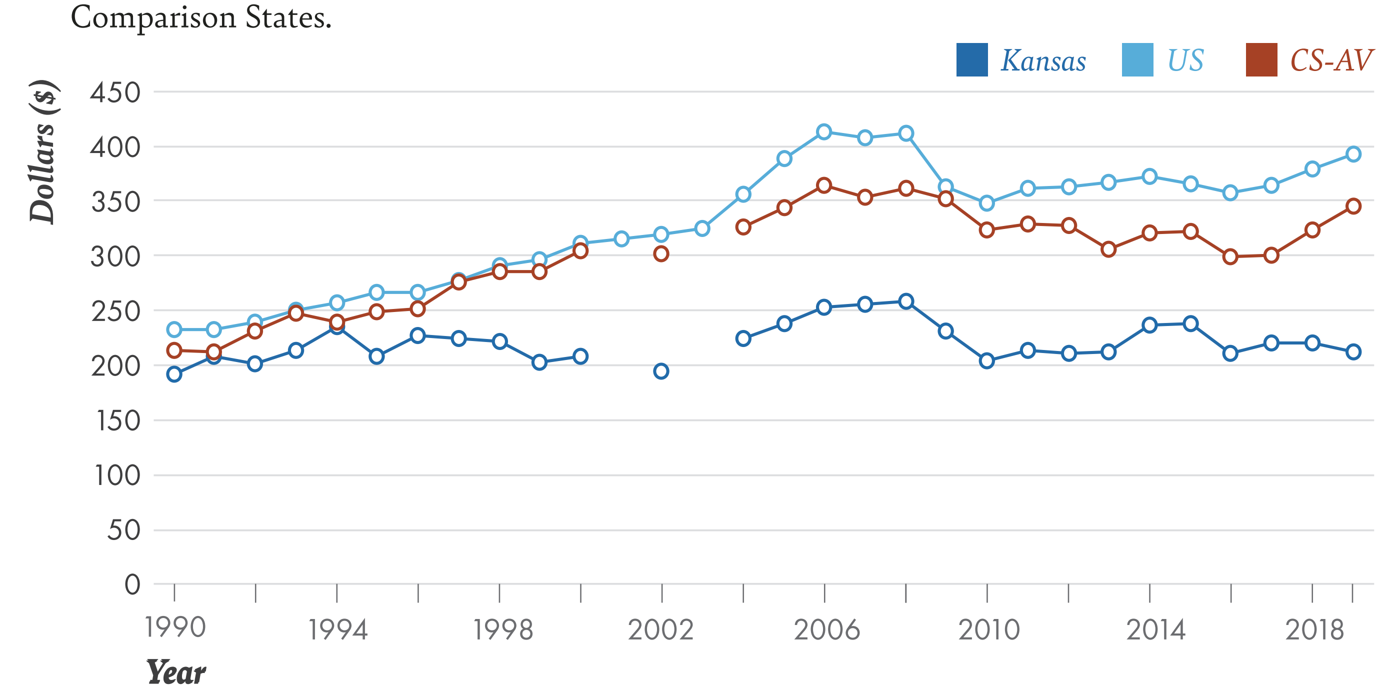
Note: See source information for Figure 1.7. Data in 2019 inflation-adjusted dollars.

Figure 1.9. State & Local Property Tax Revenue Per Capita in Kansas, US, and Comparison States.



Note: See source information for Figure 1.7. Data in 2019 dollars.

Figure 1.10. Per Capita State and Local Tax Revenue From Other Taxes, Kansas, US, and Comparison States.



Note: See source information for Figure 1.7. Data in 2019 dollars, share excluding property, sales, and income taxes.

Conclusion & Recommendations

The recent history of Kansas tax policy shifted taxes away from reliance on the moderately progressive income tax towards reliance on the more regressive sales tax. Property taxes are also relatively higher in Kansas compared to US and comparison state averages. The Kansas "tax experiment" of 2012 to 2017 created huge SGF shortfalls that have slowly been repaired even in the wake of the COVID-19 pandemic.

Based on the analysis in this chapter, the Governor's Council on Tax Reform developed the following recommendations:

Kansas state and local tax policy should adhere to the Three-Legged Stool concept. Kansas has been well-served by striking a relatively equal balance in terms of tax revenue received from income, sales, and property taxes. **Future tax policy should keep this important lesson in mind.**

Given the importance of the three-legged stool approach, the Council suggests that the Kansas Department of Revenue **continue to document the Three-Legged Stool of Taxation approach on an ongoing basis.** The Kansas Legislative Research Department had produced the Kansas Tax Facts report for use by policymakers,[14] but this document has not been updated since 2019.

Infrastructure Investments

Given the increase in federal support from the CARES Act, ARPA and recently passed infrastructure bill, the Tax Reform Council recommends the following policies to promote economic development in the state.

Close the "Bank of KDOT" and restore the amount of funding originally intended to support the state's transportation program. The bank should be kept closed so that future Kansans do not have to pay for previous generations' unwillingness to invest in and maintain state infrastructure.

Expand broadband access to support the state's economic infrastructure and economic growth.

Expand Medicaid to provide access to health care for low-income Kansans and ensure that our state's rural and medically underserved communities are healthy and able to participate in the state's economy. Studies have shown that not only has the state's failure to expand Medicaid caused the loss of billions of federal dollars, it has harmed the economy of local communities and rural hospitals throughout the state.

Continue to fully fund K-12 education. In the coming year, the state of Kansas will finally reach full funding for Kansas schools under the *Gannon* settlement. The state must continue to meet its responsibility to fully fund education and avoid the litigation and funding deficits that impacted Kansas schoolchildren for much of the past decade.

Maintain and support the Kansas higher education system. A skilled workforce is essential to attract new companies to the state, to promote entrepreneurship and to grow the Kansas economy. The state's higher education system supports economic development by ensuring that the state's professional, entrepreneurial, and manufacturing base remains nationally and globally competitive. In order to keep tuition flat, state funding is required to ensure that our state's universities and community and technical colleges have the resources necessary to continue to meet our state's workforce and economic development needs.

Study the determinants of population change in Kansas. The 2020 Census showed that Kansas grew much more slowly than all surrounding states but Missouri between 2010 and 2020. While more recent reports indicate that Kansas may be reversing the trend of low population growth, Kansas' population increased by only 3% during the previous decade. During the same period, Colorado's population increased by 14.8%, Nebraska's by 7.4%, Oklahoma's by 5.5%, Iowa's by 4.7%, and Missouri's by 2.8%. Population growth is a critical component of economic growth and understanding these factors will inform policies to support the future of the Kansas economy.

Chapter Two

Income Tax

Overview

As mentioned in the previous chapter, Kansas has had a number of recent changes to the individual and corporate income tax. In this chapter we provide additional historical context, address the individual income tax and standard deduction, examine corporate taxes, and provide recommendations.

Kansas Income Taxes

Following adoption of an authorizing state constitutional amendment in 1932, legislation enacted in 1933 imposed both individual and corporation income taxes in Kansas.

For a number of administrative, enforcement, and compliance reasons, Kansas generally uses federal law as the starting point for calculating income taxes– federal adjusted gross income for individuals (subsequently adjusted, less state deductions and exemptions prior to application of state rates); and federal taxable income for corporations (subsequently adjusted, then allocated to Kansas).

A state-federal conformity statute was enacted in 1967, following adoption in 1966 of a state constitutional amendment which authorized prospective adoption of federal provisions by reference (continuing conformity to federal law in the absence of further state legislative action).

From 1933 to 1976, Kansas individual income tax structure utilized a five-bracket system. From 1977 to 1987, the state imposed an eight-bracket system with the top marginal rate of 9.0%. Following revisions of the state income tax code to more closely dovetail

Taxable Income ($)	1992-2012	2018-Present
0 to 30,000	3.50%	3.10%
30,001 to 60,000	6.25%	5.25%
60,001 and above	6.45%	5.70%

Table 2.1. *Individual Income Tax Brackets, Married Filing Jointly.*

Source: Tax Foundation and State Departments of Revenue.

with the federal Tax Reform Act of 1986, Kansas utilized a two-bracket system from 1988 to 1991. Legislation enacted in 1992 to provide additional funding for the new K-12 school finance law brought in a three-bracket system for individuals. As part of the self-described tax "experiment" conducted by the Brownback administration, the upper individual income tax bracket was repealed beginning in tax year 2013, collapsing the tax structure back into a two-bracket system, and certain non-wage business income was exempted from taxation altogether. Legislation enacted over a gubernatorial veto with two-thirds majorities in both legislative chambers in 2017 restored the three-bracket system and repealed the non-wage exemption. The rates in place since tax year 2018 for married taxpayers filing jointly remain well below those that had been in effect for two decades after implementation of the 1992 school finance law.

Kansas corporations paid taxes under a single-bracket system through the late 1960s until a two-bracket system was implemented for tax year 1970. That system, with a bottom rate of 4.50% and a top bracket of 6.75%, remained in place through tax year 1991. As part of the 1992 school finance law funding package, the rates were adjusted to 4.00% and 7.35%, with that system in place from 1992 through 2007. Legislation then phased in a reduction in the upper bracket, and the current system of 4.00% for the first $50,000 of corporate taxable income and 7.00% for corporate taxable income above that level has been in place since tax year 2011.

Individual Income Tax

Figure 2.1 shows top marginal individual income tax rates by state. Top marginal tax rates in states with individual income tax range from 2.9% in North Dakota to 13.3% in California, with Kansas falling in the middle of our surrounding states with a top rate of 5.7%. Eight states do not have an individual income tax.

Right

Figure 2.1. *Top State Marginal Individual Income Tax Rates in the US, by State, 2021.*

Source: Institute for Policy & Social Research, the University of Kansas; data from Tax Foundation.

Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs.

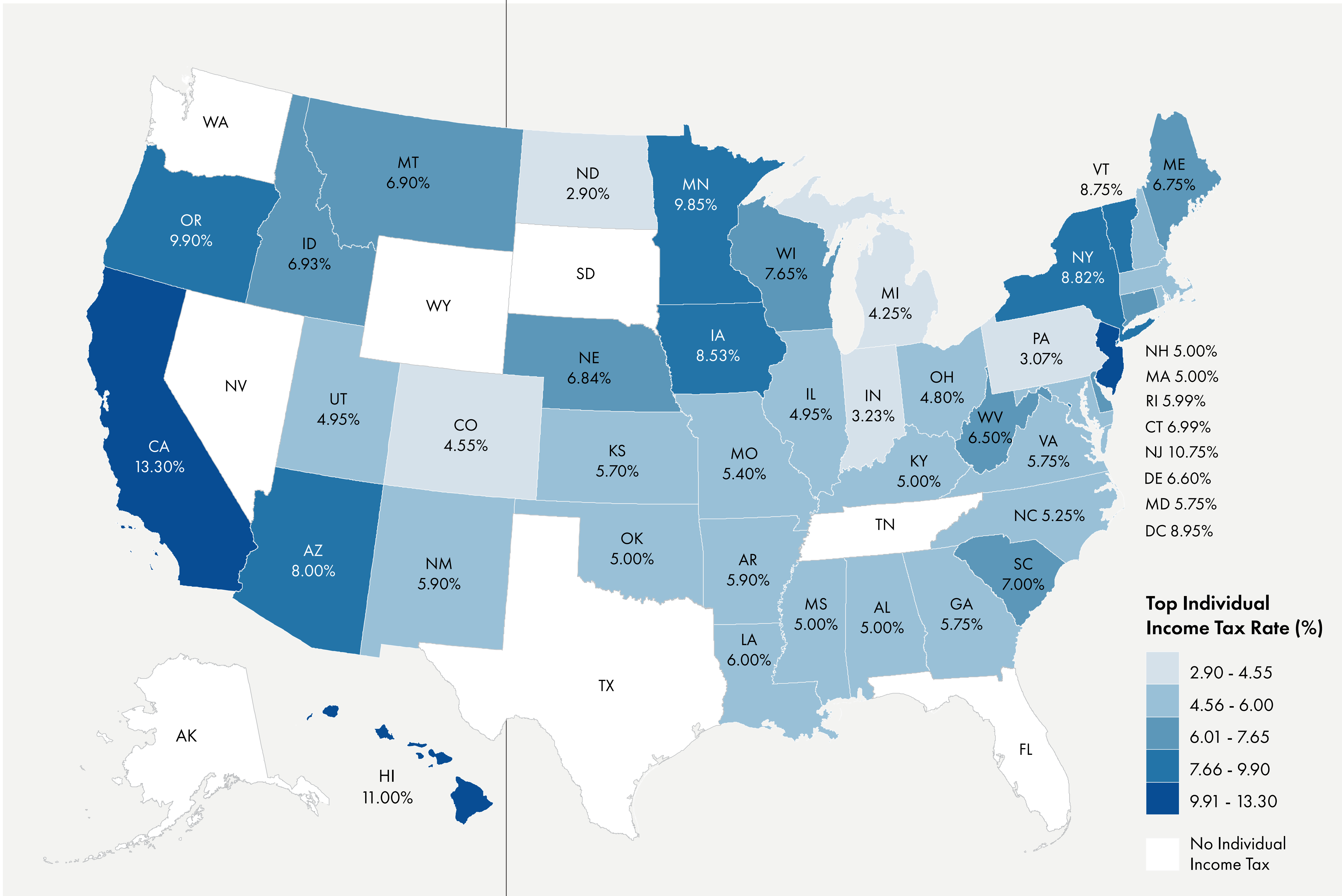


Figure 2.2 shows the time series of individual income tax revenue as a percentage of personal income for Kansas, the US, and comparison states. Kansas tracked comparison states through the mid 2000s in terms of individual income tax as a share of personal income. Between 2005 and 2012, the income tax collected about 0.2 to 0.3 percentage points more (as a share of personal income) than in surrounding states and in the US on average. During the Brownback tax cut era, this ratio dropped sharply, with Kansans paying about 0.6 percentage points less than in comparison states. After the reversal of the tax cuts, the income tax revenue as a share of personal income in Kansas tracked US and comparison states through 2019.

The distribution of Kansas taxpayers by maximum Kansas Adjusted Gross Income (KAGI) is shown in Figure 2.3. In 2020, 61% of Kansas taxpayers had $50,000 or less of KAGI, while 17% had over $100,000. Median household income in Kansas was $59,597 in 2019. Figure 4 shows the distribution of taxpayers and the share of tax liability by Kansas Adjusted Gross income levels in tax year 2020. The 15% of Kansas taxpayers with an income between $100,000 and $250,000 paid the greatest share of total Kansas individual income tax at 36.6%. Kansas individual income taxpayers with more than $250,000 in income, 2.9% of all taxpayers, paid the next largest share of total individual income tax at 30.5%. This shows the progressive nature of Kansas income taxes.

Right, Top

Figure 2.2. *Individual Income Tax Revenue as a Percentage of Personal Income: Kansas, US and Comparison States.*

Source: Institute for Policy and Social Research, the University of Kansas; data from U.S. Census Bureau, Annual Survey of State and Local Government Finances.

Right, Middle

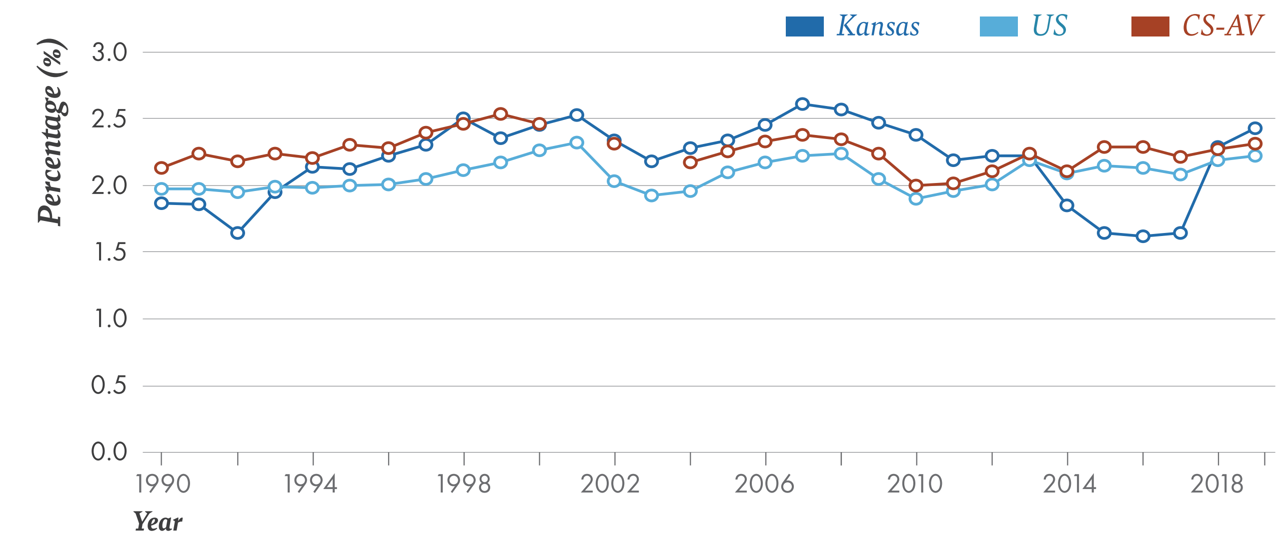
Figure 2.3. *Distribution of Taxpayers by Maximum Kansas Adjusted Gross Income, 2020.*

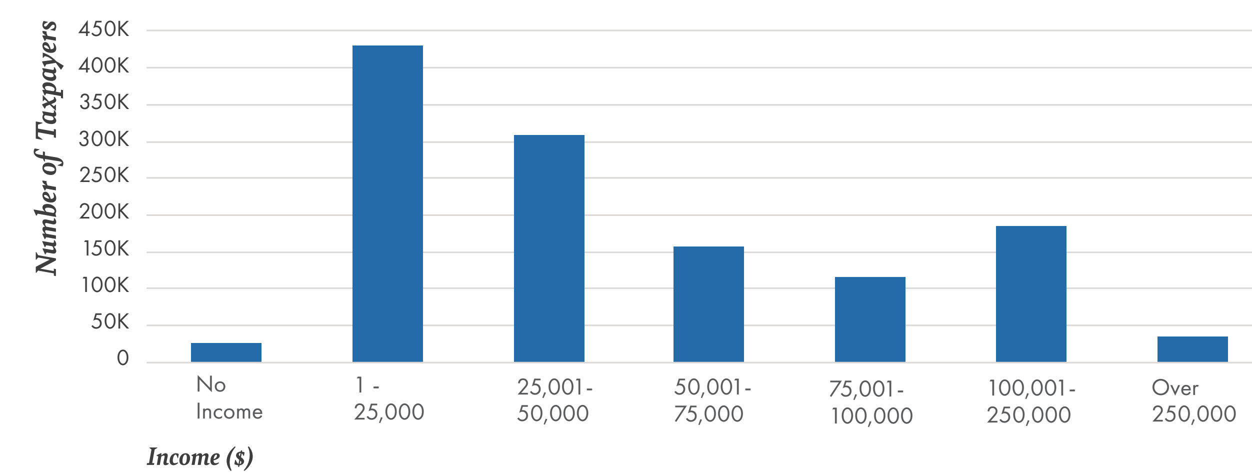
Source: Institute for Policy and Social Research, the University of Kansas; data from Kansas Department of Revenue.

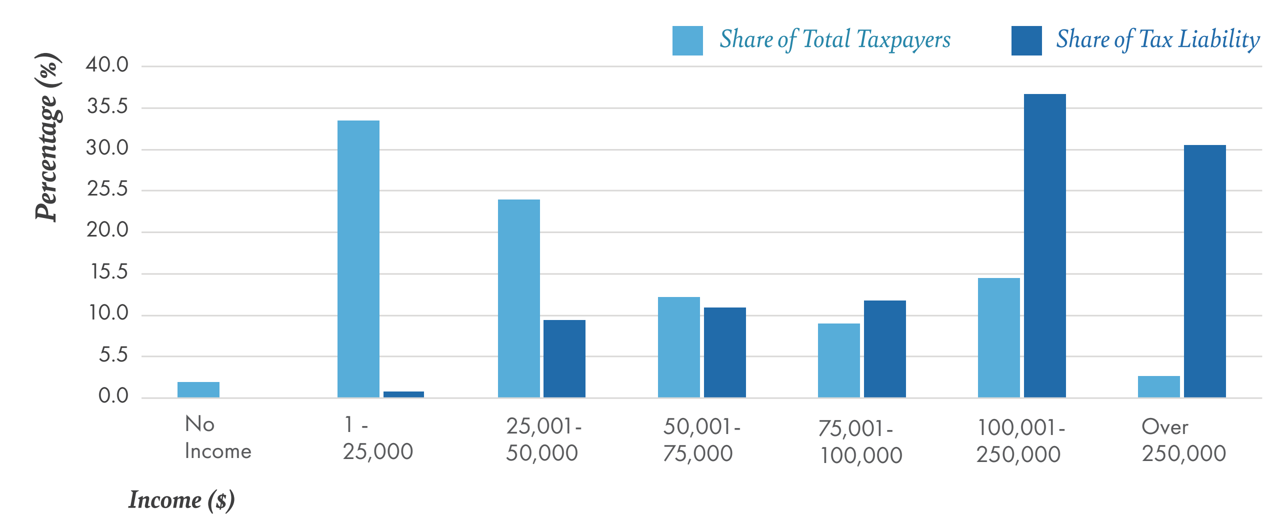
Bottom, Middle

Figure 2.4. *Share of Kansas Individual Income Taxpayers and Share of Tax Liability, 2020.*

Source: Institute for Policy and Social Research, the University of Kansas; data from Kansas Department of Revenue.







Standard Deduction and Itemization

Table 2.2 shows the standard deductions and personal exemptions for tax year 2021 in Kansas and the comparison states. Kansas has a relatively low income exclusion amount even when personal exemptions are factored in alongside standard deductions. Iowa has the lowest standard deduction among comparison states. Colorado and Missouri maintain the highest standard deductions, conforming to federal standard deduction amounts, which are adjusted for annual inflation. SB-50 increased the Kansas standard deduction by $500 to the levels shown in Table 2.2. However, this amounts to a maximum tax savings of only $28.50 for most Kansas taxpayers.

The passage of SB-50 decoupled Kansas from the federal tax code when it comes to itemization on individual income taxes. Prior to SB-50, taxpayers could itemize on the Kansas tax return only if they itemized on federal returns. As mentioned previously, the TCJA of 2017 increased the standard deduction and removed the ability of many more taxpayers to itemize. The hypothetical taxpayer chapter discusses the impact of itemization on a typical household. Based on households that itemized prior to the TCJA, we estimate that 18% of taxpayers will benefit from itemization as a result of SB-50. The majority of these taxpayers (57%) have over $100,000 in adjusted gross income. Figure 2.5 shows the estimated share of households by county that will be itemizing on their 2021 Kansas tax returns, calculated based on 2018 data from the Internal Revenue Service. The percentage of taxpayers who could itemize under SB-50 is greatest in Kansas City area counties such as Johnson (26.9%) and Miami (24.3%), as well as Butler County (21.0%) in the Wichita area.

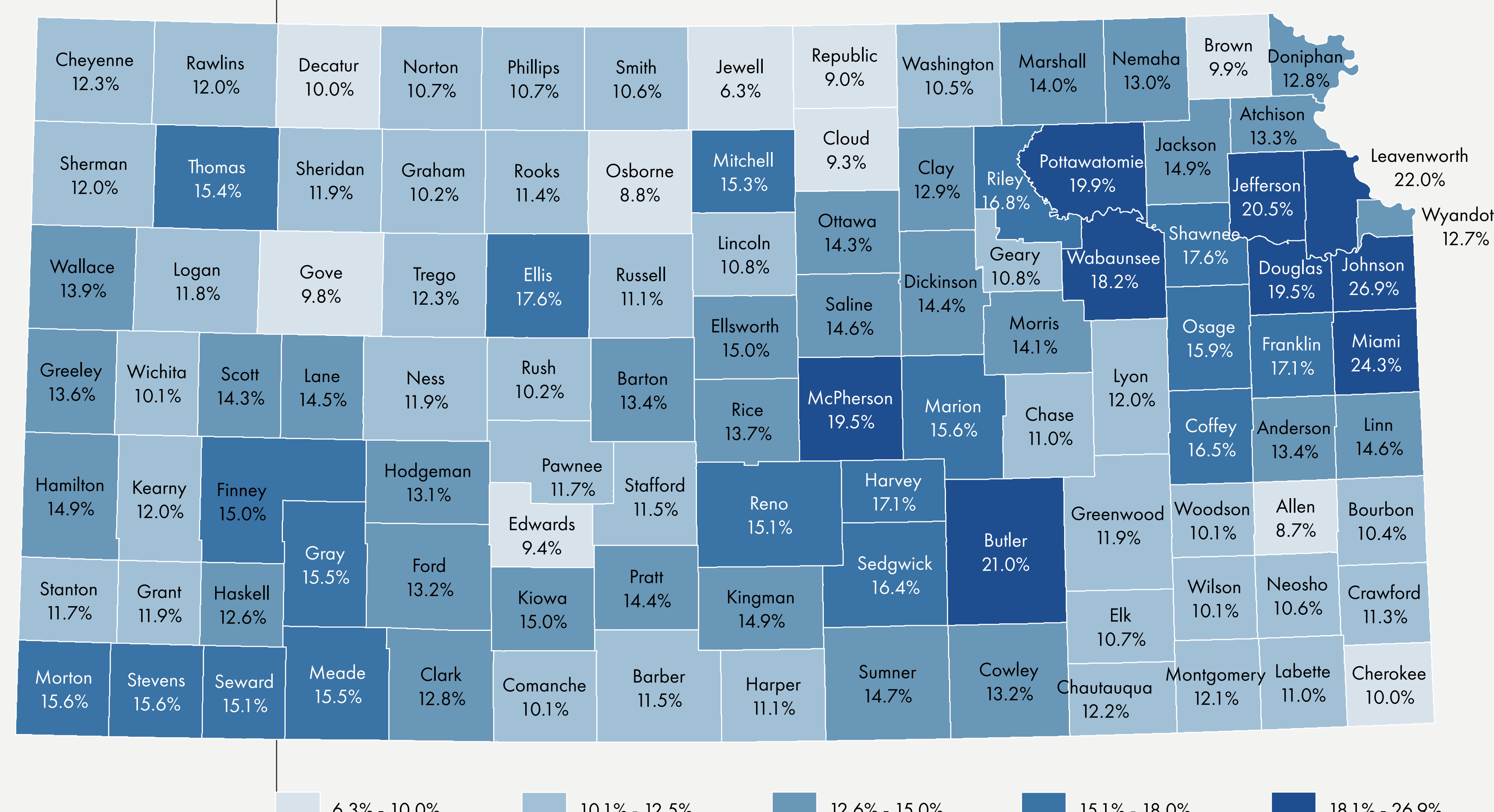
State	Standard Deduction		Personal Exemptions		
	Single	Married Jointly	Single	Couple	Dependent
KS	3,500	8,000	2,250	4,500	2,250
CO	12,550	25,100			
IA	2,210	5,450			
MO	12,550	25,100[1]			
NE	7,100	14,200			
OK	6,350	12,700	1,000	2,000	1,000

Above

Table 2.2. *Standard Deductions and Personal Exemptions 2021.*

Source: Tax Foundation and State Departments of Revenue.

[1]Missouri allows this amount for married couples where only one spouse works. Source: Tax Foundation and State Departments of Revenue.



Right (Map)

Figure 2.5. *Estimated Percentage of Taxpayers who could Itemize Under SB-50, by County.*

Source: Institute for Policy & Social Research, The University of Kansas; calculated based on data from Internal Revenue Service, 2018 Tax Year.

Corporate Income Tax

Figure 2.6 shows the ratio of corporate income tax to personal income in Kansas and an average of our comparison states from 2001 to 2020. Kansas has collected more corporate income tax revenue as a share of personal income than our comparison states, with the exception of 2011 to 2014. Starting in 2015, corporate income tax as a share of personal income was slightly below the US average.

The majority of Kansas corporate tax liability is paid by a small share of Kansas corporations. Figure 2.7 illustrates the share of corporate taxpayers and share of tax liability paid by reported income. The 3.4% of Kansas corporate taxpayers with greater than $1,000,000 income paid 91.7% of total Kansas corporate income tax in 2021. The remaining 96.4% of Kansas corporate taxpayers with $1,000,000 or less in reported income in 2021 paid 8.3% of the total Kansas corporate income tax liability. With the passage of SB-50, large corporations with "global intangible low-taxed income" (GILTI), are now allowed a 100% deduction of this income. This tax break has a $24 million fiscal note.

The top marginal corporate income tax rates by state as of January 1, 2021 are shown in Figure 2.8. Among states with a corporate income tax, North Carolina (2.5%) had the lowest and New Jersey (11.5%) had the highest. Kansas ranked in the middle of our comparison states and the entire United States with a top marginal corporate tax rate of 7%.

Top, Right

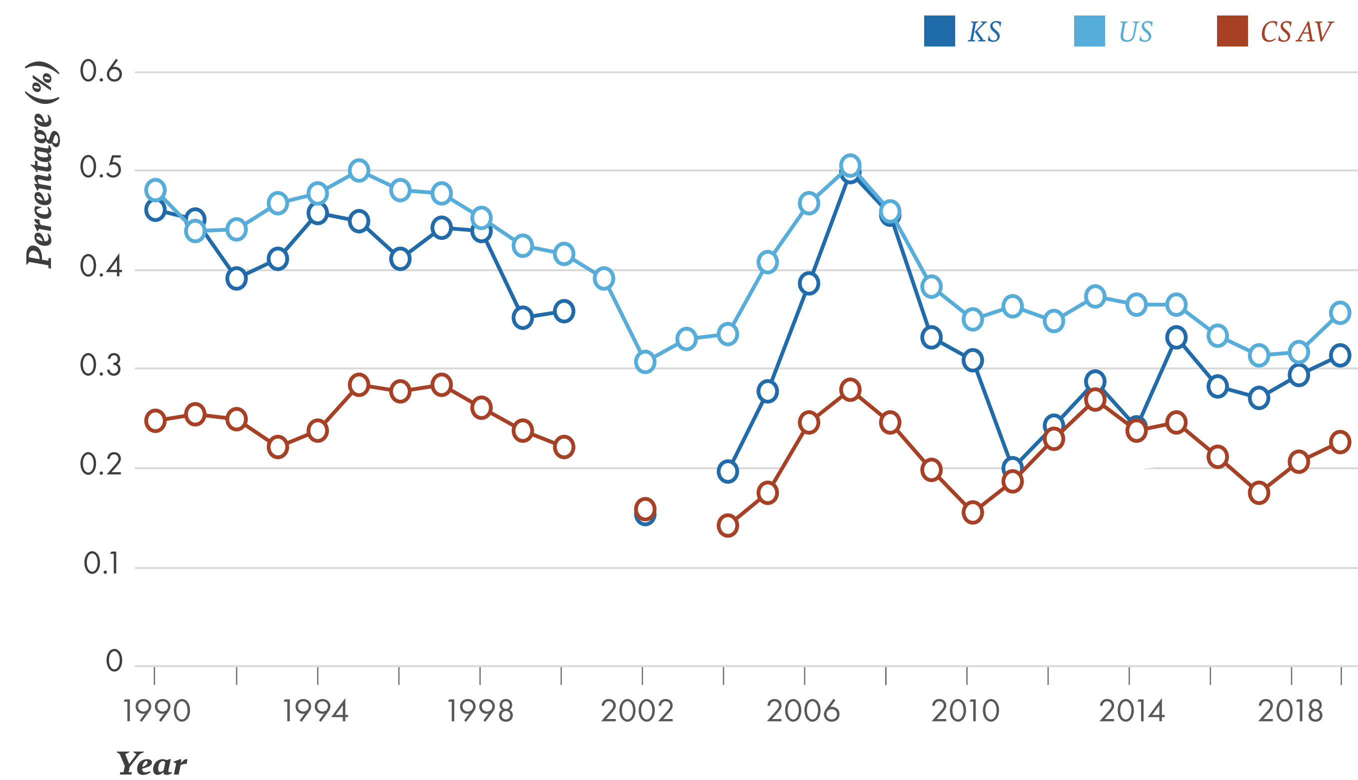
Figure 2.6. *Corporate Income Taxes as a Share of Personal Income, Kansas, United States and Comparison State Average.*

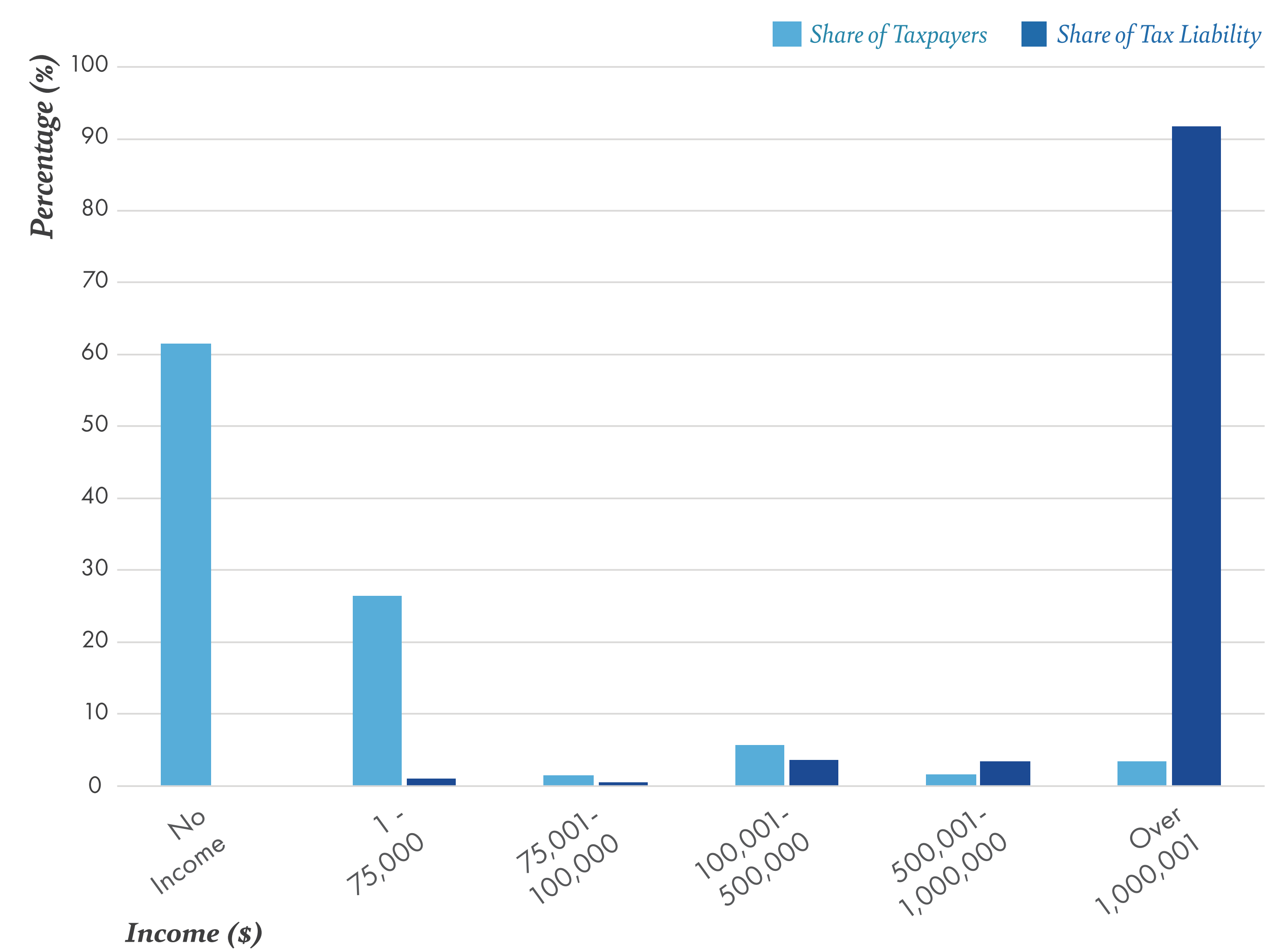
Source: Institute for Policy and Social Research, the University of Kansas; data from U.S. Census Bureau, Quarterly Summary of State and Local Government Tax Revenue.

Bottom, Right

Figure 2.7. *Kansas Corporate Taxpayers and Share of Tax Liability, 2020.*

Source: Institute for Policy and Social Research, the University of Kansas; data from Kansas Department of Revenue.



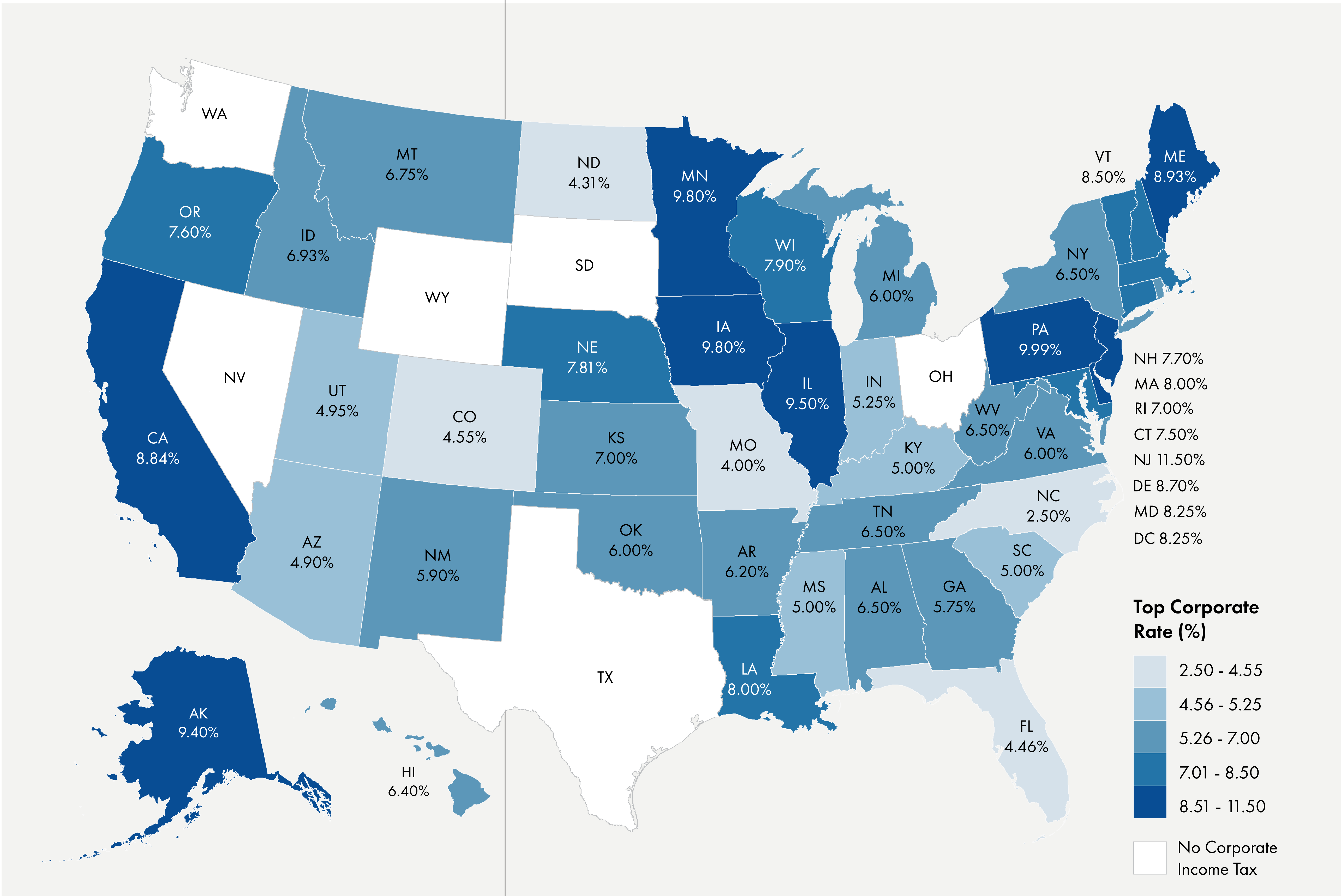


Right

Figure 2.8. *Top Marginal Corporate Income Tax Rates in the US, by State (as of January 1, 2021).*

Source: Institute for Policy & Social Research, the University of Kansas; data from Tax Foundation.

Note: Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware, Tennessee, and Oregon have gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level. Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate. Indiana's rate will change to 4.9% on July 1, 2021. In New Jersey, the rates indicated apply to a corporation's entire net income rather than just income over the threshold. A temporary and retroactive surcharge is in effect from 2020 to 2023, bringing the rate to 11.5% for businesses with income over $1 million. In addition to regular income taxes, many states impose other taxes on corporations such as gross receipts taxes and capital stock taxes. Some states also impose an alternative minimum tax and special rates on financial institutions.



Conclusion & Recommendations

Kansas has a progressive individual income tax and a top-heavy corporate tax. Taxpayers with Kansas adjusted gross income in excess of $100,000 paid 67% of all income taxes. A small share of corporations (3.4%) paid nearly 92% of corporate income taxes. Compared to other states, Kansas has one of the lower top rates for the individual income tax (at 5.7%) and a corporate income tax rate (at 7%) that is in the middle compared with other states.

The Kansas income tax allows both a standard deduction and personal exemptions; however, the combined amount falls below income exclusions available in most nearby states.

In the event that the budget remains stable, the Governor's Tax Reform Council recommends that the state **consider increases to the standard deduction to provide additional income tax relief.** Expanding the standard deduction will provide tax relief to the largest number of Kansas income taxpayers.

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Chapter Three

Sales and Use Taxes

Overview

Forty-five states (including DC) impose a state-level tax on retail sales of goods and selective services. Thirty-eight states impose local sales taxes. States and localities generally impose compensating use taxes when sales take place out of state but goods or services are brought into the state for use. For the most part, data in this section refer to combined sales and use tax receipts. States differ widely in what they define as the base of sales and use taxes, in the extent to which local governments impose the taxes, and in the rates that are charged. This chapter explores the nature of sales and use taxes and their contributions to state and local revenues.

Local Sales Tax Rates

Overall, Kansas imposes a relatively high sales tax rate. Figure 3.1, based on data from the Tax Foundation, shows combined state and local sales tax rates for the U.S. Kansas ranks 9th highest overall, with a combined rate averaging 8.7%. Louisiana and Tennessee impose rates averaging 9.6%, making them tied for highest rates in the nation (Figure 3.1).

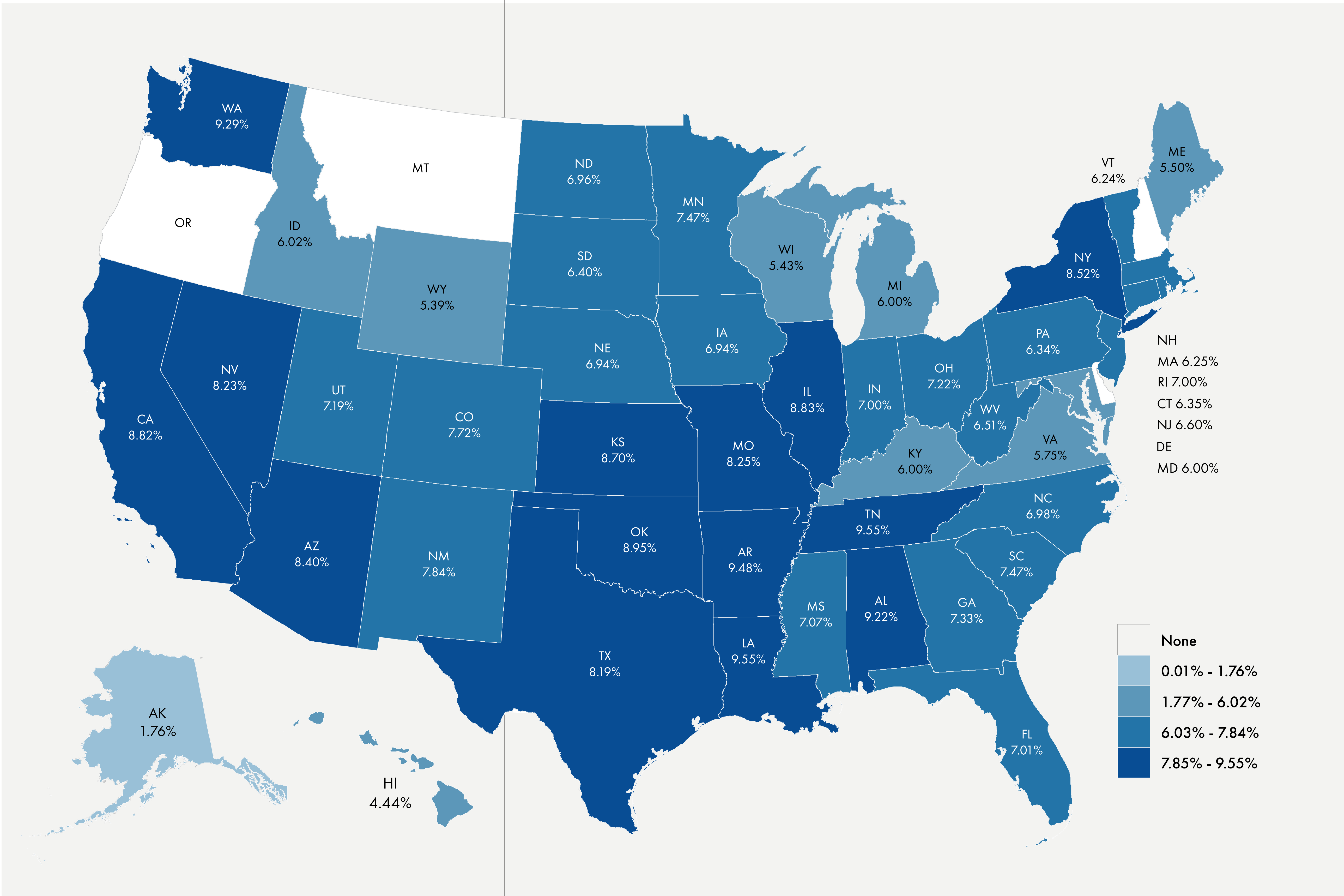

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Figure 3.1. *Combined State and Average Local Sales Tax Rates in the US, by State, as of July 1, 2021.*

Source: Institute for Policy & Social Research, the University of Kansas; data from Tax Foundation.

Within our region (Kansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma), Kansas combined state and local rates exceed those in all other states except Oklahoma, and the state-level tax rate exceeds that in the rest of the region (Table 3.1). Colorado, Missouri, and Oklahoma fit the pattern of fairly low state rates combined with high local rates. In contrast, Kansas, Iowa, and Nebraska impose fairly high state-level rates combined with low to moderate local rates. We point out, however, that local rates can vary widely within a given state. In Kansas, the local rate exceeds 11% in some special districts.

Figure 3.2 (page 45) illustrates the geographic distribution of Kansas state-level sales and use taxes on a per-capita basis.

Collections vary widely based on county income, whether the county contains one or more retail hubs that attract shoppers from adjacent counties, and the amount that businesses in the county spend on taxable goods and services. Although the map shows state level taxes only, it also reflects the capacity for collection of local sales taxes in the county, since the two levels of taxation operate off almost the same base. Small counties which are sandwiched between larger counties (Wabaunsee, between Geary and Shawnee) support a very small sales tax base, losing sales to their larger neighbors. The map shows very high sales tax collections per capital in Ness County, but further investigation indicates that this reflects a one-time event.

State	State Rate	Average Local Rate	Combined Rate
KS	6.50	2.20	8.70
CO	2.90	4.82	7.72
IA	6.00	0.94	6.94
MO	4.225	4.03	8.26
NE	5.50	1.44	6.94
OK	4.50	4.45	8.95
CS AV	4.63	3.14	7.76

Left

Table 3.1. *State and Local Sales Tax Rates in Kansas and Region.*

Source: Janelle Cammenga, State and Local Sales Tax Rates, Midyear 2021, Tax Foundation, July 2021. https://taxfoundation.org/publications/state-and-local-sales-tax-rates/#Combined (accessed 12/29/2021).

Right

Figure 3.2. *Per Capita State Sales and Use Tax Collections in Kansas, by County, FY2020.*

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Revenue.

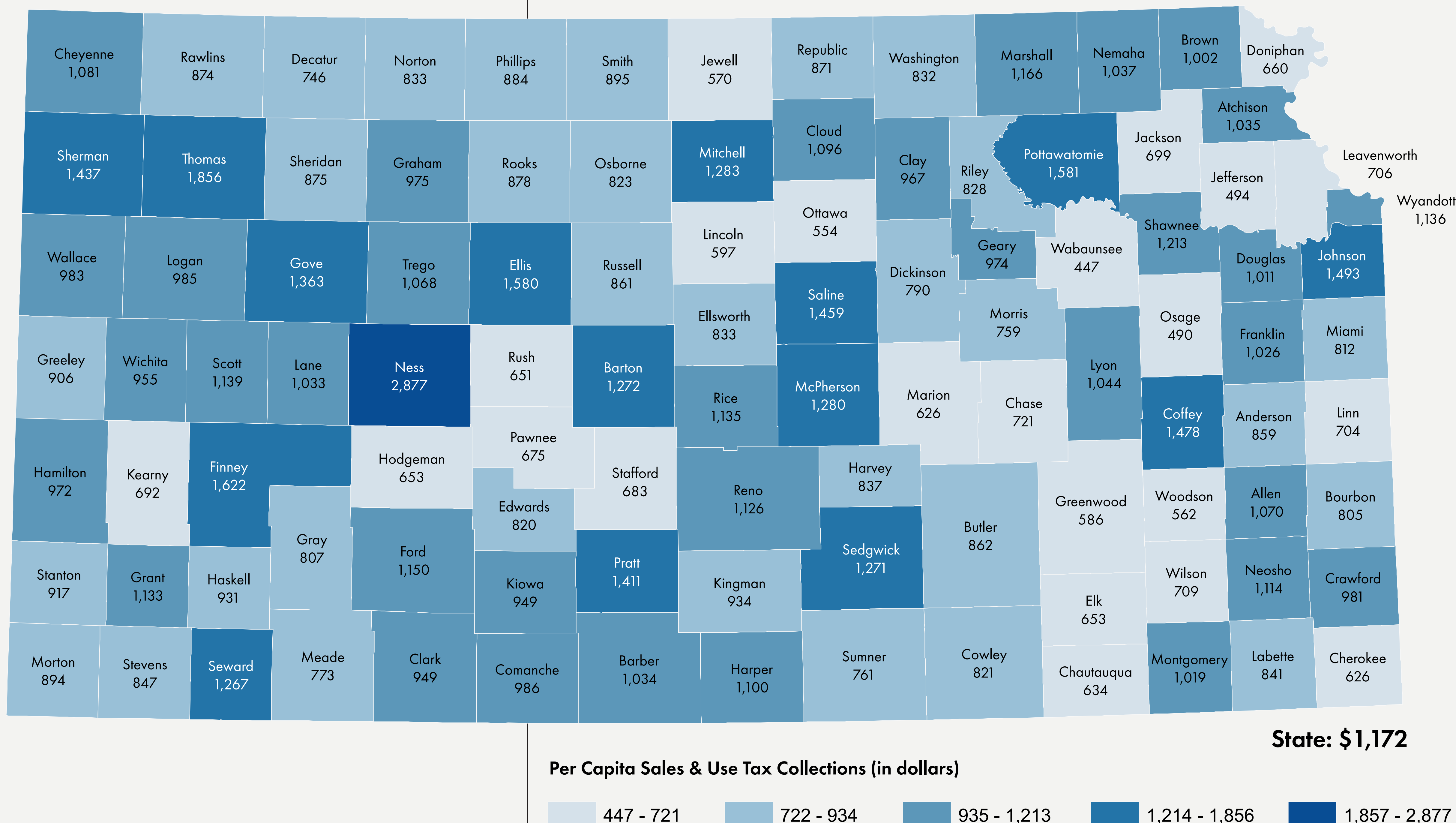

Figure 3.3 shows average county sales tax rates. Average rates exceed 9% in several counties in the eastern third of the state. High sales tax rates are rare in the southwest section of the state, with exceptions of Scott and Seward counties.

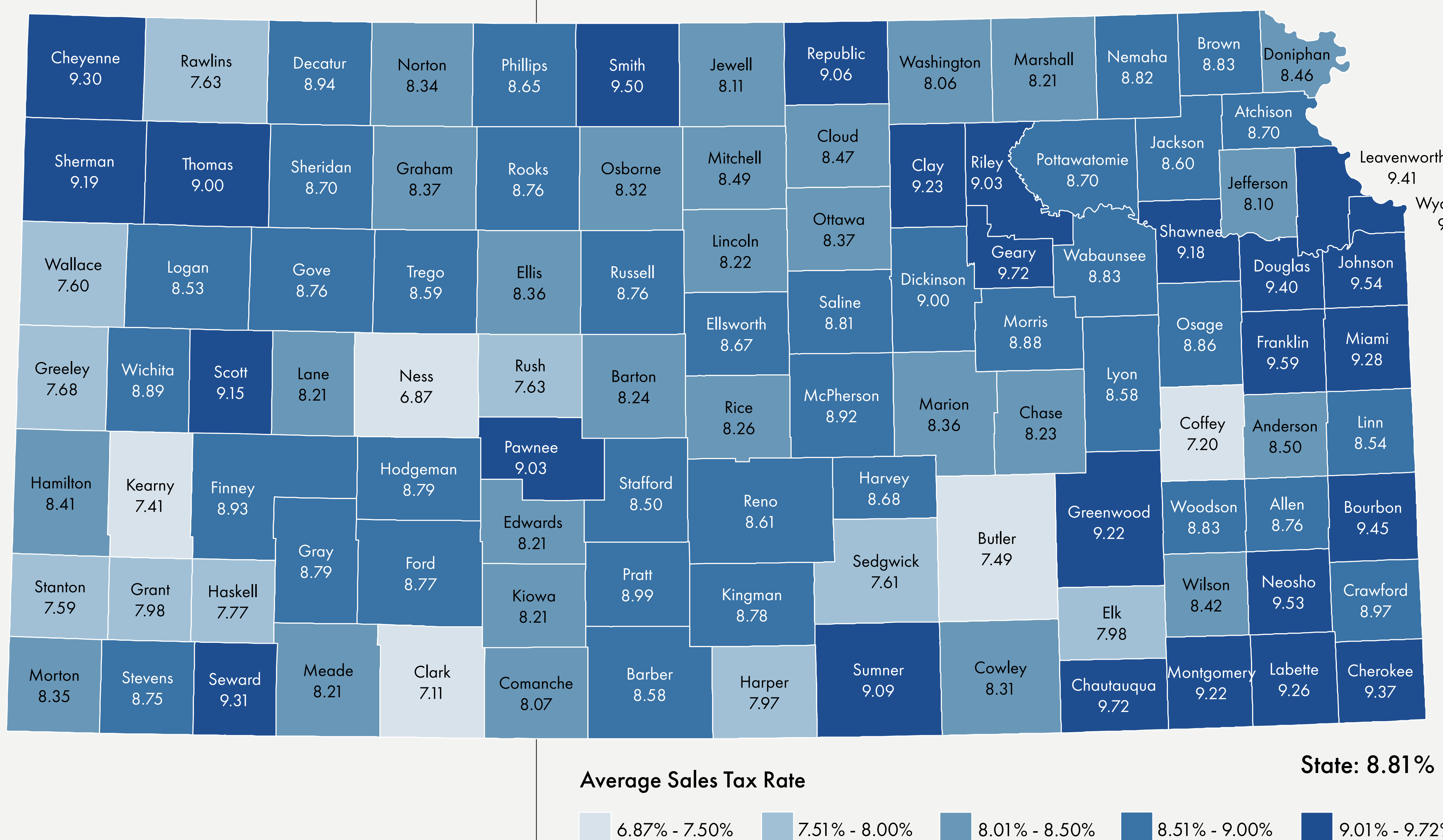

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Figure 3.3. *Average Sales Tax Rate in Kansas, by County, 2020.*

Source: Institute for Policy & Social Research, The University of Kansas; ; calculated based on data from Kansas Department of Revenue.

Figure 3.4 illustrates that rates vary widely within individual counties. County-level, city-level, and special district rates combine to form the rate at any given geographic location. In some areas, rates can exceed 11%. Appendix B shows every local sales tax rate by location across the state of Kansas as of July 2021. Johnson County has over 80 different sales taxes depending on location.

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Figure 3.4. *Range of Sales Tax Rates in Kansas, by County as of July 1, 2021.*

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Revenue.

Figure 3.5 compares combined state and local sales tax collections in Kansas with nearby states and with the US as a whole. The data reflect 2019, the most recent year for which the US Census Bureau has compiled statistics. In that year, Kansas local sales tax revenue made up 25% of total sales tax revenue, ranking in the middle of the comparison states and above the US average (23%). Combined state and local sales tax revenue per capita in 2019 in Kansas was $1,527, higher than the US average ($1,322) and all our comparison states. Referring back to the three-legged stool discussed in Chapter 1, the sales tax leg in Kansas is relatively long.

Figure 3.6 shows state and local sales tax collections as a share of personal income. Kansas collected $4.4 billion, or 2.86% of personal income, in combined state and local sales taxes in 2019. This represents a larger share of personal income than in the United States and all our comparison states except Oklahoma. In 2019, Kansans paid 2.14% of their income on state sales tax, higher than residents of all our comparison states and the United States as a whole. Kansas ranked in the middle of our comparison states and above the United States in terms of local sales tax paid as a share of personal income (0.72%).

As a percentage of personal income, Kansas state and local sales tax revenues have consistently exceeded our comparison states and the United States as a whole since 1993, as seen in Figure 3.7. This difference widened after 2010, when the state increased sales taxes. Kansans consistently spend a greater share of their income on sales taxes than the United States and our comparison states on average.

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Figure 3.5. *State and Local Sales Tax Per Capita, 2019.*

Source: Institute for Policy & Social Research, The University of Kansas; data from US Census Bureau Annual Survey of State and Local Government Finances, 1977-2019 (compiled by the Urban Institute via State and Local Finance Data: Exploring the Census of Governments, accessed 03-Jan-2022), https://state-local-finance-data.taxpolicycenter.org.

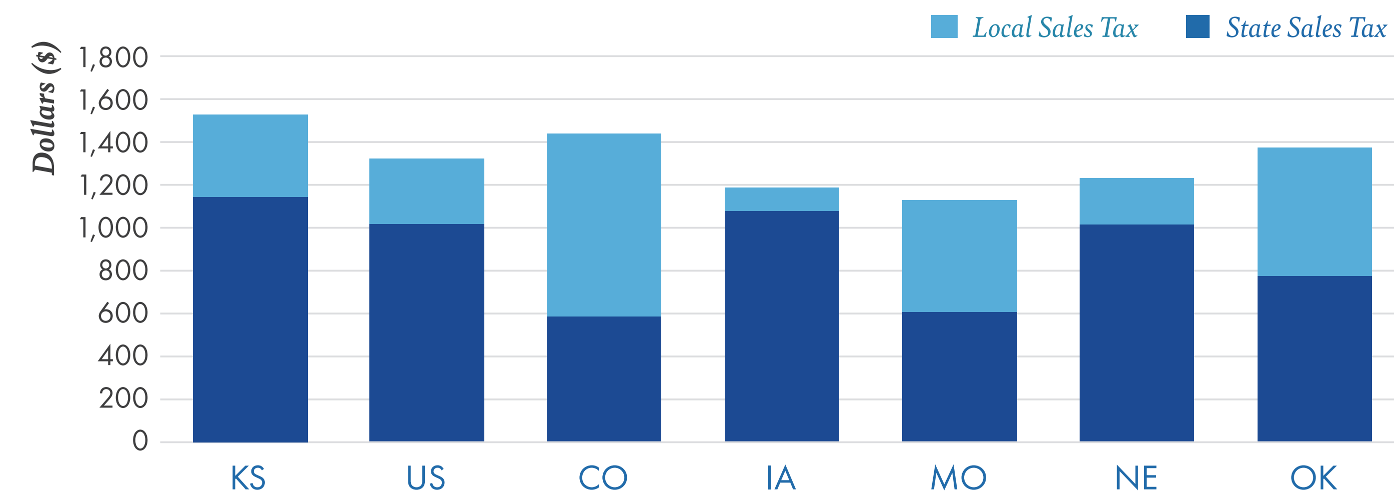

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Figure 3.6. *State and Local Sales Tax as a Percent of Income, 2019.*

Source: Institute for Policy & Social Research, The University of Kansas; data from US Census Bureau Annual Survey of State and Local Government Finances, 1977-2019 (compiled by the Urban Institute via State and Local Finance Data: Exploring the Census of Governments; accessed 03-Jan-2022), https://state-local-finance-data.taxpolicycenter.org.

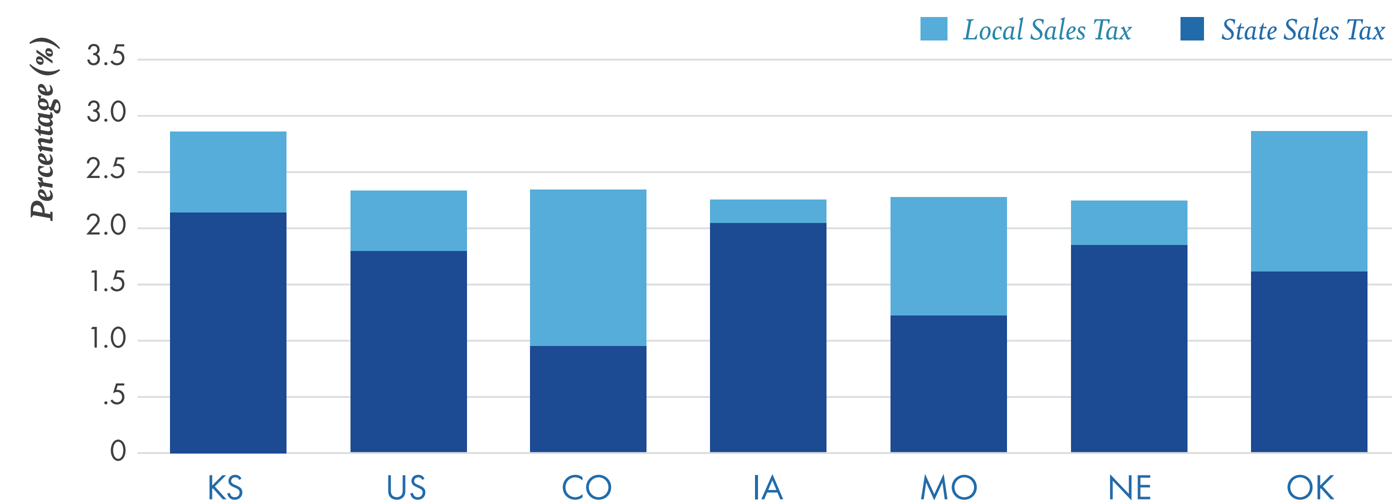

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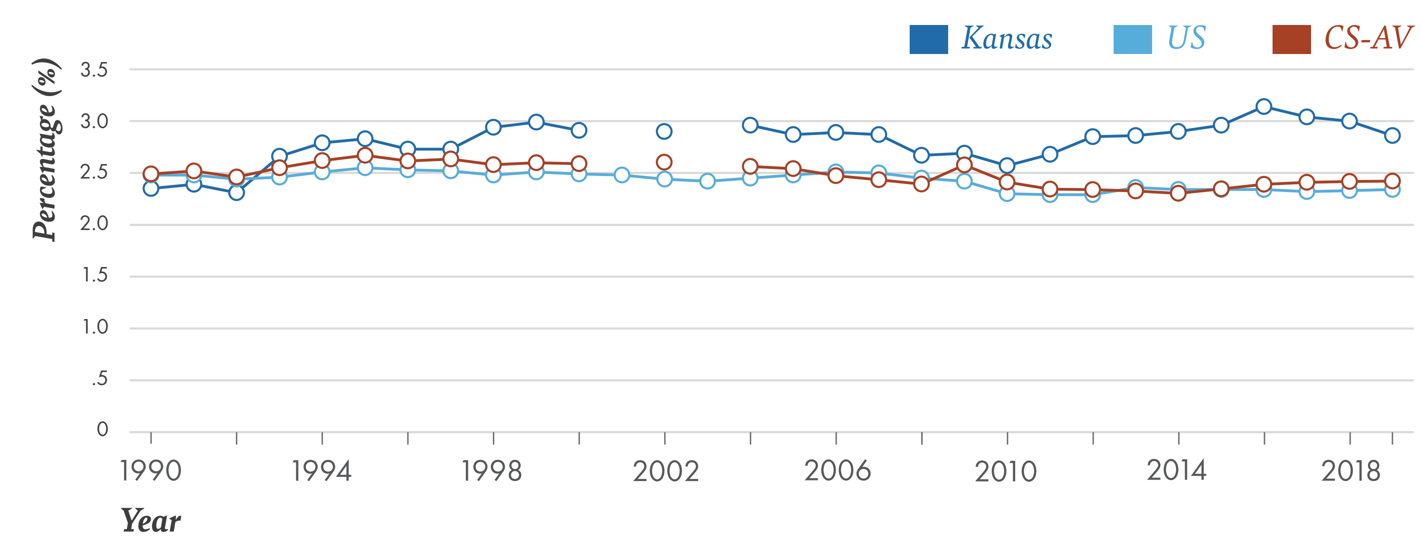
Figure 3.7. *State and Local Sales Tax Revenue as a Percent of Income, Kansas, US, and Comparison States.*

Source: Institute for Policy & Social Research, The University of Kansas; data from US Census Bureau Annual Survey of State and Local Government Finances, 1977-2019 (compiled by the Urban Institute via State and Local Finance Data: Exploring the Census of Governments; accessed 03-Jan-2022), https://state-local-finance-data.taxpolicycenter.org.



Characteristics of the Sales Tax Base

The sales tax base varies widely across states. States such as New Mexico and Hawaii use a gross receipts approach, whereby most final transactions are subject to taxation. Other states limit the base to physical goods and a small set of services. After broadly defining the base, states often identify specific exemptions such as groceries and business inputs. This section examines characteristics of the sales tax base, emphasizing Kansas laws and regulations.

As mentioned above, services often fall outside the scope of state sales taxes. A 2017 survey from the Federation of Tax Administrators assessed the taxability of approximately 200 types of services across states. Although some states have legislated new taxation since 2017, the survey nevertheless demonstrates the variation in how states define the tax base. On the high end, Washington, New Mexico, Hawaii, and South Dakota tax over 160 of the 200 categories (as of 2017). In contrast, Kansas taxes only 74 of the enumerated services. Most states in our region tax even fewer services (Table 3.2).

Sales tax bases that rely heavily on physical goods face challenges due to an overall reallocation of consumer expenditures. In the last several decades, consumer expenditures have shifted from physical goods to purchases of services. Services comprised about 54% of total consumption in 1980, rising to over 68% by 2019. The pandemic has temporarily reversed this trend, with travel, restaurants, and entertainment experiencing serious setbacks. The share of services in overall consumption has returned to levels seen in 2006 to 2008. Nevertheless, the current service share far exceeds its level in 2000 (Figure 3.8).

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Table 3.2. *Number of Services Subject to State Sales Tax, Kansas and Region, 2017.*

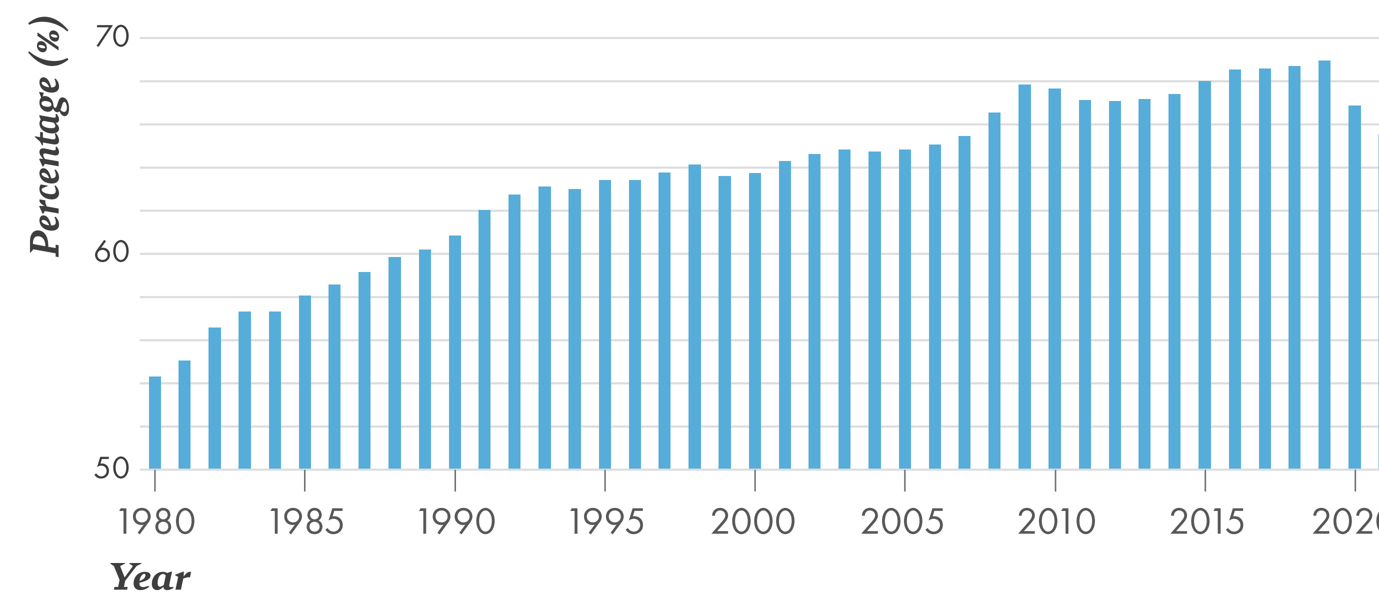
Source: Federation of Tax Administrators. Sales Taxation of Services: Actual Survey Data-2017. https://www.taxadmin.org/sales-taxation-of-services. (accessed 01/03/2022).
** Data from earlier 2007 survey. State did not respond in 2017.*

Right, Bottom

Figure 3.8. *Services as a Share of US Personal Consumption Expenditures, 1980 - 2021 (Q3).*

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Bureau of Economic Analysis, "Table 2.3.5. Personal Consumption Expenditures by Major Type of Product," https://apps.bea.gov/iTable/iTable.cfm?ReqID=19&step=2#reqid=19&-step=2&isuri=1&1921=underlying (accessed 01/10/2022). Based on Kaeding, Nicole. "Sales Tax Base Broadening: Right-Sizing a State Sales Tax." Tax Foundation. October, 2017. https://taxfoundation.org/sales-tax-base-broadening/ (accessed 01/20/2022)

Category	Number of Services Taxed					
	KS	CO	IA	MO	NE	OK*
Agricultural Services	2	0	2	0	2	0
Industrial and Mining Services	2	0	0	0	1	0
Construction	3	0	3	0	0	0
Utilities	10	4	10	8	14	9
Transportation	2	0	1	1	0	1
Storage	0	0	3	0	0	1
Finance, Insurance, Real Estate	0	0	2	0	0	0
Personal Services	10	1	15	1	10	3
Business Services	9	2	17	2	14	5
Computer Services	1	0	0	1	3	1
Computer Online Services	1	4	1	0	6	0
Automotive Services	4	0	5	0	4	1
Admissions and Amusements	13	2	13	10	12	10
Professional Services	0	0	0	0	0	0
Leases	1	2	3	1	2	2
Fabrication, Repair and Install	15	3	13	0	12	0
Miscellaneous	1	1	1	0	1	0
Total	74	19	89	24	81	33



Factors affecting the historic trend toward services include:

- Rising real per-capita real income;
- Technological change, which not only replaces certain physical goods with services, but also expands the realm of services;
- Bundling of services with physical devices (for example, apps that are used with cell phones);
- Expansion of health care services. Health now rivals housing as the single largest consumer expenditure – in the 1980's, health care totaled only about 60% of housing.

Sales tax receipts in Kansas and in our region have failed to expand as fast as growth in personal income. This often is referred to as the "elasticity" problem. In Kansas, taxable sales have fallen from almost 50% of income in 1995 to less than 35% in 2019 (Figure 3.9). Seen from another perspective, per capita real income has risen throughout the region, while the sales tax base has remained flat (Figure 3.10).

In Kansas, sales tax revenues have hovered around 2.5 to 3% of income since the mid-1990s (Figure 3.6). This is in spite of several state-level rate increases:

1986 – 4.0%
1989 – 4.25%
1992 – 4.9%
2002 – 5.3% (drop to 5.0% later repealed)
2010 – 6.3% (drop to 5.7% later amended)
2013 – 6.15%
2015 – 6.50% (current level).

Kansas has had to push harder in order to maintain revenue growth in proportion to income growth, given the relative inelasticity of the taxable base.

Recent developments (discussed in a later section of this chapter) have allowed Kansas to increase the remittance of taxes on out-of-state sales, boosting tax receipts. But the longer-term trend of shifting expenditures to non-taxable items persists.

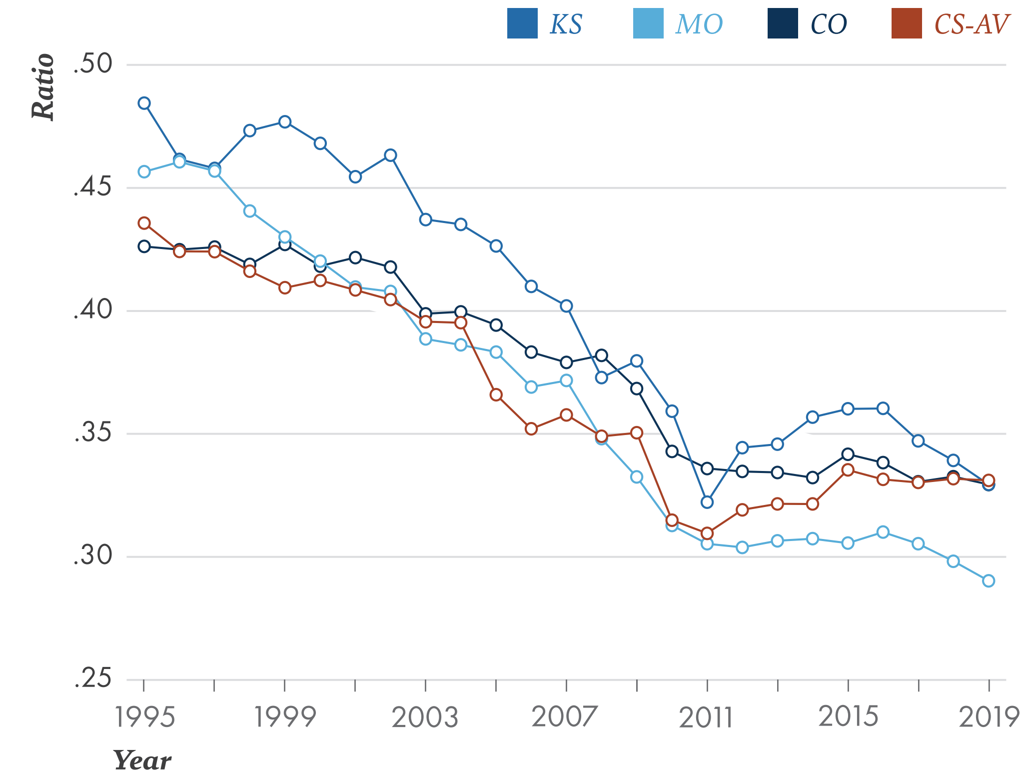


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Figure 3.9. *Ratio of Taxable Sales to Personal Income.*

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, Quarterly Summary of State & Local Tax Revenue and U.S. Bureau of Labor Statistics.

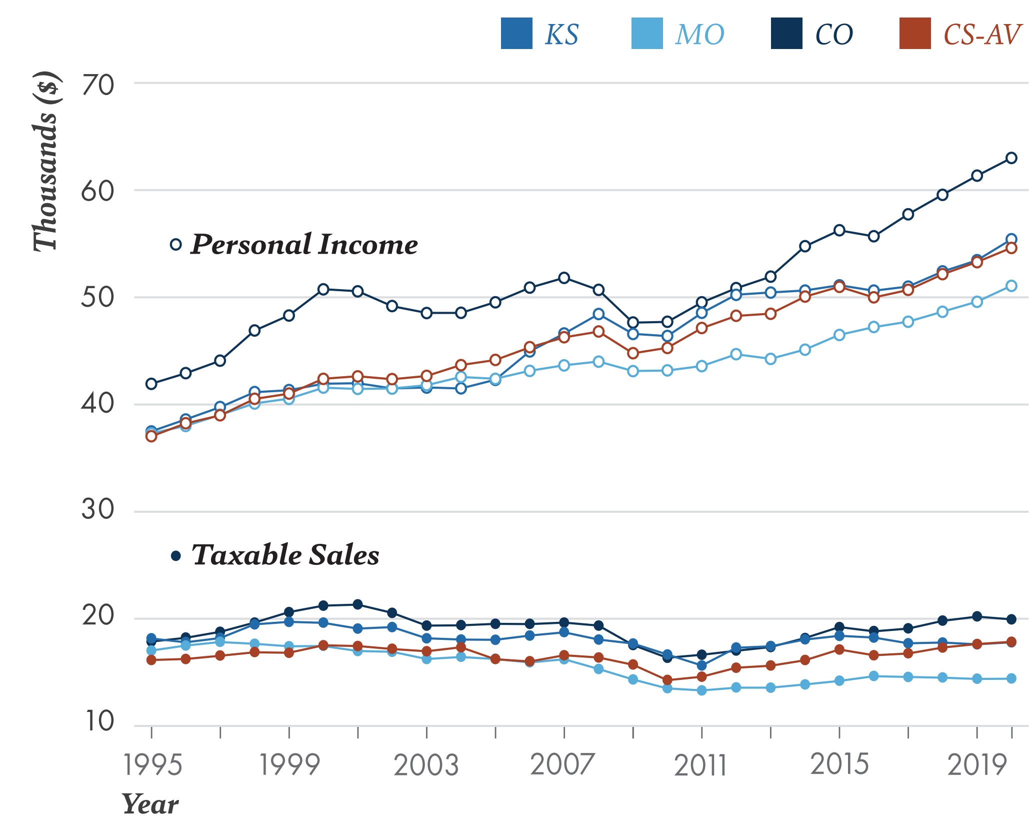

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Figure 3.10. *Real Per Capita Personal Income and Per Capita Taxable Sales.*

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, Quarterly Summary of State & Local Tax Revenue and U.S. Bureau of Labor Statistics.

Note: Data in 2019 inflation-adjusted dollars.

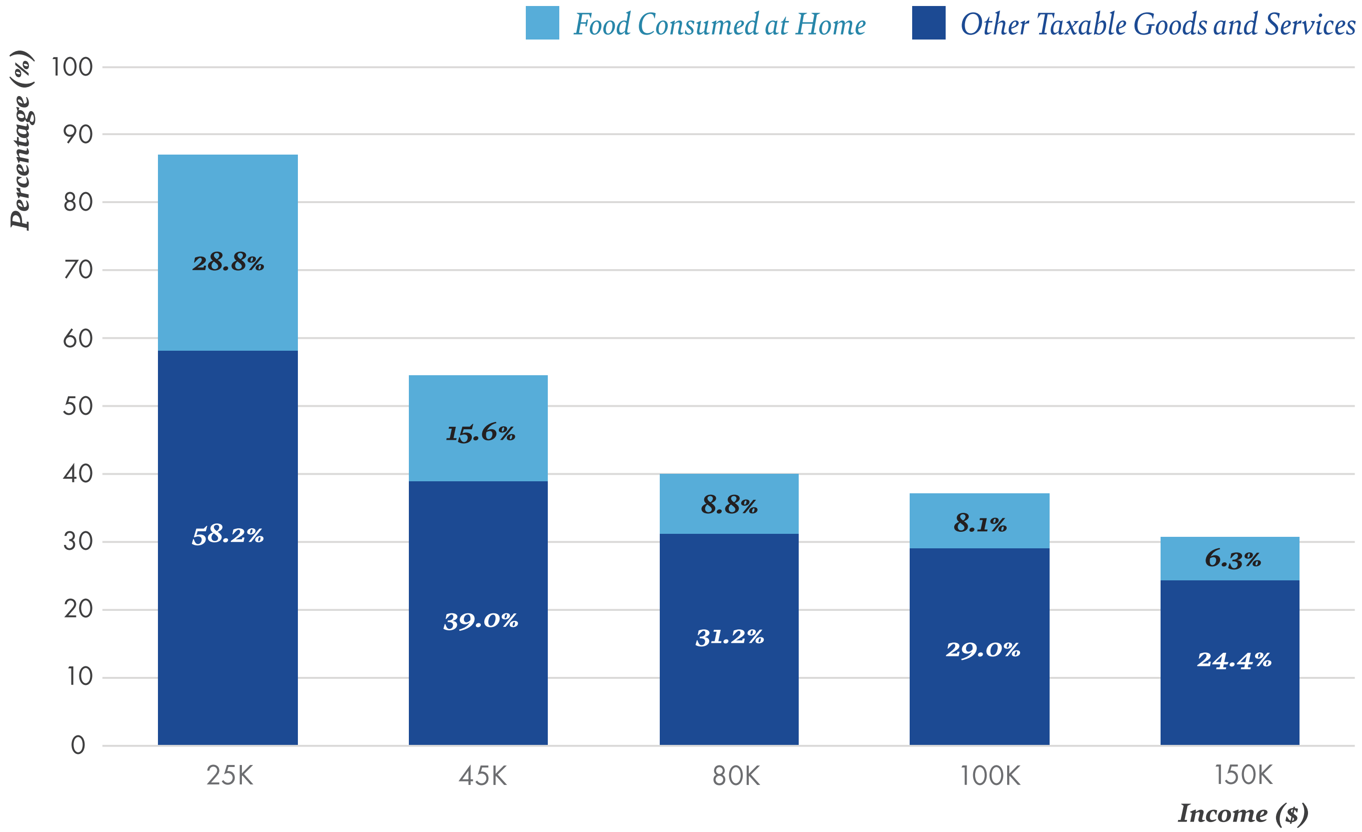

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***Figure 3.11.** The Kansas Tax Base: Food and Other Taxable Goods and Services as a Percent of Income for a Household of Four, 2020.*

Source: Institute for Policy & Social Research, The University of Kansas; calculations based on U.S. Bureau of Labor Statistics, Survey of Consumer Expenditures.

A Kansas family of four with income of $25,000 spends about 29% of their income on food… as of 2021, Kansas remains one of only a handful of states to fully tax groceries at the state level.

Sales Tax Treatment of Specific Goods and Services

The above section discussed general characteristics of the sales (and use) tax base. This section focuses on specific tax inclusions and exemptions in our region and throughout the US.

Sales Tax on Food. The importance of food in the budgets of low- and middle-income Kansas cannot be overemphasized. Research by Kansas Department of Revenue economist Kegan O'Connor investigating the impact of grocery sales taxes on food insecurity[15] found that a tax decrease resulted in a 39% reduction in food insecurity (O'Connor 2020).[16] Prior research has determined that food insecurity is associated with poor health in both children and adults.[17]

But despite the importance of food security to the well-being of Kansans, Kansas is one of only a handful of states to impose a full-rate sales tax on food. Sales taxes on food are highly regressive, because spending on food is less sensitive to income than are many other items. We estimate that a Kansas family of four with income of $25,000 spends about 29% of their income on food (Figure 3.11). In contrast, a Kansas family of four with income of $150,000 spends only 6% of income on the food. This is because higher income households spend less of their total income on goods and services. Figure 3.11 demonstrates the regressivity of the sales tax, and the food sales tax in particular because low-income households spend the majority of their income. We also discuss the regressivity of sales taxes in Chapter 6 on the Hypothetical Taxpayer Approach. A family of four would save about $500 a year if the state sales tax on food were eliminated.

Sales taxes on food have a long and interesting history. Kansas and many other states enacted sales taxes in the 1930s in response to the many public sector challenges of the Great Depression – 12 states had a tax in 1930, while 30 states, including Kansas (1937) had a tax by 1940.

The inequities associated with inclusion of food in the tax base were apparent from the outset. A 1938 Kansas report to the Committee on Assessment and Taxation noted that 8 states had already exempted food in one form or another; and that the idea was already being discussed in Topeka.[18] One of the earliest sales tax fiscal notes told policymakers in the late 1930s that exempting food purchased for off-premises consumption (groceries) would have reduced the then-expected $10 million in receipts by $2.1 million.[19]

The food sales tax regressivity issue remained and intensified over the decades as the state sales tax rate continued to increase (from 2.0% in 1937 to 6.5% today). A 1971 legislative study found that 17 states by that time were exempting groceries; and

Table 3.3. Sales Tax on Food Purchased for Home Consumption.

State	State Tax	State Rate	Local Tax	Notes
KS	Yes	6.5%	Yes	
CO	No		Some localities	Many Colorado localities do NOT follow the state exemption. At the state level, candy and soda are taxed at the state level.
IA	No		No	Candy, soda, and juice drinks with < 50% juice content are taxed.
MO	Yes	1.225%	Yes	Special rate applies to all items eligible for SNAP purchases.
NE	No		No	Items classified as dietary supplements are taxed.
OK	Yes	4.5%	Yes	

Source: Institute for Policy & Social Research, The University of Kansas; data from Federation of Tax Administrators. 2022 State Sales Tax Rates and Selected Exemptions. January, 2022. https://www.taxadmin.org/assets/docs/Research/Rates/sales.pdf (accessed 01/12/2022); and Janelle Cammenga, How Does Your State Treat Groceries, Candy, and Soda? Tax Foundation. October, 2019. https://taxfoundation.org/grocery-tax-candy-soda-tax-2019/ (accessed 01/12/2022).

that enacting a similar exemption in Kansas would have an unacceptably large negative fiscal impact. The 1971 study also reviewed the advisability of allowing a refundable income tax credit to help offset the application of the sales tax to groceries, patterned after a similar law enacted by Indiana in 1963.[20] The study helped to put sales tax rebates on the legislative radar.

Kansas in 1978 ultimately enacted the Food Sales Tax Rebate Program, requiring both income and demographic tests for qualification. That program subsequently underwent significant legislative expansions in 1986, 1998, 2002, and 2010.

In 2012, Governor Sam Brownback proposed a substantial reduction in the food credit as one of the means to fund the "Kansas tax experiment," which eliminated income taxes on "pass-through" income and reduced individual income tax rates. The refundability of the food credit was eliminated, reducing its benefit to low-income families, especially those who did not otherwise have any income tax liability. During the same era, the state sales tax was increased twice as part of backfilling tax increases enacted in 2013 and 2015, making the sales tax on groceries

even more onerous for the Kansans who could least afford it.

As of 2021, Kansas remains one of only a handful of states to fully tax groceries at the state level. Nationwide, Kansas is joined by Hawaii, Idaho, Illinois, Mississippi, Oklahoma, and South Dakota, which impose their full state rates (Figure 3.12) Additional states tax groceries at a reduced rate at the state level, and a few states allow grocery taxes only at the local level. Kansas state-level taxes on groceries, 6.5%, are second only to those in Mississippi (7.0%). States with a sales tax almost always tax prepared food purchased from restaurants and hot foods purchased from deli counters within grocery stores.

Table 3.3 summarizes sales taxes on food purchased for home consumption for states within our region. Three state governments tax food, although the Missouri tax is lower than the general state rate. Although Colorado imposes no state-level tax, some localities include food in their tax base. Colorado and Iowa impose their general sales tax on candy and soda.

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Figure 3.12. *State Sales Tax Rates on Food in the US, by State as of January 1, 2021.*

Source: Institute for Policy & Social Research, The University of Kansas; data from Federation of Tax Administrators.

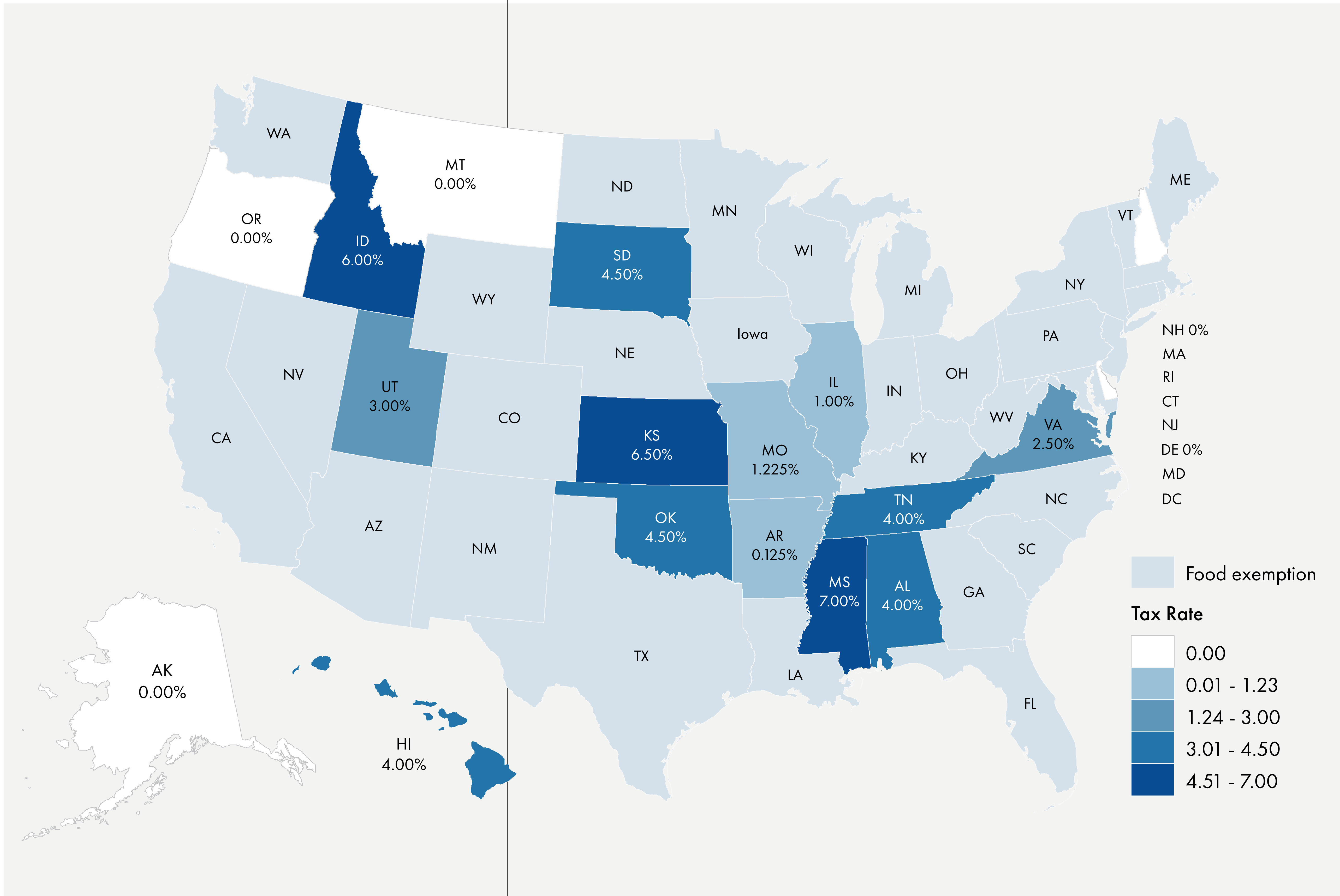

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Table 3.4. *Sales Taxes on Specific Digital Goods and Services, 2020.*

Source: Table based on Garrett, Natalia and Grant Nülle. Digital Goods and Services: How States Define, Tax, and Exempt These Items. Tax Notes State, May 18, 2020, p. 874-910.

Digital Good	CO	IA	KS	MO	NE	OK
Software packaged	y	y	y	y	y	y
Software electronic online delivery	n	y	y	n	y	n
Software as a Service (SaaS)	n	y	n	n	y	n
Cloud storage	n	y	n	n	y	n
Downloaded music	y	y	n	n	y	n
Downloaded books	y	y	n	n	y	n
Downloaded videos	y	y	n	n	y	n
Music streaming	n	n	n	n	y	n
Video streaming	n	y	n	n	y	n

Sales Tax on Digital Goods. Broadly speaking, digital goods are "goods" such as electronic files that are delivered to consumers in an electronic format. A recent study by Forrester Research estimates that digital goods and services accounted for nearly three-quarters of online purchases worldwide.[21] The exact definition of what is or is not a digital good for purposes of taxation differs from state to state, but definitions usually include items such as streaming services and online software. Table 3.4 summarizes taxation of digital goods in our region as of 2020. Kansas taxes fewer digital goods and services that Colorado, Iowa, and Nebraska. An unsuccessful proposal to tax digital goods was introduced in the 2019 Kansas session. The proposal would have taxed digital audio-visual works, digital audio works, digital books, artwork, digital photos and pictures, periodicals, newspapers, magazines, video, audio and other greeting cards, cloud-based applications, online games, and several other digital items. As it stands now if a person in Kansas purchased a physical book on Amazon, they would pay sales tax, but if they purchased a digital version of the same book, no sales tax would be paid.

Sales Taxes on Business Inputs

Although this report focuses on individual taxpayers, it is important to note that businesses pay a substantial portion of sales taxes when they purchase and use taxable goods and services. States generally exempt components and ingredients used in manufacturing processes but impose taxes on many other business inputs. Researchers at Ernst & Young have estimated the contribution of business input taxes to the sales tax base for all 50 states. Within our region, the researchers estimated that business inputs contribute 39 to 47% of the sales tax total (Table 3.5). Kansas falls on the lower end of our region (41%). Ernst & Young also estimated the rate of business inputs taxed – this percentage depends both on the

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Table 3.5. *Taxation of Business Inputs.*

Source: Phillips, Andrew and Muath Ibaid. The Impact of Imposing Sales Taxes on Business Inputs. Ernst & Young LLP. Report prepared for the State Tax Research Institute and the Council on State Taxation. May, 2019. https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/1903-3073001_cost-ey-sales-tax-on-business-inputs-study_final-5-16.pdf (accessed 01/03/2022).

State	Percent of sales tax collections due to business inputs	Percent of business inputs taxed
KS	41%	15%
CO	42%	20%
IA	47%	13%
MO	39%	17%
NE	44%	19%
OK	47%	17%

mixture of industries in the state and on state tax policy. Again, Kansas falls on the low end for the region (15%).

Machinery and equipment (M&E) comprise important business inputs. Sales taxes on M&E potentially impose considerable expenses on businesses that are locating or expanding in a region. In recognition of this, 43 states, including all of the states in our region, exempt some machinery and equipment used in manufacturing and other processing industries. However, states differ considerably in how they define which industries are included, what types of equipment are exempted, in how equipment must be used in order to be exempt (direct use requirements). The rules in each state are highly technical (Table 3.6). Local sales taxes are excluded from machinery and equipment exemptions in Iowa, Missouri, and parts of Colorado. Nebraska and Oklahoma include data processing centers within the scope of their exemption, and Oklahoma includes aircraft maintenance facilities.

We point out that additional sales tax exemptions for new and expanding businesses may be available as specific economic development incentives. For example, the cost of building materials, machinery, and equipment may be exempt from state and local sales taxes for projects financed by industrial revenue bonds.[22]

Utilities comprise another major business expense, particularly for heavy manufacturing industries. The states in our region generally exempt utilities used directly in processing and manufacturing. However, the exemption does not extend to the local level in two state, Colorado and Missouri. The range of industries to which exemptions apply varies by state: Colorado explicitly includes communications and construction, while Iowa includes data centers (Table 3.7). Kansas exemptions are broad, and Kansas explicitly extends the exemption to the production of taxable services.

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Table 3.6. *Sales Tax Exemptions for Machinery and Equipment (M&E).*

Source: Institute for Policy & Social Research, The University of Kansas; based on state statutes and materials from state departments of revenue.

State	Mfg.	Mining	Comments-Mfg. and mining
CO	Exempt	Some	Main exemption is for M&E used directly and predominantly in mfg. Mining exemption in enterprise zones only. Local sales tax non-exempt in some areas.
IA	Exempt	Exempt	Mfg. exemption includes M&E for quality control and maintaining environment as well as for direct use. Also includes supplies such as filters and lubricants. Mining is defined as a manufacturing industry. R&D and recycling M&E also exempt.
KS	Exempt	Exempt	M&E that is essential or an integral part of manufacturing or processing is exempt. Repair and installation of this M&E also exempt. Materials handling equip. in warehouses included. R&D equipment for manufacturing or processing products exempt. Mining defined as surface mining.
MO	Exempt	Exempt	M&E for direct use in manufacturing, processing, compounding, recycling, and mining is exempt. Local sales tax not exempt.
NE	Exempt	Non-Exempt	M&E used directly in mfg. exempt. Mfg. exemption includes installation and replacement parts. M&E for data centers exempt.
OK	Exempt	Some	Mining M&E exemption for coal only. Mfg. exemption for M&E includes conveyance, product development, and waste disposal. M&E for aircraft maintenance facilities and computing and data processing firms also exempt.

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Table 3.7. *Sales Tax Exemptions for Utilities Used by Business.*

Source: Institute for Policy & Social Research, The University of Kansas; data from SmartSave (https://gosmartsave.com) and individual state departments of revenue.

Utility / State	Electricity		Gas		Water	
	State	Local	State	Local	State	Local
Colorado	Yes	Some	Yes	Some	Yes	Some
Exemptions for processing, manufacturing, mining (including oil and gas exploration and production), refining, irrigation, construction, telegraph, telephone and radio communication, street and railroad transportation services, and all industrial uses.						
Iowa	Yes	Yes	Yes	Yes	Yes (ag.)	Yes
Exemption for portion of utility consumed in the processing of tangible personal property and/or agriculture use. Exemption for data centers meeting specific requirements. Water exemption appears to be for agriculture only.						
Kansas	Yes	Yes	Yes	Yes	Yes	Yes
Exemption for utilities consumed in production, manufacturing, processing, mining, drilling, refining, compounding of tangible personal property or the providing of taxable services.						
Missouri	Yes	No	Yes	No	Yes	No
Exemption for utilities (1) used or consumed in the manufacturing, processing, compounding, mining or producing of any product; or for processing of recovered materials; or (2) Used or consumed in research and development related to manufacturing and other industrial activities.						
Nebraska	Yes	Yes	Yes	Yes	Yes	Yes
Exemption if more than 50% of energy purchases are directly consumed in processing, manufacturing, refining, irrigation or farming. Water exemption applies only to manufacturing and irrigation. If energy use (for a given utility meter) is more than 50% for exempt purposes, then the entire purchase is exempt. Otherwise it is taxed. If more than an incidental amount of water is used for non-exempt purposes then the entire purchase is taxed.						
Oklahoma	Yes	Yes	Yes	Yes	Yes	Yes
Exemption for production use of energy in manufacturing, compounding, processing, assembling, or preparing of tangible personal property for sale. Water exemption is more general. If energy use (for a given utility meter) is more than 50% for exempt purposes, then the entire purchase is exempt. Otherwise it is taxed.						

Recent Performance of the Kansas Sales and Use Taxes: Wayfair, Marketplace Facilitators, and Then Came COVID

Several factors have affected the recent performance of the Kansas sales and use taxes. Prior to 2018, states sales tax system faced challenges as consumers turned away from brick-and- mortar stores and increased their purchases from online sellers. When the online seller had a physical presence in the state such as a warehouse or office facility, the state could tax sales made by the online store. But a question remained about whether the state could force an online seller with no physical presence to remit taxes. In Kansas, purchasers who escaped sales taxes by using online sellers owed the state a use tax. In practice, collection of use tax liabilities was difficult, and many purchasers did not even realize that a tax payment was owed.

The 2018 US Supreme Court decision in *South Dakota vs. Wayfair* changed all that. The ruling allowed states to impose a requirement that out-of-state sellers collect and remit taxes to the state. By the beginning of 2020, 43 of the 45 states that collect sales taxes had extended taxation to remote sellers, and 38 of the states had extended taxation to marketplace facilitators – businesses that use their own infrastructure and resources to expedite sales between third party buyers and sellers.[23] In October 2019, Kansas implemented regulations to tax sales of direct out-of-state sellers. Kansas was unique in the nation in that it imposed no minimum sales or transactions requirements in order to require businesses to submit sales-type taxes. In 2021, the Kansas Legislature approved a measure that instituted a $100,000 *de minimus* in Kansas-based sales requirement for sellers to remit these taxes. Allowing small direct out-of-state sellers to escape requirements to submit taxes may somewhat diminish the impacts expanding use taxes, but on the other hand, such provisions put Kansas in line with other states. Within the same legislation, Kansas enacted a statutory provision to tax marketplace facilitator transactions, again with a $100,000 threshold. Overall, taxation of out-of-state sellers has helped to revitalize the Kansas sales and use tax system and to align it with recent consumer trends.

And then came COVID. While expanding the collection of use taxes has had a positive impact on combined sales and use tax collections, COVID dealt a serious blow to sales tax collections in the first several months of the pandemic. Figure 3.13 shows the inflation adjusted sales and use tax changes compared with the same month in 2019, before COVID and before full implementation of taxes for remote sellers. For example, January 2021 and January 2020 are compared with January 2019.

Both sales and use taxes started 2020 with robust growth. Sales taxes were up about

5% and use taxes were up about 10%. The strong performance of the use tax was due to remote seller provisions implemented in October 2019 as a result of the *Wayfair decision*. Sales tax collections fell dramatically in March, April, and May 2020, but returned to or slightly exceeded 2019 collections for most of the remaining calendar year. Total sales tax collections in 2020 were almost identical to those in 2019.

With the exception of April 2020, use tax collections exceeded 2019 values throughout the 2020 calendar year. Use tax collections for calendar year 2020 exceeded those in 2019 by over 17%. Both sales and use taxes gained momentum in the first several months of 2021. Kansas has fully recovered from COVID in terms of sales and use tax collections. Sales taxes generally exceeded 2019 values by over 5%.

During 2021, use taxes grew 40 to 50% above comparable 2019 months. Use tax collections show particularly strong growth in the last two months of available data, probably due to closing the marketplace facilitator loophole in July 2021. Provisions for taxing out of state sellers has broadened the Kansas tax base. The expansion of the use tax base is likely to help support small communities in Kansas, where residents have fewer brick-and-mortar stores and may rely more on out-of-state vendors and marketplace facilitators.

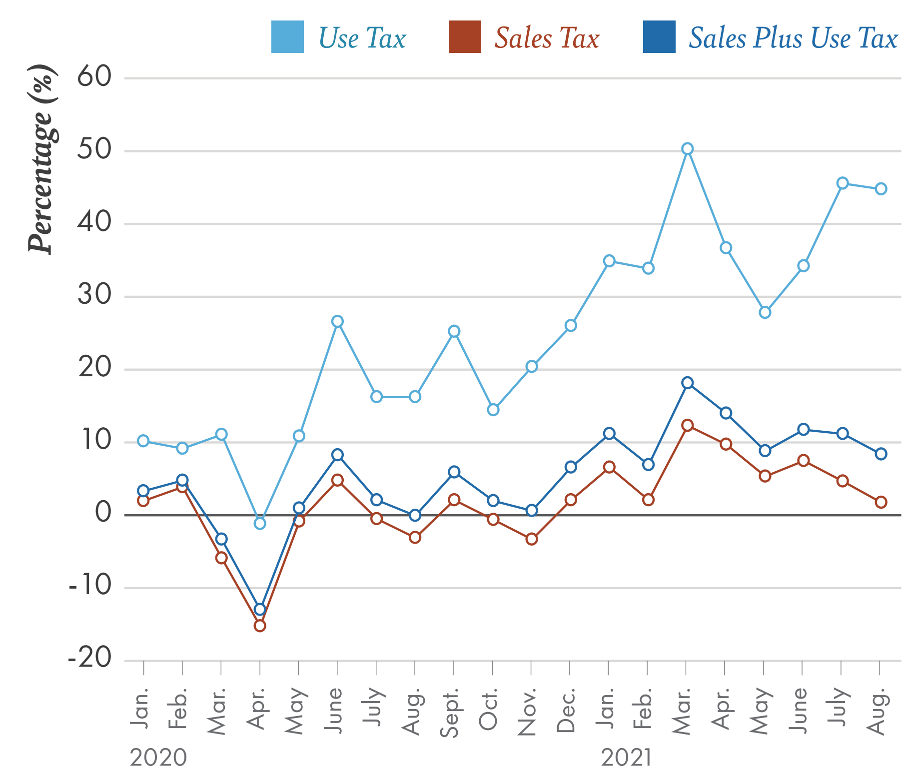

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Figure 3.13. *Inflation-Adjusted Sales and Use Tax Growth, 2020-2021, Percent Change Since Same Month in 2019.*

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Revenue, Sales and Use Tax Reports. https://www.ksrevenue.gov/prsalesreports.html#countywidesales (accessed 01/12/2022).

Note: Data calculated using August 2021 dollars.

Conclusion

Kansas has one of the highest combined state and local sales tax rates in the region – only Oklahoma has higher rates. Average sales taxes paid divided by taxable sales is as high as 9.5% in Johnson County and the highest in Chautauqua County at 9.7%. We found that per capita state and local sales taxes are higher in Kansas at roughly $1,500 compared to the US at $1,300. Kansas sales taxes became significantly higher starting with tax increases in 2010.

We compared the Kansas sales tax base to states in our region. Kansas ranks in the middle in terms of the number of services that it taxes. Over time, consumer purchases are shifting away from physical goods and towards services and digital goods. This affects the elasticity of sales taxes. As consumption shifts away from physical goods, sales tax revenue as a percentage of personal income has fallen. Compared to other states in the region, Kansas collects a relatively smaller share of sales taxes on business inputs and exempts machinery and equipment.

We also examined the implications of the *Wayfair decision* and closing the marketplace facilitators' loophole in SB-50 on Kansas sales and use tax revenues in the past year. Use taxes increased 20% in 2020 due to the *Wayfair decision*. In July and August of 2021 use taxes were up 45% compared to 2019 due to the combination of the *Wayfair decision* and closing the marketplace facilitators' loophole. **The Tax Council commends the legislature for closing the marketplace facilitators' loophole** and expanding the sales tax base.

This chapter also discussed the regressivity of the food sales tax as well as the taxation of digital goods. Kansas is one of a handful of states that taxes food at the full rate. The food sales tax is very regressive, and a family of four pays $500 per year in food sales taxes. **The Council strongly endorses Governor Kelly's Axe the Food Tax proposal** announced in early November and calls on the state legislature to immediately seize this opportunity to provide its citizens with the one change in tax law that has been talked about the most for many decades – elimination of the state sales tax on food. This measure would not only achieve that long-time goal of policymakers – it would also provide the largest relative benefit to those who need it most by reducing one of the state's more regressive tax policies.

In addition, the **Council recommends that the state broaden the sales tax base to include digital goods.** Currently in Kansas the total cost of a physical book purchased on Amazon includes sales taxes whereas an electronic copy of the book is not taxed. Kansas could broaden the sales tax base to include digital goods, allowing for potential income or property tax relief or a sales tax exemption for textbooks and other educational materials.

The Council strongly endorses Governor Kelly's Axe the Food Tax proposal announced in early November and calls on the state legislature to send the Governor a clean bill that she can sign.

Chapter Four

Selective Sales Tax

Selective sales taxes, also known as **excise taxes**, are sales taxes levied on particular items. Selective sales taxes meant to reduce consumption of certain items, such as alcohol and tobacco, are often called **"sin" taxes.** This chapter compare selective sales taxes in Kansas to surrounding states, and examines the most common of these taxes – gasoline, cigarettes, beer, wine, and distilled liquor.

Selective Sales Tax

Kansas collected $1.4 billion in selective sales tax in 2019, or 9.4% of our total tax revenue. Table 4.1 shows that Kansas ranks near the middle among our comparison states in terms of selective sales tax rates on the commonly taxed items of gasoline, alcohol and tobacco. Nebraska has the highest taxes and fees on gasoline at $0.34 per gallon, with Oklahoma the lowest at $0.20 per gallon and Kansas at $0.24 per gallon. Oklahoma imposes the highest tax on cigarettes at $2.03, and Missouri the lowest at $0.17 per pack, respectively, with Kansas in the middle at $1.29.

Kansas has the lowest tax on wine among our comparison states, at $0.30 per gallon, and Iowa the highest at $1.75. Kansas ranks in the middle on other taxes on alcohol, imposing a $0.18 tax per gallon on beer and $2.50 on distilled liquor. Iowa has the highest tax on distilled liquor among our competitor states, and sixth highest in the nation, with state-controlled liquor stores selling hard alcohol at set prices comparable to a $13.03 tax per gallon on distilled liquor.[24]

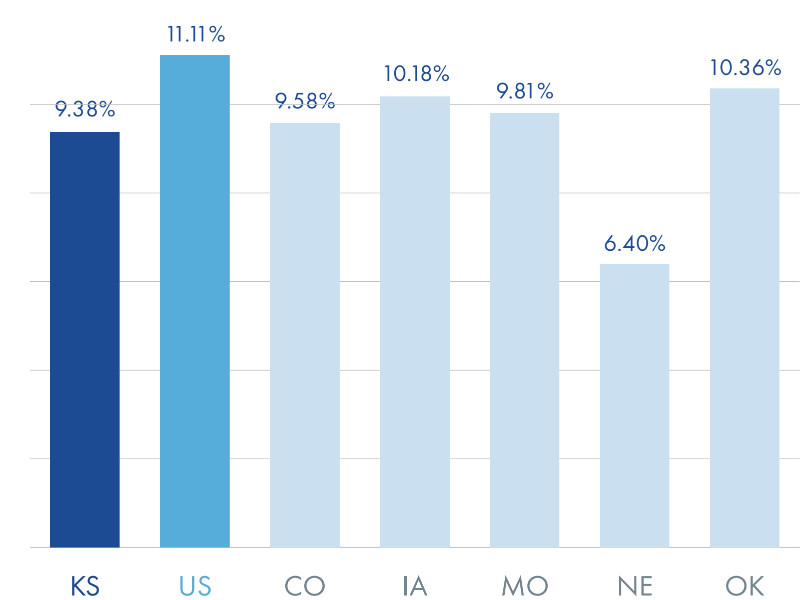
Kansas ranks in the middle of our comparison states and below the United States as a whole in terms of reliance on selective sales tax revenue. Figure 4.1 shows selective sales tax revenue as a proportion of total tax revenue in Kansas, our comparison states, and the United States. Selective sales tax represents a smaller portion of total tax revenue in Kansas and all our comparison states than in the United States as a whole. Selective sales tax revenue accounted for the smallest share in Nebraska and the largest in Oklahoma in 2019, at 6.4% and 10.36%, respectively. In Kansas, selective sales tax made up 9.38% of total tax revenue in 2019.

***Table 4.1.** Selective Sales Tax Rates on Commonly Taxed Items, Kansas and Comparison States.*

Source: Institute for Policy & Social Research, the University of Kansas; data from the Tax Foundation.
** Includes taxes and fees.*

State	Gasoline $ per gallon*	Cigarettes $ per pack	Beer $ per gallon	Wine $ per gallon	Distilled Liquor $ per gallon
KS	0.24	1.29	0.18	0.30	2.50
CO	0.22	0.84	0.08	0.32	2.28
OK	0.20	2.03	0.40	0.72	5.56
NE	0.34	0.64	0.31	0.95	3.75
IA	0.31	1.36	0.19	1.75	13.03
MO	0.17	0.17	0.06	2.00	2.00

***Figure 4.1.** Selective Sales Tax Revenue as a Percentage of Total Tax Revenue, 2019.*



Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances.

Kansas ranks in the middle of our comparison states and below the United States in reliance on selective sales tax revenue.

Figure 4.2 examines selective sales tax revenue as a share of personal income in Kansas, the United States, and our comparison states in 2019. Selective sales tax revenue makes up a smaller portion of personal income in Kansas and our comparison states than in the United States as a whole. Nebraska selective sales tax revenues account for the smallest portion of personal income at 0.65%. Iowa selective sales tax revenue accounts for the largest portion of personal income among our comparison states at 1.04%; still smaller than the United States as a whole at 1.11%. Kansas selective sales tax revenue as a share of personal income lies in the middle at 0.94%.

Per capita selective sales tax collections for 2019 in Kansas, our comparison states, and the United States as a whole are shown in Figure 4.3. Nebraska collected the least and Iowa the most selective sales tax revenue per capita in 2019, at $356.26 and $549.09, respectively. Kansas ranks third among our comparison states at $503.41 in collections per person.

Figure 4.2. *Selective Sales Tax Revenue as a Share of Personal Income, 2019.*

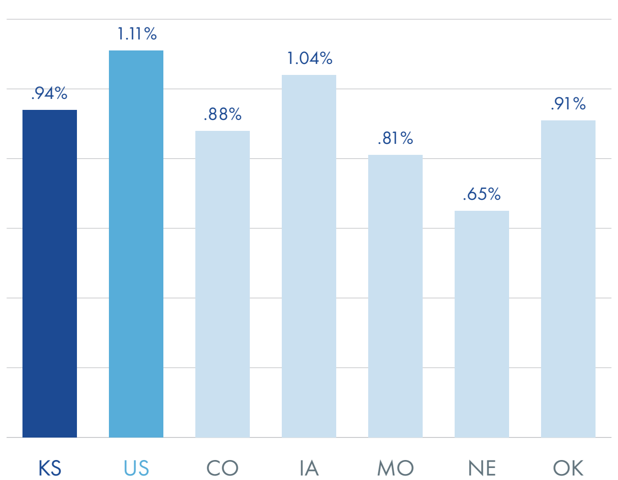


Figure 4.3. *Per Capita Selective Sales Tax Revenue, 2019.*

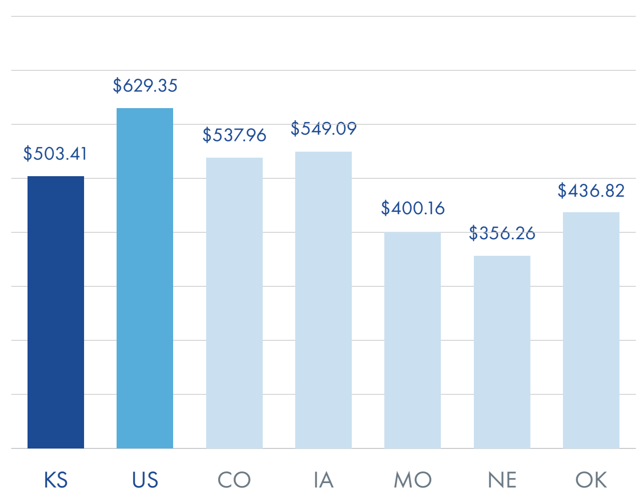
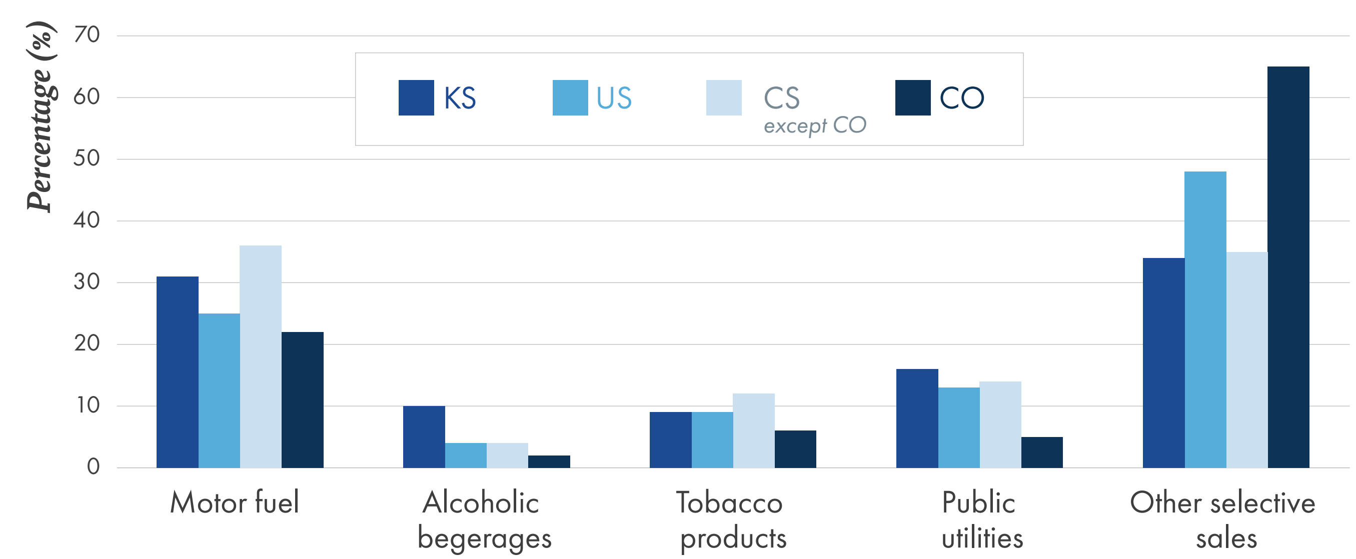


Figure 4.2 & 4.3 Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances, and U.S. Bureau of Economic Analysis, Personal Income Summary: Personal Income, Population, Per Capita Personal Income.

Shares of selective sales tax revenue by taxed item in 2019 in Kansas, the United States, Colorado, and our other comparison states are shown in Figure 4.4. These individual categories are based on the Census Bureau's Annual Surveys of State and Local Government Finances classifications. "Other selective sales" includes items such as lodging, lubrication oil, non-motor fuels, and soft drinks.[25] Kansas collects a larger portion of our selective sales tax revenue from alcoholic beverages and public utilities (10% and 16%) than our comparison states and the United States as a whole, and a smaller portion from tobacco and other selective sales taxes (9% and 34%).

Colorado is separated from the other comparison states because a large share of their selective sales tax revenue in the "other selective sales" category likely comes from taxes on the sale of marijuana. According to the Colorado Department of Revenue, Colorado collected $302 million in marijuana tax revenue in 2019, which would account for 15% of state and local revenue collected in the "other selective sales" category.[26]

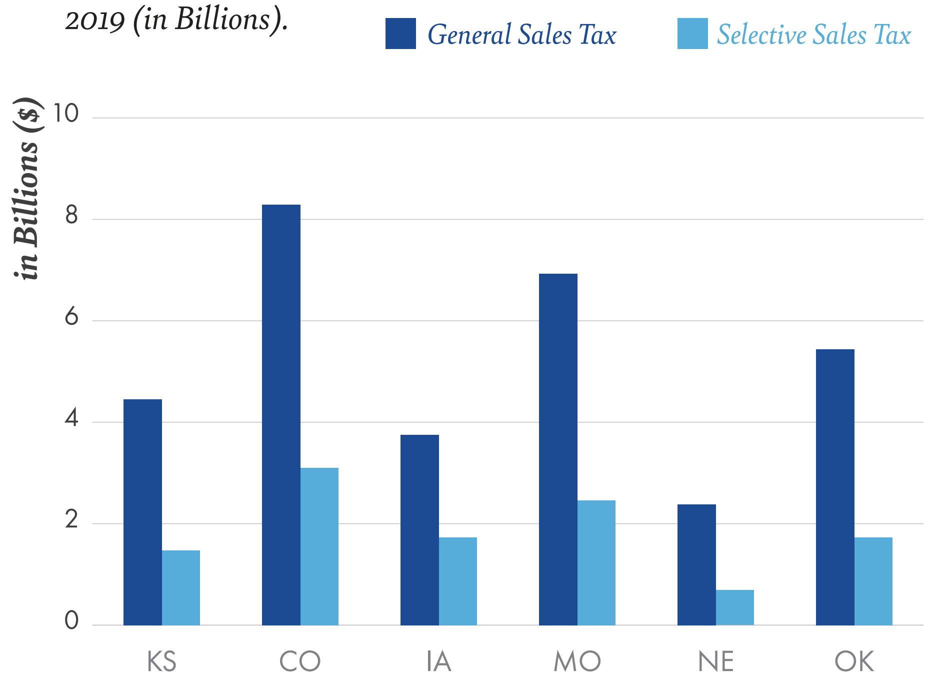
Figure 4.4. *Shares of Selective Sales Tax Revenue by Taxed Item, 2019.*



Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances.

In Kansas and our comparison states, general sales tax revenue exceeds that of selective sales tax. Figure 4.5 shows combined state and local revenues from selective and general sales taxes in 2019. Kansas consumers paid $4.45 billion in general sales tax revenue in 2019, compared to $1.47 billion in selective sales tax.

Figure 4.5. *State and Local General vs Selective Sales Tax Revenue, 2019 (in Billions).*



Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances, and U.S. Bureau of Economic Analysis, Personal Income Summary: Personal Income, Population, Per Capita Personal Income.

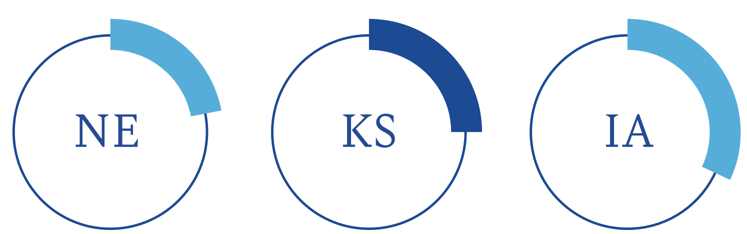
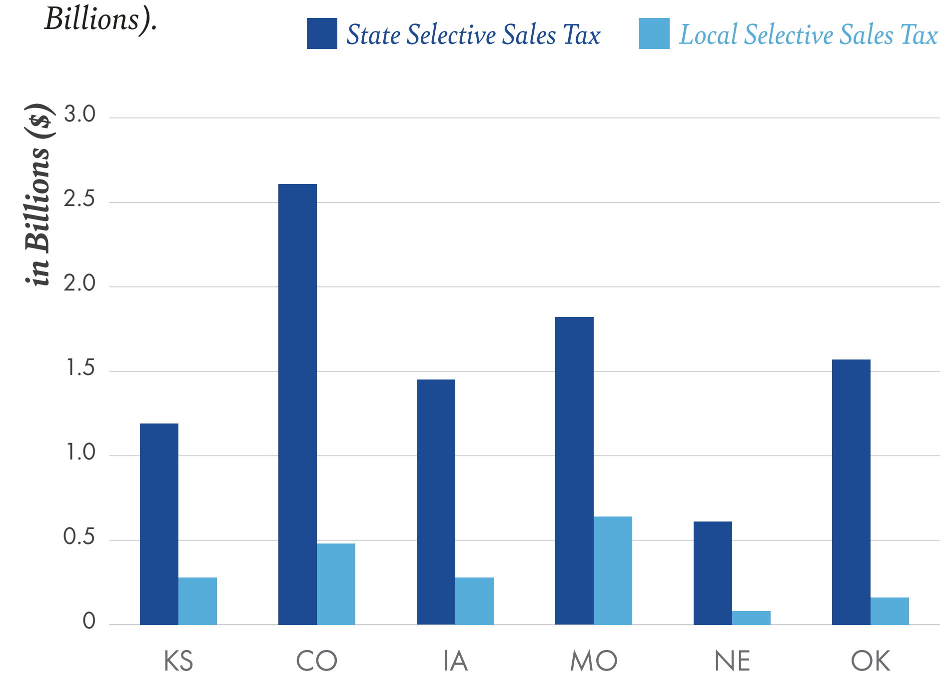


Figure 4.6. *State vs Local Selective Sales Tax Revenues, 2019 (in Billions).*



Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances.

State selective sales tax collections dominate local selective sales tax collections in Kansas and our comparison states. Kansas collected $1.19 billion in state selective sales taxes and $280 million in local selective sales taxes in 2019 (Figure 4.6).

Nebraska has the lowest and Iowa the highest ratio of selective sales tax to total general sales plus selective sales tax, with selective sales tax revenue representing 22% and 32% of total sales tax revenue, respectively. Kansas sits in the middle with selective sales tax revenue representing 25% of the total.

Alcohol Taxes

Alcoholic beverages in Kansas are subject to four separate taxes, depending on the location of purchase. Table 4.2 illustrates each tax rate, the year it was last changed, and who is subject to it. Kansas levies a gallonage tax on the first party to receive, sell, or purchase alcohol in Kansas. The tax rate is $0.18 per gallon on beer, $0.30 on light wine, $0.75 on fortified wine, and $2.50 on spirits.[27] Kansas also levies an enforcement tax paid by retail liquor stores as well as bars and restaurants on the amount they pay suppliers. The enforcement tax rate in Kansas is 8% in lieu of sales tax. In addition to the enforcement tax paid to suppliers, bars and restaurants pay a 10% liquor drink tax in lieu of sales tax on any alcohol they sell. Finally, beer sold in grocery and convenience stores is subject to Kansas state and local retail sales tax (an alternative to the 8% enforcement tax).

Table 4.2. *Kansas Liquor Taxes.*

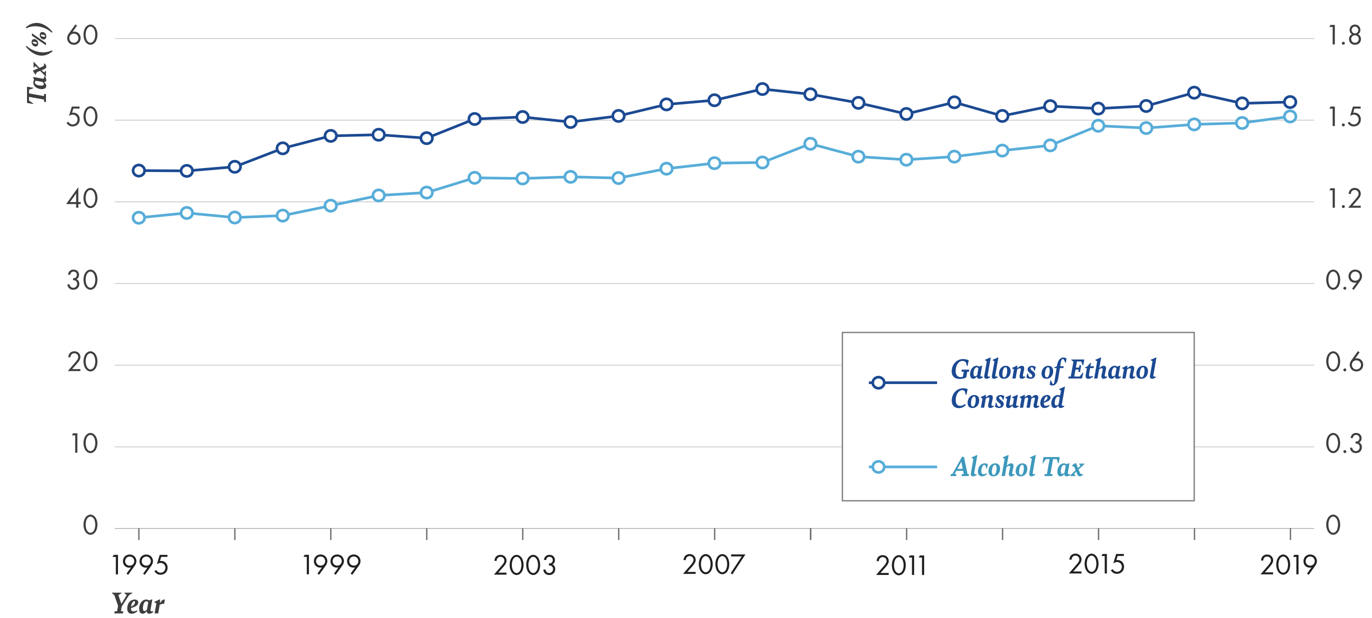
Tax	Rate	Last Changed	Comments
Gallonage	$.18/gal beer $.30/gal light wine $.75/gal fortified wine $2.50/gal spirits	1987	Paid by first party to receive, sell, or purchase alcohol in Kansas.
Enforcement	8% in lieu of sales tax	1983	Paid by retail liquor store. Also paid by bars and restaurants on amount they pay suppliers.
Liquor drink	10% in lieu of sales tax	1979	Paid by bars and restaurants on alcohol sales.
Kansas retail sales tax	State plus local rate	--	Tax on beer sold in grocery and convenience stores rather than retail liquor stores.

Source: Institute for Policy & Social Research, the University of Kansas; data from Kansas Department of Revenue.

Kansas ranks tenth among states in per capita in alcoholic beverage tax collections, collecting $50.39 per person in 2019 (Figure 4.7, page 79). New Hampshire had the greatest alcohol tax collections per capita, at $114.26, and Missouri had the least at $6.47. In states with a government monopoly on some or all alcohol sales, such as Iowa, Utah, and New Hampshire, Alcoholic Beverage Tax includes government revenues minus expenses of state-run liquor stores (markup).

Figure 4.8 shows Kansas alcohol consumption (in gallons of pure ethanol consumed) and Kansas tax collections, adjusted for inflation, from 1995 to 2019. Kansas alcohol consumption rose from 1995 to around 2009, and has since leveled off, while tax collections have continued to rise, suggesting a trend toward more expensive products.

Figure 4.8. *Per Capita Kansas Alcohol Tax Collections and Consumption (Tax in 2019 inflation-adjusted dollars).*



Source: Institute for Policy & Social Research, the University of Kansas; data from National Institute on Alcohol Abuse and Alcoholism, Total per capita Alcohol Consumption in Gallons of Ethanol by State, United States, 1995-2019, and U.S. Bureau of Economic Analysis, Personal Income Summary: Personal Income, Population, Per Capita Personal Income.

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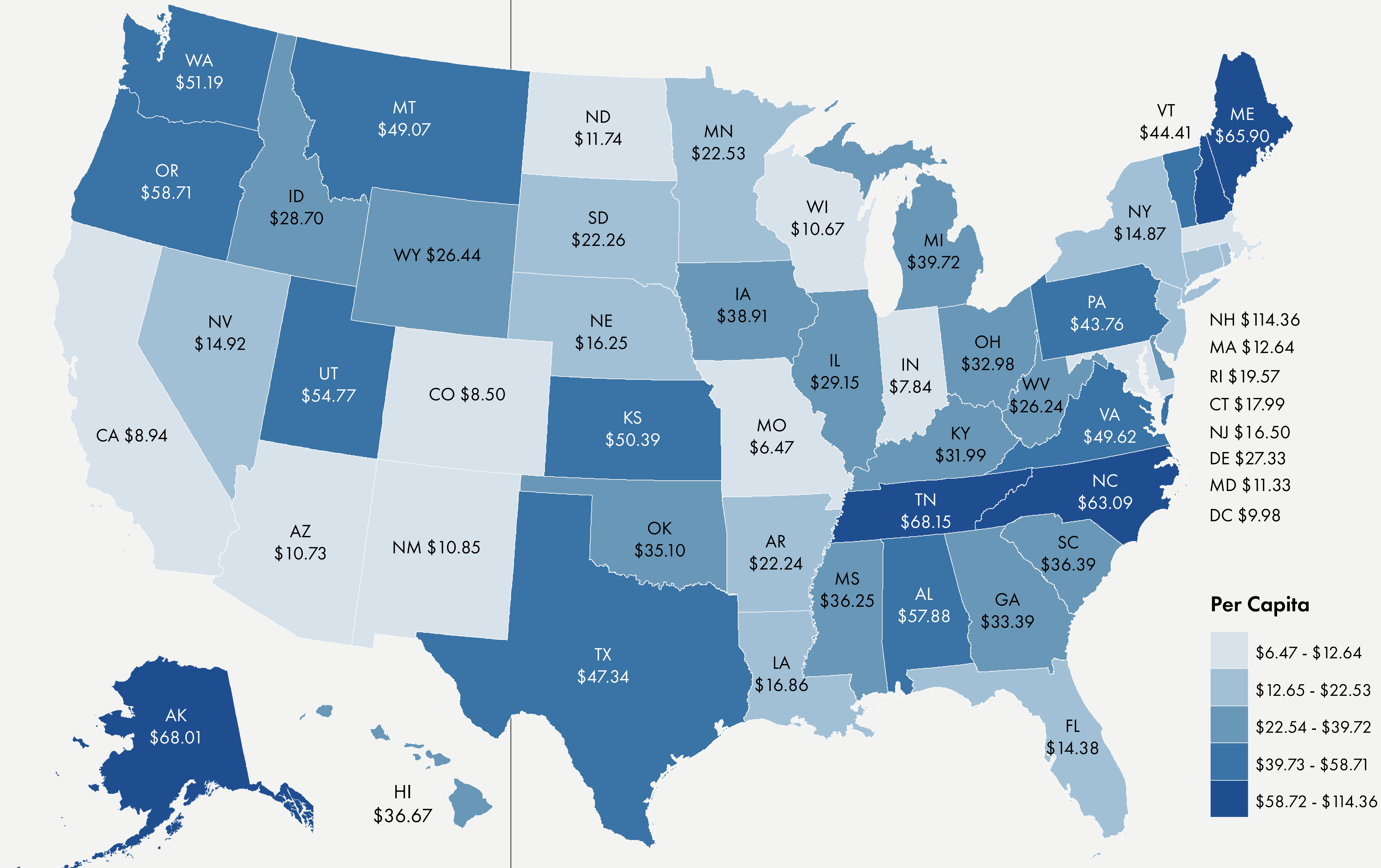
Figure 4.7. *Per Capita Alcoholic Beverage Tax Revenue in the United States, 2019.*

Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Survey of State and Local Government Finances.



Cigarette Taxes

Kansas charges a higher cigarette excise tax than all our comparison states except Iowa, at an effective rate of $1.29 per pack in 2018 (Figure 4.9). This relatively high rate means that a high proportion of the cigarettes consumed in Kansas, 21.52% in 2018, are smuggled in from neighboring states. States with similarly high tax rates, such as New York, California, and Washington, also see high rates of cigarette smuggling.[28] Kansas cigarette purchases have also been subject to the general sales tax, in addition to the per pack cigarette tax, since 1961. Among our comparison states, Colorado, Iowa and Nebraska apply state general sales taxes to cigarettes, while Missouri and Oklahoma do not.[29]

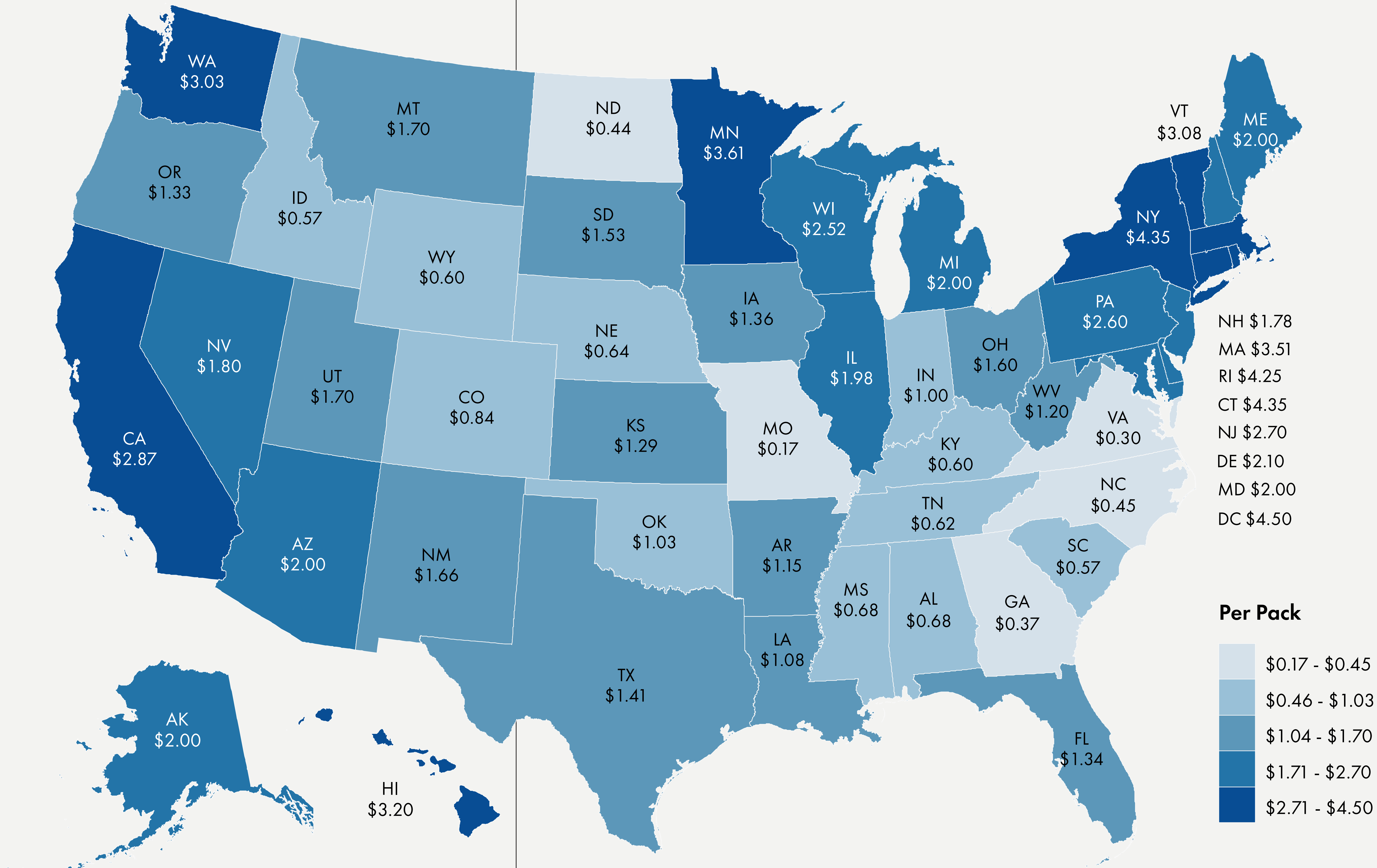


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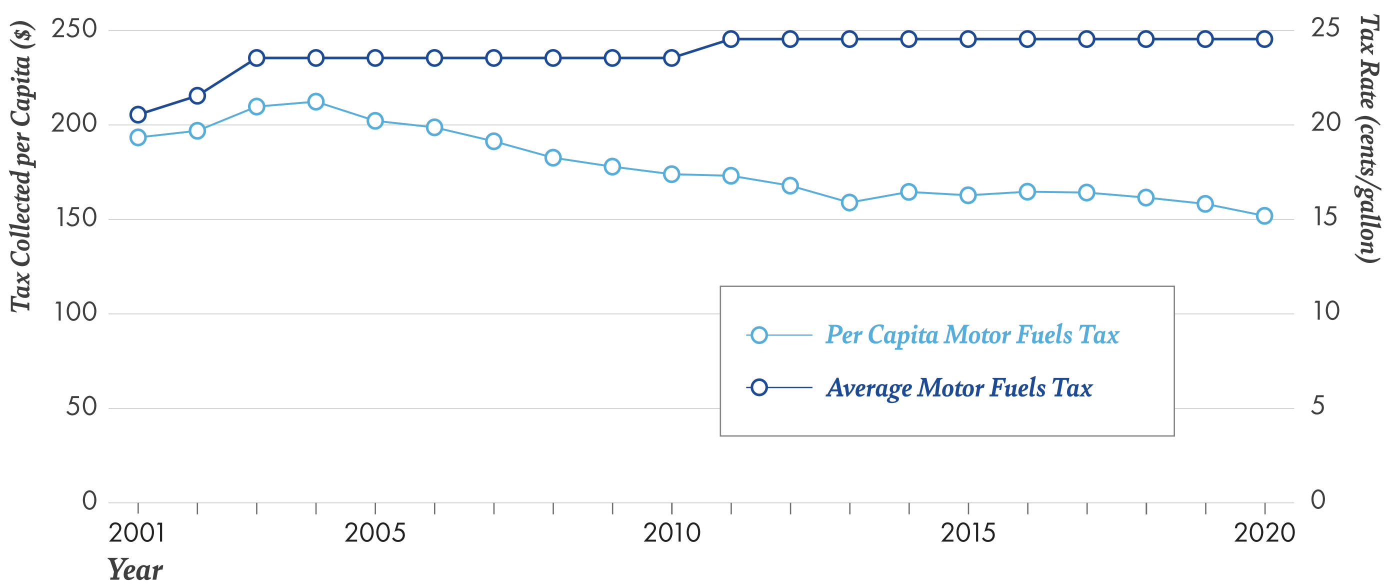
***Figure 4.9.** State Cigarette Excise Taxes in the United States, by State, 2018.*

Source: Institute for Policy & Social Research, the University of Kansas; data from Tax Foundation.

Motor Fuel Taxes

Figure 4.10. *Per Capita KS Motor Fuel Collections and Rate (Tax in 2019 inflation adjusted dollars).*



Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances, and U.S. Bureau of Economic Analysis, Personal Income Summary: Personal Income, Population, Per Capita Personal Income.

Figure 4.10 shows the Kansas taxes and fees on motor fuels and motor fuel tax collections per capita from 2001 to 2020. This gallonage tax rate does not incorporate gas price changes. Kansas motor fuels have been taxed at the same rate of $.24 per gallon since 2011, while tax collections per capita have steadily fallen. The falling collections are likely due to more efficient vehicles.

Conclusion

Kansas ranks in the middle among our comparison states and below the United States as a whole in selective sales tax collections as a share of total tax revenue. In 2019, the average Kansan paid $503.41 dollars, or about .94% of their personal income, on selective sales taxes on gasoline, alcohol, tobacco, public utilities, and other items. With constant tax rates per gallon, Kansas alcohol tax revenue is increasing as consumers switch to more expensive products, and motor fuel tax revenue is falling as consumers upgrade to more efficient vehicles. Kansas collects more revenue in alcohol taxes than our comparison states. Kansas collects less revenue from tobacco products and other selective sales taxes. This may be the result of extremely low sales taxes on tobacco products in the surrounding states of Missouri, Colorado, and Nebraska.

The full membership of the Governor's Council on Tax Reform did not make specific recommendations about selective sales taxes. However the Property Tax Subcommittee did recommend that policy makers **expand local excise tax authority.** This additional local excise tax authority for cigarette and liquor would enable cities and counties to seek voter approval of other local revenue streams that would reduce property taxes.

Expanded local excise tax authority could enable cities and counties to seek voter approval of additional revenue streams as alternatives to higher property taxes.

Chapter Five

Property Tax

Property taxes are almost exclusively levied by local taxing subdivisions and used primarily to fund schools and local governments. We saw in Chapter 1 (Figure 1.5), that when income taxes decreased, the property tax leg had increased to be 37% of overall Kansas state and local taxes by fiscal year 2017. Inherently, property taxes depend upon the value of the property being taxed, thus this chapter starts with a discussion of property valuation.

Valuation History – Statehood to Reappraisal and Classification

The Kansas Constitution from the 1860s through 1988 required uniform and equal valuation of all taxable property. A lack of political will at both state and local levels relative to maintaining fair market value created a system that was constitutionally imperiled to the extent that property was not being valued or taxed on a uniform and equal basis.

Prior to 1989, the previous reappraisal had happened in a crazy-quilt fashion over a 13-year period from 1959 to 1972, and at least three counties are believed to have skipped reappraisal altogether. Heading into the mid 1980s, many values had not been updated for 20 to 25 years, and the state was about to get sued and likely lose because of its failure to adhere to the uniform and equal constitutional mandate.

The legislature in 1985 passed a law mandating annual reappraisal beginning in 1989 and also placed a proposed classification amendment on the 1986 ballot for consideration by voters that was generally designed to avoid major tax shifts on to residential property and agricultural land as a result of updating all property tax values. Voters adopted the amendment, which was effective for tax year 1989, and in 1992 subsequently adopted a slightly revised classification amendment that has been in effect since tax year 1993.

Changing Valuation System Not a New Idea

Kansas' annual fair-market-value based system is believed to be more equitable than systems utilized in a number of other states, including California and Oklahoma. Valuation limitations and restrictions in those states over time have tended to create acquisition-cost based systems, which are less equitable and more regressive than fair market value.

A number of proposed constitutional amendments introduced in Kansas since the early 1990s have nevertheless attempted to start down this path, seeking to freeze or limit annual valuation increases (some to a specific percent; others tied to inflation). Other proposals would have amended the constitution more generally and authorized the Legislature to provide for valuation limitations, the details of which presumably would have been hammered out in the legislative process. Yet another set of proposals on the table in the late 1990s would have decelerated the annual reappraisal requirement and provided for less frequent adjustment of values.

None of these proposals ended up getting on the ballot or advancing very far through the legislative process. A number of legislative interim studies concluded that there was a concern over equity issues and potential tax shifts on to other classes of property.

While these ideas are designed to reduce irritation over volatility of annual valuation changes, property taxes are not necessarily reduced by suppressing values except to the extent of the 21.5 mills of state levies. Moving away from fair market value creates potential equity and regressivity questions as well as the potential for unintended tax shifts on to other classes of property. Moreover, any effort to suspend the annual updating of values would start down a slippery slope not unlike that from the late 1960s through late 1980s wherein a lack of political will created inequities and a crisis so severe that major constitutional change was necessary over multiple years in the late 1980s and early 1990s. A great deal of thought has been put into the property valuation appeals system over the years, and taxpayers have ample opportunity to challenge annual valuation determinations under current law.

State Property Tax Levies

Kansas has levied a small state property tax to support state building funds since 1942. Since the mid 1960s, with only limited exceptions, that levy has been set at 1.5 mills per year. The mandatory school district general fund property tax levy was enacted in 1992. Prior to enactment of the 1992 School District Finance and Quality Performance Act, school district general fund levies varied widely among school districts. In accordance with various statutory constraints, these levies were established by local school boards and ranged from 9.12 mills (Burlington) to 97.69 mills (Parsons) in 1991. The 1992 law established a uniform general fund levy of 32 mills for 1992, 33 mills for 1993, and 35 mills for 1994 and thereafter. The Shawnee County District Court in 1993 ruled that such imposition violated a provision of the Kansas Constitution limiting state property tax levies to two years. The 1994 Legislature subsequently reimposed the 35 mill levy for 1994 and 1995, and the Kansas Supreme Court (USD No. 229 v. State, 256 Kan. 232 (1994)) noted the district court's ruling on the matter and observed that the "infirmity" in the law had been corrected by the 1994 legislation. Since tax year 1998, the levy has been set at 20 mills, and an exemption for the first $20,000 of each residential parcel has been in place since tax year 1997.

With this historical backdrop in mind, we now consider the current state of Kansas property taxation.

Kansas State and Local Property Taxes in Comparison to Surrounding States

Kansas collects more state and local property tax per person than our comparison states. Figure 5.1 shows state and local property tax revenue as a share of personal income in Kansas, our comparison states, and the United States. Kansans bear a state and local property tax burden similar to that for the nation as a whole. Compared with the average for our region, the Kansas ratio of property taxes to personal income is above average. However this is not due to Kansas having an unusually high ratio – it is because Oklahoma has an unusually low ratio. In 2019, the Kansas ratio ranked in the middle compared with nearby states: Kansas: 3.11%; Colorado: 2.97%; Iowa: 3.42%; Missouri: 2.30%; Nebraska: 3.69% Oklahoma: 1.74%. As a share of personal income, the Kansas property tax stood at a high in 2004 and has declined since.

State and Local Property Tax Calculation

Property tax calculations in Kansas are complicated. They begin with the appraised value of the property that is multiplied by the assessment rate to give the assessed value. The assessed value is then multiplied by the mill levy (tax rate) for where the property is located as of January 1st of the tax year. The first $20,000 of the appraised value of a residential property receives an exemption from the statewide Kansas 20 mill school levy. The resulting number is divided by 1,000 for the full year property tax amount. Mill levies vary within local jurisdictions. Assessment ratios for real estate and other tangible property are established in the Kansas Constitution. Table 5.1 shows these assessment ratios.

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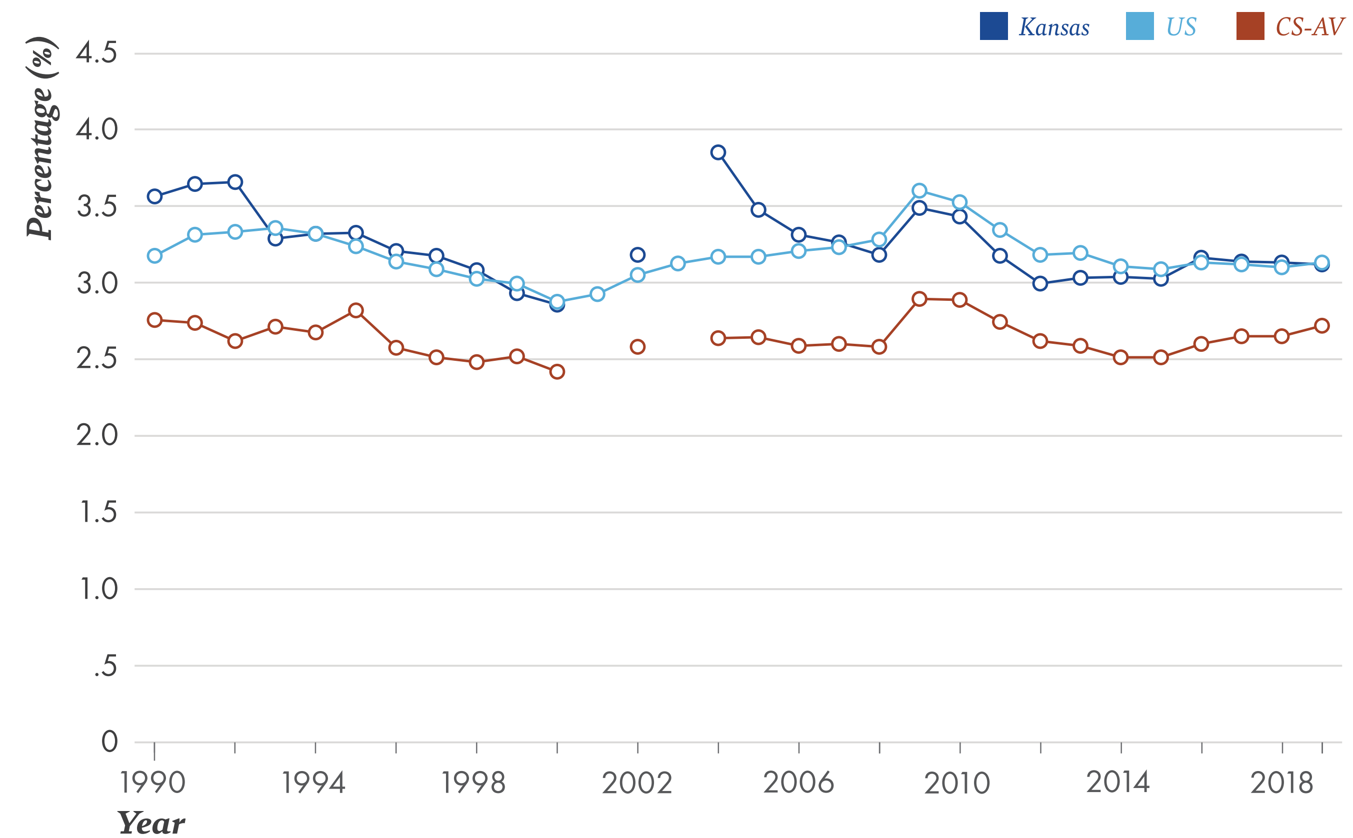
Table 5.1. *Assessment Ratios for Real and Personal Property in Kansas.*

Source: Kansas Constitution and Kansas Department of Revenue.

Figure 5.1. *State and Local Property Tax Revenue as a Share of Personal Income: Kansas, US, and Comparison States.*



Source: Institute for Policy & Social Research, the University of Kansas; data from U.S. Census Bureau, 2019 Annual Surveys of State and Local Government Finances, and U.S. Bureau of Economic Analysis, Personal Income Summary: Personal Income, Population, Per Capita Personal Income.

Real Property	Assessment Ratio	Personal Property	Assessment Ratio
Residential	11.5%	Mobile Homes	11.5%
Commercial & Industrial	25.0%	Mobile Leases	30.0%
Public Utility excluding Railroads	33.0%	Natural Gas Leases	25.0%
Agricultural Land	30.0%	Public Utility Inventories	33.0%
Vacant lots	12.0%	Motor Vehicles	30.0%
Non-for-profit	12.0%	Commercial/Industrial Equip.	25.0%
Other not classified	30.0%	Other Personal Property	30.0%
--	--	Watercraft	5.0%

An example of how residential property taxes are calculated is below. We use the state average mill levy of 133.596 for a house appraised at $250,000.

Kansas has a multitude of taxing districts from the state, county and city levels and most importantly school districts. Table 5.2 shows the summary of property taxes levied in Kansas by taxing district in 2020. The majority of property taxes levied are on behalf of schools (44.4%) followed by counties (28.8%) and cities (16.5%).

Appraised Value × Assessment Ratio = Assessed Value

$250,000 × .115 = $28,750 = Assessed Value

$20,000× .115 = $2,300 = Assessed Value Exempted from Statewide Levy

Property Tax =

((Assessed Value ×Mill Levy)-(Assessed Value Exempted×20 Mills))/1000

Property Tax = ($28,750×133.596-$2,300×20)/1000 = $3,794.89

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Table 5.2. *Summary of Property Taxes Levied in Kansas, by Taxing District, November 1, 2020.*

Source: Kansas Department of Revenue, Division of Property Valuation, Statistical Report of Property Assessment and Taxation, 2020.

Taxing District	2020 General Tax ($)	Percent of Total
State	58,990,957	1.12%
County	1,514,428,093	28.82%
City	867,221,877	16.5%
Township	89,043,182	1.69%
School	2,333,613,233	44.4%
Cemetery	7,366,899	0.14%
Drainage	5,389,418	0.1%
Fire	82,844,744	1.58%
Hospital	25,505,776	0.49%
Improvement	1,891,478	0.04%
Library	88,835,154	1.69%
Lighting	12,700	0%
Parks and Recreation	36,282,216	0.69%
Sewer	327,073	0.01%
Watershed	4,749,642	0.09%
Airport Authority	6,036,001	0.11%
Ambulance	911,899	0.02%
Community Building	66,090	0%
Ground Water Management	-	0%
Industrial	46,325	0%
Irrigation	6,662	0%
Rural Highway System	7,697,740	0.15%
Tax Increment	62,474,040	1.19%
Water	6,148	0%
Miscellaneous	61,707,005	1.17%
Total	**5,255,454,352**	

Figure 5.2 shows the average mill levy by county in 2020. Average Mill levies tend to be lower in urban counties because of higher overall property values in those areas. Average Mill levies in Kansas range from 90.2 in Coffey County to 223.8 in Stanton County. Mill levies tend to be higher in southeast and southwestern counties, and lower in northeast Kansas.

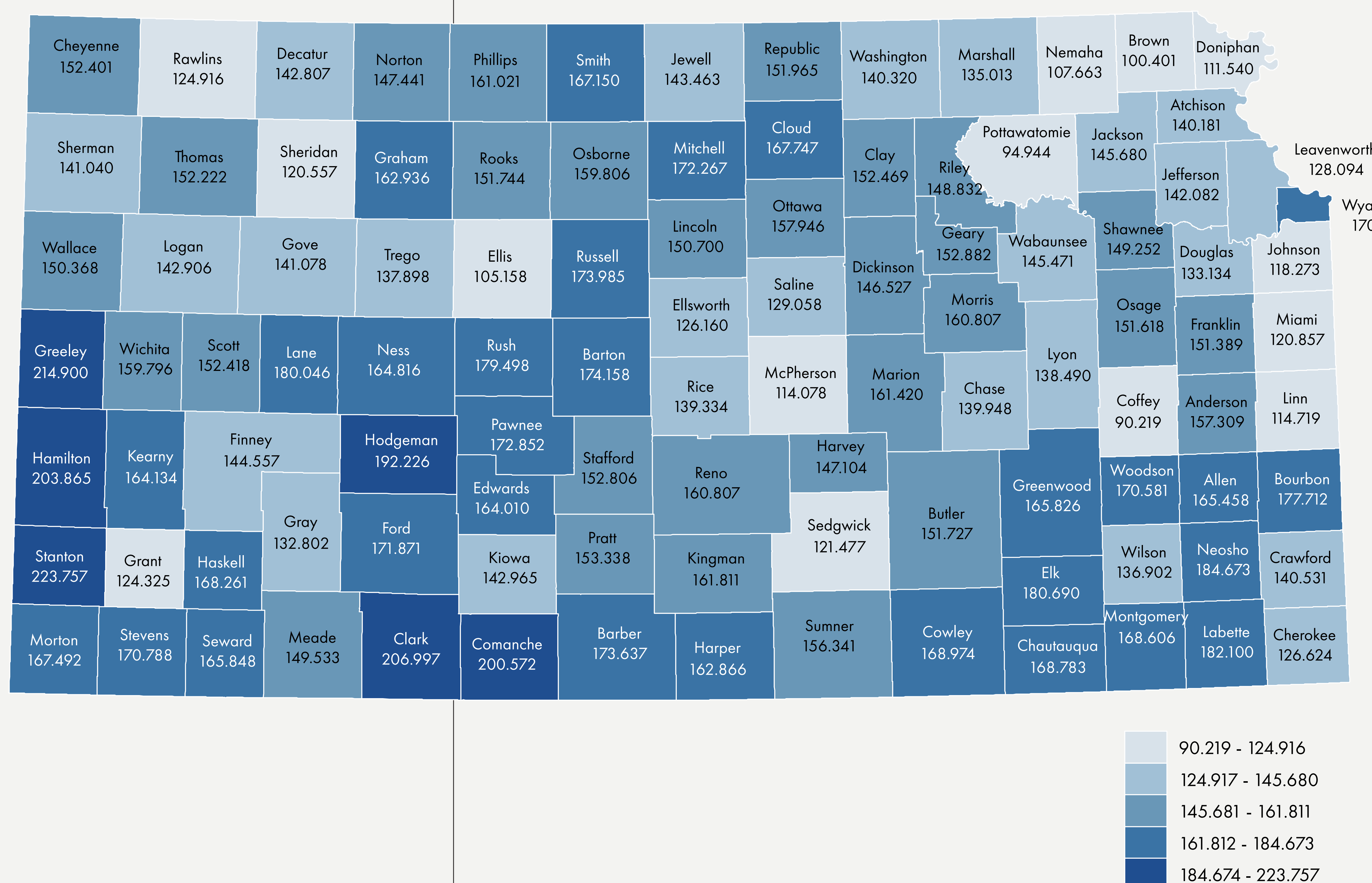

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Figure 5.2. *Average Mill Levy in Kansas, by County, 2020.*

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Revenue, Statistical Report of Property Assessment and Taxation.

Figure 5.3 shows the per capita property taxes paid by county. Per capita property taxes in Kansas in 2020 ranged from $1,021 in Crawford County to $6,169 in Coffey County. Counties in the eastern half of the state tend to have lower per capita property tax collections than western counties, with counties in the north central region ranking in the middle. Rural counties in western Kansas likely have higher per capita property taxes because counties with small populations still need to maintain basic services and infrastructure but can't achieve economies of scale in their provision. It is interesting to note that Coffey County has the lowest average mill levy but the highest per capita property tax. This is because the Wolf Creek Generating Station provides the county with a very large property tax base.

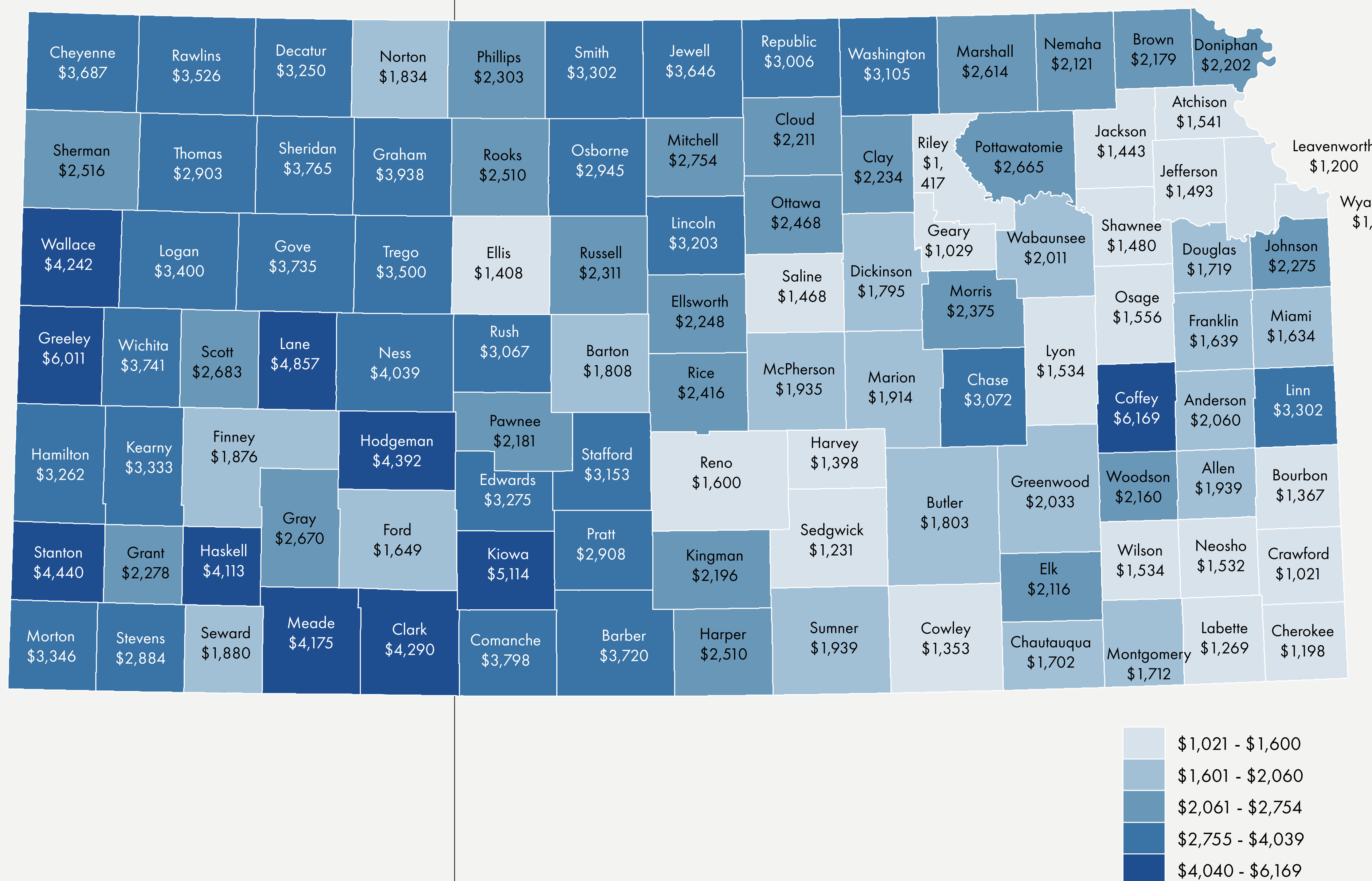

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Figure 5.3. *Per Capita Property Taxes in Kansas, by County, 2020.*

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Revenue, Statistical Report of Property Assessment and Taxation.

Property Tax Relief

Property taxes become difficult to pay if a household has low and/or fixed income. Prior to the Brownback tax cuts, Kansas offered homestead property tax credits to renters and owners. States with property tax "circuit breaker" policies, which provide property tax relief based on income, are shown in Figure 5.4. As of 2018, 18 states and the District of Columbia had property tax circuit breakers for both homeowners and renters, and 8 states, including Kansas, had circuit breakers for homeowners only. In three states, Hawaii, Oregon and North Dakota, only renters were eligible for circuit breaker programs.

Prior to the 2012 tax cuts, Kansas allowed renters to participate in the Homestead Property Tax Relief program. The current Homestead program is available only to homeowners with a principal residence valued at $350,000 or less and a maximum household income of $36,300. Taxpayers can only claim the credit if one of the following demographic conditions apply to at least one person in the household: 1) age 55 or above; 2) a dependent child under age 18; 3) blind; or 4) otherwise disabled. Refunds are capped at $700 under the statutory formula. A second program, known as Safe Senior, is available only to homeowners aged 65 and above with a principal residence valued at $350,000 or less and a maximum household income of $20,300. This program allows refunds of up to 75% of property taxes paid.

Residential property values have increased dramatically since the COVID-19 pandemic. Data from the Federal Housing Finance Agency provides percentage change in its housing price index for the third quarter of 2021. In the past year, housing prices have appreciated 18.5% in the US and 14.7% in Kansas. Within the state of Kansas, Lawrence had the highest housing price increase of 16.2%. These increases in housing prices will increase the appraised value of residential property and could potentially increase property taxes.

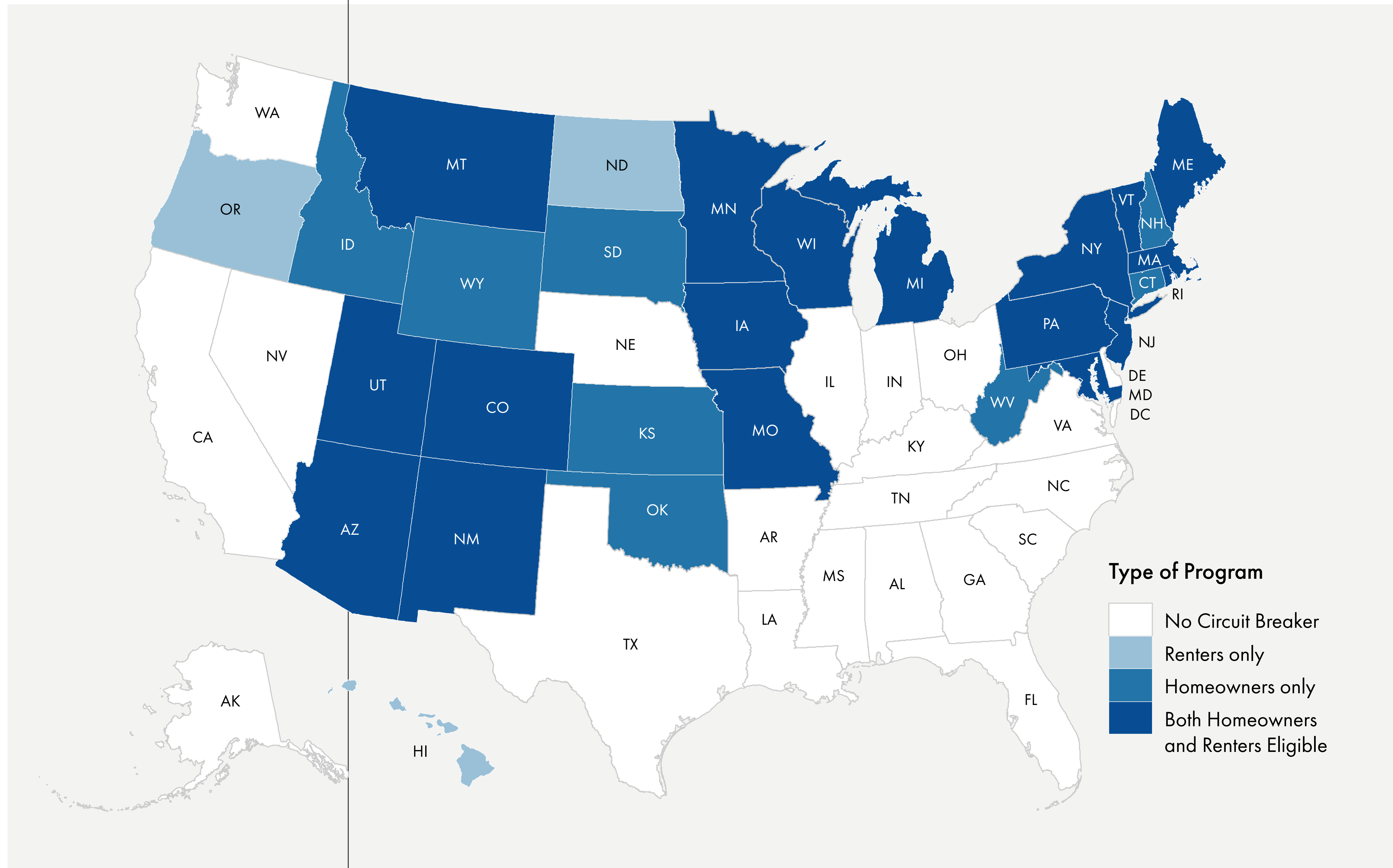

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Table 5.3. *One-Year Percentage Change in the Federal Housing Finance Agency Housing Price Index, 3rd Quarter 2021.*

Source: Federal Housing Finance Agency, Change in FHFA State House Price Indexes.

Location	Price Increase
United States	18.5%
Kansas	14.7%
Kansas City MSA	15.6%
Wichita	13.9%
Topeka	15.8%
Lawrence	16.2%

Above

Figure 5.4. *Property Tax Circuit Breakers in the US, by State, 2018.*

Source: Institute for Policy & Social Research, the University of Kansas; data from Institute on Taxation and Economic Policy.

Conclusions & Recommendations

Property taxes, levied primarily by local governments, are the longest leg on the three-legged stool. Given the significant appreciation in housing that resulted from the COVID-19 pandemic, housing assessments will again see a significant increase for tax year 2022. When a local unit adopts a no-growth budget and all valuations in that taxing jurisdiction increase by the same amount, mill levies will automatically adjust downward to provide the same level of property tax dollars. This occurs because local governments adopt budgets in terms of dollars and do not automatically collect revenue windfalls from valuation increases. Nevertheless, changes in valuations create consternation on the part of taxpayers. In general, Kansas has a user-friendly valuation appeals process. As alternatives to poorly-targeted and inequitable changes to procedures relating to valuations, the Council strongly encourages policymakers to **maintain Kansas' annual fair-market-value based property tax valuation system. If this system is repealed or modified, it could lead to drastic inequality and a lack of consistency in property tax collection across the state** as experienced in other states and in Kansas before the current system was established in the late 1980s.

In addition, **the Council strongly opposes any new constitutional restrictions on state or local taxation or spending authority.** Although no specific proposal was available for review at the time of the Council's final meeting, an interim legislative panel discussed a constitutional amendment that would require supermajorities for the state or local governments to take certain actions regarding taxation or spending. At the local level, this would limit local government's ability to adjust property taxes. Compelling information presented to the Council by the Urban Institute's Tax Policy Center showed that in Colorado, some rural school districts can only afford a four-day school week because these school districts could not achieve the supermajorities required to increase property taxes to fully fund a five-day school week.

The Council urges policymakers to **continue to fully fund K-12 Education**. In the coming year, the state of Kansas will finally reach full funding for Kansas schools under the *Gannon* settlement. The state must continue to meet its responsibility to fully fund education and avoid the litigation and funding deficits that have impacted Kansas school-
children for much of the past decade.

The Council also encourages policymakers to consider recommendations made by its Property Tax Subcommittee chaired by former Senate Minority Leader Anthony Hensley. That subcommittee suggested several options that would provide for better targeted property tax relief than alterations to the fair market valuation system used in Kansas.

The recommendations from the Property Tax Subcommittee include:

- Increase residential property tax exemption on 20 mills statewide school mill levy from $20,000 to $40,000.
- Increase funding for Board of Tax Appeals, with specific focus for enhanced IT services and functionality.
- Expand eligibility and the amount of refund for Homestead Property Tax Refund Program.
- Restore funding for Local Ad Valorem Tax Reduction (LAVTR) Fund, including through Constitutional Amendment.
- Encourage legislature to provide local governments the authority to levy excise taxes with voter approval to reduce local property taxes.
- Amend statute in response to 2021 SB-13 to strike "revenue neutral rate" and insert "revenue neutral amount." Amend statute in response to 2021 SB-13 to have all budgets due on October 1.
- Request the legislature hold hearings and publish an intent to maintain the 21.5 mills if they go beyond the revenue neutral rate or amount established under SB-13.

Chapter Six

The Hypothetical Taxpayer Approach

Overview

The previous chapters have demonstrated the complexity of the state and local tax system. For individual taxpayers, tax liabilities depend upon many factors, including income level, filing status (single, married, or head of household), number and ages of children, household spending patterns, and ownership of taxable assets such as homes and vehicles. A key question is how the features of the federal, state, and local tax systems interact to affect Kansas families.

In order to address this question, IPSR has developed a hypothetical taxpayer approach. The approach begins by defining a set of Kansas families. The characteristics of these families are defined to focus on key tax policy impacts – how will policy affect the 'bottom line" for stylized family types.

Hypothetical taxpayer models personalize tax policy discussions: policymakers as well as the general public can see the implications of tax policy features. Table 6.1 outlines the family types examined in this research.

Hypothetical taxpayer models can be developed quickly, and changes to the salient features of the state's tax system can be incorporated in response to tax policy discussions. Our model incorporates within-state differences in property and sales tax rates. The model evaluates the same type of family at several income levels, so the progressivity or regressivity of various tax features emerges from family examples. Although the hypothetical taxpayer model illustrates key features of the state's tax system, it does **not** produce statewide estimates of the impact of policy changes on tax revenues, nor does it

Equity concepts (including progressivity/ regressivity) can more easily be understood and applied by policymakers who recognize and identify with specific hypothetical taxpayers similar to their own constituents.

incorporate long-term consequences of tax policy on labor supply, labor income, and economic growth.

The hypothetical taxpayer model estimates 2022 taxes, using 2022 rates and brackets. When a tax feature is expected to affect only part of the 2022 tax year, we model it as if it were in effect the entire year. Some 2022 tax features still are unknown: for example the continuation of the federal child tax credit at expanded levels. We list the assumptions that we make about yet unknown tax features. The model uses some data items based on 2019 and 2020. For example, we use the 2019 American Community Survey (ACS) to estimate home values. When possible, we adjust earlier data values. For each tax type, we list data sources.

The hypothetical taxpayer model includes calculations for:

- Federal and state income tax
- Sales tax, with a particular emphasis on food
- Property taxes on homes
- Property taxes on motor vehicles.

Our current model does not include individual gasoline taxes, alcohol taxes, or other excise taxes.

We examine the four tax types listed previously, and then consider the overall state and local tax liability of the hypothetical Kansas families.

Table 6.1. *Characteristics of Hypothetical Taxpayers.*

ID	Taxpayer Type	Dependents	Household Size	Total Income ($)	Social Security Income ($)
1	Single	0	1	25,000	0
2	Single	0	1	45,000	0
3	Single	0	1	80,000	0
4	Single	0	1	100,000	0
5	Married	0	2	25,000	0
6	Married	0	2	45,000	0
7	Married	0	2	80,000	0
8	Married	0	2	100,000	0
9	Married	0	2	150,000	0
10	Married	2	4	25,000	0
11	Married	2	4	45,000	0
12	Married	2	4	80,000	0
13	Married	2	4	100,000	0
14	Married	2	4	150,000	0
15	Head of HH	2	3	25,000	0
16	Head of HH	2	3	45,000	0
17	Head of HH	2	3	80,000	0
18	Senior-Married	0	2	25,000	19,000
19	Senior-Married	0	2	45,000	25,000
20	Senior-Married	0	2	80,000	30,000
21	Senior-Married	0	2	100,000	30,000

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas; data from Social Security income based on American Community Survey 2019 for households over age 65 with at least $3,000 in social security income.

Income Taxes, Federal and Kansas Income Taxes

Income Tax Outcomes

We begin the analysis with income taxes, federal and Kansas. We fill out an IRS 1040 federal form for each of the taxpayer types. We assume that all income comes from wages and salaries, but we assume that senior households receive Social Security and retirement income. For families with dependents, we assume that one child falls in the age range 0 to 5, while the other child is age 6 to 17. Depending on family composition and income level, the taxpayer may qualify for the Earned Income Tax Credit (EITC) and for child tax credits, which are refundable. Our initial analysis assumes that the taxpayers itemize at the federal and state levels. In addition, we consider the case of itemization at the state level. Table 6.2 summarizes assumptions.

Table 6.2. *Assumptions for Income Tax Calculations.*

Household type	Assumptions and data
Single, no dependents	Hypothetical taxpayer income level too high to qualify for EITC. Taxpayer age 25-64. Income assumed to be earned income: wages and salaries plus self-employment.
Married, no dependents	Hypothetical taxpayer income level too high to qualify for EITC. Taxpayers age 25-64. Income assumed to be earned income: wages and salaries plus self-employment.
Married, two dependents	EITC rules the same as in 2021. Credit refundable. One child is age 0-5, one child is age 6-17. Taxpayers age 25-64. Income assumed to be earned income: wages and salaries plus self-employment.
Head of HH, two dependents	EITC rules the same as in 2021. Credit refundable. One child is age 0-5, one child is age 6-17. Taxpayers age 25-64. Income assumed to be earned income: wages and salaries plus self-employment.
Married Senior, no dependents	Taxpayer unit receives Social Security income. Social Security benefits are estimated from the 2019 American Community Survey for households with married couple, at least one of whom is age 65+. Only households with Social Security income over $3000 are included in the calculations in order to remove those receiving benefits for only a small portion of the year. Households have additional income, primarily from retirement income sources.

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

The federal return serves as the starting point for the Kansas return. Kansas modifies federal AGI, but most of Kansas modifications leave our example families unaffected. An exception is senior households, where the taxability of Social Security at the state level differs significantly from taxability at the national level.

Table 6.3 and Figure 6.1 show the results of our income tax calculations for various taxpayer types. The hypothetical taxpayer model allows us to examine the same type of household but at difference income levels, so that we can examine the progressive or regressive nature of the income tax system while comparing "apples with apples." As seen in Table 6.3, both the federal and Kansas systems are progressive, with households at higher income levels paying a larger share of their income in taxes. Three features of the federal tax system drive progressivity. First, large standard deductions (estimated for 2022 at about $26,000 for married couples and $13,000 for singles) dramatically reduce taxable income and hence tax liabilities. For low-income households, the liability can be driven to zero. Second, the EITC can drive taxable income and hence tax liabilities to zero for low-income taxpayers. Second, the EITC provides substantial refundable tax credits for low to moderate income households, especially those households with children. Finally, expanded child tax credits reduce tax liabilities by $3,600 for young children and $3,000 for older children. This credit constitutes a large percentage of total income for households in lower income brackets. Low-income households often receive a net rebate due to the refundable nature of the EITC and child credits, as seen by the negative tax amounts in Table 6.3 and Figure 6.1.

As of this writing, it remains unclear if and how federal child tax credits will be implemented for tax year 2022. If these federal credits are reduced or eliminated, refunds for low-income households with dependents will shrink.

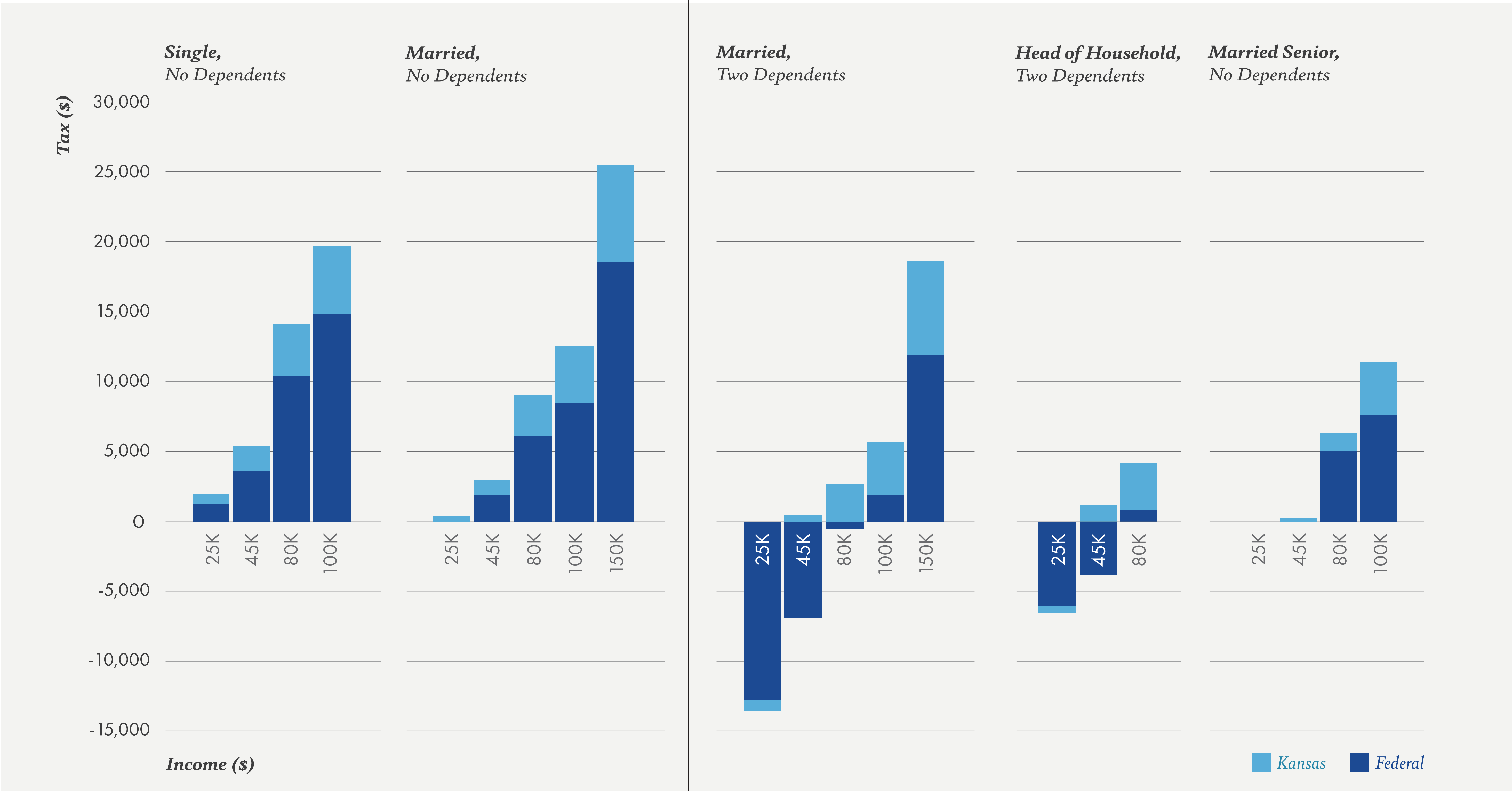
The Kansas state level tax system incorporates some but not all of the features of the federal tax system. Kansas holds standard deductions at much lower levels that the federal deduction. With the passage of SB-50 in 2021, taxpayers who do not itemize at the federal level can now itemize at the state level. Kansas does not grant child tax credits, but a personal exemption of $2,250 applies to each family member. Kansas follows the federal lead in allowing an earned income tax credit – currently 17% of the federal credit. Finally, Kansas calculations for the taxability of Social Security income differ substantially from federal calculations. We discuss the Social Security issue later in this section. In general, single Kansans pay a higher percentage of their income in state income taxes than do married couples, and filers who are heads of household with dependents pay more than married couples with the same family income. In both cases, the Kansas tax system is adjusting for the total number of people in the family unit.

Table 6.3. *Income Tax Outcomes for Hypothetical Taxpayers.*

Household Type	Total Income ($)	Federal Tax ($)	State Tax ($)	Fed Tax as % Income	State Tax as % Income
Single, No Dependents	45,000	3,641	1,780	8.09%	3.96%
Single, No Dependents	80,000	10,368	3,775	12.96%	4.72%
Single, No Dependents	100,000	14,768	4,915	14.77%	4.91%
Married, No Dependents	25,000	-	388	0.00%	1.55%
Married, No Dependents	45,000	1,910	1,061	4.24%	2.36%
Married, No Dependents	80,000	6,081	2,933	7.60%	3.67%
Married, No Dependents	100,000	8,481	4,073	8.48%	4.07%
Married, No Dependents	150,000	18,536	6,923	12.36%	4.62%
Married, Two Dependents	25,000	-12,764	-800	-51.06%	-3.20%
Married, Two Dependents	45,000	-6,907	491	-15.35%	1.09%
Married, Two Dependents	80,000	-519	2,676	-0.65%	3.35%
Married, Two Dependents	100,000	1,881	3,816	1.88%	3.82%
Married, Two Dependents	150,000	11,936	6,666	7.96%	4.44%
Head of HH, Two Dependents	25,000	-6,040	-494	-24.16%	-1.98%
Head of HH, Two Dependents	45,000	-3,821	1,223	-8.49%	2.72%
Head of HH, Two Dependents	80,000	849	3,376	1.06%	4.22%
Senior Married, No Dependents	25,000	-	-	0.00%	0.00%
Senior Married, No Dependents	45,000	-	205	0.00%	0.45%
Senior Married, No Dependents	80,000	5,007	1,277	6.26%	1.60%
Senior Married, No Dependents	100,000	7,605	3,765	7.61%	3.76%

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas; data from tax calculations based on IRS Form 1040 2021 and Kansas Form K40. All calculations reflect established or anticipated rules for 2022.

***Figure 6.1.** Federal and State Income Tax by Income Level and Household Type for Hypothetical Households (using 2022 brackets and expected rules).*



Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Progressivity of the Income Tax: A Comparison of Federal and Kansas Outcomes

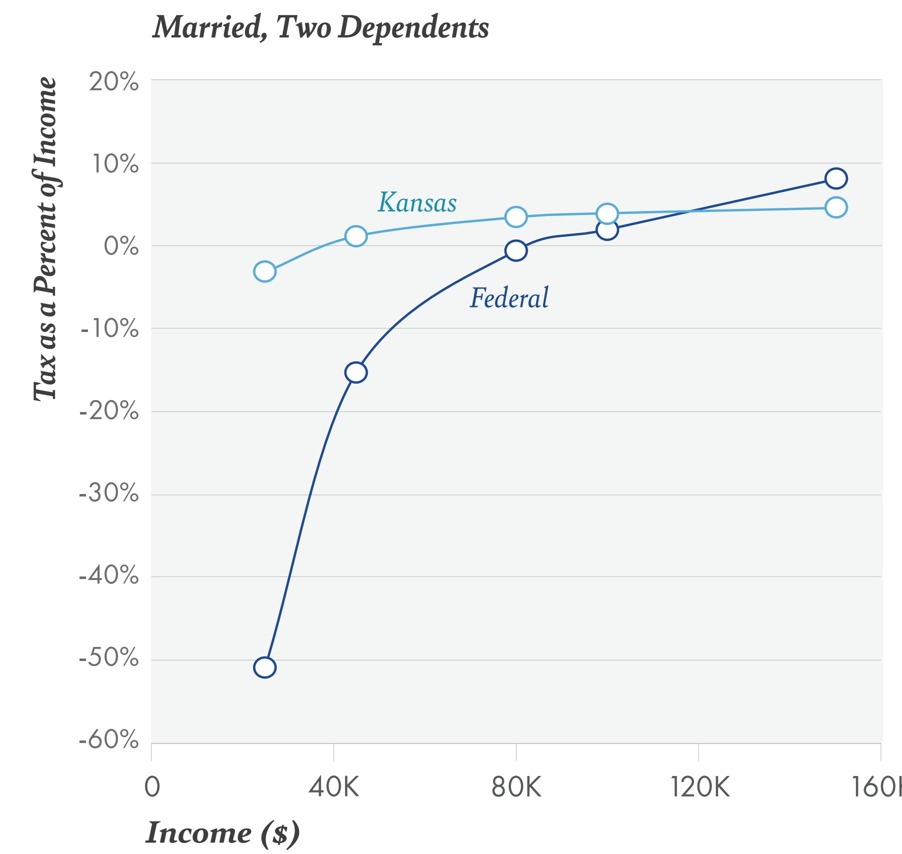
Table 6.3 illustrates the progressivity of both the federal and Kansas income tax systems. As income rises, so does the share of income paid in taxes. The ratio of tax payments to income is known as an effective rate. The degree of progressivity of the two systems differs dramatically, with effective rates rising in the federal system across all income brackets, but leveling off in Kansas.

The difference in the two systems is most pronounced for taxpayers with dependents. Under the federal tax system, the EITC and federal child credits put money back into the hands of low- and moderate-income taxpayers through refunds. Although higher-income taxpayers still are eligible for child credits, the credits reduce taxes more as a percentage of income for lower tax brackets. Coupled with this is a progressive rate system in which marginal rates rise over the entire income spectrum illustrated by our hypothetical families. In contrast, only the lowest-income taxpayers receive a refundable Kansas credit. The effective rate paid rises with income, but levels off before income reaches $80,000. Note that the highest marginal rate in Kansas is reached at an income level of $60,000 of taxable income for married taxpayers filing jointly.

Kansans without dependents see effective rates rising steadily at the federal level but leveling off at moderate income levels (Figure 6.2).

Tax Treatment of Social Security Income

The federal tax system employs a complex algorithm whereby the amount of Social Security income taxed depends on Social Security payments combined with other income such as wages, interest, and dividends. Married couples for whom the combined sum of half of Social Security income plus all other income exceeds $32,000 will have a portion of Social Security payments added to taxable income. At most, 85% of Social Security income is subject to taxation. Kansas takes a different approach that completely exempts Social Security income from taxation for most senior tax-payers. Kansas employs a taxable-nontaxable switch for Social Security income. If federal adjusted gross income (AGI) is less than or equal to $75,000, none of the payment is taxable. If AGI exceed $75,000, the amount of Social Security taxable at the federal level is also taxable in Kansas. A difference of even $1 in federal AGI can mean a difference of several thousand dollars in Kansas AGI. The sudden jump in Kansas AGI income is known as a tax "cliff." A tax cliff will exist for any AGI cutoff level because the Kansas tax system does not ease in the taxability of Social Security income.



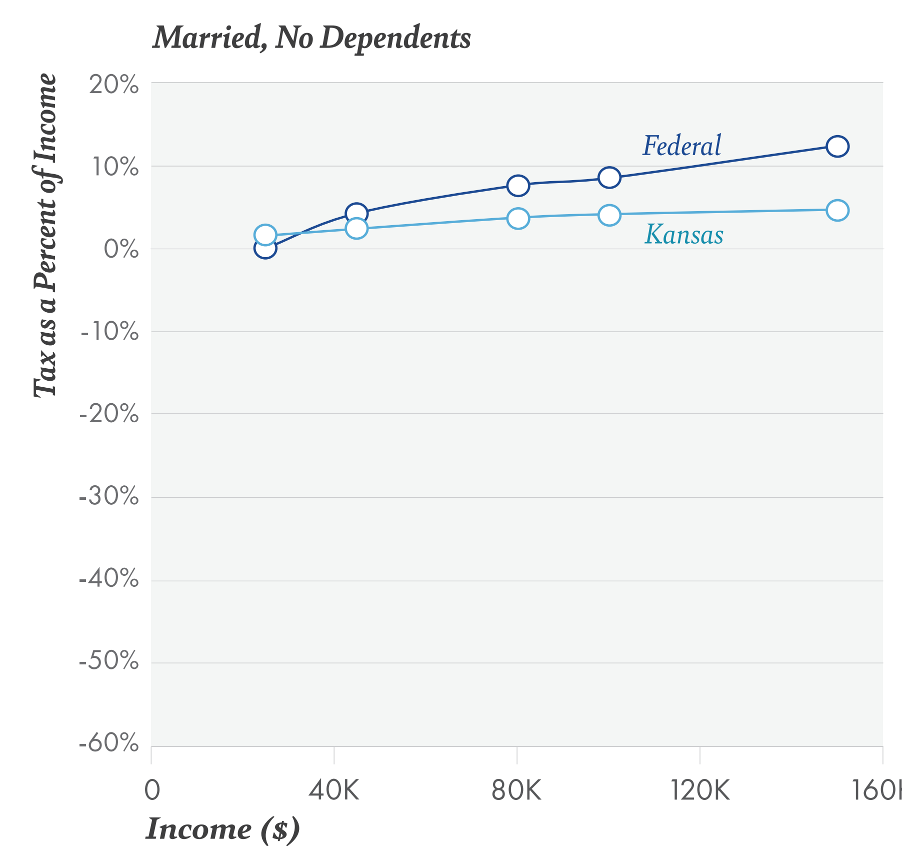


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Figure 6.2. *Income Tax Progressivity and Effective Rates, Married Taxpayers with Two versus Zero Dependents.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Table 6.4 contrasts the federal and Kansas treatment of Social Security income using our hypothetical senior taxpayers. Note that when total income increases by $20,000 from $80,000 to $100,000, the corresponding Kansas AGI rises by $45,500 from $50,000 to $95,500. The current method of taxing Social Security in Kansas protects low to moderate income seniors by removing Social Security from the income tax base. Kansas conforms to federal rules at higher income levels.

Effect of Itemization

As part of the Tax Cuts and Jobs Act of 2017 (TCJA), standard deductions almost doubled for federal filers, leading many families to use the standard deduction rather than itemized deductions on their federal returns. The ability of a Kansas taxpayer to itemize for state income taxes had (until 2021 legislation) been linked to itemization at the federal level. We look at married taxpayers in 2017 (pre-TCJA) and 2019 (post TCJA) to illustrate the effect.

The number of itemizers dropped dramatically between 2017 and 2019. Both before and after TCJA, the propensity to itemize among married filers was concentrated in the upper middle to high income ranges. For those Kansans who chose to itemize, the average dollar amount of deductions (2017 and 2019) did not vary much across income levels below $250,000.

Kansas Senate Bill 50 (SB-50) (2021) allows taxpayers to itemize on their Kansas returns even if they take the federal standard deduction. At the same time, the legislation increases the Kansas standard deduction by $500. We expect that the 2021 distribution of itemizers will look similar to 2017, but 2021 tax returns have not yet been filed. Figure 6.3 shows the potential tax savings due to itemization for households with $100,000 AGI and $150,000 respectively. We assume that the hypothetical households itemize only at the state level, not the federal level. We also assume that the $100,000 household has $11,000 in Kansas itemizable deductions and that the $150,000 has $13,000 – greater than the $8,000 Kansas standard deduction but less than the $14,000 average for 2017 for this income category. Note that the 2017 deduction averages include taxpayers with large deductions who would have itemized at the federal level even with the doubled federal standard deduction.

We estimate that a four-person household would save between $170 and $230 due to the itemization provision of SB-50, depending on income. Note that this saving only accrues to people who have itemizable deductions above the Kansas standard deduction but below an amount that would trigger federal itemization. And as Table 6.5 shows, Kansas itemization largely impacts families with income above $100,000, both before TCJA (2017) and after.

Table 6.4. *Federal and Kansas Taxable Social Security for Hypothetical Senior Households.*

Total Income ($)	Social Security income ($)	Social Security as % Total Income	Federal Taxable Social Security ($)	Kansas Taxable Social Security ($)	Federal AGI ($)	Kansas AGI ($)
25,000	19,000	76.0%	0	0	6,000	6,000
45,000	25,000	55.6%	250	0	20,250	20,000
80,000	30,000	37.5%	23,850	0	73,850	50,000
100,000	30,000	30.0%	25,500	25,500	95,500	95,500

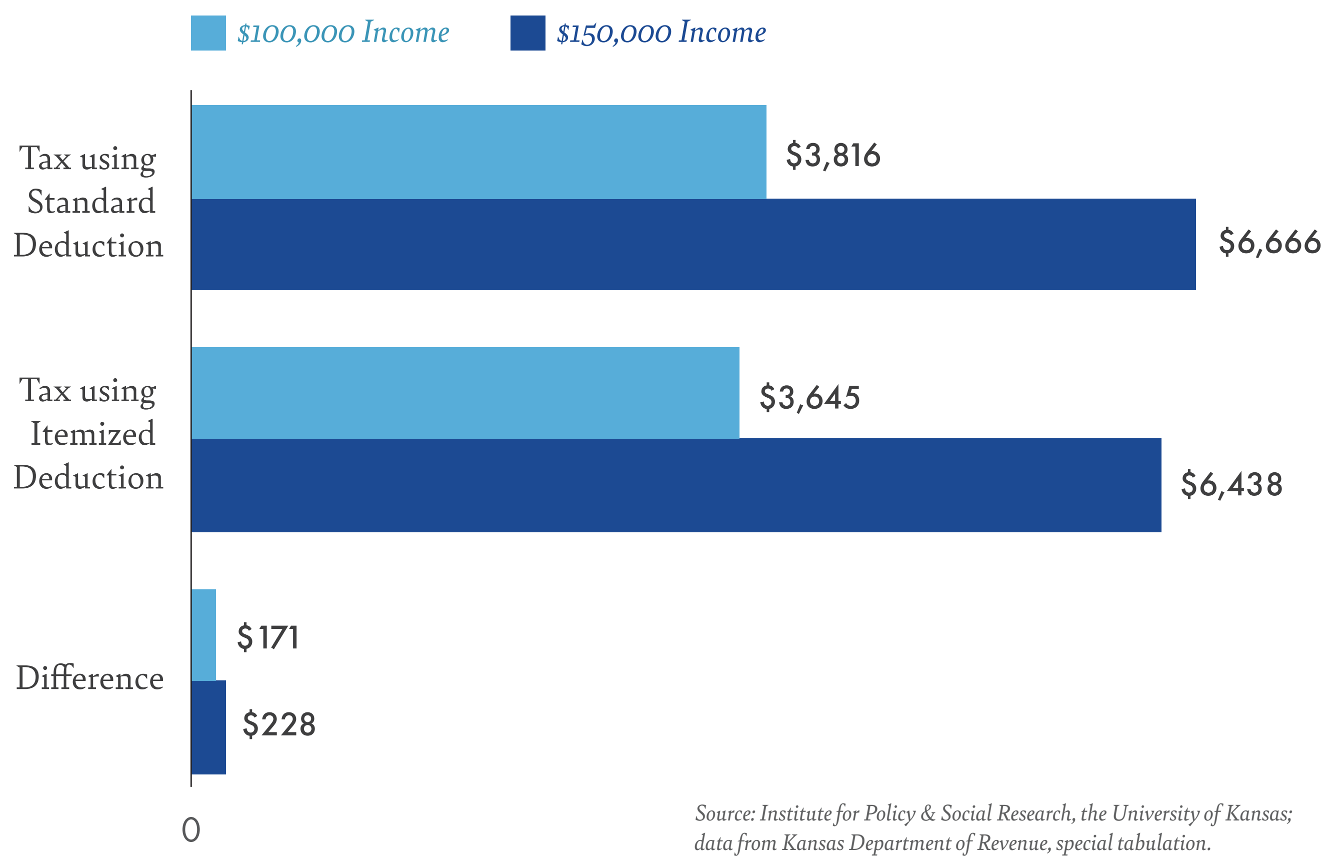
Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Table 6.5. *Impact of Federal Standard Deduction Changes on Kansas Married Joint Filers.*

Income Category ($)	Number of 2017 Kansas Itemizers	Itemizers as % of 2017 Filers	Number of 2019 Kansas Itemizers	Itemizers as % of 2019 Filers	Average Value 2017 Itemized Deduction ($)	Average Value 2019 Itemized Deduction ($)
25,000.01 - 50,000	6,004	6.6%	2,788	3.4%	13,105	28,376
50,000.01 - 75,000	7,523	9.3%	2,166	2.9%	12,607	27,183
75,000.01 - 100,000	14,013	16.3%	4,071	4.8%	12,555	26,480
100,000.01 - 250,000	59,617	39.8%	25,082	14.9%	14,234	25,581
250,000.01 - Over	21,753	80.5%	16,888	51.5%	44,311	66,704

Source: Institute for Policy & Social Research, the University of Kansas; data from Kansas Department of Revenue, special tabulation.

Figure 6.3. *Impact of Kansas Itemization on Hypothetical Family of Four, $100,000 and $150,000 Income.*



Source: Institute for Policy & Social Research, the University of Kansas; data from Kansas Department of Revenue, special tabulation.

Summary

The hypothetical taxpayer model illustrates several important features of the Kansas income tax system. First, the state income tax may exceed the federal income tax for low- and middle-income taxpayers with children, because these taxpayers receive substantial credits at the federal level. Second, the Kansas income tax system is progressive – the share of income paid in taxes increases as income increases. But while the Kansas system is progressive, it is not as progressive as the federal system. Third, the Kansas system exempts Social Security payments from income taxes except for families with federal AGI above $75,000. Because only a portion of Social Security is included in federal AGI, the total income of families affected by Social Security taxes is in excess of $75,000. Fourth, some upper income families who do not itemize at the federal level benefit from allowing itemization on state income tax returns due to the changes from SB-50. However very few low- to lower middle-income families benefit from this measure. Statewide, the benefit accrues almost exclusively to taxpayers in upper income brackets.

Sales Taxes in Kansas, State and Local

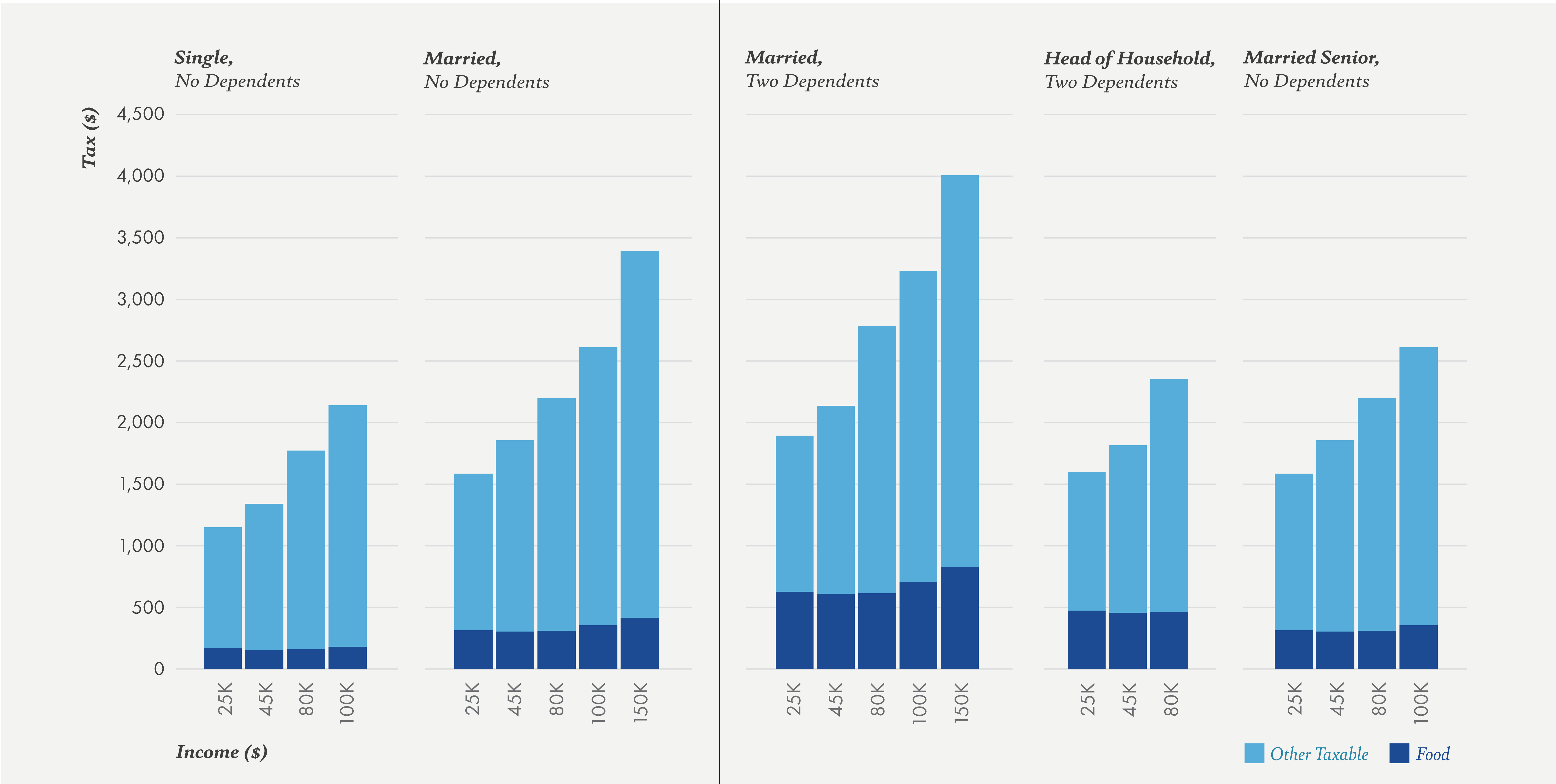
The state of Kansas as well as Kansas counties, cities and certain special districts levy taxes on retail sales. The state rate stands at 6.5%. Combined city, county, and special district taxes average 2.2%, although rates vary substantially even within a single city. This section explores the impact of state and local sales taxes on our set of hypothetical households. Purchasing patterns vary with income and family size, affecting the amount of sales tax paid by families.

Calculating Taxable Sales and Taxes

In order to order to estimate sales taxes for hypothetical taxpayers, we first must estimate taxable expenditures. The Consumer Expenditure Survey (CES) provides survey-based estimates of expenditures on over 100 types of goods and services by income category and household characteristics. We estimated the share of each expenditure category currently subject to the Kansas sales tax. For most expenditure categories, we used CES tables that were broken out by number of people in the household. These tables relied on two years of data, 2019 and 2020. For food expenditures, we followed the lead of the Kansas Department of Revenue and made use of a CES table that included updated 2020 data, and we followed KDOR's methods for adjusting by household size. The outcome of these calculations provided estimates of spending on food consumed at home and of other taxable expenditures for our hypothetical taxpayer set. Once expenditures were estimated, we applied state and local tax rates to determine tax liabilities.

Figure 6.4 shows combined state and local sales tax outcomes for our selected household types. Table C.1 in Appendix C provides sales tax details. To generalize:

- For any given income level, the amount paid in sales taxes rises with the number of household members.
- However, doubling household size does not double the sales tax liability. For example, we estimate that a single household with $80,000 income pays about $1,770 in combined state and local sales taxes while a married couple with no dependents pays about $2,200.
- For any given taxpayer type, the sales tax on food comprises a larger share of combined state and local taxes for low-income households than for high.
- Food expenditures and hence food sales taxes are highly sensitive to household size, but only moderately sensitive to income.



Above | ***Figure 6.4.*** *Combined State and Local Sales Tax on Food and Other Taxable Goods for Hypothetical Taxpayers.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

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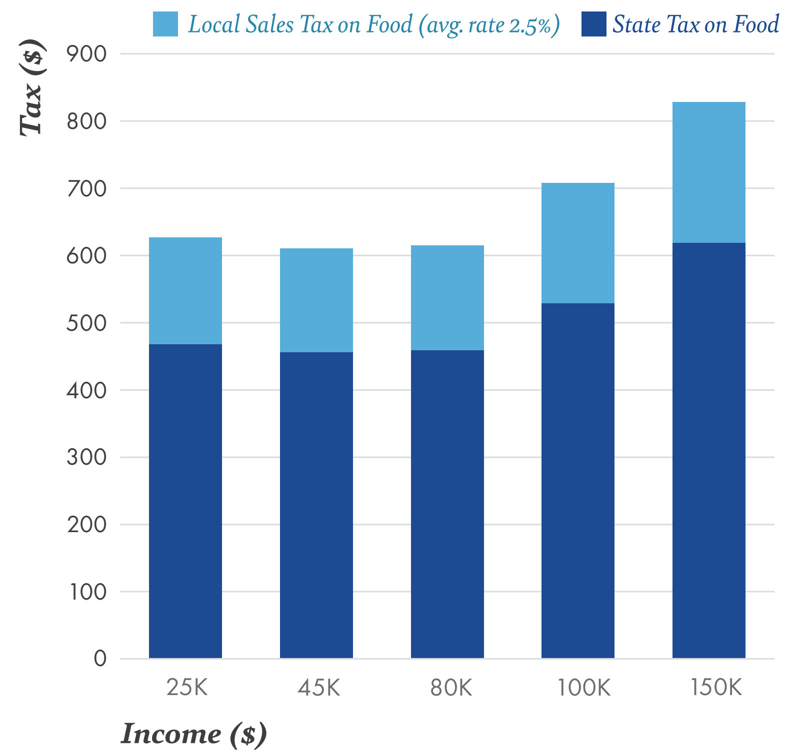
Figure 6.5. *State and Local Sales Tax on Food for a Hypothetical Family of Four.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.



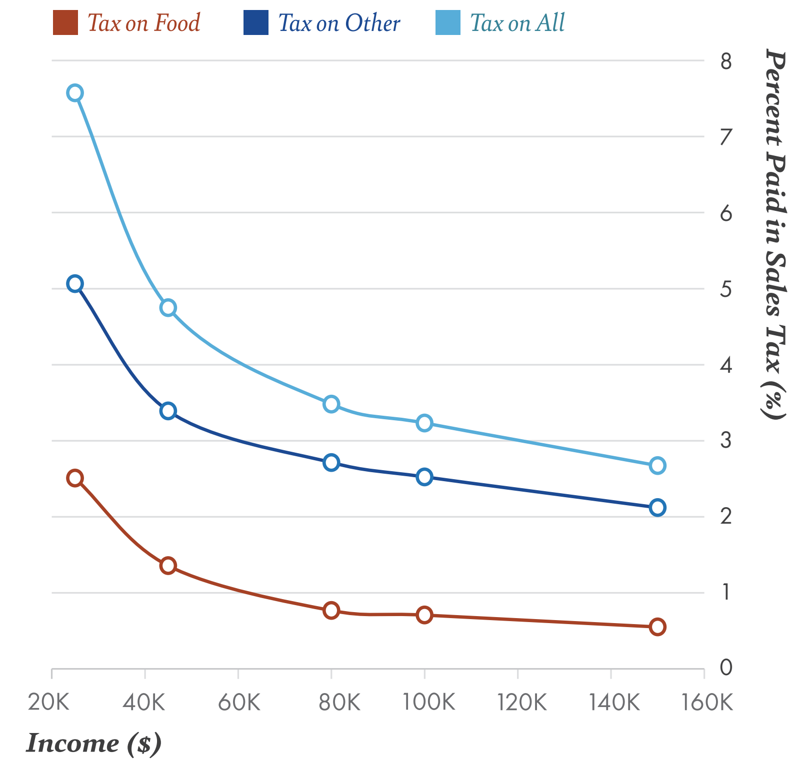


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Figure 6.6. *Regressivity of the Kansas Sales Tax System – State and Local Sales Taxes as a Percent of Income.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Sales Tax on Food

Most states exempt or at least partially exempt food for home consumption from the retail sales tax. In contrast, Kansas currently (as of 2021) taxes food at full state and local rates. Kansas offers an income tax credit to certain low-income families to offset the sales tax on food. However, the credit is not refundable, and low income families may have incomes below the threshold for mandatory income tax filing in Kansas. Under the current tax system, a family of four with income of $80,000 is estimated to pay about $460 in state-level food sales taxes and another $155 in local taxes. Figure 6.5 shows state and local sales tax liabilities on food for various income levels for a family of four.

The sales tax on food holds steady at about $460 for income levels between $25,000 and $80,000, after which it starts to rise slightly with income. The food sales tax becomes an increasingly smaller share of total income as income rises. If Kansas exempted food or taxed it a lower rate at the state level, both low and high-income families would benefit. Families at all income levels would see substantial tax relief. High-income families would benefit slightly more than low-income families in dollar terms, but the difference between our lowest-income hypothetical family and our highest is only about $150.

Regressivity of the Sales Tax

Figure 6.5 above (left) hints at the regressive nature of the sales tax. As income rises, the share of income paid in sales taxes falls. Figure 6.6 illustrates the regressivity of the tax more generally, both for food and for other taxable goods and services. Low-income families (as modeled by the hypothetical four-person household) pay about 7.6% of their total income in state and local sales taxes, of which 2.5% of income goes for the tax on food. In contrast, higher-income Kansans pay out around 2.7% of their income for sales taxes, with only 0.5% due to the tax on food.

Sales Tax by Location

Our previous analysis used an average local sales tax in hypothetical taxpayer simulations. However, local rates vary widely across jurisdictions, even within the same city. Local sales taxes depend on the decisions of city and county stakeholders. In addition to city-wide and county-wide tax levies, local governments may define special districts for purposes such as community improvement (CID) and transportation development (TDD). Taxes in these special districts add to city and county rates. As an example, Overland Park maintains 25 special districts, each with its own rate. Major shopping destinations may be located within a special district.

In this section, we examine sales taxes within three locations – Overland Park (Johnson County), Salina (Saline County) and Scott City (Scott County). Table 6.6 presents sales tax rates effective in these communities at the beginning of 2022.

Figure 6.7 shows the variation in sales tax charges that result from differences in local rates for a single taxpayer and for a hypothetical household of four. A single taxpayer pays about $285 more in sales taxes in Overland Park but only $61 more than the statewide average in Scott City. Similarly, a household of four pays $448 more than the statewide average in Overland Park but only $96 more in Scott City. Table C.2 in Appendix C shows sales tax estimates for the full range of hypothetical taxpayer types.

Summary: Sales Taxes

The hypothetical taxpayer model illustrates that sales taxes rise with family size. However there exist "economies of scale" within families, so that consumption expenditures and hence taxes do not rise in proportion to the number of householders. The state sales tax on food is substantial, costing a middle-income family of four between $450 and $520, depending on income level. The sales tax is regressive, with low-income households paying a much larger share of income in taxes than high-income households. Finally, local sales tax rates vary widely across the state. In many areas of Overland Park, the local rate exceeds 3.5%. The combined state, city, county, and special district tax may exceed 10%.

Top Right

***Table 6.6.** Selected Local Sales Tax Rates.*

Source: Kansas Department of Revenue, Local Sales Tax Information, http://www.ksrevenue.org/salesratechanges.html (accessed 12/13/2021). Rates effective 01/01/2022.

Location	# Rates Within Location	Value Used	Local Rate	State & Local
Statewide average	1	Average	2.20%	8.70%
Overland Park	25	Median (range = 8.975% - 11.10%)	3.60%	10.10%
Salina	7	Basic city-county rate	2.75%	9.25%
Scott City	1	Basic city-county rate	2.50%	9.00%

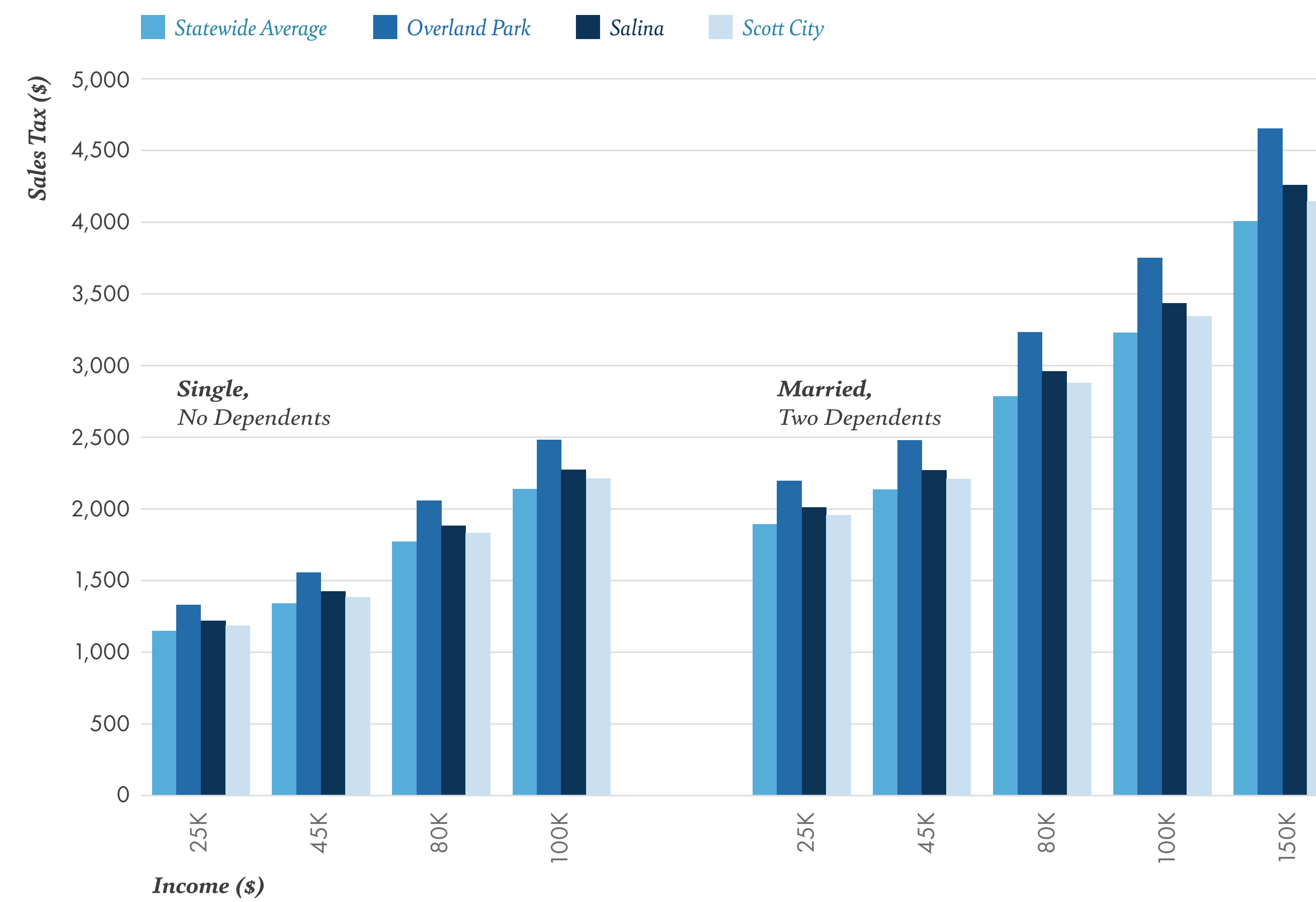

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***Figure 6.7.** Combined State and Local Sales Taxes for Hypothetical Taxpayers.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

The Residential Property Tax

Residential property taxes provide substantial revenues for cities, counties, and school districts in Kansas. These taxes affect both homeowners and renters. Homeowners pay the tax directly. Renters pay the tax indirectly; landlords roll property tax payments into their rental charges. Our discussion of property taxes is limited to homeowners.

We began our analysis by looking at the probability of home ownership for various income categories. We tabulated data from the 2019 American Community Survey (Table 6.7). When income exceeds $125,000, well over 90% of households own their home. Ownership percentages exceed 50% for incomes over $35,000 in most areas of the state. The exception is Johnson County, where high home values may push lower income families out of the market. Based on the home ownership data, we excluded our hypothetical families with income of $25,000 from the property tax analysis.

Our next step was to estimate home values by income and area of the state. Again we used data from the ACS. Home values for our non-metro communities (Salina and Scott City) could not be estimated precisely, so we based our estimates on larger geographic areas that encompassed the cities. We adjusted all of the home value estimates so that the average value over all income levels from ACS matched the average value supplied by the Kansas Department of Revenue from the state's property tax system. The average values from KDOR reflect market value of the actual housing stock. The housing stock differs across the state in age, quality, and price.

The final step in the process was to calculate property taxes by applying the total mill levy in each location to the estimated assessed valuation. We adjusted our calculations to account for the exemption of the first $20,000 in appraised value from the statewide 20 mill levy. Overall, we find that property values, mill levies, and property taxes vary widely by location, as seen in Table 6.8 and Figure 6.8.

Johnson County imposes the lowest property tax rates, substantially under the statewide average. However high single-family property values in Johnson County result in high property tax burdens – over $1,000 greater than the statewide average for a homeowner with income of $100,000. Conversely, Scott County imposes a very high levy, over 200 mills. But low housing values lead to a modest residential tax, well below the statewide average.

Income Category ($)	Probability of Home Ownership			
	Johnson County	North Central KS including. Salina	Northwest KS including Scott City	Statewide Average
<= 35,000	30.0%	30.6%	47.4%	33.0%
35,001 - 65,000	39.9%	69.4%	55.4%	57.3%
65,001 - 95,000	66.7%	90.2%	85.2%	74.6%
95,001 - 125,000	82.2%	99.5%	99.0%	86.8%
125,001 - 175,000	94.7%	99.0%	98.9%	90.7%
175,0001 - Over	91.2%	96.8%	98.5%	92.2%

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Table 6.7. *Probability of Home Ownership for Householders under Age 65.*

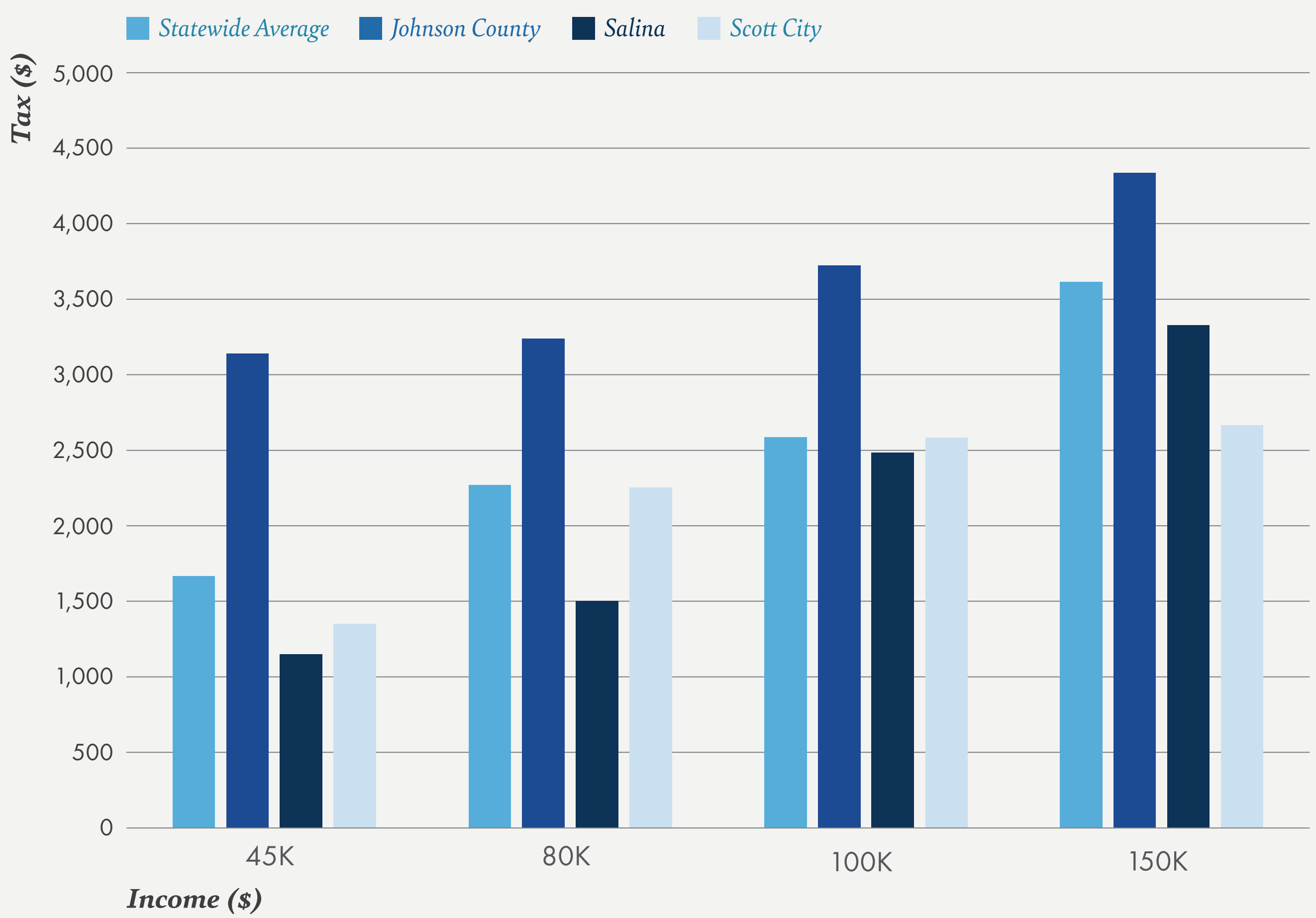
Compiled by IPSR from 2019 American Community Survey for households headed by adults under age 65. Residential properties that are part of a farm have been excluded.

Table 6.8. *Residential Property Values and Property Taxes by Location, 2021 Rates.*

Household Type	Income ($)[1]	Statewide Average Rate = 133.7 mills		Johnson County-All City Avg. Rate = 117.0 mills		Saline County-Salina Rate = 136.7 mills		Scott County-Scott City Rate = 209.7 mills	
		Value($)	Tax($)	Value($)	Tax($)	Value($)	Tax($)	Value($)	Tax($)
Single, No Dependents	25,000	--	--	--	--	--	--	--	--
Single, No Dependents	45,000	111,281	1,665	236,606	3,139	75,992	1,149	57,919	1,351
Single, No Dependents	80,000	150,587	2,269	244,204	3,241	98,342	1,500	95,396	2,255
Single, No Dependents	100,000	171,255	2,587	280,020	3,723	160,924	2,484	109,024	2,583
Married, No Dependents	25,000	--	--	--	--	--	--	--	--
Married, No Dependents	45,000	111,281	1,665	236,606	3,139	75,992	1,149	57,919	1,351
Married, No Dependents	80,000	150,587	2,269	244,204	3,241	98,342	1,500	95,396	2,255
Married, No Dependents	100,000	171,255	2,587	280,020	3,723	160,924	2,484	109,024	2,583
Married, No Dependents	150,000	238,145	3,615	325,605	4,337	214,565	3,328	112,431	2,666
Married, Two Dependents	25,000	--	--	--	--	--	--	--	--
Married, Two Dependents	45,000	111,281	1,665	236,606	3,139	75,992	1,149	57,919	1,351
Married, Two Dependents	80,000	150,587	2,269	244,204	3,241	98,342	1,500	95,396	2,255
Married, Two Dependents	100,000	171,255	2,587	280,020	3,723	160,924	2,484	109,024	2,583
Married, Two Dependents	150,000	238,145	3,615	325,605	4,337	214,565	3,328	112,431	2,666
Head of HH, Two Dependents	25,000	--	--	--	--	--	--	--	--
Head of HH, Two Dependents	45,000	111,281	1,665	236,606	3,139	75,992	1,149	57,919	1,351
Head of HH, Two Dependents	80,000	150,587	2,269	244,204	3,241	98,342	1,500	95,396	2,255
Senior Married, No Dependents	25,000	--	--	--	--	--	--	--	--
Senior Married, No Dependents	45,000	111,281	1,665	236,606	3,139	75,992	1,149	57,919	1,351
Senior Married, No Dependents	80,000	150,587	2,269	244,204	3,241	98,342	1,500	95,396	2,255
Senior Married, No Dependents	100,000	171,255	2,587	280,020	3,723	160,924	2,484	109,024	2,583

Source: Institute for Policy & Social Research, the University of Kansas; data from home values estimated from American Community Survey, 2019 and data on average home values supplied by Kansas Department of Revenue; property tax rates from Kansas Department of Revenue.

[1] Incomes at $25,000 are not included as homeowners, as indicated by "--"



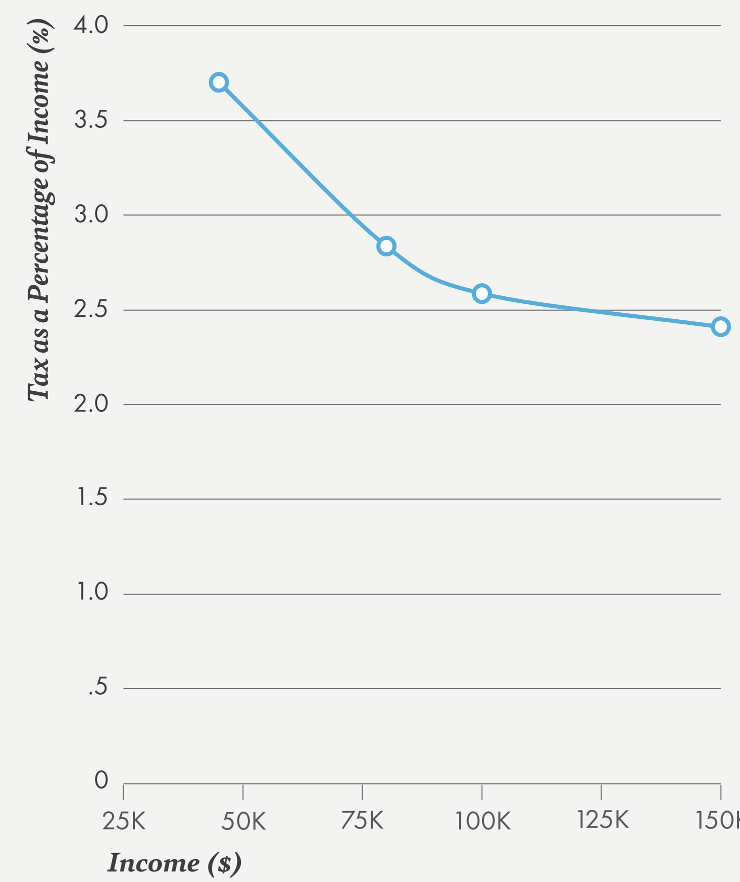


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Figure 6.8. *Residential Property Taxes for a Hypothetical Household of Four by Income and Location.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Right

Figure 6.9. *Property Tax as a Percentage of Income for a Hypothetical Taxpayer Using Statewide Average Rates and Values.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Regressivity of the Property Tax

In general, the Kansas property tax on residential housing is regressive. Higher income households pay higher taxes because they own more valuable homes, but home values and hence taxes do not increase in proportion to income. As discussed earlier, hypothetical households with $25,000 income are excluded from the residential property analysis because such households are likely to be renters. An investigation of property tax amounts passed on in rental charges in Kansas is a topic for future research.

Summary: Residential Property Taxes

The residential property tax provides a major source of revenue for counties, cities, and school districts. Kansas bases the tax on the market value of properties, calculating assessed valuation as 11.5% of market value.

When real estate values rise, the same mill levy will raise additional taxes. However, counties, cities, and school districts reset mill levies annually based on budget requirements. Increased property values do not necessarily mean higher tax bills.

Housing values and mill levies vary widely across the state. Using statewide average values and rates, we estimate that a household with income of $100,000 will pay about $2,600 in residential property taxes, about 2.6% of income. The same household would pay about $3,700 in Johnson County, where their home would be worth more, and $2,600 in Scott City, where their home would be worth less. Mill levies combined with property values determine the tax bill.

Based on the hypothetical taxpayer analysis, the Kansas property tax appears to be regressive, with low-income taxpayers spending a larger proportion of their income on the tax than high-income households.

The Property Tax on Vehicles

The property tax on motor vehicles is the final tax analyzed in the hypothetical taxpayer framework. Kansas places a value on motor vehicles based on the cost of the vehicle when new and the vehicle's age. The Kansas Department of Revenue provides a convenient lookup tool for estimating the tax on a vehicle given the make, model, and county of registration.

In order to incorporate vehicle taxes into the model, we had to assign make, model, and year to the hypothetical taxpayer types. Unfortunately we did not have access to a data source linking specific vehicles to household income and size. Hence our assignment of vehicles was subjective. We used the following rules in assigning vehicles:

- Households with two adults own two vehicles, with the exception of the lowest- income households.
- High-income households own primary vehicles that are both newer and of higher initial value than do low-income households.
- Two-adult households with income at or above $80,000 own a pickup as their second vehicle.

Table 6.9 shows the vehicles assigned to households. The KDOR lookup tool supplied vehicle values when new. Just as was the case with residential property taxes, the tax rate on vehicles varies by location. Rates depend on the countywide average property mill levy two years prior, minus the 20 mill state-imposed school levy. But unlike residential property, the value of a vehicle does not vary by location. A six-year old Ford F150 will be assigned exactly the same value in Overland Park as in Scott City, based on make, model and age.

Table 6.10 and Figure 6.10 (page 128) show the resulting vehicle tax by household type, income, and location. Residents of Scott City pay the highest vehicle taxes among the locations considered for all income brackets, while residents of Johnson County pay the lowest. These results derive directly from differences in county mill levies.

Table 6.9. *Vehicle Types for Hypothetical Kansas Taxpayers.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas; data on car values from Kansas Department of Revenue.

Household Type	Income ($)	Vehicle Make and Model	Vehicle 1: value when new ($)	Vehicle 2: value when new ($)
Single, No Dependents	25,000	7 yr.-old Corolla	16,800	--
Single, No Dependents	45,000	7 yr.-old Camry	22,680	--
Single, No Dependents	80,000	4 yr.-old Camry	23,840	--
Single, No Dependents	100,000	3 yr.-old Ford Edge	31,215	--
Married, No Dependents	25,000	7 yr.-old Corolla	16,800	--
Married, No Dependents	45,000	7 yr.-old Corolla & 7 yr.-old Camry	16,800	22,680
Married, No Dependents	80,000	4 yr.-old Camry & 6 yr.-old F150	23,840	31,935
Married, No Dependents	100,000	3 yr.-old Ford Edge & 6 yr.-old F150	31,215	31,935
Married, No Dependents	150,000	3 yr.-old Lexus RX (SUV) & 6 yr.-old F150	43,270	31,935
Married, Two Dependents	25,000	7 yr.-old Camry	22,680	--
Married, Two Dependents	45,000	7 yr.-old Corolla & 7 yr.-old Camry	16,800	22,680
Married, Two Dependents	80,000	4 yr.-old Camry & 6 yr.-old F150	23,840	31,935
Married, Two Dependents	100,000	3 yr.-old Ford Edge & 6 yr.-old F150	31,215	31,935
Married, Two Dependents	150,000	3 yr.-old Lexus RX (SUV) & 6 yr.-old F150	43,270	31,935
Head HH, Two Dependents	25,000	7 yr.-old Corolla	16,800	--
Head HH, Two Dependents	45,000	7 yr.-old Camry	22,680	--
Head HH, Two Dependents	80,000	4 yr.-old Camry	23,840	--
Senior Married, No Dependents	25,000	7 yr.-old Corolla	16,800	--
Senior Married, No Dependents	45,000	7 yr.-old Corolla & 7 yr.-old Camry	16,800	22,680
Senior Married, No Dependents	80,000	4 yr.-old Camry & 6 yr.-old F150	23,840	31,935
Senior Married, No Dependents	100,000	3 yr.-old Ford Edge & 6 yr.-old F150	31,215	31,935

Household Type	Income ($)	Statewide Average (114.245 mills)	Johnson County (99.898 mills)	Saline County (109.308 mills)	Scott County (133.547 mills)
Single, No Dependents	25,000	127	111	119	151
Single, No Dependents	45,000	160	140	150	191
Single, No Dependents	80,000	288	252	270	344
Single, No Dependents	100,000	436	381	409	521
Married, No Dependents	25,000	127	111	119	151
Married, No Dependents	45,000	287	251	269	342
Married, No Dependents	80,000	556	486	521	664
Married, No Dependents	100,000	703	615	660	841
Married, No Dependents	150,000	866	757	812	1,033
Married, Two Dependents	25,000	160	140	150	191
Married, Two Dependents	45,000	287	251	269	342
Married, Two Dependents	80,000	556	486	521	664
Married, Two Dependents	100,000	703	615	660	841
Married, Two Dependents	150,000	866	757	812	1,033
Head of HH, Two Dependents	25,000	127	111	119	151
Head of HH, Two Dependents	45,000	160	140	150	191
Head of HH, Two Dependents	80,000	288	252	270	344
Senior Married, No Dependents	25,000	127	111	119	151
Senior Married, No Dependents	45,000	287	251	269	342
Senior Married, No Dependents	80,000	556	486	521	664
Senior Married, No Dependents	100,000	703	615	660	841

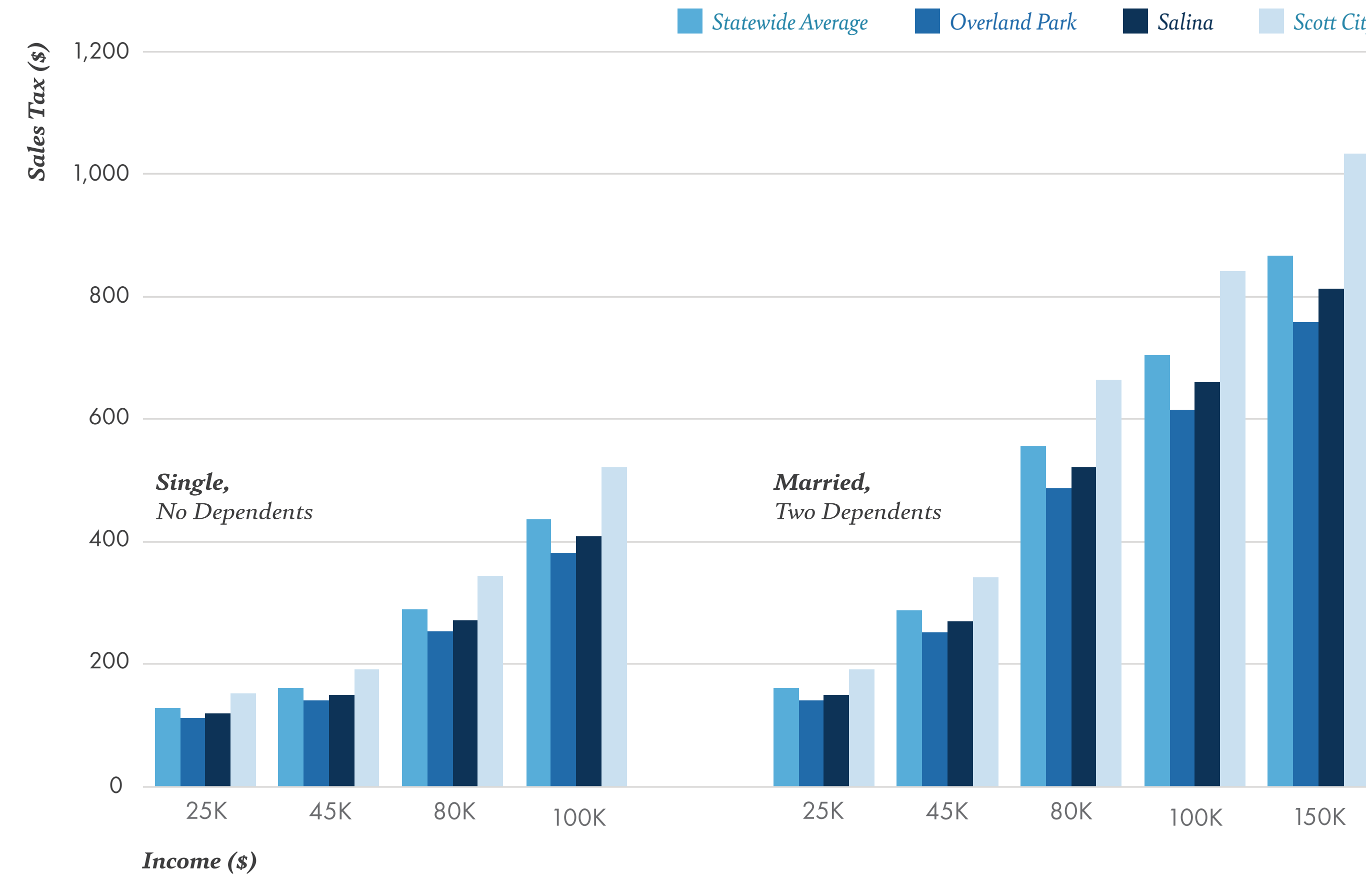

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Figure 6.10. *Vehicle Property Taxes by Location for Hypothetical Taxpayers.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Left

Table 6.10. *Vehicle Property Taxes for Hypothetical Households 2021.*

Source: Institute for Policy & Social Research, the University of Kansas; data from Kansas Department of Revenue, Kansas Vehicle Property Tax Check; tax rate data from Kansas Department of Revenue, Motor Vehicle County Level Certification for Calendar Year 2021.

Regressivity of the Property Tax on Vehicles

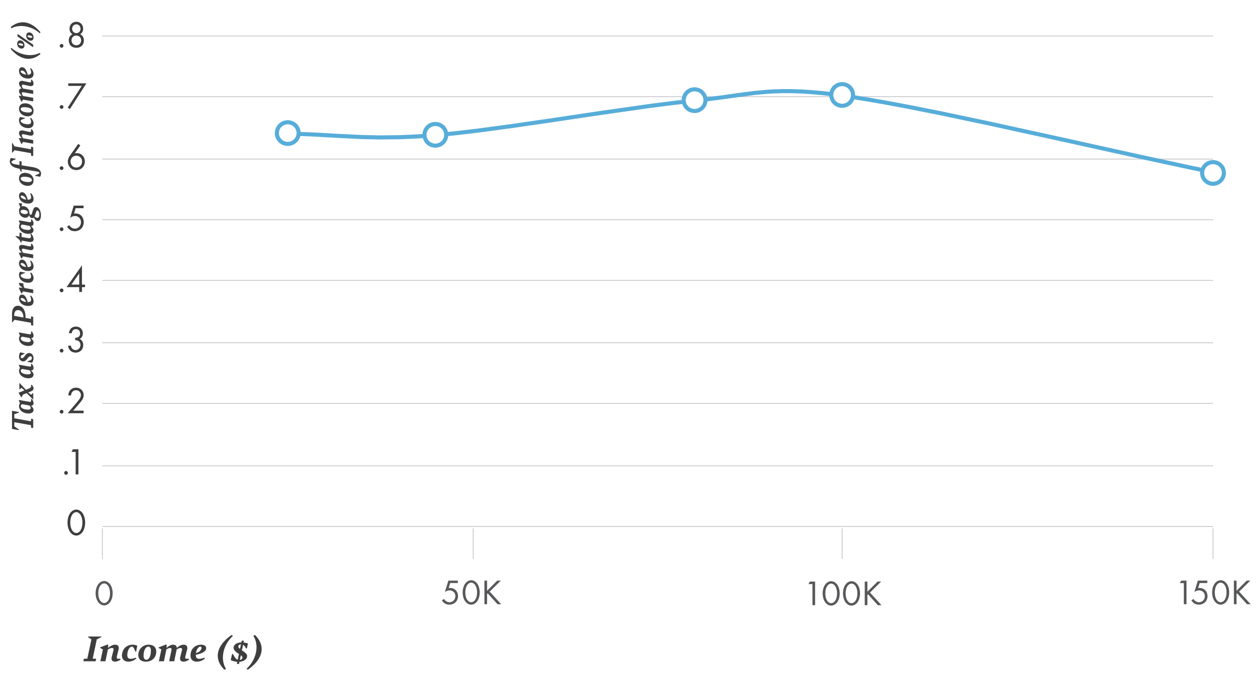
The property tax on vehicles shows no clear progressivity or regressivity over the range of hypothetical taxpayer incomes included (Figure 6.11). The figure uses the statewide average tax rate for vehicles. To reiterate, the assignment of vehicles to households is subjective and this subjectivity may affect results.

Summary: Property Tax on Vehicles

Kansas taxes vehicles based on make, model, age, and county of registration. Average county property tax rates vary widely across the state; hence the same vehicle is subject to different taxes in different locations. Among the locations considered in this study, Scott County imposes the highest vehicle taxes and Johnson County the lowest.

We lack data linking vehicle make, model, and age to household income. Hence our assignment of vehicles to hypothetical households is somewhat subjective. In general, higher-income households own newer and more expensive cars and trucks. Based on our data and assumptions, the Kansas tax on vehicles is neither progressive nor regressive.

Figure 6.11. *Vehicle Taxes as a Percent of Income for Hypothetical Four-Person Households*



Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, The University of Kansas.

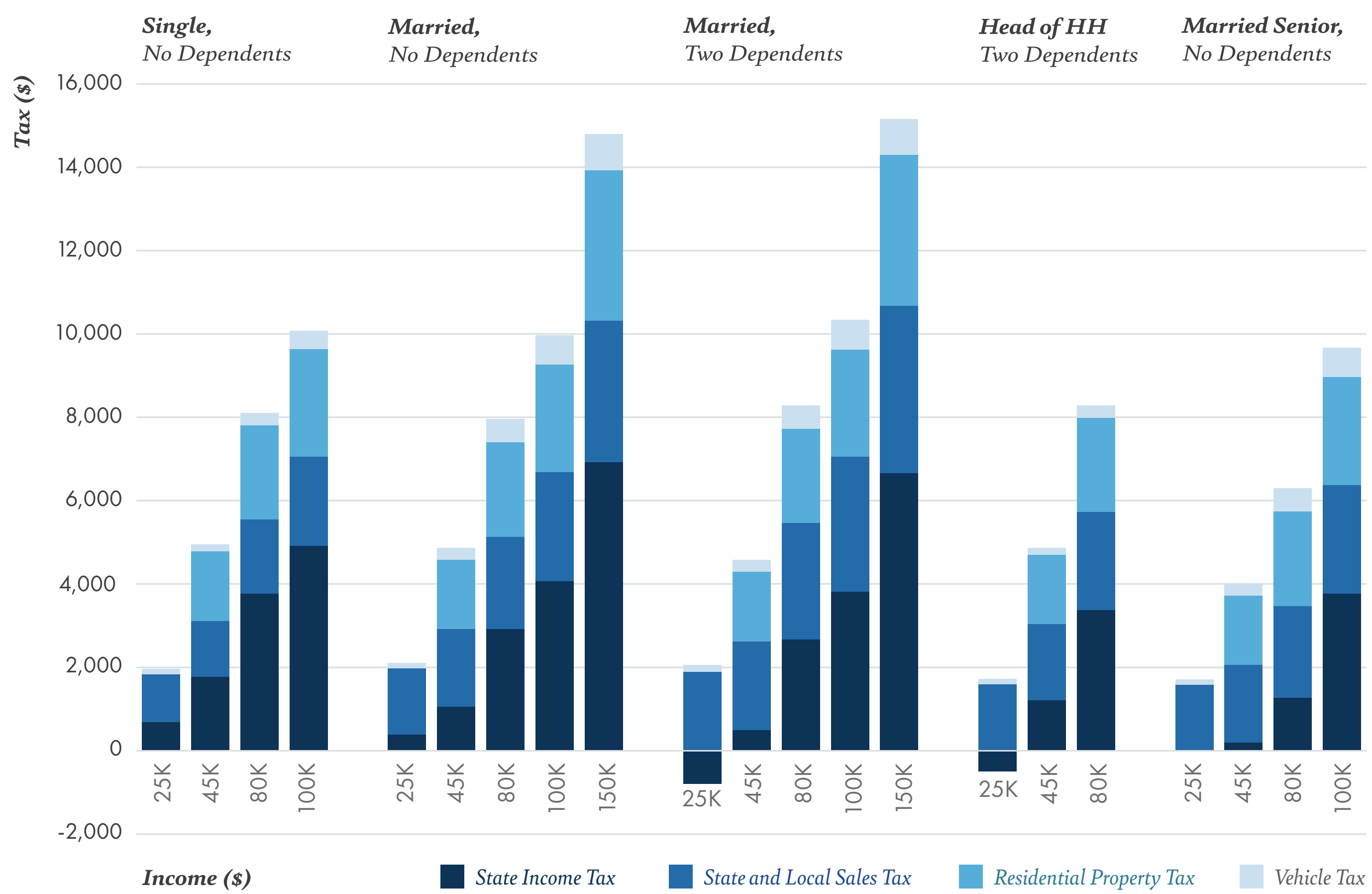
Hypothetical Taxpayer Combined State and Local Taxes

The hypothetical taxpayer model provides a method to evaluate the overall impact of state and local taxes on representative taxpayer types. It also offers a means of examining the same household type at various income levels, so that the progressivity of regressivity of the overall tax system can be evaluated.

Figure 6.12 show tax liabilities by type of tax for our hypothetical taxpayer types. The figure includes state income taxes, sales taxes, vehicle taxes, and residential property taxes. Except for income taxes, tax liabilities vary by location. Figure 6.12 evaluates taxes using statewide average rates and property values. Appendix C includes tables with details for Johnson County, Salina, and Scott City.

Income, sales, property, and vehicle taxes comprise varying shares of the tax total, depending on income level and household composition. As mentioned earlier, low-income taxpayers have been excluded from the property tax analysis because they are unlikely to own a home. These households pay property taxes indirectly, but we were not able to estimate the amount of indirect taxes. Low-income households with dependents receive refundable income tax credits, resulting in a net negative income tax liability. That said, the income tax comprises an increasingly large share of combined taxes as income rises. At higher income levels, the state income tax becomes the single largest tax component for taxpayers with and without dependents. Vehicle taxes provide only a small share of total taxes paid by Kansas households.

We examine the progressivity or regressivity of the overall Kansas tax system in Figure 6.13, focusing on married taxpayers as an example. The system appears to be mildly regressive for taxpayers without dependents (single or married), with lower-income single taxpayers facing an overall tax burden of about 11% and married about 10.8%. Taxpayers without dependents in higher-income brackets pay a combined total of about 10%. For married taxpayers with dependents, the combined state and local tax system is fairly flat, ranging from 10.1 to 10.4% of income. For these taxpayers, the progressive features of the Kansas income tax balance out the regressive nature of property and sales taxes. Combined state and local taxes for taxpayers with dependents are slightly higher than those for taxpayers without dependents, primarily because larger families pay more in sales taxes.



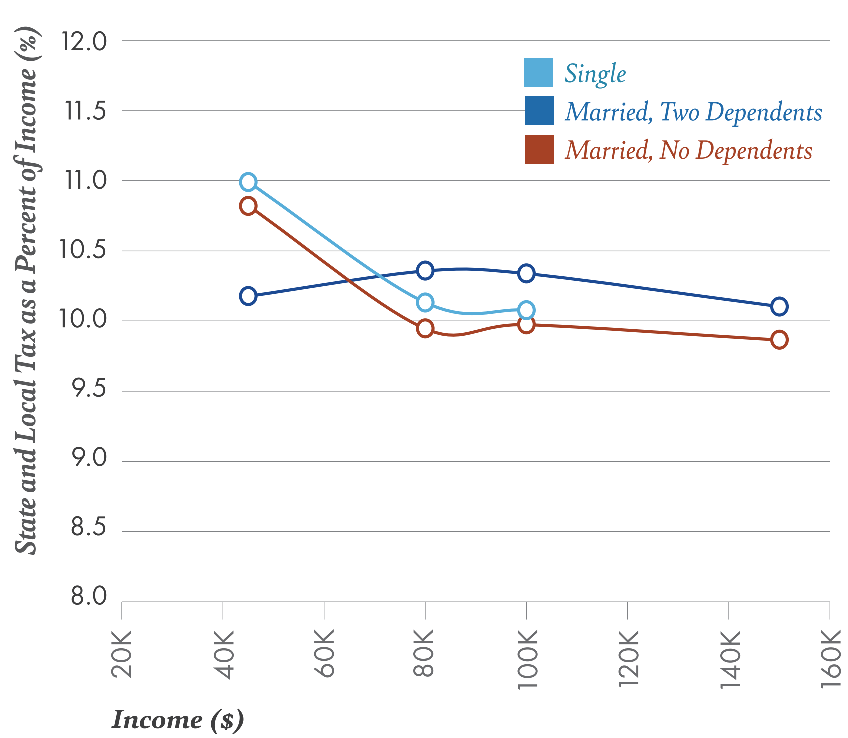


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Figure 6.12. *Combined State and Local Taxes for Hypothetical Taxpayers using Statewide Average Rates and Values.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

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Figure 6.13. *Combined State and Local Taxes as a Share of Income for Selected Hypothetical Households.*

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Conclusions & Recommendations

The Hypothetical Taxpayer model developed in this chapter provides a powerful tool for understanding the interplay between the state and federal tax code as well as sales, income and property taxes within the state. IPSR created 21 different hypothetical taxpayers that varied by taxpayer type (single, married, head of household), dependents, household size, income and social security income. The model revealed that Kansas income taxes are relatively flat when compared to the progressive federal income tax. The increase in the standard deduction in SB-50 did little to reduce the tax burden and itemization provided higher income households with about $200 in tax savings.

Turning our attention to sales taxes, the hypothetical taxpayer model showed that the Governor's Axe the Food Tax proposal will save a Kansas family of four between $500 and $600 per year depending on income. As indicated many times, the hypothetical taxpayer model demonstrates the regressivity of sales taxes – low-income households earning $20,000 per year pay about 7%, while high-income households earning $150,000 per year pay less than 3% of their income in sales taxes.

Property tax mill levies and property values vary by county. Despite having one of the lowest mill levies in the state, Johnson County taxpayers have higher property taxes due to higher property values. Like sales taxes, property taxes in Kansas are regressive.

Combining all types of taxes (income, sales and property), Kansas taxes are relatively flat for married households with two dependents. These households pay a little over 10% of their income in state and local taxes. However single or married no dependent households with an income of $40,000 pay about 11% of their income in taxes. Thus, the Kansas tax system is somewhat regressive for households with no dependents.

Based on this analysis, the Governor's Tax Reform Council recommends that policymakers **use the Hypothetical Taxpayer model to evaluate future tax policy proposals.** The Department of Revenue and the Kansas Legislative Research Department should update and maintain the hypothetical taxpayer models utilized by the Tax Council in order to assist with the prospective evaluation of tax policy. Equity concepts (including progressivity/regressivity) can more easily be understood and applied by policymakers who recognize and identify with specific hypothetical taxpayers similar to their own constituents.

Conclusion & Recommendations

The Governor's Council on Tax Reform conducted an extensive review of Kansas tax policy between 2019 and 2021. In the middle of the Council's deliberations, the COVID-19 pandemic shut down the US and Kansas economies. Thanks to Governor Kelly's fiscal stewardship, higher than expected tax revenues during the pandemic, closing the marketplace facilitators' loophole, and federal support to state and local governments from the CARES and ARPA legislation, the state of Kansas budget situation is more stable than it has been in the state's recent history. As the state enters deliberations for the 2022 legislative session, the Governor's Tax Reform Council submits the following recommendations to the Governor and Legislature.

The Council strongly endorses Governor Kelly's Axe the Food Tax proposal announced in early November and calls on the state Legislature to immediately seize this opportunity to provide its citizens with the one change in tax law that has been talked about the most for many decades – elimination of the state sales tax on food. This measure would not only achieve that long-time goal of policymakers – it would also provide the largest relative benefit to those who need it most by reducing one of the state's more regressive tax policies.

The Council notes that Kansas almost certainly would not have had this chance to remove the food tax had it not been for bipartisan legislative collaboration in 2017 to reverse the previous administration's disastrous self-described "tax experiment" and the subsequent prudent and successful stewardship of Governor Kelly in methodically restoring the state's fiscal health, promoting business certainty and economic growth.

The Council therefore supports elimination of the state sales tax on food, which would become effective on July 1 and reduce receipts by more than $450 million. This long-awaited change will mean significant tax relief for all Kansas families, and a family of four could enjoy a tax cut of more than $500 per year.

Research by Kansas Department of Revenue economist Kegan O'Connor investigating the impact of grocery sales taxes on food insecurity found that a tax decrease resulted in a 39% reduction in food insecurity. Prior research has determined that food insecurity is associated with poor health in both children and adults.

The food tax issue has been side-tracked by special-interest boilerplates that would not benefit most families and would imperil the state's still-rebounding ability to restore adequate levels of funding for education, social services, and infrastructure. It needs to be considered at long last on its own merits and sent to the Governor's desk during the early part of the 2022 session to give the state sufficient time to assist small grocers and local retailers to be able to implement the tax cut on July 1.

This policy does not affect local taxes. Eliminating this source of revenue for local governments would lead to higher local property taxes and function as an unfunded mandate, which the Council opposes. Six other states (including Missouri) that totally or partially exempt food from state sales tax also allow for the imposition of local taxes on food. Missouri imposes a state rate of 1.225% in addition to local food taxes, whereas Kansas would have a full state exemption – leading taxes in many jurisdictions to be competitive with or even lower than those imposed across the state's eastern border.

The Council strongly opposes any new constitutional restrictions on state or local taxation or spending authority. Although no specific proposal was available for review at the time of the Council's final meeting, an interim legislative panel had discussed in December a constitutional amendment that would require supermajorities for the state or local governments to take certain actions regarding taxation or spending. Compelling information presented to the Council by the Urban Institute's Tax Policy Center showed that states that implemented these kinds of measures had higher borrowing costs. In the case of Colorado, some rural school districts can only afford a four-day school week. The Urban Institute review of tax and expenditure limitations in other states found that "lower spending and revenue may not produce desirable fiscal or economic outcomes."

The lack of flexibility that supermajority requirements would impose also could significantly extend the length of the legislative session (or local tax and budget deliberations) by limiting elected officials' ability to respond to unexpected events and effectively meet the needs of their constituents. Legislating by two-thirds could also lead to a pattern of requiring every tax and budget issue to be decided through the Constitutional Amendment process, endangering other rights and hard-won principles currently included in the Constitution such as use valuation for agriculture.

The last five years for Kansas have been defined by a great deal of bipartisan work to restore the state's fiscal health and its economy after the failed tax experiment. Bipartisan collaboration was also necessary to address the greatest public health challenge in a century. Responding to those crises would have been all but impossible under a more stringent set of supermajority requirements. The Council believes that if the COVID-19 crisis has taught us anything, it is that the maximum level of flexibility is necessary for the public sector to respond to unanticipated catastrophes.

The Council commends the Legislature for closing the Marketplace Facilitators' Loophole in SB-50. While the Tax Council and the Governor expressed support for a similar measure that would not have protected vendors using marketplace facilitators with less than $100,000 in total sales, the provision adopted in SB-50 nevertheless accomplishes much of the shared goal of ensuring tax fairness for brick-and-mortar shops and online retailers. In effectively expanding the sales and use tax base for the state, this provision has provided additional tax revenue that has paved the way for the Governor's proposal to Axe the Food Tax.

The Council recommends that Kansas state and local tax policy adhere to the Three-Legged Stool concept. Kansas has been well-served by striking a relatively equal balance in terms of tax revenue received from income, sales, and property taxes. Future tax policy should keep this important lesson in mind.

Other Potential Tax Policies[1]

Given how badly damaged the public sector was after the failed tax experiment of the previous decade, adequacy was always one of the Council's areas of focus during the more than two-year review of the state and local tax system. If, and only if, it is determined that the state can rely on additional receipts above and beyond the current revenue estimates, the Council recommends that any proposals beyond cutting the state sales tax on food be evaluated with an emphasis on providing reductions to those Kansans most in need.

The Council therefore suggests that under such favorable budgetary circumstances, policymakers could consider the recommendations that follow by tax-type (income, sales, and property).

1 *At the time of the Council's final meeting in mid-December, the Governor's proposed one-time rebate for individual income taxpayers had not yet been released. The following recommendations regarding the potential for other tax policy changes beyond the food sales tax cut was agreed to by the Council prior to that release.*

Income Taxes

Expand the standard deduction to provide additional income tax relief. Unlike many of the income tax measures that have been under consideration in recent years, expanding the standard deduction impacts the largest number of Kansas income taxpayers. SB-50 allowed itemization for all Kansas taxpayers regardless of their federal filing status in order to reverse certain state tax increases caused by the federal "Tax Cuts and Jobs Act" passed in 2017. However, even with the $500 increase to the standard deduction included in SB-50, the Kansas standard deduction has remained very low.

The Council also notes the recommendations of the Governor's Commission on Racial Equity and Justice and its call to enhance the progressivity of the state's tax system to promote opportunity. The Commission also requested that state and local governments examine and rectify the disparate impacts that taxes, fines, and fees can have on Kansans from different racial and ethnic backgrounds and promote measure to reduce costs – such as college tuition – through responsible budget and tax policy.

Sales Taxes

In addition to eliminating the food sales tax and closing the marketplace facilitators' loophole, the Council has previously identified additional opportunities to broaden the sales tax base and pass any new revenues on to all taxpayers.

Broaden the sales tax base to include digital goods. Currently the total cost of a physical book purchased on Amazon includes sales taxes whereas an electronic copy of the book is not taxed. Kansas could broaden the sales tax base to include digital goods, allowing for potential income or property tax relief or a sales tax exemption for textbooks and other educational materials.

Property Taxes

The Property Tax Subcommittee of the Tax Council provided several recommendations for reducing the property tax burden. The Council believes that property taxes will become an increasingly important issue for taxpayers in 2022 and beyond because of higher property valuations in the past two years, especially for residential parcels.

State officials anticipate a great deal of concern when valuation notices go out in the spring reflecting the values that county appraisers will be assigning to property as of January 1, 2022. As of the third quarter of 2021, Kansas housing prices had increased by nearly 15% in the past year. It is worth remembering that property owners have the opportunity to challenge valuations each year in the appeals process.

Kansas' annual fair-market-value based system is believed to be more equitable than systems utilized in a number of other states, including California and Oklahoma. Valuation limitations and restrictions in those states over time have tended to create acquisition-cost based systems, which are less equitable and more regressive than fair market value. Thus, the full Tax Council strongly encourages policymakers to **maintain Kansas' annual fair-market-value based property tax valuation system. If this system is repealed or modified, it could lead to drastic inequality and a lack of consistency in property tax collection across the state** as experienced in other states and in Kansas before the current system was established in the late 1980s.

As alternatives to poorly-targeted and inequitable changes to property valuations, the Council would suggest policymakers look to the recommendations of its Property Tax Subcommittee chaired by former Senate Minority Leader Anthony Hensley. That subcommittee suggested several options that would provide for targeted property tax relief.

The Property Tax Subcommittee Recommendations

Expand the Homestead Property Tax Refund circuit-breaker program to support the ability of fixed-income Kansans to pay property taxes. When Kansas originally enacted the Homestead Property Tax Refund Act in 1970, it became just the sixth state to enact the "circuit-breaker" style of property tax relief. (A "circuit-breaker" is a form of property tax relief in which the benefit is dependent on income or other criteria and the amount of property taxes paid.) A recent study found that the vast majority of states offering such programs allow renters to participate under the assumption that property taxes are passed through to renters by owners of real estate. Kansas had allowed renter participation until 2013 until that was eliminated as one of the former Governor's "pay-fors" to fund the failed tax experiment.

The current Homestead program in Kansas is available only to homeowners with a principal residence valued at $350,000 or less and a maximum household income of $36,300; provided at least one person in the household is: age 55 or above, a dependent child under age 18, blind, or otherwise disabled. Refunds are capped at $700 under the statutory formula. A second far smaller alternative program, known as Safe Senior, is available only to homeowners ages 65 and above with a principal residence valued at $350,000 or less and a maximum household income of $20,300 and allows refunds of up to 75% of property taxes paid.

Expand the $20,000 residential exemption from the mandatory school district general fund property tax mill levy to reduce residential property tax burdens. Given that much of the growth in valuations fueling concern from taxpayers has been to residential property, should any reduction in receipts to the State School District Finance Fund be possible, the tax cuts should be provided to homeowners. An offsetting amount of additional legislative appropriations would be necessary to ensure that our K-12 schools remain funded at constitutionally required levels of adequacy and equity, and long-term sustainability should again be an important consideration relative to any potential reduction in SSDFF receipts.

Fund the Local Ad Valorem Tax Reduction Fund demand transfer to support reductions in local property tax levies. As recommended by the Council in both of its previous reports, providing LAVTRF payments to local units of government would require dollar-for-dollar reduction in levies upon receipt of such funds and would provide Kansans with property tax relief.

Expand local excise tax authority. The subcommittee also recommended additional local excise tax authority beyond sales tax (especially cigarette and liquor) that would enable cities and counties to seek voter approval of other local revenue streams that would reduce property taxes.

Provide additional state funding for the State Board of Tax Appeals (SBOTA). Additional funding for IT services and SBOTA website functionality are necessary to significantly improve the experience for all parties involved in property tax cases.

Update Senate Bill 13 to make it workable for local governments. Working with the Kansas Association of Counties and League of Kansas Municipalities, the subcommittee found several significantly flawed provisions of SB-13 – the so-called "transparency" legislation enacted in 2021 – that would need to be addressed in trailer legislation during the 2022 session so as to make that law understandable and workable for local officials and taxpayers alike.

Additional Tax and Economic Policy Recommendations

Create a Budget Stabilization "Rainy Day" Fund for future infrastructure investments. Members of the Council expressed support for dedicating some of the state's historic projected ending balance to a budget stabilization fund in recognition that part of the state's current revenue surplus may be due to one-time revenues and federal pandemic-era programs. This fund would be in addition to the state's statutory goal of having a 7.5%

ending balance. Maintaining a budget stabilization fund would put Kansas in line with the vast majority of other states, and it would allow the state to ensure that it is able to make continued investments in K-12, infrastructure, higher education, and the social safety net in the event that Kansas's recent economic success were to be affected by unexpected economic downturns.

Use the Hypothetical Taxpayer model to evaluate future tax policy proposals. The Department of Revenue and the Kansas Legislative Research Department should update and maintain the hypothetical taxpayer models utilized by the Tax Council in order to assist with the prospective evaluation of tax policy. Equity concepts (including progressivity/regressivity) can more easily be understood and applied by policymakers who recognize and identify with specific hypothetical taxpayers similar to their own constituents.

Continue to document the Three-Legged Stool of Taxation for the State and Local Units. The Kansas Legislative Research Department produced the **Kansas Tax Facts** report for use by the policymakers, but this document has not been updated since 2019. The Kansas Department of Revenue should seek to update and maintain this historical data set annually.

Infrastructure Investments

Kansas tax revenue pays for public goods for the state. Given the increase in federal support from the CARES Act, ARPA and recently passed infrastructure bill, the Tax Reform Council recommends the following policies to promote economic development in the state.

Close the "Bank of KDOT" and restore the amount of funding originally intended to support the state's transportation program. The bank should be kept closed so that future Kansans do not have to pay for previous generations' unwillingness to invest in and maintain state infrastructure.

Expand broadband access to support the state's economic infrastructure and economic growth.

Expand Medicaid to provide access to health care for low-income Kansans and ensure that our state's rural and medically underserved communities are healthy and able to participate in the state's economy. Studies have shown that not only has the state's failure to expand Medicaid caused the loss of billions of federal dollars, it has harmed the economy of local communities and rural hospitals throughout the state.

Continue to fully fund K-12 education. In the coming year, the state of Kansas will finally reach full funding for Kansas schools under the *Gannon* settlement. The state must continue to meet its responsibility to fully fund education and avoid the litigation and funding deficits that impacted Kansas schoolchildren for much of the past decade.

Maintain and support the Kansas higher education system. A skilled workforce is essential to attract new companies to the state, to promote entrepreneurship and to grow the Kansas economy. The state's higher education system supports economic development by ensuring that the state's professional, entrepreneurial, and manufacturing base remains nationally and globally competitive. In order to keep tuition flat, state funding is required to ensure that our state's universities and community and technical colleges have the resources necessary to continue to meet our state's workforce and economic development needs.

Study the determinants of population change in Kansas. The 2020 Census showed that Kansas grew much more slowly than all surrounding states but Missouri between 2010 and 2020. While more recent reports indicate that Kansas may be reversing the trend of low population growth, Kansas' population increased by only 3% during the previous decade. During the same period, Colorado's population increased by 14.8%, Nebraska's by 7.4%, 5.5%, Oklahoma's by 5.5%Iowa's by 4.7%, and Missouri's by 2.8%. Population growth is a critical component of economic growth and understanding these factors will inform policies to support the future of the Kansas economy.


AXE the FOOD TAX!
SAVING YOUR FAMILY MONEY
Kansas
FOOD SALES TAX $$$
FAMILY OF 4 WOULD SAVE:
$500
A YEAR
AXE the FOOD TAX!
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This report was prepared on behalf of the Governor's Tax Reform Council by staff and advisors at the Institute for Policy & Social Research at the University of Kansas. Director Donna Ginther worked closely with Chris Courtwright, Patricia Oslund, Thomas Becker, Lindsay Jorgenson, Xan Wedel and Carolyn Caine to produce this report.

Wolf Penn Falls in Kansas

Focus of the Tax Council's Work

Given the well-defined charge from the Governor, the Council focused its deliberations on the widely adopted principles of equity, adequacy, and stability as the guiding principles for Kansas tax policy and reform. The Council also concentrated on the concept of the balanced "three-legged stool" approach to state and local finance. Lastly, the Council agreed that any and all changes moving forward needed to be evaluated with an emphasis on making the overall tax structure less regressive and more progressive. These principles are not unique to Kansas but are the same principles guiding other state reform efforts across the country.

Council Activities in 2019

At its initial meeting on September 24 and 25, 2019, the Council heard various presentations including: an Overview of State Tax Policy Changes since 2012, the then-current Kansas Consensus Revenue Estimate and State General Fund Profile, the History and Current Status of Economic Development in Kansas, the History and Current Status of Transportation in Kansas, the Current Kansas Labor Outlook, a review of the United States Supreme Court decision in *South Dakota v. Wayfair, Inc.* and Notice 19-04- Sales Tax Requirements for Retailers Doing Business in Kansas, an Overview of the Kansas Property Tax System, and a Summary of Selected Literature by Dr. Donna Ginther. The Council approved the engagement of Dr. Donna Ginther and the Institute for Policy & Social Research at the University of Kansas to perform tax policy analysis, tax incidence studies and other research as directed by the Council.

On October 15 and 16, 2019, the Council received additional information including: a State Budget Update, an Overview of 2019 Tax Legislation – S.B. 22; the History of Tax Conformity and State Conformity Issues; comments from Senator Tom Holland, Representative Jim Gartner, and Representative Steven Johnson; the History of Food Sales Tax and Food Sales Tax Rebate Program; an Analysis of Tax Policy from the 2019 Legislative Sessions; an Update on the *Wayfair* Issue; an update on the State General Fund Revenue; and suggestions from Dr. Donna Ginther regarding future research.

At its November 14, 2019 meeting, the Council received a Budget and Consensus Revenue Estimate Update, public comments from the Kansas Association of Realtors, Kansas Association of School Boards, Kansas Head Start, Kansas Chamber of Commerce, KC Healthy Kids, Greater KS Food Policy Coalition, Sister Therese Bangert, Jack Nott, Carol Supancic, and Vashti Winterburg. The Council also received presentations on Global Intangible Low-Taxed Income and the Ad Valorem Property Tax and History of the "Three-Legged Stool" in Kansas.

Finally, the Council devoted December 3, 2019 to development of recommendations to the governor and legislature for consideration during the 2020 Legislative Session. While the Council was to continue to study larger possible reforms to the state tax structure and tax policy during 2020, the Council nevertheless believed that initial recommendations were needed to address certain targeted tax policies and provide focused current tax relief where it was most needed.

2020 Recommendations from the First Report

The bipartisan Council submitted its initial recommendations for consideration by the 2020 Kansas Legislature. The Governor's Tax Reform Council:

- Urged caution with the Governor and Legislature related to any proposals that would diminish revenue until Kansas has fully regained its fiscal health;
- Recommended that Kansas seek to restore the balanced three-legged stool of income tax, sales tax and property tax to fund state and local government services;
- Recommended a new refundable food sales income tax credit that would be based on federal adjusted gross income;
- Recommended that the Local Ad Valorem Tax Relief Fund be funded by the 2020 Legislature;
- Recommended that the sales of digital assets such as digital books, music and subscription services be subject to sales tax in order to restore equity to the sales tax act;
- Recommended that legislation be enacted to require marketplace facilitators to collect and remit tax on products sold into the State of Kansas;
- Recommended that an exemption be made to the existing property tax lid for the funding for local transportation projects; and
- Identified other topics and issues for further study, including proposals to broaden the tax base, an examination of the regressivity or progressivity of the Kansas tax system, a review of the earned income tax credit, an examination of the current property tax lid, continued review of the sales tax on food, further examination of the income tax implications arising from 2017 income tax reform, a comparison of the Kansas tax structure with surrounding states and a general review of the state property tax system.
- Requested that Dr. Ginther develop a set of hypothetical taxpayers reflecting the demographics of the state to analyze various tax policy changes. The hypothetical taxpayer models would allow additional analysis of equity issues relative to proposed changes in law.

Second Interim Report of the Governor's Council on Tax Reform

Background

On September 9, 2019, Governor Laura Kelly had signed Executive Order 19-11 (Appendix 1) which established the Kansas Council on Tax Reform to bring together a diverse group of experts and stakeholders committed to a shared vision of increased prosperity and well-being for all Kansans. The Order noted that fair and efficient tax policy is necessary to grow the economy, allow citizens to thrive, and predictably fund state and local units of government.

The Council's work to evaluate the overall adequacy and equity of the state and local tax systems was deemed especially important given the implications of dramatic changes in state tax policy since 2012. The Council was to submit an initial report to the Governor late in 2019 or early in 2020 regarding potential legislative recommendations for consideration during the 2020 session; and continue to monitor a number of public finance issues throughout 2020 before submitting a final report by December 1, 2020.

But the global COVID-19 pandemic significantly truncated the 2020 legislative session and its policy deliberations - while at the same time creating an entirely new set of demands on the public sector and reducing available resources to address such demands because of the collapsing economy and its impact on receipts. Governor Kelly on November 19, 2020, subsequently announced that the Council's important work would be extended into 2021 to help policymakers digest the very latest economic and revenue forecasts and continue robust discussion of any and all tax reform proposals given the new realities involving the ongoing nature of the COVID-19 crisis.

Council Activities in 2020

The Council met on February 28, 2020, before the severity of the unfolding pandemic was clear, to review the Council's initial report, monitor the status of recommendations to that point of the 2020 session, and receive reports on projected State General Fund profiles. At that meeting, Lead Academician Dr. Donna Ginther provided a great deal of data and analysis about the history of state and local tax policy. The Tax Foundation also presented recommendations for tax modernization, and the Urban Institute outlined a broader history of how state tax reform efforts had succeeded or failed in other states.

The Council subsequently met remotely on August 26 to receive reports on what had happened to the economy and tax receipt forecasts since its last meeting, hear a special presentation from Dr. Ginther ("The Kansas Economy and Taxation in the Age of COVID"), and be updated by the Urban Institute about what budgetary implications the COVID-19 crisis was having in other states.

At the outset of the November 19 meeting, which also was conducted remotely, the Governor announced the extension of the Council (Appendix 3). In that announcement, the Governor added that she continued to embrace the balanced three-legged stool approach for state and local finance, while highlighting the importance of offsetting the regressive nature of the sales tax on groceries for many Kansas families, providing targeted property tax relief, and determining how much room may be available for tax relief given the most recent budget projections. Also at that November meeting, the Council received an extensive briefing from Dr. Ginther, its lead academician, on the severity of the COVID-19 crisis, its implications for the Kansas economy in both the short run and long run, and concerns about the shape and speed of the recovery in the absence of any additional federal stimulus legislation. Dr. Ginther presented an additional study comparing and contrasting Kansas sales and excise tax policy with that of other states. The Urban Institute updated its study on state responses to the pandemic, noting that many states had cut budgets and accessed rainy day funds over the summer and fall. In terms of November tax-related election results, Arizona approved an income tax hike on high earners (for education), Arkansas adopted a sales tax hike (for transportation), tobacco tax increases were approved in both Oregon and Colorado, and gambling was expanded in several states (including Nebraska). Illinois voters rejected a measure that would have moved to a more progressive income tax system, while California rejected a tax increase aimed specifically at commercial property. The Urban Institute also explained that COVID-19 appeared to have accelerated state and voter actions regarding the legalization of marijuana, as ballot measures were approved in four more states – Montana, South Dakota, Arizona, and New Jersey. Budget Director Larry Campbell said that notwithstanding some modest increases in the November revenue forecast relative to the previous April estimate, projections were indicating an extremely challenging budget situation for the incoming 2021 Kansas Legislature. The Council subsequently adopted the following conclusions and recommendations and agreed to continue meeting in 2021 prior to issuance of a final report.

Second Annual Report Conclusions and Recommendations

In its second report, the Council explained that:

"Even as so many perceptions about the challenges faced by the public sector have changed since the Council was first established in 2019, the underlying mission of the Council to evaluate the adequacy and equity of the state and local tax systems in place in Kansas remains. Our collective notion of adequacy now may have changed significantly given the impact the pandemic has had not just on tax receipts, but also on demand for additional public-sector aid and support for individuals and businesses. Moreover, even as attention throughout 2020 has necessarily been focused on COVID-19 caseloads and business closures and other more immediate metrics, a great many medium and long-run social costs that have yet to be realized that are going to continue to provide additional stress on governments at all levels. Some research has shown that significant mental health costs from the 1919 flu pandemic lasted for well over a decade.

Even as the Council continues to evaluate measures of equity with an emphasis on concepts like progressivity versus regressivity, we recognize the need to be realistic about the ongoing demands that are going to be placed on the public sector even as the state moves into 2021 and hopefully begins to emerge from the worst of the crisis. The Council further notes that past actions in Kansas during challenging budget times, including cutting funding for critical infrastructure and the K-12 public school system, has proven to be penny wise and pound foolish with disastrous long-term consequences. Tax reform proposals under consideration in 2021 need to be relatively modest, have any tax reductions targeted to the people most in need of relief, and ideally be close to revenue-neutral in their overall impact on receipts."

The Council also found that the magnitude of Kansas' state and local budget challenges would be greatly reduced if the federal government could break the-then ongoing stalemate over stimulus and recovery legislation that included a critical state-and-local aid component, originally approved by the U.S. House of Representatives in May of 2020. The Council adopted a motion to memorialize congressional leadership and the Kansas delegation to continue negotiations. The Council's letter to Congress (Appendix 4) expressed concern over the growing likelihood that the nation may slide into another recession if the federal stalemate were to not be broken; and added that without any additional federal support, cuts to state and local budgets would increase unemployment and lengthen the duration of any such recession. The letter further explained that because Kansas cannot constitutionally operate with a negative budget balance, the state would be facing a series of unattractive policy options making it far less likely to give serious consideration to certain tax relief measures championed by individuals, business interests and others absent enactment of the state-and-local revenue sharing component in the federal legislation.

A number of proposals under consideration during previous legislative sessions sought to decouple the state from certain federal income tax provisions for both businesses and individuals. The Council noted that Kansas had chosen to be a conformity state for many administrative, enforcement and compliance reasons that help streamline its income tax system. Moreover, the November

2020 Consensus Revenue Estimate update explained that federal CARES Act provisions enacted earlier in 2020 were expected to reduce SGF receipts – as a direct result of such conformity – by $70.0 million in fiscal year 2021 and by $36.0 million in fiscal year 2022. The Council observed that choosing to allow those recent changes to flow through and impact Kansas income taxes while at the same time pursuing additional legislative efforts to selectively decouple from certain other federal provisions enacted in 2017 would not be a consistent public policy approach.

The Council further renewed all of its prior 2019 recommendations (made in the initial January 2020 report) for consideration by the Governor and the 2021 Kansas Legislature.

Even as much of the Council's work and discussion since September of 2019 had focused on state tax issues, its mission contemplated a broader charge of addressing the entire state and local tax system. With local units of government relying primarily on the property tax, and a great many legislative proposals relating to property taxes under consideration in recent years, the Council announced plans to monitor and provide input into some of those ongoing discussions during 2021.

Council Activities in 2021

During its meeting on January 29, 2021, the Council reviewed its second annual report and recommendations; received an overview of the Governor's budget and tax recommendations; and discussed selected property tax proposals under consideration.

Dr. Ginther in her presentation ("The Kansas Economy and Current Tax Proposals") said that significant challenges remained as a result of the pandemic and provided the updated impact the COVID-19 crisis was having on both the US and Kansas economies. She said that demand for social assistance had increased significantly. She also said that a "K-shaped" recovery appeared to be emerging, more robust for the wealthiest but far more sluggish for many low and moderate Kansans. Dr. Ginther said that data she had analyzed from the Department of Revenue indicated that the benefits of allowing individual income tax itemization would flow primarily to the wealthiest 18 percent of all filers. She concluded by saying that previous Council recommendations would more appropriately address principles laid down involving adequacy and equity than would many of the provisions contained in SB-22, which provided much of its tax relief for large corporations and high-income individuals.

Urban Institute provided an update on the impact of the pandemic all other states' budgets and also discussed the state/local aid component in President Biden's stimulus/relief proposal.

On March 5, the Council received reports on the latest SGF receipts; information from the Department of Revenue on tax filings to date;

and discussed legislation pending in Congress as well as in the Kansas Legislature.

Dr. Ginther distributed an important new analytic tool regarding tax incidence – hypothetical taxpayer modeling that was used to demonstrate the impact of proposed policy changes.

A property tax subcommittee chaired by former Senate Minority Leader Anthony Hensley reported back a number of recommendations for consideration by the full Council, including:

- Encouraging local units of government receiving money under the (then-pending) American Rescue Plan Act to make one-time capital improvements or other infrastructure investments, effectively reducing the amount of debt incurred that otherwise would have been backed by property taxes; or to help defray the public sector impact of February's energy price spikes. As Olathe Assistant City Manager Susan Sherman has noted, long-term infrastructure investments stimulate the economy and continue to pay dividends by facilitating safe and reliable transportation and services for residents and businesses alike.
- Consider authorizing expansion of the state "homestead" property tax exemption applicable to the mandatory school district general fund property tax levy beyond its current level of $20,000 and doubling it to $40,000 – effectively targeting any and all additional property tax relief to residential property.
- Opposing expansion of existing authority by county commissions to abate taxes on certain property damaged by tornados, floods, fire.

At its April 2 meeting, the Council again received monthly revenue reports and tax filing updates from the Department of Revenue and reviewed the status of extant legislation impacting major tax sources. Urban Institute provided a comprehensive overview of the American Rescue Plan Act's provisions. Dr. David Slusky provided a detailed analysis on the economic impact of Medicaid expansion and the impact it would have in Kansas.

Dr. Ginther ("Update on the Kansas Economy and Tax Policy") said that up to 31 percent of Kansas small businesses may have closed since the onset of the crisis in 2020. She also said that the American Rescue Plan Act was of critical importance to families because of its stimulus payments, as well as states and local governments because of its aid payments. Analyzing the distributional impacts of SB-50, she found that it would provide far more in tax benefits for wealthy individuals and corporations.

The property tax subcommittee reported that its most recent meeting had included discussions with local units of government regarding complexities associated with SB-13, which imposes a number of new reporting, hearing, notification, and certification requirements during the budgetary process. The subcommittee heard a hypothetical taxpayer presentation from the Institute for Policy & Social Research at the University of Kansas. That model had been updated and improved to now include property and vehicle taxes (alongside sales and income tax). Finally, the subcommittee also recommended keeping lines of communication open with the League of Kansas Municipalities and the Kansas Association of Counties regarding development of a state database to track the ultimate disposition of American Rescue Plan monies, while acknowledging that many smaller jurisdictions will struggle with capacity issues to meet significant additional reporting requirements in addition to what is required by law.

At the April 29 meeting, the Council received a report on the revised Consensus Revenue Estimates and an updated SGF profile; an update from the Commission on Racial Equity and Justice; and further information from the Urban Institute on ARPA guidance, federal infrastructure proposals, and action in other states. Dr. Ginther said that the recovery was being driven by (1) ARPA's having pumped more money into not just households, but also state and local governments; (2) the fact that COVID cases appeared to be plateauing as more people received vaccines; and (3) a pent-up demand for a return to "normalcy" of sorts.

Several property tax subcommittee meetings over the summer reviewed historical trends and issues; discussed recently enacted property tax legislation of significance; received input from local units of government; outlined the most effective ways of targeting property tax relief; and found that several significantly flawed provisions of SB-13 - the so-called "transparency" legislation - would need to be addressed in trailer legislation during the 2022 session.

The Council's November 19 meeting followed the Governor's November 8 announced proposal regarding food tax relief and the November 10 revision to the Consensus Revenue forecast. At that meeting, the Council received updates on all of those proposals and developments, as well as new information and comments from Budget Director Adam Proffitt about long-term SGF profile issues. Dr. Ginther provided new information on the impact of the pandemic on the Kansas economy, and Urban Institute made a presentation on the most recent tax and budget developments in other states as well as the federal government. Former Senate Minority Leader Anthony Hensley submitted a property tax subcommittee report for consideration by the full Council. Some of those recommendations contemplated specific issues and programs that would be targeted should property tax relief options be under consideration by policymakers in 2022, including expansion of the $20,000 residential exemption from the mandatory USD general fund levy to

$40,000; expansion of Homestead Property Tax Refund eligibility; restoration of LAVTRF funding; and authorization of additional local taxing options as alternatives to property taxes. The subcommittee also recommended increased SBOTA funding for IT services and website functionality, as well as the introduction of legislation designed to address several problems identified with SB-13. The Council approved a motion to strongly recommend as its highest priority endorsing the Governor's Axe the Food Tax proposal.

At the Council's final meeting on December 17, Governor Kelly appeared in person to thank the group for its more than two years of hard work and to reiterate the importance of getting the Axe the Food Tax proposal enacted early in the 2022 session. Secretary Burghart further underlined the importance of having the issue signed into law early in the session in order to give state officials and retailers sufficient administrative lead time to implement the new law by July 1. Staff from the Urban Institute presented a review of tax and expenditure limitations in other states, noting that historical analysis suggests that "lower spending and revenue may not produce desirable fiscal or economic outcomes." Dr. Ginther made presentations on the latest Kansas economic overview relative to the pandemic and its impact, as well as comments about the importance of healthcare, access to child care, and providing a more equitable tax structure moving forward. The Council then adopted a number of motions regarding its conclusions and recommendations that it directed be provided in the final report.

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Allen County	7.750%	07-01-15
Bassett	7.750%	07-01-15
Elsmore	7.750%	07-01-15
Gas	8.750%	07-01-15
Humboldt	9.500%	04-01-20
Iola	8.750%	07-01-15
La Harpe	8.750%	07-01-15
Mildred	7.750%	07-01-15
Moran	8.250%	07-01-15
Savonburg	7.750%	07-01-15
Anderson County	8.000%	07-01-15
Colony	8.500%	04-01-19
Garnett	8.500%	07-01-15
Greeley	8.000%	07-01-15
Kincaid	9.000%	07-01-15
Lone Elm	8.000%	07-01-15
Westphalia	8.000%	07-01-15
Atchison County	7.750%	07-01-15
Atchison	8.750%	07-01-15
Atchison AE Museum/Farmers Mkt STAR*	8.750%	10-01-18
Atchison Fox Theatre CID*	10.750%	01-01-19
Atchison Taco Bell CID and STAR*	9.750%	04-01-18
Effingham	8.750%	07-01-15
Huron	7.750%	07-01-15
Lancaster	7.750%	07-01-15
Muscotah	7.750%	07-01-15
Barber County	7.500%	07-01-15
Hardtner	7.500%	07-01-15
Hazelton	7.500%	07-01-15
Isabel	7.500%	07-01-15
Kiowa	8.250%	07-01-15
Medicine Lodge	8.250%	07-01-15
Medicine Lodge Streetscape CID*	9.250%	07-01-15
Sharon	7.500%	07-01-15
Sun City	7.500%	07-01-15
Barton County	7.500%	07-01-15
Albert	7.500%	07-01-15
Claflin	8.000%	07-01-15
Ellinwood	8.000%	07-01-15
Galatia	7.500%	07-01-15
Great Bend	8.250%	07-01-15
Great Bend Golden Belt Cinema 6 CID*	10.250%	07-01-15
Great Bend Holiday Inn Express CID*	10.250%	07-01-16
Great Bend Sutherlands CID*	9.250%	07-01-15
Hoisington	8.250%	07-01-15
Hoisington Cheyenne Bottoms Inn CID*	10.250%	07-01-15
Hoisington Kindscher CID*	8.750%	07-01-15
Hoisington Subway CID*	10.250%	07-01-15
Olmitz	7.500%	07-01-15
Pawnee Rock	7.500%	07-01-15
Susank	7.500%	07-01-15
Bourbon County	7.900%	10-01-15
Bronson	8.900%	10-01-15
Fort Scott	9.400%	10-01-15
Fort Scott Dollar Tree CID*	10.400%	10-01-20
Fort Scott EMD CID*	10.400%	10-01-15
Fort Scott Price Chopper CID*	9.900%	04-01-18
Fulton	7.900%	10-01-15
Bourbon County, continued		
Mapleton	8.900%	10-01-15
Redfield	7.900%	10-01-15
Uniontown	8.900%	10-01-15
Brown County	7.500%	01-01-17
Everest	7.500%	01-01-17
Fairview	7.500%	01-01-17
Hamlin	7.500%	01-01-17
Hiawatha	9.000%	04-01-17
Hiawatha Hotel CID*	11.000%	04-01-17
Horton	9.500%	01-01-17
Morrill	7.500%	01-01-17
Powhattan	7.500%	01-01-17
Reserve	7.500%	01-01-17
Robinson	7.500%	01-01-17
Sabetha (Brown Co.)	8.500%	01-01-17
Willis	7.500%	01-01-17
Butler County	6.500%	07-01-18
Andover	7.500%	10-01-18
Augusta	8.500%	07-01-18
Augusta Comfort Inn CID*	10.500%	07-01-18
Augusta Sugar Shane's Café CID*	10.500%	07-01-18
Benton	8.500%	07-01-19
Cassoday	6.500%	07-01-18
Douglass	8.500%	01-01-21
El Dorado	7.500%	07-01-18
El Dorado CID*	8.500%	07-01-18
El Dorado Days Inn Hotel CID*	9.500%	07-01-18
El Dorado Holiday Inn Express CID*	9.500%	07-01-18
El Dorado Red Coach Inn CID*	9.500%	07-01-18
El Dorado Super 8 CID*	9.500%	07-01-20
Elbing	6.500%	07-01-18
Latham	6.500%	07-01-18
Leon	7.500%	07-01-18
Potwin	7.500%	07-01-18
Rose Hill	7.500%	07-01-18
Towanda	7.500%	07-01-18
Whitewater	7.000%	07-01-18
Chase County	7.500%	07-01-15
Cedar Point	7.500%	07-01-15
Cottonwood Falls	8.500%	07-01-15
Elmdale	7.500%	07-01-15
Matfield Green	7.500%	07-01-15
Strong City	8.500%	07-01-15
Chautauqua County	8.500%	07-01-15
Cedar Vale	9.500%	07-01-15
Chautauqua	8.500%	07-01-15
Elgin	8.500%	07-01-15
Niotaze	8.500%	07-01-15
Peru	8.500%	07-01-15
Sedan	10.000%	07-01-15
Cherokee County	8.000%	07-01-21
Baxter Springs	10.000%	07-01-21
Columbus	9.000%	07-01-21
Galena	9.000%	07-01-21
Oswego (Cherokee Co.)	9.500%	07-01-21
Roseland	8.000%	07-01-21
Scammon	9.000%	07-01-21

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Cherokee County, continued		
Weir	9.000%	07-01-21
West Mineral	8.000%	07-01-21
Cheyenne County	8.500%	07-01-15
Bird City	8.500%	07-01-15
St. Francis	9.500%	04-01-20
Clark County	6.500%	07-01-15
Ashland	7.500%	07-01-15
Englewood	6.500%	07-01-15
Minneola	7.500%	07-01-15
Clay County	7.500%	07-01-15
Clay Center	9.500%	07-01-15
Clifton (Clay Co.)	8.500%	07-01-15
Green	7.500%	07-01-15
Longford	8.500%	07-01-15
Morganville	7.500%	07-01-15
Oak Hill	8.500%	07-01-15
Vining (Clay Co.)	7.500%	07-01-15
Wakefield	8.500%	07-01-15
Cloud County	7.500%	07-01-15
Aurora	7.500%	07-01-15
Clyde	7.500%	07-01-15
Concordia	8.500%	07-01-15
Glasco	8.500%	07-01-15
Jamestown	7.500%	07-01-15
Miltonvale	8.500%	07-01-15
Simpson (Cloud Co.)	7.500%	07-01-15
Coffey County	6.500%	07-01-15
Burlington	8.500%	07-01-15
Gridley	6.500%	07-01-15
Lebo	8.500%	04-01-20
LeRoy	7.500%	07-01-15
New Strawn	6.500%	07-01-15
Waverly	7.500%	07-01-19
Comanche County	6.500%	07-01-15
Coldwater	8.500%	07-01-15
Protection	8.000%	07-01-15
Wilmore	7.500%	07-01-15
Cowley County	6.500%	04-01-18
Arkansas City	8.500%	01-01-19
Arkansas City Summit Plaza CID*	9.500%	01-01-19
Atlanta	6.500%	04-01-18
Burden	7.500%	04-01-18
Cambridge	6.500%	04-01-18
Dexter	6.500%	04-01-18
Geuda Springs (Cowley Co.)	6.500%	04-01-18
Parkerfield	6.500%	04-01-18
Udall	7.500%	04-01-18
Winfield	8.500%	10-01-19
Crawford County	7.500%	07-01-15
Arcadia	7.500%	07-01-15
Arma	8.500%	07-01-15
Cherokee	8.500%	07-01-15
Frontenac	8.750%	07-01-15
Girard	8.500%	07-01-15
Hepler	7.500%	07-01-15
McCune	8.500%	07-01-15
Mulberry	7.500%	07-01-15

Taxing Area by County	Total Tax Rate	Effective Date
Crawford County, continued		
Pittsburg	9.000%	10-01-17
Pittsburg Northgate Plaza CID*	9.900%	07-01-19
Pittsburg TDD*	9.300%	10-01-17
Walnut	7.500%	07-01-15
Decatur County	7.500%	07-01-15
Clayton (Decatur Co.)	7.500%	07-01-15
Dresden	7.500%	07-01-15
Jennings	7.500%	07-01-15
Norcatur	7.500%	07-01-15
Oberlin	9.000%	07-01-15
Dickinson County	8.000%	07-01-15
Abilene	8.750%	07-01-18
Abilene Holiday Inn Express CID*	10.750%	04-01-20
Abilene Property 6 CID*	10.750%	07-01-18
Abilene Roserock Holdings CID*	10.750%	04-01-19
Carlton	8.000%	07-01-15
Chapman	9.000%	07-01-15
Enterprise	8.000%	07-01-15
Herington (Dickinson Co.)	9.000%	04-01-21
Hope	8.000%	07-01-15
Manchester	8.000%	07-01-15
Solomon (Dickinson Co.)	8.000%	07-01-15
Woodbine	8.000%	07-01-15
Doniphan County	7.500%	07-01-15
Denton	7.500%	07-01-15
Elwood	8.500%	07-01-15
Highland	8.500%	07-01-15
Leona	7.500%	07-01-15
Severance	7.500%	07-01-15
Troy	8.500%	07-01-15
Wathena	8.500%	07-01-15
White Cloud	8.500%	04-01-21
Douglas County	7.750%	04-01-19
Baldwin City	9.000%	04-01-19
Eudora	9.500%	04-01-20
Lawrence	9.300%	04-01-19
Lawrence 9th & New Hampshire TDD*	10.300%	04-01-19
Lawrence Free State TDD*	10.300%	04-01-19
Lawrence Oread TDD*	10.300%	04-01-19
Lecompton	9.500%	04-01-19
Edwards County	7.500%	07-01-15
Belpre	7.500%	07-01-15
Kinsley	8.500%	07-01-15
Lewis	7.500%	07-01-15
Offerle	7.500%	07-01-15
Elk County	7.500%	07-01-15
Elk Falls	7.500%	07-01-15
Grenola	7.500%	07-01-15
Howard	8.500%	04-01-17
Longton	7.500%	07-01-15
Moline	7.500%	07-01-15
Ellis County	7.000%	10-01-20
Ellis	9.000%	10-01-20
Ellis County BBJ CID (Hays)*	9.000%	10-01-20
Hays	8.750%	10-01-20
Hays 48th & Roth Avenue CID*	10.750%	10-01-20
Hays Extended Stay Hotel Partners CID*	10.750%	10-01-20

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Ellis County, continued		
Hays Extended Stay Hotel Partners 2 CID*	9.750%	10-01-20
Hays Hilton Garden Inn CID*	10.750%	10-01-20
Hays Investors CID*	9.750%	10-01-20
Hays Mall CID*	9.750%	10-01-20
Hays Saffron West 43rd CID*	10.750%	01-01-21
Schoenchen	7.000%	10-01-20
Victoria	8.000%	10-01-20
Ellsworth County	7.500%	07-01-15
Ellsworth	8.750%	07-01-15
Ellsworth CID*	9.750%	10-01-15
Holyrood	7.500%	07-01-15
Kanopolis	8.500%	07-01-15
Lorraine	7.500%	07-01-15
Wilson	8.500%	07-01-15
Finney County	7.950%	04-01-18
Garden City	8.950%	04-01-18
Garden City Fulton's Founders Brewery CID*	9.950%	01-01-19
Garden City Schulman Crossing CID and Sports of the World STAR*	9.950%	01-01-21
Garden City Sports of the World STAR*	8.950%	04-01-19
Garden City Stone Development CID*	9.950%	04-01-18
Holcomb	8.450%	04-01-18
Ford County	7.650%	04-01-17
Bucklin	7.650%	04-01-17
Dodge City	8.650%	04-01-17
Dodge City Boot Hill Museum CID*	9.650%	10-01-20
Dodge City Boot Hill Heritage Area STAR*	9.650%	10-01-20
Dodge City Capital Group Nevada CID*	9.650%	07-01-21
Dodge City Heritage Area STAR*	8.650%	04-01-17
Dodge City IHOP CID*	9.650%	04-01-17
Dodge City Leisure Development CID*	9.650%	07-01-17
Dodge City McDonalds CID*	9.150%	04-01-17
Dodge City McDonalds 2 CID*	9.150%	10-01-17
Dodge City Power Center STAR*	8.650%	01-01-19
Dodge City Scooters Wyatt Earp CID*	10.650%	07-01-20
Dodge City Suth. High Plains CID & STAR*	9.650%	01-01-19
Ford	7.650%	04-01-17
Spearville	7.650%	04-01-17
Franklin County	8.000%	07-01-15
Lane	9.000%	07-01-15
Ottawa	9.600%	07-01-16
Ottawa Center CID*	9.900%	07-01-16
Ottawa Holiday Inn Express 1 CID*	10.600%	04-01-20
Ottawa Holiday Inn Express 2 CID*	11.600%	04-01-20
Ottawa South 59 TDD*	10.600%	07-01-16
Ottawa 21st and Princeton CID*	10.350%	04-01-19
Pomona	10.000%	07-01-15
Princeton	9.500%	07-01-20
Rantoul	8.000%	07-01-15
Richmond	8.250%	07-01-15
Wellsville	9.500%	04-01-20
Williamsburg	9.000%	07-01-15
Geary County	7.750%	07-01-15
Grandview Plaza	9.750%	04-01-20
Junction City	9.750%	07-01-15
Junction City Goody's Plaza CID*	11.500%	07-01-15
Milford	7.750%	07-01-15

Taxing Area by County	Total Tax Rate	Effective Date
Geary County, continued		
Geary Co. Acorns Resort CID (Milford)*	9.750%	07-01-15
Gove County	8.500%	07-01-15
Gove	8.500%	07-01-15
Grainfield	8.500%	07-01-15
Grinnell	8.750%	07-01-15
Oakley (Gove Co.)	9.000%	07-01-15
Park	8.500%	07-01-15
Quinter	8.500%	07-01-15
Graham County	7.500%	07-01-15
Bogue	7.500%	07-01-15
Hill City	8.500%	07-01-15
Morland	8.500%	07-01-15
Grant County	6.500%	07-01-15
Ulysses	8.500%	07-01-15
Gray County	7.650%	07-01-15
Cimarron	8.900%	07-01-15
Copeland	7.650%	07-01-15
Ensign	7.650%	07-01-15
Ingalls	7.650%	07-01-15
Montezuma	9.650%	04-01-19
Greeley County	7.500%	07-01-15
Horace	7.500%	07-01-15
Tribune	7.500%	07-01-15
Greenwood County	7.500%	07-01-21
Climax	7.500%	07-01-21
Eureka	9.500%	07-01-21
Fall River	7.500%	07-01-21
Hamilton	7.500%	07-01-21
Madison	7.500%	07-01-21
Severy	8.500%	07-01-21
Virgil	7.500%	07-01-21
Hamilton County	7.500%	07-01-15
Coolidge	7.500%	07-01-15
Syracuse	8.500%	07-01-15
Harper County	6.500%	07-01-15
Anthony	7.000%	07-01-15
Harper Cobblestone Inn CID*	10.000%	01-01-21
Harper County CID (Anthony)*	8.500%	07-01-15
Harper County Downtown Anthony CID*	9.000%	07-01-15
Attica	8.500%	07-01-18
Bluff City	6.500%	07-01-15
Danville	7.500%	04-01-18
Harper	8.000%	10-01-18
Waldron	6.500%	07-01-15
Harvey County	8.500%	07-01-15
Burrton	9.500%	04-01-17
Halstead	8.500%	07-01-15
Hesston	8.500%	07-01-15
Newton	8.500%	07-01-15
Newton Holiday Inn Express CID*	10.500%	04-01-20
North Newton	8.500%	07-01-15
Sedgwick (Harvey Co.)	9.000%	04-01-20
Walton	8.500%	07-01-15
Haskell County	7.000%	07-01-15
Satanta	8.000%	07-01-15
Sublette	8.250%	07-01-15
Hodgeman County	7.650%	07-01-15

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Hodgeman County, continued		
Hanston	7.650%	07-01-15
Jetmore	9.150%	01-01-17
Jackson County	7.900%	07-01-15
Circleville	7.900%	07-01-15
Delia	7.900%	07-01-15
Denison	7.900%	07-01-15
Holton	8.650%	07-01-15
Hoyt	7.900%	07-01-15
Mayetta	9.400%	07-01-21
Netawaka	7.900%	07-01-15
Soldier	7.900%	07-01-15
Whiting	7.900%	07-01-15
Jefferson County	7.500%	07-01-15
McLouth	7.500%	07-01-15
Meriden	8.000%	10-01-15
Nortonville	7.500%	07-01-15
Oskaloosa	8.500%	07-01-15
Ozawkie	8.500%	07-01-17
Perry	8.500%	07-01-21
Valley Falls	9.500%	01-01-17
Winchester	8.000%	04-01-19
Jewell County	7.500%	07-01-15
Burr Oak	7.500%	07-01-15
Esbon	7.500%	07-01-15
Formoso	7.500%	07-01-15
Jewell	7.500%	07-01-15
Mankato	8.250%	07-01-15
Randall	7.500%	07-01-15
Webber	7.500%	07-01-15
Johnson County	7.975%	04-01-17
Bonner Springs (Johnson Co.)	9.725%	04-01-17
De Soto (Johnson Co.)	9.725%	04-01-17
Edgerton	8.975%	04-01-17
Edgerton Kansas City Intermodal Facility*	8.975%	10-01-17
Edgerton On-the-Go Travel Plaza CID*	9.975%	01-01-21
Fairway	9.975%	04-01-17
Gardner	9.475%	04-01-17
Gardner Main Street Market Place CID*	10.475%	07-01-20
Lake Quivira (Johnson Co.)	7.975%	04-01-17
Leawood	9.100%	04-01-17
Leawood Camelot Court CID*	10.100%	04-01-17
Leawood Park Place TDD*	10.100%	04-01-17
Lenexa	9.350%	04-01-17
Lenexa Candlewood Suites CID*	10.350%	10-01-17
Lenexa City Center Area East CID*	10.350%	07-01-19
Lenexa City Center East Village I CID*	10.350%	04-01-17
Lenexa City Center East Village 2 CID*	10.350%	04-01-17
Lenexa Greystone South Plaza CID*	10.350%	04-01-17
Lenexa Holiday Inn CID*	10.350%	10-01-17
Lenexa Midas Springhill Suites CID*	10.350%	07-01-17
Lenexa Orchard Corners CID*	10.350%	04-01-17
Lenexa Point Shopping Center CID*	10.350%	04-01-20
Lenexa Prairie Creek CID*	10.350%	04-01-17
Lenexa Quivira 95 CID*	10.350%	04-01-17
Lenexa Sonoma Plaza CID*	10.350%	07-01-20
Merriam	9.475%	01-01-18
Mission	9.600%	04-01-17

Taxing Area by County	Total Tax Rate	Effective Date
Johnson County, continued		
Mission Commons Community CID*	10.600%	04-01-17
Mission Crossing CID*	10.600%	04-01-17
Mission Gateway 3 CID*	10.600%	07-01-20
Mission Hills	9.225%	10-01-18
Mission Woods	8.975%	01-01-18
Olathe	9.475%	04-01-17
Olathe 151st Street STAR*	9.475%	01-01-19
Olathe Conference Center Hotel CID*	11.475%	04-01-17
Olathe Entertainment District Ph. 3 TDD*	10.475%	04-01-17
Olathe Gateway No. 1a TDD*	10.475%	04-01-17
Olathe Gateway No. 1b TDD*	10.475%	04-01-17
Olathe Heart of America CID*	10.475%	04-01-17
Olathe Pointe TDD*	10.475%	04-01-17
Olathe Ridgeview Falls TDD*	10.475%	04-01-17
Olathe Ridgeview Marketplace CID*	10.475%	01-01-18
Olathe Santa Fe Square CID*	10.475%	04-01-17
Olathe Station CID*	10.475%	01-01-18
Olathe West Market CID*	10.475%	10-01-18
Olathe WIN CID*	10.475%	04-01-17
Overland Park	9.100%	04-01-17
Overland Park 91st Street & Metcalf CID*	10.100%	04-01-17
Overland Park Bluhawk CID and TDD*	10.600%	01-01-20
Overland Park Bluhawk TDD*	10.100%	04-01-18
Overland Park Corbin Park CID*	10.600%	04-01-17
Overland Park Deer Creek TDD*	10.100%	04-01-17
Overland Park Edison CID*	11.100%	01-01-20
Overland Park Galleria 115 CID*	10.600%	07-01-21
Overland Park Hawthorne Plaza CID*	10.100%	04-01-17
Overland Park Highlands Village TDD*	10.100%	04-01-17
Overland Park Jack Stack CID*	10.100%	10-01-19
Overland Park Metcalf Crossing CID*	10.100%	07-01-20
Overland Park Mission Farms West TDD*	10.100%	07-01-19
Overland Park Nall Hills CID*	10.100%	04-01-17
Overland Park Oak Park Mall TDD*	9.600%	04-01-17
Overland Park Prairiefire Phase 1 CID*	10.600%	07-01-20
Overland Park Prairiefire STAR & Ph. I CID*	10.600%	07-01-20
Overland Park Prairiefire STAR & Ph. II CID*	10.600%	07-01-20
Overland Park Promontory CID*	10.100%	01-01-19
Overland Park Quivira 95 Shops CID*	10.100%	04-01-17
Overland Park Ranch Mart South CID*	10.100%	04-01-17
Overland Park Regency Park CID*	10.100%	04-01-18
Overland Park The Vue CID*	10.100%	07-01-18
Overland Park West Park CID*	10.100%	04-01-17
Prairie Village	8.975%	04-01-17
Prairie Village "The Village" CID*	9.975%	04-01-17
Prairie Village Corinth Square CID*	9.975%	04-01-17
Roeland Park	9.475%	04-01-21
Roeland Park Shopping Center #1 TDD*	10.475%	04-01-21
Roeland Park Shopping Center #2 TDD*	9.975%	04-01-21
Shawnee	9.600%	04-01-17
Shawnee Plaza TDD*	10.600%	04-01-17
Shawnee Westbrooke Village CID*	11.100%	01-01-21
Spring Hill (Johnson Co.)	9.475%	04-01-17
Westwood	9.475%	10-01-18
Westwood Hills	8.975%	04-01-17
Westwood South Woodside CID*	10.975%	07-01-18
Westwood Woodside CID*	10.075%	04-01-17

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Kearny County	6.500%	07-01-15
Deerfield	7.500%	07-01-15
Lakin	7.500%	07-01-15
Kingman County	8.000%	07-01-17
Cunningham	9.000%	07-01-17
Cunningham CID*	11.000%	07-01-17
Kingman	9.000%	07-01-17
Kingman Stucky Services CID*	10.000%	07-01-18
Nashville	8.000%	07-01-17
Norwich	8.000%	07-01-17
Penalosa	8.000%	07-01-17
Spivey	8.500%	07-01-17
Zenda	8.000%	07-01-17
Kiowa County	7.500%	07-01-15
Greensburg	8.500%	07-01-15
Haviland	7.500%	07-01-15
Mullinville	8.500%	04-01-17
Labette County	7.750%	07-01-15
Altamont	9.250%	04-01-21
Bartlett	7.750%	07-01-15
Chetopa	9.250%	07-01-15
Edna	9.750%	04-01-17
Labette	7.750%	07-01-15
Mound Valley	8.250%	07-01-15
Oswego (Labette Co.)	9.250%	01-01-17
Parsons	9.250%	07-01-15
Lane County	7.500%	07-01-15
Dighton	8.500%	07-01-15
Leavenworth County	7.500%	07-01-15
Basehor	8.500%	07-01-15
Basehor Wolf Creek Junction TDD*	9.250%	07-01-15
Bonner Springs (Leavenworth Co.)	9.250%	07-01-15
De Soto (Leavenworth Co.)	9.250%	07-01-15
Easton	8.500%	07-01-15
Lansing	8.950%	10-01-17
Lansing Speedway CID*	9.950%	01-01-18
Lansing Town Center TDD*	9.500%	07-01-15
Leavenworth	9.500%	07-01-15
Leavenworth Downtown Hotel CID*	11.500%	10-01-17
Leavenworth First City Hotel CID*	11.500%	10-01-17
Leavenworth Fort Gate CID*	10.750%	07-01-21
Leavenworth Luxury & Imports CID*	9.900%	01-01-21
Leavenworth Price Chopper CID*	9.900%	04-01-21
Leavenworth Zeck Ford CID*	10.250%	07-01-15
Linwood	8.500%	07-01-15
Tonganoxie	9.250%	07-01-15
Lincoln County	7.500%	07-01-15
Barnard	7.500%	07-01-15
Beverly	8.500%	04-01-21
Lincoln Center	8.500%	07-01-15
Sylvan Grove	7.500%	07-01-15
Linn County	7.500%	04-01-19
Blue Mound	7.500%	04-01-19
La Cygne	9.500%	04-01-19
Linn Valley	7.500%	04-01-19
Mound City	8.500%	04-01-19
Parker	9.500%	04-01-19
Pleasanton	8.500%	04-01-19

Taxing Area by County	Total Tax Rate	Effective Date
Linn County, continued		
Prescott	7.500%	04-01-19
Logan County	8.000%	07-01-15
Oakley (Logan Co.)	8.500%	07-01-15
Russell Springs	8.000%	07-01-15
Winona	8.000%	07-01-15
Lyon County	7.500%	07-01-15
Admire	7.500%	07-01-15
Allen	7.500%	07-01-15
Americus	8.500%	04-01-19
Bushong	7.500%	07-01-15
Emporia	8.500%	07-01-15
Emporia Flinthills Mall CID*	9.500%	04-01-16
Emporia Pavilions CID*	9.500%	07-01-17
Hartford	8.500%	07-01-15
Neosho Rapids	8.500%	07-01-15
Olpe	8.000%	07-01-15
Reading	7.500%	07-01-15
McPherson County	8.000%	07-01-15
Canton	9.000%	07-01-15
Galva	8.000%	07-01-15
Inman	8.000%	07-01-15
Lindsborg	9.500%	07-01-15
McPherson	9.000%	07-01-15
McPherson North Champlin Street CID*	11.000%	04-01-20
McPherson Plaza East Place CID*	11.000%	01-01-20
Marquette	9.000%	07-01-15
Moundridge	9.000%	07-01-15
Windom	8.000%	07-01-15
Marion County	7.500%	07-01-18
Burns	7.500%	07-01-18
Durham	7.500%	07-01-18
Florence	8.500%	07-01-18
Goessel	7.500%	07-01-18
Hillsboro	8.500%	07-01-18
Lehigh	7.500%	07-01-18
Lincolnville	7.500%	07-01-18
Lost Springs	7.500%	07-01-18
Marion	8.250%	07-01-18
Peabody	8.500%	07-01-18
Ramona	7.500%	07-01-18
Tampa	7.500%	07-01-18
Marshall County	7.000%	04-01-20
Axtell	8.000%	04-01-20
Beattie	7.000%	04-01-20
Blue Rapids	9.000%	01-01-21
Frankfort	8.000%	04-01-20
Marysville	8.600%	04-01-20
Oketo	7.000%	04-01-20
Summerfield	7.000%	04-01-20
Vermillion	7.000%	04-01-20
Waterville	8.500%	04-01-20
Meade County	7.500%	07-01-15
Fowler	7.500%	07-01-15
Meade	8.500%	07-01-15
Plains	7.500%	07-01-15
Miami County	8.000%	07-01-15
Fontana	8.500%	07-01-15

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Miami County, continued		
Louisburg	9.500%	10-01-19
Osawatomie	9.250%	01-01-19
Paola	9.250%	07-01-15
Spring Hill (Miami Co.)	9.500%	07-01-15
Mitchell County	7.500%	07-01-15
Beloit	8.500%	07-01-15
Cawker City	8.500%	04-01-20
Glen Elder	7.500%	07-01-15
Hunter	7.500%	07-01-15
Scottsville	7.500%	07-01-15
Simpson (Mitchell Co.)	7.500%	07-01-15
Tipton	8.500%	04-01-18
Montgomery County	6.500%	07-01-15
Caney	9.500%	07-01-19
Cherryvale	9.500%	10-01-15
Coffeyville	9.500%	07-01-15
Coffeyville Holiday Inn CID*	11.500%	07-01-17
Dearing	8.500%	04-01-17
Elk City	6.500%	07-01-15
Havana	6.500%	07-01-15
Independence	9.500%	07-01-15
Liberty	6.500%	07-01-15
Tyro	6.500%	07-01-15
Morris County	7.500%	07-01-15
Council Grove	9.200%	07-01-15
Dunlap	7.500%	07-01-15
Dwight	7.500%	07-01-15
Herington (Morris Co.)	8.500%	04-01-21
Latimer	7.500%	07-01-15
Parkerville	7.500%	07-01-15
White City	7.500%	07-01-15
Wilsey	7.500%	07-01-15
Morton County	7.500%	07-01-15
Elkhart	8.500%	07-01-15
Richfield	7.500%	07-01-15
Rolla	9.500%	04-01-17
Nemaha County	8.000%	07-01-15
Bern	8.000%	07-01-15
Centralia	8.000%	07-01-15
Corning	8.000%	07-01-15
Goff	8.000%	07-01-15
Oneida	8.000%	07-01-15
Sabetha (Nemaha Co.)	9.000%	07-01-15
Seneca	9.000%	07-01-15
Wetmore	8.000%	07-01-15
Neosho County	8.250%	07-01-18
Chanute	9.500%	07-01-18
Chanute Love's Travel Stop CID*	11.500%	07-01-18
Chanute Santa Fe Ave CID*	10.500%	07-01-18
Earlton	8.250%	07-01-18
Erie	9.750%	07-01-18
Galesburg	8.250%	07-01-18
St. Paul	9.250%	07-01-18
Stark	8.250%	07-01-18
Thayer	9.500%	07-01-18
Ness County	6.500%	07-01-15
Bazine	6.500%	07-01-15

Taxing Area by County	Total Tax Rate	Effective Date
Ness County, continued		
Brownell	6.500%	07-01-15
Ness City	8.500%	10-01-19
Ransom	7.000%	07-01-15
Utica	7.500%	07-01-15
Norton County	7.250%	07-01-15
Almena	7.750%	07-01-15
Clayton (Norton Co.)	7.250%	07-01-15
Edmond	7.250%	07-01-15
Lenora	7.250%	07-01-15
Norton	8.500%	07-01-15
Osage County	7.500%	07-01-15
Burlingame	9.000%	07-01-20
Carbondale	9.500%	07-01-15
Lyndon	9.000%	07-01-15
Melvern	8.500%	07-01-15
Olivet	7.500%	07-01-15
Osage City	9.000%	07-01-15
Quenemo	7.500%	07-01-15
Scranton	8.500%	07-01-15
Osborne County	8.000%	07-01-15
Alton	8.000%	07-01-15
Downs	8.500%	07-01-15
Natoma	8.000%	07-01-15
Osborne	8.000%	07-01-15
Portis	8.000%	07-01-15
Ottawa County	7.500%	07-01-15
Bennington	8.500%	07-01-15
Culver	7.500%	07-01-15
Delphos	8.500%	07-01-15
Minneapolis	8.500%	07-01-15
Tescott	7.500%	07-01-15
Pawnee County	8.500%	07-01-15
Burdett	8.500%	07-01-15
Garfield	8.500%	07-01-15
Larned	9.000%	07-01-15
Rozel	8.500%	07-01-15
Phillips County	7.000%	07-01-15
Agra	7.000%	07-01-15
Glade	9.000%	01-01-19
Kirwin	7.000%	07-01-15
Logan	8.000%	07-01-15
Long Island	7.000%	07-01-15
Phillipsburg	9.000%	07-01-15
Prairie View	7.000%	07-01-15
Speed	7.000%	07-01-15
Pottawatomie County	7.500%	07-01-15
Belvue	7.500%	07-01-15
Emmett	7.500%	07-01-15
Havensville	7.500%	07-01-15
Louisville	7.500%	07-01-15
Manhattan (Pottawatomie Co.)	8.950%	04-01-17
Olsburg	7.500%	07-01-15
Onaga	8.500%	07-01-15
St. George	9.000%	04-01-20
St. Marys (Pottawatomie Co.)	8.500%	07-01-15
Wamego	9.250%	07-01-15
Westmoreland	8.500%	07-01-15

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Pottawatomie County, continued		
Wheaton	7.500%	07-01-15
Pratt County	8.250%	07-01-15
Byers	8.250%	07-01-15
Coats	8.250%	07-01-15
Cullison	8.250%	07-01-15
Iuka	8.250%	07-01-15
Pratt	9.000%	07-01-15
Preston	8.250%	07-01-15
Sawyer	8.250%	07-01-15
Rawlins County	7.500%	01-01-17
Atwood	7.500%	01-01-17
Herndon	7.500%	01-01-17
McDonald	7.500%	01-01-17
Reno County	7.500%	07-01-19
Abbyville	7.500%	07-01-19
Arlington	7.500%	07-01-19
Buhler	8.500%	07-01-19
Haven	7.500%	04-01-21
Hutchinson	8.600%	07-01-19
Hutchinson Fairfield Inn CID*	10.600%	07-01-19
Hutchinson Hobby Lobby/Orschlen CID*	9.600%	07-01-19
Hutchinson Holiday Inn Express CID*	10.600%	07-01-19
Hutchinson Kansas State Fairgrounds*	8.600%	07-01-19
Hutchinson Mall CID*	9.600%	07-01-19
Hutchinson Mall Outlot CID*	9.600%	07-01-19
Langdon	7.500%	07-01-19
Nickerson	8.500%	07-01-19
Partridge	7.500%	07-01-19
Plevna	7.500%	07-01-19
Pretty Prairie	8.500%	07-01-19
South Hutchinson	8.250%	07-01-19
South Hutchinson Love's Travel CID*	9.250%	07-01-19
Sylvia	8.000%	07-01-19
The Highlands	7.500%	07-01-19
Turon	7.500%	07-01-19
Willowbrook	7.500%	07-01-19
Republic County	8.500%	07-01-15
Agenda	8.500%	07-01-15
Belleville	9.000%	10-01-15
Courtland	8.500%	07-01-15
Cuba	8.500%	07-01-15
Munden	8.500%	07-01-15
Narka	8.500%	07-01-15
Republic	8.500%	07-01-15
Scandia	8.500%	07-01-15
Rice County	7.500%	07-01-15
Alden	8.500%	04-01-18
Bushton	7.500%	07-01-15
Chase	8.000%	07-01-15
Frederick	7.500%	07-01-15
Geneseo	9.500%	07-01-15
Little River	8.500%	07-01-15
Lyons	8.500%	07-01-15
Raymond	7.500%	07-01-15
Sterling	8.500%	07-01-15
Riley County	7.500%	07-01-15
Leonardville	8.500%	07-01-15

Taxing Area by County	Total Tax Rate	Effective Date
Riley County, continued		
Manhattan (Riley Co.)	8.950%	04-01-17
Manhattan Blueville Addition TDD*	9.450%	04-01-17
Manhattan Blueville Unit 2 TDD*	9.450%	01-01-21
Manhattan Flint Hills Discovery Ctr STAR N*	8.950%	04-01-17
Manhattan Flint Hills Discovery Ctr STAR S*	8.950%	04-01-17
Manhattan Flint Hills South TDD*	9.450%	04-01-17
Manhattan McD's Addition TDD*	9.450%	04-01-17
Manhattan Marketplace TDD*	9.450%	04-01-17
Manhattan Scenic Crossing Addition TDD*	9.450%	04-01-19
Manhattan Town Center CID*	9.700%	04-01-19
Ogden	8.500%	07-01-15
Randolph	8.500%	07-01-15
Riley	8.500%	07-01-15
Rooks County	7.000%	07-01-15
Damar	7.000%	07-01-15
Palco	8.000%	04-01-18
Plainville	9.000%	04-01-21
Stockton	9.500%	01-01-17
Woodston	7.000%	07-01-15
Zurich	7.000%	07-01-15
Rush County	6.500%	07-01-15
Alexander	6.500%	07-01-15
Bison	6.500%	07-01-15
La Crosse	8.500%	10-01-15
Liebenthal	6.500%	07-01-15
McCracken	6.500%	07-01-15
Otis	6.500%	07-01-15
Rush Center	6.500%	07-01-15
Timken	6.500%	07-01-15
Russell County	8.500%	07-01-15
Bunker Hill	8.500%	07-01-15
Dorrance	8.500%	07-01-15
Gorham	8.500%	07-01-15
Lucas	9.500%	04-01-19
Luray	10.500%	04-01-17
Paradise	8.500%	07-01-15
Russell	8.500%	07-01-15
Waldo	8.500%	07-01-15
Saline County	8.000%	04-01-21
Assaria	8.000%	04-01-21
Brookville	8.000%	04-01-21
Gypsum	8.000%	04-01-21
New Cambria	8.000%	04-01-21
Salina	9.250%	04-01-21
Salina Alley CID*	11.250%	04-01-21
Salina Downtown Hotel CID*	11.250%	04-01-21
Salina Downtown STAR*	9.250%	04-01-21
Salina Downtown STAR and CID*	10.250%	04-01-21
Salina North 9th Street HPSA CID*	11.250%	07-01-21
Salina S&B South Ninth CID*	11.250%	04-01-21
Smolan	8.000%	04-01-21
Solomon (Saline Co.)	8.000%	04-01-21
Scott County	8.500%	07-01-15
Scott City	9.000%	07-01-15
Sedgwick County	7.500%	07-01-15
Andale	7.500%	07-01-15
Bel Aire	7.500%	07-01-15

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Sedgwick County, continued		
Bentley	7.500%	07-01-15
Cheney	7.500%	07-01-15
Clearwater	7.500%	07-01-15
Colwich	7.500%	07-01-15
Derby	8.000%	07-01-15
Derby Field Station STAR*	8.000%	07-01-17
Derby Field Station 2 STAR*	8.000%	07-01-20
Eastborough	7.500%	07-01-15
Garden Plain	7.500%	07-01-15
Goddard	8.500%	07-01-15
Goddard Olympic Park CID and STAR*	9.500%	01-01-20
Goddard Olympic Park STAR*	8.500%	07-01-15
Goddard Tanganyika Wildlife Park CID*	10.500%	07-01-20
Haysville	8.500%	07-01-15
Kechi	7.500%	07-01-15
Maize	7.500%	07-01-15
Mount Hope	7.500%	07-01-15
Mulvane (Sedgwick Co.)	7.500%	07-01-21
Park City	7.500%	07-01-15
Sedgwick (Sedgwick Co.)	8.000%	04-01-20
Valley Center	8.500%	04-01-21
Viola	7.500%	07-01-15
Wichita	7.500%	07-01-15
Wichita Broadview Hotel CID*	9.500%	07-01-15
Wichita Central & Oliver CID*	8.500%	07-01-15
Wichita Chicken N Pickle CID*	9.000%	01-01-19
Wichita Delano Catalyst CID*	9.500%	01-01-21
STAR*	9.500%	01-01-21
Wichita Douglas & Broadway CID*	9.500%	07-01-15
Wichita Douglas & Emporia CID*	9.500%	01-01-21
Wichita Downtown Hilton CID*	9.000%	01-01-18
Wichita Greenwich & K-96 CID*	8.700%	07-01-15
Wichita K-96 Greenwich STAR*	7.500%	07-01-15
Wichita K-96 Greenwich STAR CID*	8.500%	10-01-15
Wichita Kellogg and West CID*	8.500%	01-01-16
Wichita River District Stadium STAR*	7.500%	01-01-19
Wichita Multi-Sport Stadium CID*	9.500%	07-01-20
Wichita River Walk STAR*	7.500%	04-01-20
Wichita Spaghetti Works CID*	9.500%	04-01-20
Wichita WaterWalk Hotel CID*	9.500%	07-01-15
Seward County	7.750%	07-01-15
Kismet	7.750%	07-01-15
Liberal	9.250%	07-01-15
Liberal CID*	11.250%	01-01-16
Liberal IHOP CID*	11.250%	10-01-17
Liberal North Liberal One CID*	10.250%	10-01-18
Liberal Southgate Mall CID*	10.250%	07-01-21
Shawnee County	7.650%	07-01-15
Auburn	9.150%	07-01-15
Rossville	8.650%	07-01-15
Silver Lake	7.650%	07-01-15
Topeka	9.150%	07-01-15
Topeka Crosswinds Common CID*	10.150%	07-01-15
Topeka Cyrus Hotel CID*	11.150%	01-01-19
Topeka Downtown Ramada Inn CID*	11.150%	04-01-21
Topeka Heartland Park STAR*	9.150%	07-01-15
Topeka Holliday Square CID*	10.150%	07-01-15

Taxing Area by County	Total Tax Rate	Effective Date
Shawnee County, continued		
Topeka SE 29th St. CID*	10.150%	01-01-18
Topeka Sherwood Crossing/Villa West CID*	10.150%	10-01-19
Topeka Wanamaker Hills CID*	10.150%	01-01-20
Topeka Wheatfield Village CID*	11.150%	04-01-19
Willard (Shawnee Co.)	8.400%	07-01-15
Sheridan County	8.500%	07-01-15
Hoxie	8.500%	07-01-15
Selden	8.500%	07-01-15
Sherman County	8.750%	07-01-15
Goodland	9.000%	07-01-15
Goodland Holiday Inn Express CID*	11.000%	07-01-19
Goodland 24/7 Travel Store CID*	11.000%	01-01-21
Goodland 25th Street CID*	11.000%	07-01-15
Kanorado	8.750%	07-01-15
Smith County	8.500%	07-01-15
Athol	8.500%	07-01-15
Cedar	8.500%	04-01-20
Gaylord	8.500%	07-01-15
Kensington	9.250%	04-01-20
Lebanon	8.500%	07-01-15
Smith Center	9.500%	07-01-15
Stafford County	7.500%	07-01-15
Hudson	7.500%	07-01-15
Macksville	7.500%	07-01-15
Radium	7.500%	07-01-15
St. John	8.500%	01-01-17
Seward	7.500%	07-01-15
Stafford	9.500%	04-01-17
Stanton County	7.500%	07-01-15
Johnson City	7.500%	07-01-15
Manter	7.500%	07-01-15
Stevens County	7.500%	07-01-17
Hugoton	9.000%	07-01-17
Hugoton Sunrise Hospitality CID*	11.000%	07-01-17
Moscow	9.500%	07-01-17
Sumner County	7.500%	04-01-17
Argonia	8.500%	04-01-17
Belle Plaine	8.500%	04-01-17
Caldwell	8.500%	04-01-17
Conway Springs	8.500%	04-01-17
Geuda Springs (Sumner Co.)	7.500%	04-01-17
Hunnewell	7.500%	04-01-17
Mayfield	8.000%	04-01-17
Milan	7.500%	04-01-17
Mulvane (Sumner Co.)	7.500%	07-01-21
Oxford	8.500%	04-01-17
South Haven	7.500%	04-01-17
Wellington	9.500%	04-01-17
Thomas County	8.250%	01-01-20
Brewster	8.250%	01-01-20
Colby	9.000%	01-01-20
Gem	8.250%	01-01-20
Menlo	8.250%	01-01-20
Oakley (Thomas Co.)	8.750%	01-01-20
Rexford	8.250%	01-01-20
Trego County	7.500%	04-01-20
Collyer	8.500%	04-01-20

Sales Tax Rates by Location of Sale in Kansas, by County

Taxing Area by County	Total Tax Rate	Effective Date
Trego County, continued		
WaKeeney	8.500%	04-01-20
WaKeeney Travel Plaza CID*	10.500%	04-01-20
Wabaunsee County	8.000%	07-01-15
Alma	9.000%	07-01-15
Alta Vista	8.000%	07-01-15
Eskridge	9.000%	04-01-20
Harveyville	8.000%	07-01-15
Maple Hill	8.750%	07-01-15
Maple Hill Travel Store CID*	10.000%	07-01-15
McFarland	8.000%	07-01-15
Paxico	9.000%	07-01-15
St. Marys (Wabaunsee Co.)	9.000%	07-01-15
Willard (Wabaunsee Co.)	8.750%	07-01-15
Wallace County	7.500%	04-01-19
Sharon Springs	7.500%	04-01-19
Wallace	7.500%	04-01-19
Washington County	7.500%	07-01-15
Barnes	7.500%	07-01-15
Clifton (Washington Co.)	8.500%	07-01-15
Greenleaf	7.500%	07-01-15
Haddam	7.500%	07-01-15
Hanover	7.500%	07-01-15
Hollenberg	7.500%	07-01-15
Linn	7.500%	07-01-15
Mahaska	7.500%	07-01-15
Morrowville	7.500%	07-01-15
Palmer	7.500%	07-01-15
Vining (Washington Co.)	7.500%	07-01-15
Washington	8.500%	07-01-15
Wichita County	8.500%	07-01-15
Leoti	8.500%	07-01-15
Wilson County	6.500%	07-01-15
Altoona	7.500%	07-01-15
Benedict	6.500%	07-01-15
Buffalo	6.500%	07-01-15
Coyville	6.500%	07-01-15
Fredonia	9.000%	07-01-15
Neodesha	9.500%	04-01-21
New Albany	6.500%	07-01-15
Woodson County	7.500%	04-01-21
Neosho Falls	7.500%	04-01-21
Toronto	8.000%	04-01-21

Taxing Area by County	Total Tax Rate	Effective Date
Woodson County, continued		
Yates Center	9.500%	04-01-21
Wyandotte County	7.500%	07-01-15
Bonner Springs (Wyandotte Co.)	9.250%	07-01-15
Bonner Springs Center CID*	10.250%	07-01-15
Edwardsville	9.000%	07-01-15
Edwardsville Village South 1 CID*	10.000%	01-01-21
Edwardsville Village South 2 CID*	10.000%	01-01-20
Edwardsville Village South 3 CID*	10.000%	01-01-21
Kansas City	9.125%	07-01-15
Kansas City 39th & Rainbow #1 CID*	10.125%	07-01-15
Kansas City 39th & Rainbow #2 CID*	10.375%	07-01-15
Kansas City Downtown Hotel CID*	11.125%	07-01-15
Kansas City Happy Foods TDD*	10.125%	07-01-15
Kansas City Homefield STAR*	9.125%	04-01-21
Kansas City Homefield - Menards STAR*	9.125%	04-01-21
Kansas City Legends Garage and Lawn CID and Race Track STAR*	10.125%	04-01-18
Kansas City Legends Garage and Lawn CID and Village West TDD*	10.725%	04-01-18
Kansas City Legends CID and TDD*	10.725%	04-01-18
Kansas City Legends TDD*	9.725%	07-01-15
Kansas City Metropolitan Avenue CID*	10.125%	07-01-15
Kansas City Northwest Speedway (American Royal) STAR* 1	9.125%	10-01-17
Kansas City Northwest Speedway (American Royal) STAR* 2	9.125%	10-01-17
Kansas City Northwood Shopping Ctr CID*	10.225%	07-01-15
Kansas City Plaza at the Speedway #1 TDD*	9.725%	07-01-15
Kansas City Plaza at the Speedway #2 TDD*	10.125%	07-01-15
Kansas City Plaza at the Speedway #3 TDD*	9.725%	07-01-15
Kansas City Prescott Plaza TDD*	10.125%	07-01-15
Kansas City Race Track STAR*	9.125%	07-01-15
Kansas City Rainbow Village Hotel CID*	10.375%	04-01-17
Kansas City Schlitterbahn STAR*	9.125%	07-01-15
Kansas City Shawnee Plaza CID*	10.125%	07-01-15
Kansas City Speedway STAR*	9.125%	04-01-17
Kansas City Sporting CID*	10.125%	07-01-19
Kansas City US Soccer STAR*	9.125%	04-01-17
Kansas City Village West-West End TDD*	9.725%	07-01-15
Kansas City Wyandotte Plaza CID*	10.125%	07-01-15
Lake Quivira (Wyandotte Co.)	7.500%	07-01-15
Kansas	**6.500%**	**07-01-15**

Source: Kansas Department of Revenue, Local Sales Tax Information, http://www.ksrevenue.org/salesratechanges.html (accessed July 21, 2021).

*Special Taxing Districts (CID - Community Improvement District; STAR - Sales Tax and Revenue Bonds; TDD - Transportation Development District). Please see source for current area definitions.

[1]Only applies to utility providers (gas, water, electricity, and heat).

Table C.1. Sales Tax Payments for Food and Other Taxable Goods and Services for Hypothetical Taxpayers.

Household Type	Income ($)[1]	Spending on food at home	Spending on other taxable goods and services	State and local sales tax on food at home	State and local sales tax on other taxable)	State sales tax on food at home (6.5%)	Local sales tax on food at home (2.2%)	State sales tax on other taxable (6.5%)	Local sales tax on other taxable (2.2%)
Single, No Dependents	25,000	1,961	11,237	171	978	127	43	730	247
Single, No Dependents	45,000	1,771	13,636	154	1,186	115	39	886	300
Single, No Dependents	80,000	1,831	18,541	159	1,613	119	40	1,205	408
Single, No Dependents	100,000	2,073	22,517	180	1,959	135	46	1,464	495
Married, No Dependents	25,000	3,609	14,612	314	1,271	235	79	950	321
Married, No Dependents	45,000	3,500	17,830	304	1,551	227	77	1,159	392
Married, No Dependents	80,000	3,566	21,710	310	1,889	232	78	1,411	478
Married, No Dependents	100,000	4,085	25,932	355	2,256	266	90	1,686	571
Married, No Dependents	150,000	4,799	34,217	418	2,977	312	106	2,224	753
Married, Two Dependents	25,000	7,205	14,556	627	1,266	468	159	946	320
Married, Two Dependents	45,000	7,013	17,545	610	1,526	456	154	1,140	386
Married, Two Dependents	80,000	7,062	24,949	614	2,171	459	155	1,622	549
Married, Two Dependents	100,000	8,136	29,013	708	2,524	529	179	1,886	638
Married, Two Dependents	150,000	9,517	36,545	828	3,179	619	209	2,375	804
Head of HH, Two Dependents	25,000	5,452	12,929	474	1,125	354	120	840	284
Head of HH, Two Dependents	45,000	5,257	15,617	457	1,359	342	116	1,015	344
Head of HH, Two Dependents	80,000	5,341	21,716	465	1,889	347	118	1,412	478
Senior Married, No Dependents	25,000	3,609	14,612	314	1,271	235	79	950	321
Senior Married, No Dependents	45,000	3,500	17,830	304	1,551	227	77	1,159	392
Senior Married, No Dependents	80,000	3,566	21,710	310	1,889	232	78	1,411	478
Senior Married, No Dependents	100,000	4,085	25,932	355	2,256	266	90	1,686	571

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas; data include average local sales tax rate of 2.2% from The Tax Foundation, State and Local Sales Tax Rates, Midyear 2021, https://taxfoundation.org/publications/state-and-local-sales-tax-rates/

Table C.2. Local Sales Tax Payments for Hypothetical Taxpayers.

Household Type	Income ($)[1]	Spending on food at home ($)	Spending on other taxable goods and services ($)	State sales tax (6.5%)	Local sales tax Statewide avg. (2.2%)	Local sales tax Overland Park (3.6%)	Local sales tax Salina (2.75%)	Local sales tax Scott City (2.5%)
Single, No Dependents	25,000	1,961	11,237	858	290	475	363	330
Single, No Dependents	45,000	1,771	13,636	1,001	339	555	424	385
Single, No Dependents	80,000	1,831	18,541	1,324	448	733	560	509
Single, No Dependents	100,000	2,073	22,517	1,598	541	885	676	615
Married, No Dependents	25,000	3,609	14,612	1,184	401	656	501	456
Married, No Dependents	45,000	3,500	17,830	1,386	469	768	587	533
Married, No Dependents	80,000	3,566	21,710	1,643	556	910	695	632
Married, No Dependents	100,000	4,085	25,932	1,951	660	1,081	825	750
Married, No Dependents	150,000	4,799	34,217	2,536	858	1,405	1,073	975
Married, Two Dependents	25,000	7,205	14,556	1,414	479	783	598	544
Married, Two Dependents	45,000	7,013	17,545	1,596	540	884	675	614
Married, Two Dependents	80,000	7,062	24,949	2,081	704	1,152	880	800
Married, Two Dependents	100,000	8,136	29,013	2,415	817	1,337	1,022	929
Married, Two Dependents	150,000	9,517	36,545	2,994	1,013	1,658	1,267	1,152
Head of HH, Two Dependents	25,000	5,452	12,929	1,195	404	662	505	460
Head of HH, Two Dependents	45,000	5,257	15,617	1,357	459	751	574	522
Head of HH, Two Dependents	80,000	5,341	21,716	1,759	595	974	744	676
Senior Married, No Dependents	25,000	3,609	14,612	1,184	401	656	501	456
Senior Married, No Dependents	45,000	3,500	17,830	1,386	469	768	587	533
Senior Married, No Dependents	80,000	3,566	21,710	1,643	556	910	695	632
Senior Married, No Dependents	100,000	4,085	25,932	1,951	660	1,081	825	750

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas; data include average local sales tax rate of 2.2% from The Tax Foundation, State and Local Sales Tax Rates, Midyear 2021, https://taxfoundation.org/publications/state-and-local-sales-tax-rates/

Note: Variations in sales tax across locations are due solely to local tax rates.

Table C.3. *Federal Income Tax and Combined State and Local Taxes for Hypothetical Taxpayers Statewide Average Rates and Home Values.*

Household Type	Income ($)[1]	Federal Income Tax	State Income Tax	Sales Tax	Resid. Prop. Tax	Vehicle Prop. Tax	Combined State and Local
Single, No Dependents	25,000	1,241	688	1,148	0	127	1,963
Single, No Dependents	45,000	3,641	1,780	1,340	1,665	160	4,945
Single, No Dependents	80,000	10,368	3,775	1,772	2,269	288	8,105
Single, No Dependents	100,000	14,768	4,915	2,139	2,587	436	10,077
Married, No Dependents	25,000	0	388	1,585	0	127	2,100
Married, No Dependents	45,000	1,910	1,061	1,856	1,665	287	4,869
Married, No Dependents	80,000	6,081	2,933	2,199	2,269	556	7,956
Married, No Dependents	100,000	8,481	4,073	2,611	2,587	703	9,974
Married, No Dependents	150,000	18,536	6,923	3,394	3,615	866	14,798
Married, Two Dependents	25,000	-12,764	-800	1,893	0	160	1,253
Married, Two Dependents	45,000	-6,907	491	2,137	1,665	287	4,580
Married, Two Dependents	80,000	-519	2,676	2,785	2,269	556	8,286
Married, Two Dependents	100,000	1,881	3,816	3,232	2,587	703	10,338
Married, Two Dependents	150,000	11,936	6,666	4,007	3,615	866	15,154
Head of HH, Two Dependents	25,000	-6,040	-494	1,599	0	127	1,232
Head of HH, Two Dependents	45,000	-3,821	1,223	1,816	1,665	160	4,864
Head of HH, Two Dependents	80,000	849	3,376	2,354	2,269	288	8,287
Senior Married, No Dependents	25,000	0	0	1,585	0	127	1,712
Senior Married, No Dependents	45,000	0	205	1,856	1,665	287	4,012
Senior Married, No Dependents	80,000	5,007	1,277	2,199	2,269	556	6,300
Senior Married, No Dependents	100,000	7,605	3,765	2,611	2,587	703	9,666

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Table C.4. *Federal Income Tax and Combined State and Local Taxes for Hypothetical Taxpayers Johnson County-Overland Park Rates and Home Values.*

Household Type	Income ($)[1]	Federal Income Tax	State Income Tax	Sales Tax	Resid. Prop. Tax	Vehicle Prop. Tax	Combined State and Local
Single, No Dependents	25,000	1,241	688	1,333	0	111	2,132
Single, No Dependents	45,000	3,641	1,780	1,556	3,139	140	6,615
Single, No Dependents	80,000	10,368	3,775	2,058	3,241	252	9,325
Single, No Dependents	100,000	14,768	4,915	2,484	3,723	381	11,502
Married, No Dependents	25,000	0	388	1,840	0	111	2,339
Married, No Dependents	45,000	1,910	1,061	2,154	3,139	251	6,605
Married, No Dependents	80,000	6,081	2,933	2,553	3,241	486	9,212
Married, No Dependents	100,000	8,481	4,073	3,032	3,723	615	11,442
Married, No Dependents	150,000	18,536	6,923	3,941	4,337	757	15,957
Married, Two Dependents	25,000	-12,764	-800	2,198	0	140	1,538
Married, Two Dependents	45,000	-6,907	491	2,480	3,139	251	6,361
Married, Two Dependents	80,000	-519	2,676	3,233	3,241	486	9,636
Married, Two Dependents	100,000	1,881	3,816	3,752	3,723	615	11,906
Married, Two Dependents	150,000	11,936	6,666	4,652	4,337	757	16,412
Head of HH, Two Dependents	25,000	-6,040	-494	1,856	0	111	1,474
Head of HH, Two Dependents	45,000	-3,821	1,223	2,108	3,139	140	6,610
Head of HH, Two Dependents	80,000	849	3,376	2,733	3,241	252	9,602
Senior Married, No Dependents	25,000	0	0	1,840	0	111	1,951
Senior Married, No Dependents	45,000	0	205	2,154	3,139	251	5,749
Senior Married, No Dependents	80,000	5,007	1,277	2,553	3,241	486	7,556
Senior Married, No Dependents	100,000	7,605	3,765	3,032	3,723	615	11,135

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Table C.5. *Federal Income Tax and Combined State and Local Taxes for Hypothetical Taxpayers Salina Rates and Home Values.*

Household Type	Income ($)[1]	Federal Income Tax	State Income Tax	Sales Tax	Resid. Prop. Tax	Vehicle Prop. Tax	Combined State and Local
Single, No Dependents	25,000	1,241	688	1,221	0	119	2,028
Single, No Dependents	45,000	3,641	1,780	1,425	1,149	150	4,504
Single, No Dependents	80,000	10,368	3,775	1,884	1,500	270	7,430
Single, No Dependents	100,000	14,768	4,915	2,275	2,484	409	10,083
Married, No Dependents	25,000	0	388	1,685	0	119	2,192
Married, No Dependents	45,000	1,910	1,061	1,973	1,149	269	4,452
Married, No Dependents	80,000	6,081	2,933	2,338	1,500	521	7,292
Married, No Dependents	100,000	8,481	4,073	2,777	2,484	660	9,993
Married, No Dependents	150,000	18,536	6,923	3,609	3,328	812	14,671
Married, Two Dependents	25,000	-12,764	-800	2,013	0	150	1,363
Married, Two Dependents	45,000	-6,907	491	2,272	1,149	269	4,181
Married, Two Dependents	80,000	-519	2,676	2,961	1,500	521	7,658
Married, Two Dependents	100,000	1,881	3,816	3,436	2,484	660	10,397
Married, Two Dependents	150,000	11,936	6,666	4,261	3,328	812	15,067
Head of HH, Two Dependents	25,000	-6,040	-494	1,700	0	119	1,325
Head of HH, Two Dependents	45,000	-3,821	1,223	1,931	1,149	150	4,453
Head of HH, Two Dependents	80,000	849	3,376	2,503	1,500	270	7,649
Senior Married, No Dependents	25,000	0	0	1,685	0	119	1,804
Senior Married, No Dependents	45,000	0	205	1,973	1,149	269	3,595
Senior Married, No Dependents	80,000	5,007	1,277	2,338	1,500	521	5,636
Senior Married, No Dependents	100,000	7,605	3,765	2,777	2,484	660	9,686

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

Table C.6. *Federal Income Tax and Combined State and Local Taxes for Hypothetical Taxpayers Scott City Rates and Home Values.*

Household Type	Income ($)[1]	Federal Income Tax	State Income Tax	Sales Tax	Resid. Prop. Tax	Vehicle Prop. Tax	Combined State and Local
Single, No Dependents	25,000	1,241	688	1,188	0	151	2,027
Single, No Dependents	45,000	3,641	1,780	1,387	1,351	191	4,708
Single, No Dependents	80,000	10,368	3,775	1,834	2,255	344	8,207
Single, No Dependents	100,000	14,768	4,915	2,213	2,583	521	10,232
Married, No Dependents	25,000	0	388	1,640	0	151	2,178
Married, No Dependents	45,000	1,910	1,061	1,920	1,351	342	4,674
Married, No Dependents	80,000	6,081	2,933	2,275	2,255	664	8,126
Married, No Dependents	100,000	8,481	4,073	2,702	2,583	841	10,199
Married, No Dependents	150,000	18,536	6,923	3,511	2,666	1,033	14,133
Married, Two Dependents	25,000	-12,764	-800	1,959	0	191	1,350
Married, Two Dependents	45,000	-6,907	491	2,210	1,351	342	4,394
Married, Two Dependents	80,000	-519	2,676	2,881	2,255	664	8,476
Married, Two Dependents	100,000	1,881	3,816	3,343	2,583	841	10,584
Married, Two Dependents	150,000	11,936	6,666	4,146	2,666	1,033	14,510
Head of HH, Two Dependents	25,000	-6,040	-494	1,654	0	151	1,311
Head of HH, Two Dependents	45,000	-3,821	1,223	1,879	1,351	191	4,644
Head of HH, Two Dependents	80,000	849	3,376	2,435	2,255	344	8,410
Senior Married, No Dependents	25,000	0	0	1,640	0	151	1,791
Senior Married, No Dependents	45,000	0	205	1,920	1,351	342	3,817
Senior Married, No Dependents	80,000	5,007	1,277	2,275	2,255	664	6,470
Senior Married, No Dependents	100,000	7,605	3,765	2,702	2,583	841	9,891

Source: IPSR Hypothetical Taxpayer Model, Institute for Policy & Social Research, the University of Kansas.

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