

Tax Structures of Kansas
and Nearby States

Part 2. Hypothetical Firm Study

Final Report to Kansas, Inc.

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Executive Summary

Total tax liabilities have been calculated for hypothetical firms in nine industries for each of six states in the region, Kansas, Colorado, Iowa, Missouri, Oklahoma, and Nebraska. Federal taxes have been included in total taxes because of state and local tax payments, which differ across regions, affect federal taxable income. The states have then been ranked according to the total taxes a firm would pay in each of the states.

The study concludes that for all of the industries analyzed, Missouri firms would pay lower taxes than firms in the corresponding industries in other states in the region. This is due to a combination of low Missouri tax rates and generous enterprise zone credits. In a ranking based on all industries, Kansas places third lowest among the states.

Introduction

This report is a the second part of a two part study, Tax Structures of Kansas and Nearby States. This volume of the study analyzes the tax situation which would be faced by representative firms in each of several industries in Kansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma. The firms included in this study have been chosen to illustrate a cross section of industries which might be attracted to locations in the region. The industries examined include agricultural processing, manufacturing, telecommunications, and data processing. The study is designed to rank the states in the region according to business tax liabilities.

As illustrated in Part 1. of this study (Description and Data), the tax structures of individual states vary considerably. Economic development incentives such as new job and investment credits and property tax abatements magnify the variations in state and local taxation. The diversity of tax credits and exemptions across the states makes it difficult to judge whether Kansas has high or low business taxes in comparison with its neighbors. The hypothetical firm study provides a way of evaluating the combined effect of a state's tax rates and tax incentives. The resulting tax bills for hypothetical firms in Kansas can be compared with the tax bills in other states to assess the competitiveness of the Kansas taxes.

Methodology and Assumptions

Part 1 of this study (Description and Data) pointed out the importance of tax credits, exemptions and deductions in determining the taxes which will actually be paid by a firm doing business in Kansas or one of the other states in the region. All of the states in the study provide tax incentives to new manufacturing facilities, and a few of the states extend incentives to firms in non-manufacturing industries as well. Many of the states designate special enterprise zones in which additional tax benefits apply. The abundance of such incentives makes it difficult to compare the business tax structures of states, since so much of any firm's tax environment will depend on whether it meets the qualifications for various tax breaks.

The approach that we have taken in this study is to look at the case of new or expanding firms considering opening new facilities in the region. Hypothetical firms in each of several industries have been constructed. The firms are assumed to qualify for all tax based economic development incentives allowed for their respective industries. Firms locating in states which designate special enterprise zones are assumed to take advantage of these additional credits. The examination of new and expanding firms focusses the study on the role of business taxes in Kansas's ability to compete for new jobs and investment. This is not meant to imply that taxes facing established firms are unimportant. However, a careful consideration of the taxes facing these firms could not be carried out within the time framework of the study. Moreover, those established firms which are growing will probably qualify for the tax advantages granted to new or expanding firms, and hence fall into the framework of our study already.

Profiles of the Hypothetical Firms.

Hypothetical firms were constructed for this study to represent a broad range of industries, asset structures, and profitability. Included in the study are two food processing firms (meat products and grain mill products), several basic manufacturing firms (plastics, metal products, construction machinery, motor vehicles), a high technology manufacturing firm (electronic components and accessories), a telecommunications firm, and a data processing firm. Profiles of the hypothetical firms in each industry were developed to reflect the amounts of various assets which would be used, the costs which would be encountered, and the sales which would be expected. The hypothetical data reflect national averages for firms in each industry. Tables 4A through 12A present the costs, assets and sales of the representative firms. Details of the construction of the firm profiles are found in Appendix A.

Tax Calculations.

The profiles of the hypothetical firms provide information which can be used to calculate most important business taxes, including federal and state corporate income taxes, unemployment taxes and worker's compensation, property taxes, franchise taxes, and sales taxes on business purchases. Briefly, property taxes and franchise taxes are calculated on the basis of the firm's assets, business sales taxes on the basis of the firm's original investment plus calculated replacement investment, and income taxes on the basis of sales minus costs. A detailed discussion of the tax calculations for each firm are found in Appendixes B and C.

Variations in state income taxes and property taxes reflect state to state differences in tax rates, differences in tax bases, and differences in the types and amounts of economic development credits for which the firms qualify. Variations in unemployment taxes are explained both by differences in tax rates and in taxable wage bases. Worker's compensation rates vary widely across the states and account for differences in this payment.

An important feature of this study is that it fully incorporates the "federal offset" to state and local taxes. State and local taxes are deductible from federal gross income for corporations. This means that federal taxable income and federal income taxes will differ across the states. In states where state and local taxes are low, federal income taxes will be high. The differences between the states due to state and local taxes will be in part offset by counterbalancing differences in federal taxes.

Tax calculations have been made for each of the first 15 years of operation of the hypothetical firms. The major reason for considering several years of taxes rather than a single year is that the timing and duration of tax credits vary greatly across states. For example, Nebraska allows a large \$1000 new employee tax credit in the first year that a firm operates. Kansas, on the other hand, grants a much smaller credit, but extends it for up to 10 years. Several years of tax projections are needed to make interstate comparisons accurately.

The tax calculations in Tables 4A through 12A are reported in present value terms. The present value of a future stream of payments is a financial concept which indicates the maximum amount of money that a firm would be willing to pay today in order to avoid any payments in some specified

future period. Present value calculations are a tool used to compare streams of payments which differ in their timing. The 15 year present value calculations used in this study can be annualized to get a time adjusted average over the period. The annualization factor used to convert the 15 year calculations to annual equivalents was calculated to be 8.3667.

Ranking of the States

Total tax liabilities were calculated for all of the hypothetical firms under each state's tax laws. Federal taxes were included in the totals because of the federal offset factor described above. Table 1. presents a summary of the ranking of the states based on total taxes. A ranking for each industry was developed, and the resulting ranks were averaged over the nine industries.

For all of the industries included in the study, a firm locating in Missouri would pay lower taxes than a similar firm locating in any of the other states in the region. This is due to a combination of low Missouri tax rates and generous enterprise zone credits. Oklahoma ranks second, primarily due to low property taxes. As shown in the industry summary reports (Tables 4A through 12A), Oklahoma property taxes are among the lowest for all industries except telecommunications. Kansas ranks third among the states. Kansas state income taxes appear to be higher than average for all industries, but this is compensated by lower than average property taxes for qualifying firms in enterprise zones. For most industries, Tables 4D to 12D to show that overall taxes paid by a Kansas firm are very close to the regional average. Exceptions are structural metal products, where Kansas taxes are about 4 percent lower than average, and telecommunications, where taxes are about 4 percent higher than average. Kansas has neither the highest nor the lowest taxes for any industry. Nebraska taxes are the highest in the region overall, and four of the nine specific industries.

The rankings of the states in Table 1. are confirmed by the rankings in Table 2. Table 2 adjusts the total taxes paid by various firms by a measure of firm size, the number of employees. The total taxes per employee are then averaged over the nine industries. The ranking resulting from these statistics is identical to the ranking in Table 1. In the ranking based on total taxes per employee, Kansas and Oklahoma are very close.

The findings of this study should be viewed with two qualifications in mind. First, the results are based on the assumption that firms locate within a state in the areas where the largest packages of tax breaks are available. In contrast, an actual firm may pick locations outside enterprise zones. Second and perhaps more importantly, tax considerations are only one of many factors which influence a firm's location. The availability of well trained labor, quality education, good public services, and good transportation may easily outweigh an unfavorable tax ranking.

Table 1
Ranking of States for each Industry
(1 = lowest tax liability)

SIC	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
201	2	6	4	1	4	5
204	4	3	5	1	6	2
307	3	4	5	1	6	2
344	3	4	5	1	6	2
353	2	6	4	1	3	5
367	4	2	5	1	6	3
371	2	6	4	1	5	3
481	5	2	6	1	4	3
737	4	2	6	1	5	3
AVERAGE	3.22	3.89	4.89	1.00	5.00	3.11
OVERALL RANK	3	4	5	1	6	2

Overall rank based on averages.

Industries:

SIC 201 meat products
SIC 204 grain mill products
SIC 307 misc. plastic products
SIC 344 fabricated structural metal products
SIC 353 construction and related machinery
SIC 367 electronic components and accessories
SIC 371 motor vehicles and equipment
SIC 481 telecommunications
SIC 737 data processing and computer services

Table 2

Total Taxes by State and Industry and Total Taxes Per Employee

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
<u>Total Taxes by State and by Industry</u>						
201: MEAT PRODUCTS	\$110,329	\$115,534	\$111,301	\$106,352	\$111,312	\$113,542
204: GRAIN MILL PRODUCTS	\$398,923	\$393,778	\$402,254	\$367,853	\$410,245	\$392,328
307: MISC. PLASTIC PRODUCTS	\$97,550	\$97,908	\$101,996	\$91,851	\$104,120	\$97,542
344: FAB. STRUCT. METAL PROD.	\$49,532	\$56,969	\$51,048	\$46,648	\$49,969	\$54,660
353: CONSTRUCT. AND RELATED MACH.	\$102,621	\$104,273	\$106,380	\$96,305	\$109,980	\$104,024
367: ELECT. COMPONENTS	\$60,666	\$60,217	\$61,899	\$55,554	\$67,696	\$60,268
371: MOTOR VEHICLES AND EQUIP.	\$177,034	\$192,953	\$183,142	\$164,997	\$185,356	\$179,093
481: TELECOMMUNICATIONS	\$918,840	\$831,198	\$984,422	\$755,371	\$912,423	\$884,902
737: COMPUTER SERV., DATA PROC.	\$99,480	\$97,846	\$102,953	\$90,970	\$101,631	\$99,057
<u>Total Taxes per Employee by State and by Industry</u>						
201: MEAT PRODUCTS	\$6,896	\$7,221	\$6,956	\$6,647	\$6,957	\$7,096
204: GRAIN MILL PRODUCTS	\$30,686	\$30,291	\$30,943	\$28,296	\$31,557	\$30,179
307: MISC. PLASTIC PRODUCTS	\$5,738	\$5,759	\$6,000	\$5,403	\$6,125	\$5,738
344: FAB. STRUCT. METAL PROD.	\$3,810	\$4,382	\$3,927	\$3,588	\$3,844	\$4,205
353: CONSTRUCT. AND RELATED MACH.	\$6,414	\$6,517	\$6,649	\$6,019	\$6,874	\$6,501
367: ELECT. COMPONENTS	\$3,569	\$3,542	\$3,641	\$3,268	\$3,982	\$3,545
371: MOTOR VEHICLES AND EQUIP.	\$9,835	\$10,720	\$10,175	\$9,166	\$10,298	\$9,950
481: TELECOMMUNICATIONS	\$9,188	\$8,312	\$9,844	\$7,554	\$9,124	\$8,849
737: COMPUTER SERV., DATA PROC.	\$9,948	\$9,785	\$10,295	\$9,097	\$10,163	\$9,906
AVERAGE OF INDUSTRIES	\$9,565	\$9,614	\$9,825	\$8,782	\$9,880	\$9,552
RANK OF STATES	3	4	5	1	6	2

Relative Size of Tax Differentials

For all industries, tax differences between the highest and lowest taxed states, and between Kansas and the extreme states have been calculated. These tax differences have been expressed as a percent of before tax profits, as shown in Table 3. The difference between the high and low taxed states is fairly small for meat products. The difference for five of the industries is around 6 to 7 percent. Two of the industries, structural metal products and motor vehicles, have tax differentials in the 9 to 10 percent range. The tax differential for telecommunications is more dramatic, amounting to 18.7 percent of before tax profits.

The difference between Kansas and the lowest taxed state indicates that Kansas falls in the mid range for most industries. For meat products, the difference between Kansas and the low taxed state is small; for telecommunications it is relatively large.

Although these findings show significant differences in the profits that a firm would experience in the various states, the findings should be interpreted cautiously. Differences in labor costs, labor productivity, or materials costs could easily cause profits differences as large as those caused by taxes. Unfortunately, a complete examination in business cost differences between the states was beyond the scope of this study.

Table 3

Profit Differences as % of Kansas Profits

SIC Code	Difference High to Low State	Difference Kansas to Low State
201	4.58	1.84
204	6.83	4.06
307	6.12	2.84
344	10.05	2.58
353	6.57	2.97
367	7.01	3.36
371	9.16	3.68
481	18.71	14.71
737	6.06	4.38

Profiles of the Nine Industries

This section presents the firm profiles and tax data for the individual industries. Tables 4A through 12A show the costs, assets and taxes for all firms in all states. Tables 4B through 12B show taxes in each state as a percentage of Kansas taxes. Tables 4C through 12C show the profitability of the industries. Finally Tables 4D through 12D compare Kansas taxes with regional averages.

Because the individual industries in this study differ in terms of size and profitability, absolute differences in the levels of taxation across industries are to be expected. Of more interest is the relative composition of Kansas taxes and a comparison with regional averages. Of additional importance are the relative differentials between the high and low states, and the Kansas position between the extremes.

Industry 201: Meat Products

Kansas taxes in this industry are about average for the region. The state income tax comprises a relatively high proportion of total taxes, and consequently, property, and labor are relatively low.

Among the nine states, the profit differential between the highest and lowest state is smallest. The differential between Kansas and the lowest taxed state is also small. In terms of taxes alone, this is the industry where Kansas has the greatest ability to compete against the low taxed state.

TABLE 4A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		201	201	201	201	201	201
HYPOTHETICAL # EMPLOYEES		16	16	16	16	16	16
HYPOTHETICAL PAYROLL		\$257,540	\$257,540	\$257,540	\$257,540	\$257,540	\$257,540
PRODUCTION		\$195,429	\$195,429	\$195,429	\$195,429	\$195,429	\$195,429
OTHER		\$62,111	\$62,111	\$62,111	\$62,111	\$62,111	\$62,111
EMPLOYER'S SS PAYMENT (TOTAL)		\$18,414	\$18,414	\$18,414	\$18,414	\$18,414	\$18,414
EMPLOYER'S UI PAYMENT (TOTAL)		\$2,653	\$4,249	\$4,249	\$1,777	\$1,854	\$2,704
EMPLOYER'S WC PAYMENT (TOTAL)		\$10,945	\$22,413	\$10,268	\$14,129	\$5,434	\$16,047
EMPLOYER'S BENEFITS PAYMENT		\$29,536	\$29,536	\$29,536	\$29,536	\$29,536	\$29,536
HYPOTHETICAL SALES		\$3,541,740	\$3,541,740	\$3,541,740	\$3,541,740	\$3,541,740	\$3,541,740
HYPOTHETICAL COST OF MATERIALS		\$2,858,049	\$2,858,049	\$2,858,049	\$2,858,049	\$2,858,049	\$2,858,049
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$17,938	\$17,938	\$17,938	\$17,938	\$17,938	\$17,938
HYPOTHETICAL BUILDINGS		\$179,379	\$179,379	\$179,379	\$179,379	\$179,379	\$179,379
HYPOTHETICAL MACHINERY		\$205,654	\$205,654	\$205,654	\$205,654	\$205,654	\$205,654
HYPOTHETICAL INVENTORY		\$103,691	\$103,691	\$103,691	\$103,691	\$103,691	\$103,691
HYPOTHETICAL ANNUAL DEPRECIATION		\$33,272	\$32,779	\$32,779	\$32,778	\$33,725	\$32,779
DEBT/EQUITY RATIO		0.76	0.76	1.6	0.76	0.76	0.76
INTEREST PAYMENT		\$21,895	\$21,895	\$24,798	\$21,895	\$21,895	\$21,895
TOTAL RENT PAYMENT		\$7,918	\$7,918	\$7,918	\$7,918	\$7,918	\$7,918
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$2,182,600	\$2,106,101	\$2,138,557	\$2,233,781	\$2,186,343	\$2,134,558
ANNUALIZED		\$260,868	\$251,725	\$255,604	\$266,985	\$264,476	\$255,126
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION							
FEDERAL INCOME TAX		\$723,812	\$693,978	\$706,635	\$743,773	\$725,272	\$705,076
STATE INCOME TAX		\$77,183	\$60,060	\$68,244	(\$1,742)	\$67,208	\$84,682
UNEMPLOY. AND WORKER COMP.		\$97,660	\$180,752	\$101,822	\$116,686	\$51,134	\$136,010
PROPERTY		\$16,510	\$29,549	\$44,801	\$22,210	\$68,357	\$19,389
FRANCHISE		\$2,188	\$0	\$489	\$8,888	\$1,903	\$4,817
SALES		\$5,739	\$2,295	\$0	\$0	\$6,312	\$0
TOTAL		\$923,092	\$966,634	\$921,991	\$889,815	\$920,186	\$949,974
ANNUALIZED		\$110,329	\$115,534	\$110,198	\$106,352	\$111,312	\$113,542

TABLE 4B

TAXES AS PERCENTAGE OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	95.88%	97.63%	102.76%	100.20%	97.41%
STATE INCOME TAX	100.00%	77.82%	88.42%	-2.26%	87.08%	109.72%
UNEMPLOY. AND WORKER COMP.	100.00%	185.08%	104.26%	119.48%	52.36%	139.27%
PROPERTY	100.00%	178.97%	271.35%	134.52%	414.03%	117.43%
FRANCHISE	100.00%	0.00%	22.36%	406.15%	86.95%	220.13%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	104.72%	99.88%	96.40%	99.69%	102.91%

TABLE 4C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 201: MEAT PRODUCTS

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$315,114	\$315,410	\$315,607	\$315,607	\$314,661	\$315,607
Profit Before Income Taxes	\$301,206	\$289,970	\$298,024	\$297,944	\$300,152	\$296,458
Profit Before Fed Income Tax	\$291,981	\$282,792	\$289,755	\$298,152	\$292,119	\$286,337
Profit (After Taxes)	\$205,470	\$199,847	\$204,306	\$209,256	\$205,434	\$202,065
Profit, % of Total Assets	40.55%	39.44%	40.32%	41.30%	40.55%	39.88%
Profit as % of Kansas Profit	100.00%	97.26%	99.43%	101.84%	99.98%	98.34%
Profit Difference, % Kansas Profit	0.00%	-2.74%	-0.57%	1.84%	-0.02%	-1.66%
Federal Taxes, % of Profit	27.45%	26.30%	27.07%	28.17%	27.55%	26.70%
State Income Taxes, % of Profit	2.93%	2.28%	2.62%	-0.07%	2.55%	3.21%
UI and WC, % of Profit	3.70%	6.85%	3.86%	4.42%	1.94%	5.15%
Property Tax, % of Profit	0.63%	1.12%	1.70%	0.84%	2.60%	0.73%
Franchise, % of Profit	0.08%	0.00%	0.02%	0.34%	0.07%	0.18%
Sales Tax, % of Profit	0.22%	0.09%	0.00%	0.00%	0.24%	0.00%
Total Tax, % of Profit	35.01%	36.63%	35.27%	33.70%	34.95%	35.98%

Table 4D

Highest and Lowest States and Regional Averages
SIC 201: Meat Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE COLORADO	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$3,541,740	\$3,541,740	\$3,541,740	\$3,541,740	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$723,812	\$743,773	\$693,978	\$717,806	100.84%
STATE INCOME TAX	\$77,183	-\$1,742	\$60,060	\$59,430	129.87%
UNEMPLOYMENT AND WORKER'S COMP.	\$97,660	\$116,686	\$180,752	\$114,011	85.66%
PROPERTY TAX	\$16,510	\$22,210	\$29,549	\$33,469	49.33%
FRANCHISE TAX	\$2,188	\$8,888	\$0	\$3,048	71.81%
SALES TAX	\$5,739	\$0	\$2,295	\$2,391	240.00%
TOTAL TAXES	\$923,092	\$889,815	\$966,634	\$930,154	99.24%
STATE AND LOCAL TAX TOTAL	\$199,279	\$146,042	\$272,656	\$212,348	93.85%
STATE AND LOCAL TAX AS A PERCENT OF SIC 201'S TOTAL TAX LIABILITY	21.59%	16.41%	28.21%	22.83%	94.56%

Industry 204: Grain Mill Products

Overall taxes in Kansas are about average for the region. Kansas income taxes and sales taxes are relatively high, and property and labor taxes are relatively low. Federal and Kansas income taxes comprise the largest share of total taxes among the nine industries. The profit differential between Kansas and the lowest taxed industry is 4.06, third highest among the industries. In terms of taxes alone, Kansas is having some difficulty competing in this industry.

TABLE 5A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		204	204	204	204	204	204
HYPOTHETICAL # EMPLOYEES		13	13	13	13	13	13
HYPOTHETICAL PAYROLL		\$314,621	\$314,621	\$314,621	\$314,621	\$314,621	\$314,621
PRODUCTION		\$206,047	\$206,047	\$206,047	\$206,047	\$206,047	\$206,047
OTHER		\$108,574	\$108,574	\$108,574	\$108,574	\$108,574	\$108,574
EMPLOYER'S SS PAYMENT (TOTAL)		\$22,495	\$22,495	\$22,495	\$22,495	\$22,495	\$22,495
EMPLOYER'S UI PAYMENT (TOTAL)		\$2,423	\$3,901	\$3,901	\$1,636	\$1,699	\$2,486
EMPLOYER'S WC PAYMENT (TOTAL)		\$10,364	\$14,884	\$7,108	\$9,696	\$7,809	\$13,402
EMPLOYER'S BENEFITS PAYMENT		\$43,364	\$43,364	\$43,364	\$43,364	\$43,364	\$43,364
HYPOTHETICAL SALES		\$4,461,451	\$4,461,451	\$4,461,451	\$4,461,451	\$4,461,451	\$4,461,451
HYPOTHETICAL COST OF MATERIALS		\$2,760,416	\$2,760,416	\$2,760,416	\$2,760,416	\$2,760,416	\$2,760,416
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$42,733	\$42,733	\$42,733	\$42,733	\$42,733	\$42,733
HYPOTHETICAL BUILDINGS		\$427,331	\$427,331	\$427,331	\$427,331	\$427,331	\$427,331
HYPOTHETICAL MACHINERY		\$802,478	\$802,478	\$802,478	\$802,478	\$802,478	\$802,478
HYPOTHETICAL INVENTORY		\$296,471	\$296,471	\$296,471	\$296,471	\$296,471	\$296,471
HYPOTHETICAL ANNUAL DEPRECIATION		\$98,961	\$99,140	\$114,080	\$97,798	\$100,276	\$104,974
DEBT/EQUITY RATIO		0.76	0.76	0.8	0.76	0.76	0.76
INTEREST PAYMENT		\$67,702	\$67,702	\$67,702	\$67,702	\$67,702	\$67,702
TOTAL RENT PAYMENT		\$12,227	\$12,227	\$12,227	\$12,227	\$12,227	\$12,227
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$8,078,105	\$8,103,717	\$7,830,177	\$8,408,219	\$7,987,142	\$8,045,507
ANNUALIZED		\$965,508	\$968,569	\$935,875	\$1,004,962	\$966,183	\$961,612
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION							
FEDERAL INCOME TAX		\$2,746,556	\$2,755,264	\$2,662,260	\$2,858,795	\$2,715,628	\$2,735,472
STATE INCOME TAX		\$429,480	\$304,674	\$507,791	\$43,285	\$369,246	\$360,144
UNEMPLOY. AND WORKER COMP.		\$89,331	\$120,048	\$72,092	\$80,085	\$66,293	\$111,429
PROPERTY		\$49,710	\$108,312	\$122,602	\$86,664	\$219,908	\$60,524
FRANCHISE		\$6,785	\$0	\$783	\$8,888	\$2,909	\$14,918
SALES		\$15,806	\$6,322	\$0	\$0	\$17,387	\$0
TOTAL		\$3,337,668	\$3,294,621	\$3,365,529	\$3,077,716	\$3,391,372	\$3,282,486
ANNUALIZED		\$398,923	\$393,778	\$402,254	\$367,853	\$410,245	\$392,328

TABLE 5B

TAXES AS PERCENTAGE OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	100.32%	96.93%	104.09%	98.87%	99.60%
STATE INCOME TAX	100.00%	70.94%	118.23%	10.08%	85.98%	83.86%
UNEMPLOY. AND WORKER COMP.	100.00%	134.39%	80.70%	89.65%	74.21%	124.74%
PROPERTY	100.00%	217.89%	246.63%	174.34%	442.38%	121.75%
FRANCHISE	100.00%	0.00%	11.55%	131.00%	42.88%	219.88%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	98.71%	100.83%	92.21%	101.61%	98.35%

TABLE 5C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 204: GRAIN MILL PRODUCTS

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$1,141,664	\$1,141,485	\$1,126,545	\$1,142,827	\$1,140,350	\$1,135,651
Profit Before Income Taxes	\$1,124,235	\$1,113,861	\$1,103,181	\$1,121,835	\$1,105,795	\$1,113,316
Profit Before Fed Income Tax	\$1,072,903	\$1,077,446	\$1,042,489	\$1,116,662	\$1,061,662	\$1,070,271
Profit (After Taxes)	\$1,072,092	\$1,077,446	\$1,042,396	\$1,115,599	\$1,061,314	\$1,068,488
Profit, % of Total Assets	68.33%	68.67%	66.44%	71.10%	67.64%	68.10%
Profit as % of Kansas Profit	100.00%	100.50%	97.23%	104.06%	98.99%	99.66%
Profit Difference, % Kansas Profit	0.00%	0.50%	-2.77%	4.06%	-1.01%	-0.34%
Federal Taxes, % of Profit	28.75%	28.85%	28.25%	29.90%	28.46%	28.79%
State Income Taxes, % of Profit	4.50%	3.19%	5.39%	0.45%	3.87%	3.79%
UI and WC, % of Profit	0.94%	1.26%	0.76%	0.84%	0.69%	1.17%
Property Tax, % of Profit	0.52%	1.13%	1.30%	0.91%	2.30%	0.64%
Franchise, % of Profit	0.07%	0.00%	0.01%	0.09%	0.03%	0.16%
Sales Tax, % of Profit	0.17%	0.07%	0.00%	0.00%	0.18%	0.00%
Total Taxes, % of Profit	34.94%	34.50%	35.71%	32.19%	35.55%	34.55%

Table 5D

Highest and Lowest States and Regional Averages
 SIC 204: Grain Mill Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$4,461,451	\$4,461,451	\$4,461,451	\$4,461,451	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$2,746,556	\$2,858,795	\$2,715,628	\$2,745,663	100.03%
STATE INCOME TAX	\$429,480	\$43,285	\$369,246	\$335,770	127.91%
UNEMPLOYMENT AND WORKER'S COMP.	\$89,331	\$80,085	\$66,293	\$89,880	99.39%
PROPERTY TAX	\$49,710	\$86,664	\$219,908	\$107,953	46.05%
FRANCHISE TAX	\$6,785	\$8,888	\$2,909	\$5,714	118.74%
SALES TAX	\$15,806	\$0	\$17,387	\$6,586	240.00%
TOTAL TAXES	\$3,337,668	\$3,077,716	\$3,391,372	\$3,291,565	101.40%
STATE AND LOCAL TAX TOTAL	\$591,112	\$218,922	\$675,744	\$545,903	108.28%
STATE AND LOCAL TAX AS A PERCENT OF SIC 204'S TOTAL TAX LIABILITY	17.71%	7.11%	19.93%	16.58%	106.79%

Industry 307: Misc. Plastic Products

The miscellaneous plastics industry is an average industry in terms of taxes. In Kansas, both the total level of taxes and the distribution of the individual taxes comprising the total are rather average. The profit differential between Kansas and the lowest taxes state is small, third lowest among the industries. In terms of taxes, Kansas should be able to compete well.

TABLE 6A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		307	307	307	307	307	307
HYPOTHETICAL # EMPLOYEES		17	17	17	17	17	17
HYPOTHETICAL PAYROLL		\$314,560	\$314,560	\$314,560	\$314,560	\$314,560	\$314,560
PRODUCTION		\$205,106	\$205,106	\$205,106	\$205,106	\$205,106	\$205,106
OTHER		\$109,454	\$109,454	\$109,454	\$109,454	\$109,454	\$109,454
EMPLOYER'S SS PAYMENT (TOTAL)		\$22,491	\$22,491	\$22,491	\$22,491	\$22,491	\$22,491
EMPLOYER'S UI PAYMENT (TOTAL)		\$3,555	\$2,737	\$5,694	\$2,391	\$2,485	\$3,649
EMPLOYER'S WC PAYMENT (TOTAL)		\$9,294	\$9,241	\$7,406	\$7,707	\$5,746	\$8,854
EMPLOYER'S BENEFITS PAYMENT		\$35,470	\$35,470	\$35,470	\$35,470	\$35,470	\$35,470
HYPOTHETICAL SALES		\$1,563,083	\$1,563,083	\$1,563,083	\$1,563,083	\$1,563,083	\$1,563,083
HYPOTHETICAL COST OF MATERIALS		\$788,116	\$788,116	\$788,116	\$788,116	\$788,116	\$788,116
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$21,689	\$21,689	\$21,689	\$21,689	\$21,689	\$21,689
HYPOTHETICAL BUILDINGS		\$216,893	\$216,893	\$216,893	\$216,893	\$216,893	\$216,893
HYPOTHETICAL MACHINERY		\$425,521	\$425,521	\$425,521	\$425,521	\$425,521	\$425,521
HYPOTHETICAL INVENTORY		\$178,334	\$178,334	\$178,334	\$178,334	\$178,334	\$178,334
HYPOTHETICAL ANNUAL DEPRECIATION		\$66,349	\$65,680	\$65,234	\$65,234	\$67,264	\$65,234
DEBT/EQUITY RATIO		1.00	1.00	1.0	1.00	1.0	1.00
INTEREST PAYMENT		\$42,059	\$42,059	\$42,059	\$42,059	\$42,059	\$42,059
TOTAL RENT PAYMENT		\$12,530	\$12,530	\$12,530	\$12,530	\$12,530	\$12,530
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$1,900,367	\$1,890,474	\$1,833,071	\$1,974,713	\$1,834,161	\$1,892,295
ANNUALIZED		\$227,135	\$225,953	\$219,092	\$236,021	\$221,873	\$226,170
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION							
FEDERAL INCOME TAX		\$613,741	\$609,883	\$587,496	\$642,736	\$587,921	\$610,593
STATE INCOME TAX		\$72,571	\$66,067	\$118,965	\$2,266	\$86,586	\$81,094
UNEMPLOY. AND WORKER COMP.		\$86,739	\$81,279	\$83,151	\$68,642	\$54,446	\$82,527
PROPERTY		\$26,959	\$57,184	\$63,153	\$45,954	\$114,942	\$33,878
FRANCHISE		\$3,209	\$0	\$602	\$8,888	\$2,582	\$8,010
SALES		\$12,953	\$4,749	\$0	\$0	\$14,249	\$0
TOTAL		\$816,172	\$819,163	\$853,366	\$768,486	\$860,725	\$816,102
ANNUALIZED		\$97,550	\$97,908	\$101,996	\$91,851	\$104,120	\$97,542

TABLE 6B

TAXES AS PERCENTAGES OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	99.37%	95.72%	104.72%	95.79%	99.49%
STATE INCOME TAX	100.00%	91.04%	163.93%	3.12%	119.31%	111.74%
UNEMPLOY. AND WORKER COMP.	100.00%	93.71%	95.86%	79.14%	62.77%	95.14%
PROPERTY	100.00%	212.12%	234.25%	170.46%	426.35%	125.66%
FRANCHISE	100.00%	0.00%	18.76%	277.00%	80.48%	249.62%
SALES	100.00%	36.67%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	100.37%	104.56%	94.16%	105.46%	99.99%

TABLE 6C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 307: MISC. PLASTIC PRODUCTS

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$281,509	\$282,177	\$282,623	\$282,623	\$280,593	\$282,623
Profit Before Income Taxes	\$267,536	\$265,428	\$265,065	\$267,864	\$260,039	\$267,753
Profit Before Fed Income Tax	\$258,862	\$257,531	\$250,846	\$267,593	\$249,690	\$258,060
Profit (After Taxes)	\$185,507	\$184,637	\$180,628	\$190,773	\$179,421	\$185,081
Profit, % of Total Assets	22.02%	21.92%	21.44%	22.65%	21.30%	21.97%
Profit as % of Kansas Profit	100.00%	99.53%	97.37%	102.84%	96.72%	99.77%
Profit Difference, % Kansas Profit	0.00%	-0.47%	-2.63%	2.84%	-3.28%	-0.23%
Federal Taxes, % of Profit	26.06%	25.83%	24.85%	27.18%	25.04%	25.82%
State Income Taxes, % of Profit	3.08%	2.80%	5.03%	0.10%	3.69%	3.43%
UI and WC, % of Profit	3.68%	3.44%	3.52%	2.90%	2.32%	3.49%
Property Tax, % of Profit	1.14%	2.42%	2.67%	1.94%	4.90%	1.43%
Franchise, % of Profit	0.14%	0.00%	0.03%	0.38%	0.11%	0.34%
Sales Tax, % of Profit	0.55%	0.20%	0.00%	0.00%	0.61%	0.00%
Total Tax, % of Profit	34.65%	34.70%	36.09%	32.50%	36.66%	34.51%

Table 6D

Highest and Lowest States and Regional Averages
SIC 307: Miscellaneous Plastic Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$1,563,083	\$1,563,083	\$1,563,083	\$1,563,083	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$613,741	\$642,736	\$587,921	\$608,728	100.82%
STATE INCOME TAX	\$72,571	\$2,266	\$86,586	\$71,258	101.84%
UNEMPLOYMENT AND WORKER'S COMP.	\$86,739	\$68,642	\$54,446	\$76,130	113.93%
PROPERTY TAX	\$26,959	\$45,954	\$114,942	\$57,012	47.29%
FRANCHISE TAX	\$3,209	\$8,888	\$2,582	\$3,882	82.66%
SALES TAX	\$12,953	\$0	\$14,249	\$5,325	243.24%
TOTAL TAXES	\$816,172	\$768,486	\$860,725	\$822,336	99.25%
STATE AND LOCAL TAX TOTAL	\$202,431	\$125,750	\$272,805	\$213,607	94.77%
STATE AND LOCAL TAX AS A PERCENT OF SIC 307'S TOTAL TAX LIABILITY	24.80%	16.36%	31.69%	25.98%	95.48%

Industry 344: Structural Metal Products

Kansas taxes are somewhat lower than average for this industry. Although state income taxes are higher than the regional average, this is compensated by relatively low property and labor taxes. The differential in profits between the Kansas and the lowest state is second lowest among the industries. In fact, Missouri and Kansas taxes are nearly the same. Additionally, the difference between Kansas and the highest taxed state is large. On this basis, Kansas has a large relative advantage in this industry.

TABLE 7A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		344	344	344	344	344	344
HYPOTHETICAL # EMPLOYEES		13	13	13	13	13	13
HYPOTHETICAL PAYROLL		\$271,990	\$271,990	\$271,990	\$271,990	\$271,990	\$271,990
PRODUCTION		\$169,625	\$169,625	\$169,625	\$169,625	\$169,625	\$217,041
OTHER		\$102,365	\$102,365	\$102,365	\$102,365	\$102,365	\$54,948
EMPLOYER'S SS PAYMENT (TOTAL)		\$19,447	\$19,447	\$19,447	\$19,447	\$19,447	\$19,447
EMPLOYER'S UI PAYMENT (TOTAL)		\$3,726	\$2,883	\$5,957	\$2,502	\$2,611	\$3,835
EMPLOYER'S WC PAYMENT (TOTAL)		\$10,694	\$25,490	\$11,556	\$10,182	\$6,555	\$18,077
EMPLOYER'S BENEFITS PAYMENT		\$31,302	\$31,302	\$31,302	\$31,302	\$31,302	\$31,302
HYPOTHETICAL SALES		\$1,219,328	\$1,219,328	\$1,219,328	\$1,219,328	\$1,219,328	\$1,219,328
HYPOTHETICAL COST OF MATERIALS		\$679,530	\$679,530	\$679,530	\$679,530	\$679,530	\$679,530
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$12,734	\$12,734	\$12,734	\$12,734	\$12,734	\$12,734
HYPOTHETICAL BUILDINGS		\$127,341	\$127,341	\$127,341	\$127,341	\$127,341	\$127,341
HYPOTHETICAL MACHINERY		\$178,611	\$178,611	\$178,611	\$178,611	\$178,611	\$178,611
HYPOTHETICAL INVENTORY		\$189,864	\$189,864	\$189,864	\$189,864	\$189,864	\$189,864
HYPOTHETICAL ANNUAL DEPRECIATION		\$28,077	\$27,820	\$27,648	\$27,648	\$28,460	\$27,648
DEBT/EQUITY RATIO		0.96	0.96	0.96	0.96	0.96	0.96
INTEREST PAYMENT		\$24,856	\$24,856	\$24,856	\$24,856	\$24,856	\$24,856
TOTAL RENT PAYMENT		\$9,766	\$9,766	\$9,766	\$9,766	\$9,766	\$9,766
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$997,172	\$893,895	\$963,093	\$1,044,516	\$1,003,095	\$932,336
ANNUALIZED		\$119,184	\$106,840	\$115,110	\$124,842	\$121,342	\$111,434
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION		\$261,495	\$221,217	\$248,205	\$279,959	\$263,805	\$236,209
FEDERAL INCOME TAX		\$32,476	\$23,361	\$30,123	(\$5,453)	\$26,806	\$35,209
STATE INCOME TAX		\$97,538	\$205,139	\$114,826	\$87,603	\$60,768	\$159,305
UNEMPLOY. AND WORKER COMP.		\$15,948	\$24,934	\$33,461	\$19,289	\$54,482	\$21,763
PROPERTY		\$1,978	\$0	\$490	\$8,888	\$1,734	\$4,835
FRANCHISE		\$4,984	\$1,994	\$0	\$0	\$5,482	\$0
SALES							
TOTAL		\$414,419	\$476,644	\$427,104	\$390,287	\$413,077	\$457,321
ANNUALIZED		\$49,532	\$56,969	\$51,048	\$46,648	\$49,969	\$54,660

TABLE 7B

TAXES AS PERCENTAGES OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	84.60%	94.92%	107.06%	100.88%	90.33%
STATE INCOME TAX	100.00%	71.93%	92.75%	-16.79%	82.54%	108.42%
UNEMPLOY. AND WORKER COMP.	100.00%	210.32%	117.72%	89.81%	62.30%	163.33%
PROPERTY	100.00%	156.34%	209.81%	120.95%	341.62%	136.46%
FRANCHISE	100.00%	0.00%	24.78%	449.45%	87.69%	244.50%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	115.02%	103.06%	94.18%	99.68%	110.35%

TABLE 7C

PROFIT, COMPARISON TO KANSAS
 INDUSTRY 344: FABRICATED STRUCTURAL METAL PRODUCTS

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$154,360	\$154,618	\$154,789	\$154,789	\$153,977	\$154,789
Profit Before Income Taxes	\$140,560	\$126,786	\$137,007	\$140,951	\$139,995	\$132,570
Profit Before Fed Income Tax	\$136,678	\$123,994	\$133,407	\$141,603	\$136,791	\$128,362
Profit (After Taxes)	\$105,424	\$97,554	\$103,741	\$108,142	\$105,261	\$100,130
Profit, % of Total Assets	20.73%	19.18%	20.40%	21.26%	20.70%	19.69%
Profit as % of Kansas Profit	100.00%	92.53%	98.40%	102.58%	99.85%	94.98%
Profit Difference, % Kansas Profit	0.00%	-7.47%	-1.60%	2.58%	-0.15%	-5.02%
Federal Taxes, % of Profit	20.25%	17.10%	19.17%	21.62%	20.48%	18.24%
State Income Taxes, % of Profit	2.51%	1.81%	2.33%	-0.42%	2.08%	2.72%
UI and WC, % of Profit	7.55%	15.86%	8.87%	6.76%	4.72%	12.30%
Property Tax, % of Profit	1.23%	1.93%	2.58%	1.49%	4.23%	1.68%
Franchise, % of Profit	0.15%	0.00%	0.04%	0.69%	0.13%	0.37%
Sales Tax, % of Profit	0.39%	0.15%	0.00%	0.00%	0.43%	0.00%
Total Tax, % of Profit	32.09%	36.85%	32.98%	30.14%	32.06%	35.31%

Table 7D

Highest and Lowest States and Regional Averages
 SIC 344: Fab. Struct. Metal Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE COLORADO	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$1,219,328	\$1,219,328	\$1,219,328	\$1,219,328	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$261,495	\$279,959	\$221,217	\$251,815	103.84%
STATE INCOME TAX	\$32,476	-\$5,453	\$23,361	\$23,754	136.72%
UNEMPLOYMENT AND WORKER'S COMP.	\$97,538	\$87,603	\$205,139	\$120,863	80.70%
PROPERTY TAX	\$15,948	\$19,289	\$24,934	\$28,313	56.33%
FRANCHISE TAX	\$1,978	\$8,888	\$0	\$2,987	66.19%
SALES TAX	\$4,984	\$0	\$1,994	\$2,077	240.00%
TOTAL TAXES	\$414,419	\$390,287	\$476,644	\$429,809	96.42%
STATE AND LOCAL TAX TOTAL	\$152,923	\$110,327	\$255,427	\$177,993	85.92%
STATE AND LOCAL TAX AS A PERCENT OF SIC 344'S TOTAL TAX LIABILITY	36.90%	28.27%	53.59%	41.41%	89.11%

Industry 353: Construction and Related Equipment Manufacturing

The construction machinery manufacturing industry is another rather average industry in Kansas and the nearby states. Although property taxes do represent a somewhat larger share of total taxes for this industry than for other industries, the difference is not large.

Among the nine states, the profit differential between Kansas and the lowest taxed state is average, ranking fourth out of nine. The differential between the high and low taxed states is also average. In terms of taxes, Kansas has an average ability to compete in this industry.

TABLE 8A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		353	353	353	353	353	353
HYPOTHETICAL # EMPLOYEES		16	16	16	16	16	16
HYPOTHETICAL PAYROLL		\$417,257	\$417,257	\$417,257	\$417,257	\$417,257	\$417,257
PRODUCTION		\$230,136	\$230,136	\$230,136	\$230,136	\$230,136	\$230,136
OTHER		\$187,120	\$187,120	\$187,120	\$187,120	\$187,120	\$187,120
EMPLOYER'S SS PAYMENT (TOTAL)		\$29,834	\$29,834	\$29,834	\$29,834	\$29,834	\$29,834
EMPLOYER'S UI PAYMENT (TOTAL)		\$6,676	\$10,682	\$10,682	\$4,506	\$4,673	\$6,843
EMPLOYER'S WC PAYMENT (TOTAL)		\$8,019	\$12,639	\$6,946	\$8,144	\$5,257	\$9,630
EMPLOYER'S BENEFITS PAYMENT		\$59,504	\$59,504	\$59,504	\$59,504	\$59,504	\$59,504
HYPOTHETICAL SALES		\$1,931,099	\$1,931,099	\$1,931,099	\$1,931,099	\$1,931,099	\$1,931,099
HYPOTHETICAL COST OF MATERIALS		\$958,164	\$958,164	\$958,164	\$958,164	\$958,164	\$958,164
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$33,937	\$33,937	\$33,937	\$33,937	\$33,937	\$33,937
HYPOTHETICAL BUILDINGS		\$339,371	\$339,371	\$339,371	\$339,371	\$339,371	\$339,371
HYPOTHETICAL MACHINERY		\$492,286	\$492,286	\$492,286	\$492,286	\$492,286	\$492,286
HYPOTHETICAL INVENTORY		\$540,370	\$540,370	\$540,370	\$540,370	\$540,370	\$540,370
HYPOTHETICAL ANNUAL DEPRECIATION		\$82,016	\$81,165	\$80,597	\$80,597	\$83,151	\$80,597
DEBT/EQUITY RATIO		1.27	1.27	1.27	1.27	1.27	1.27
INTEREST PAYMENT		\$78,632	\$78,632	\$78,632	\$78,632	\$78,632	\$78,632
TOTAL RENT PAYMENT		\$11,051	\$11,051	\$11,051	\$11,051	\$11,051	\$11,051
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$1,956,657	\$1,931,569	\$1,880,470	\$2,040,336	\$1,885,337	\$1,924,793
ANNUALIZED		\$233,863	\$230,864	\$224,757	\$243,864	\$228,064	\$230,054
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION							
FEDERAL INCOME TAX		\$635,695	\$625,910	\$605,982	\$668,329	\$607,879	\$623,267
STATE INCOME TAX		\$70,577	\$58,238	\$98,096	(\$2,349)	\$75,190	\$74,286
UNEMPLOY. AND WORKER COMP.		\$86,296	\$113,253	\$95,224	\$77,719	\$56,889	\$96,974
PROPERTY		\$44,830	\$68,425	\$90,001	\$53,165	\$148,168	\$62,439
FRANCHISE		\$4,713	\$0	\$747	\$8,888	\$2,909	\$13,367
SALES		\$16,484	\$6,594	\$0	\$0	\$18,133	\$0
TOTAL		\$858,595	\$872,420	\$890,050	\$805,752	\$909,169	\$870,334
ANNUALIZED		\$102,621	\$104,273	\$106,380	\$96,305	\$109,980	\$104,024

TABLE 8B

TAXES AS PERCENTAGES OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	98.46%	95.33%	105.13%	95.62%	98.05%
STATE INCOME TAX	100.00%	82.52%	138.99%	-3.33%	106.54%	105.25%
UNEMPLOY. AND WORKER COMP.	100.00%	131.24%	110.34%	90.06%	65.92%	112.37%
PROPERTY	100.00%	152.63%	200.76%	118.59%	330.51%	139.28%
FRANCHISE	100.00%	0.00%	15.86%	188.58%	61.73%	283.62%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	101.61%	103.66%	93.85%	105.89%	101.37%

TABLE 8C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 353: CONSTRUCTION MACHINERY AND RELATED MACHINERY

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$294,642	\$295,493	\$296,060	\$296,060	\$293,507	\$296,060
Profit Before Income Taxes	\$278,406	\$273,516	\$273,833	\$279,355	\$268,650	\$275,409
Profit Before Fed Income Tax	\$269,971	\$266,555	\$262,108	\$279,636	\$259,663	\$266,531
Profit (After Taxes)	\$193,992	\$191,746	\$189,680	\$199,756	\$187,009	\$192,037
Profit, % of Total Assets	13.80%	13.64%	13.49%	14.21%	13.30%	13.66%
Profit as % of Kansas Profit	100.00%	98.84%	97.78%	102.97%	96.40%	98.99%
Profit Difference, % Kansas Profit	0.00%	-1.16%	-2.22%	2.97%	-3.60%	-1.01%
Federal Taxes, % of Profit	25.79%	25.32%	24.46%	26.98%	24.75%	25.16%
State Income Taxes, % of Profit	2.86%	2.36%	3.96%	-0.09%	3.06%	3.00%
UI and WC, % of Profit	3.50%	4.58%	3.84%	3.14%	2.32%	3.91%
Property Tax, % of Profit	1.82%	2.77%	3.63%	2.15%	6.03%	2.52%
Franchise, % of Profit	0.19%	0.00%	0.03%	0.36%	0.12%	0.54%
Sales Tax, % of Profit	0.67%	0.27%	0.00%	0.00%	0.74%	0.00%
Total Tax, % of Profit	34.83%	35.29%	35.93%	32.53%	37.02%	35.14%

Table 8D

Highest and Lowest States and Regional Averages
 SIC 353: Construction Machinery and Related Machinery

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$1,931,099	\$1,931,099	\$1,931,099	\$1,931,099	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$635,695	\$668,329	\$607,879	\$627,844	101.25%
STATE INCOME TAX	\$70,577	-\$2,349	\$75,190	\$62,340	113.21%
UNEMPLOYMENT AND WORKER'S COMP.	\$86,296	\$77,719	\$56,889	\$87,726	98.37%
PROPERTY TAX	\$44,830	\$53,165	\$148,168	\$77,838	57.59%
FRANCHISE TAX	\$4,713	\$8,888	\$2,909	\$5,104	92.34%
SALES TAX	\$16,484	\$0	\$18,133	\$6,868	240.00%
TOTAL TAXES	\$858,595	\$805,752	\$909,169	\$867,720	98.95%
STATE AND LOCAL TAX TOTAL	\$222,901	\$137,423	\$301,289	\$239,876	92.92%
STATE AND LOCAL TAX AS A PERCENT OF SIC 353'S TOTAL TAX LIABILITY	25.96%	17.06%	33.14%	27.64%	93.91%

Industry 367: Electronic Components and Accessories

This industry has relatively low profits as a percent of total taxes. Not surprisingly, income taxes as a percent of total taxes are relatively low and the property tax share of total taxes is relatively high.

Between the high and low states, the difference in taxation as a percentage of profit is quite high. Kansas falls about mid-range between the high and low state, and should be able to compete well against the higher taxed states.

TABLE 9A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		367	367	367	367	367	367
HYPOTHETICAL # EMPLOYEES		17	17	17	17	17	17
HYPOTHETICAL PAYROLL		\$376,242	\$376,242	\$376,242	\$376,242	\$376,242	\$376,242
PRODUCTION		\$176,918	\$176,918	\$176,918	\$176,918	\$176,918	\$176,918
OTHER		\$199,324	\$199,324	\$199,324	\$199,324	\$199,324	\$199,324
EMPLOYER'S SS PAYMENT (TOTAL)		\$26,901	\$26,901	\$26,901	\$26,901	\$26,901	\$26,901
EMPLOYER'S UI PAYMENT (TOTAL)		\$6,057	\$9,707	\$9,707	\$4,101	\$4,252	\$6,246
EMPLOYER'S WC PAYMENT (TOTAL)		\$4,908	\$6,297	\$3,205	\$3,818	\$2,944	\$7,173
EMPLOYER'S BENEFITS PAYMENT		\$48,061	\$48,061	\$48,061	\$48,061	\$48,061	\$48,061
HYPOTHETICAL SALES		\$1,307,380	\$1,307,380	\$1,307,380	\$1,307,380	\$1,307,380	\$1,307,380
HYPOTHETICAL COST OF MATERIALS		\$499,972	\$499,972	\$499,972	\$499,972	\$499,972	\$499,972
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$29,353	\$29,353	\$29,353	\$29,353	\$29,353	\$29,353
HYPOTHETICAL BUILDINGS		\$293,526	\$293,526	\$293,526	\$293,526	\$293,526	\$293,526
HYPOTHETICAL MACHINERY		\$476,883	\$476,883	\$476,883	\$476,883	\$476,883	\$476,883
HYPOTHETICAL INVENTORY		\$232,127	\$232,127	\$232,127	\$232,127	\$232,127	\$232,127
HYPOTHETICAL ANNUAL DEPRECIATION		\$105,784	\$104,263	\$103,249	\$103,248	\$107,320	\$103,249
DEBT/EQUITY RATIO		0.88	0.88	0.9	1.27	0.88	0.88
INTEREST PAYMENT		\$48,213	\$48,213	\$48,213	\$57,711	\$48,213	\$48,213
TOTAL RENT PAYMENT		\$11,904	\$11,904	\$11,904	\$11,904	\$11,904	\$11,904
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$1,209,061	\$1,211,541	\$1,161,713	\$1,210,154	\$1,135,985	\$1,199,642
ANNUALIZED		\$144,509	\$144,805	\$138,850	\$144,639	\$137,417	\$143,383
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION							
FEDERAL INCOME TAX		\$344,270	\$345,235	\$325,694	\$344,558	\$316,166	\$340,568
STATE INCOME TAX		\$43,161	\$22,678	\$54,585	(\$9,146)	\$39,069	\$40,889
UNEMPLOY. AND WORKER COMP.		\$56,114	\$59,881	\$56,517	\$40,369	\$34,718	\$71,589
PROPERTY		\$33,234	\$65,381	\$80,439	\$51,501	\$137,482	\$41,384
FRANCHISE		\$4,181	\$0	\$655	\$8,888	\$2,909	\$9,811
SALES		\$26,614	\$10,646	\$0	\$0	\$29,275	\$0
TOTAL		\$507,574	\$503,820	\$517,890	\$436,171	\$559,619	\$504,240
ANNUALIZED		\$60,666	\$60,217	\$61,899	\$52,132	\$67,696	\$60,268

TABLE 9B

TAXES AS PERCENTAGES OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	100.28%	94.60%	100.08%	91.84%	98.92%
STATE INCOME TAX	100.00%	52.54%	126.47%	-21.19%	90.52%	94.74%
UNEMPLOY. AND WORKER COMP.	100.00%	106.71%	100.72%	71.94%	61.87%	127.58%
PROPERTY	100.00%	196.73%	242.04%	154.96%	413.67%	124.52%
FRANCHISE	100.00%	0.00%	15.67%	212.56%	69.58%	234.63%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	99.26%	102.03%	85.93%	110.25%	99.34%

TABLE 9C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 367: ELECTRONIC COMPONENTS AND ACCESSORIES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$190,302	\$191,823	\$192,837	\$192,838	\$188,765	\$192,837
Profit Before Income Taxes	\$179,123	\$176,670	\$176,390	\$180,795	\$167,836	\$178,162
Profit Before Fed Income Tax	\$173,964	\$173,960	\$169,866	\$181,808	\$163,167	\$173,275
Profit (After Taxes)	\$132,817	\$132,697	\$130,938	\$137,283	\$125,378	\$132,570
Profit, % of Total Assets	12.87%	12.86%	12.69%	13.30%	12.15%	12.85%
Profit as % of Kansas Profit	100.00%	99.91%	98.59%	103.36%	94.40%	99.81%
Profit Difference, % Kansas Profit	0.00%	-0.09%	-1.41%	3.36%	-5.60%	-0.19%
Federal Taxes, % of Profit	21.62%	21.51%	20.19%	23.09%	20.02%	21.11%
State Income Taxes, % of Profit	2.71%	1.41%	3.38%	-0.53%	2.47%	2.53%
UI and WC, % of Profit	3.52%	3.73%	3.50%	2.50%	2.20%	4.44%
Property Tax, % of Profit	2.09%	4.07%	4.99%	3.19%	8.70%	2.56%
Franchise, % of Profit	0.26%	0.00%	0.04%	0.55%	0.18%	0.61%
Sales Tax, % of Profit	1.67%	0.66%	0.00%	0.00%	1.85%	0.00%
Total Tax, % of Profit	31.88%	31.39%	32.10%	28.81%	35.43%	31.25%

Table 9D

Highest and Lowest States and Regional Averages
 SIC 367: Electronic Components and Accessories

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$1,307,380	\$1,307,380	\$1,307,380	\$1,307,380	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$344,270	\$372,527	\$316,166	\$340,743	101.03%
STATE INCOME TAX	\$43,161	-\$8,480	\$39,069	\$31,984	134.95%
UNEMPLOYMENT AND WORKER'S COMP.	\$56,114	\$40,369	\$34,718	\$53,198	105.48%
PROPERTY TAX	\$33,234	\$51,501	\$137,482	\$68,237	48.70%
FRANCHISE TAX	\$4,181	\$8,888	\$2,909	\$4,407	94.87%
SALES TAX	\$26,614	\$0	\$29,275	\$11,089	240.00%
TOTAL TAXES	\$507,574	\$464,806	\$559,619	\$509,658	99.59%
STATE AND LOCAL TAX TOTAL	\$163,304	\$92,278	\$243,453	\$168,915	96.68%
STATE AND LOCAL TAX AS A PERCENT OF SIC 367'S TOTAL TAX LIABILITY	32.17%	19.85%	43.50%	33.14%	97.08%

Industry 371: Motor Vehicles, Parts and Equipment

Taxes are a fairly high percent of profits for this industry. Worker's compensation and unemployment insurance are relatively high in comparison with most of the nine industries.

The difference in taxes as a percent of profits is 9.16 percent between the highest and lowest states. Kansas ranks second among the states overall, and should be able to compete well.

TABLE 10A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		371	371	371	371	371	371
HYPOTHETICAL # EMPLOYEES		18	18	18	18	18	18
HYPOTHETICAL PAYROLL		\$568,108	\$568,108	\$568,108	\$568,108	\$568,108	\$568,108
PRODUCTION		\$446,218	\$446,218	\$446,218	\$446,218	\$446,218	\$446,218
OTHER		\$121,890	\$121,890	\$121,890	\$121,890	\$121,890	\$121,890
EMPLOYER'S SS PAYMENT (TOTAL)		\$40,620	\$40,620	\$40,620	\$40,620	\$40,620	\$40,620
EMPLOYER'S UI PAYMENT (TOTAL)		\$6,647	\$5,113	\$10,680	\$4,488	\$4,658	\$6,817
EMPLOYER'S WC PAYMENT (TOTAL)		\$18,080	\$47,052	\$18,413	\$15,172	\$12,093	\$22,693
EMPLOYER'S BENEFITS PAYMENT		\$110,790	\$110,790	\$110,790	\$110,790	\$110,790	\$110,790
HYPOTHETICAL SALES		\$4,515,823	\$4,515,823	\$4,515,823	\$4,515,823	\$4,515,823	\$4,515,823
HYPOTHETICAL COST OF MATERIALS		\$3,140,843	\$3,140,843	\$3,140,843	\$3,140,843	\$3,140,843	\$3,140,843
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$31,699	\$31,699	\$31,699	\$31,699	\$31,699	\$31,699
HYPOTHETICAL BUILDINGS		\$316,989	\$316,989	\$316,989	\$316,989	\$316,989	\$316,989
HYPOTHETICAL MACHINERY		\$681,817	\$681,817	\$681,817	\$681,817	\$681,817	\$681,817
HYPOTHETICAL INVENTORY		\$279,334	\$279,334	\$279,334	\$279,334	\$279,334	\$279,334
HYPOTHETICAL ANNUAL DEPRECIATION		\$102,306	\$101,324	\$100,669	\$100,669	\$103,710	\$100,669
DEBT/EQUITY RATIO		0.87	0.87	0.9	0.87	0.87	0.87
INTEREST PAYMENT		\$60,789	\$60,789	\$60,789	\$60,789	\$60,789	\$60,789
TOTAL RENT PAYMENT		\$7,521	\$7,521	\$7,521	\$7,521	\$7,521	\$7,521
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$3,261,830	\$3,048,532	\$3,170,858	\$3,396,144	\$3,179,903	\$3,223,031
ANNUALIZED		\$389,859	\$364,365	\$378,986	\$405,912	\$384,664	\$385,222
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION							
FEDERAL INCOME TAX		\$1,109,022	\$1,036,217	\$1,078,092	\$1,154,689	\$1,081,167	\$1,095,831
STATE INCOME TAX		\$131,426	\$94,151	\$155,852	\$3,096	\$124,638	\$128,786
UNEMPLOY. AND WORKER COMP.		\$175,468	\$385,555	\$202,281	\$140,171	\$113,359	\$210,087
PROPERTY		\$40,907	\$90,844	\$95,341	\$73,633	\$189,280	\$51,261
FRANCHISE		\$5,339	\$0	\$725	\$8,888	\$2,909	\$12,453
SALES		\$19,026	\$7,610	\$0	\$0	\$20,928	\$0
TOTAL		\$1,481,188	\$1,614,378	\$1,532,290	\$1,380,477	\$1,532,281	\$1,498,417
ANNUALIZED		\$177,034	\$192,953	\$183,142	\$164,997	\$185,356	\$179,093

TABLE 10B

TAXES AS PERCENTAGES OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	93.44%	97.21%	104.12%	97.49%	98.81%
STATE INCOME TAX	100.00%	71.64%	118.59%	2.36%	94.84%	97.99%
UNEMPLOY. AND WORKER COMP.	100.00%	219.73%	115.28%	79.88%	64.60%	119.73%
PROPERTY	100.00%	222.08%	233.07%	180.00%	462.71%	125.31%
FRANCHISE	100.00%	0.00%	13.58%	166.47%	54.49%	233.25%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	108.99%	103.45%	93.20%	103.45%	101.16%

TABLE 10C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 371: MOTOR VEHICLES, PARTS, EQUIPMENT

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$484,845	\$485,828	\$486,482	\$486,483	\$483,442	\$486,482
Profit Before Income Taxes	\$458,346	\$428,199	\$450,824	\$459,866	\$446,923	\$453,757
Profit Before Fed Income Tax	\$442,638	\$416,946	\$432,196	\$459,496	\$432,026	\$438,365
Profit (After Taxes)	\$310,086	\$293,096	\$303,341	\$321,486	\$302,803	\$307,389
Profit, % of Total Assets	23.67%	22.38%	23.16%	24.54%	23.12%	23.47%
Profit as % of Kansas Profit	100.00%	94.52%	97.82%	103.68%	97.65%	99.13%
Profit Difference, % Kansas Profit	0.00%	-5.48%	-2.18%	3.68%	-2.35%	-0.87%
Federal Taxes, % of Profit	27.34%	25.49%	26.49%	28.37%	26.73%	26.92%
State Income Taxes, % of Profit	3.24%	2.32%	3.83%	0.08%	3.08%	3.16%
UI and WC, % of Profit	4.33%	9.49%	4.97%	3.44%	2.80%	5.16%
Property Tax, % of Profit	1.01%	2.23%	2.34%	1.81%	4.68%	1.26%
Franchise, % of Profit	0.13%	0.00%	0.02%	0.22%	0.07%	0.31%
Sales Tax, % of Profit	0.47%	0.19%	0.00%	0.00%	0.52%	0.00%
Total Tax, % of Profit	36.51%	39.72%	37.65%	33.92%	37.88%	36.81%

Table 10D

Highest and Lowest States and Regional Averages
 SIC 371: Motor Vehicles, Parts, Equipment

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE COLORADO	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$4,515,823	\$4,515,823	\$4,515,823	\$4,515,823	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$1,109,022	\$1,154,689	\$1,154,689	\$1,092,503	101.51%
STATE INCOME TAX	\$131,426	\$3,096	\$3,096	\$106,325	123.61%
UNEMPLOYMENT AND WORKER'S COMP.	\$175,468	\$140,171	\$140,171	\$204,487	85.81%
PROPERTY TAX	\$40,907	\$73,633	\$73,633	\$90,211	45.35%
FRANCHISE TAX	\$5,339	\$8,888	\$8,888	\$5,052	105.67%
SALES TAX	\$19,026	\$0	\$0	\$7,927	240.00%
TOTAL TAXES	\$1,481,188	\$1,380,477	\$1,614,378	\$1,506,505	98.32%
STATE AND LOCAL TAX TOTAL	\$372,166	\$225,788	\$225,788	\$414,002	89.89%
STATE AND LOCAL TAX AS A PERCENT OF SIC 371'S TOTAL TAX LIABILITY	25.13%	16.36%	13.99%	27.48%	91.43%

Industry 481: Telecommunications

Telecommunications is a unique industry. A firm operating in Kansas would pay over 43 percent of its before tax profits in various taxes; this is the highest rate among the industries. In Kansas, property taxes comprise an extraordinary share of total taxes, ranking just behind federal income taxes.

The high to low state difference in taxes as a percentage of total profits is greater in this industry than in any other, 18.7 percent. Kansas taxes are higher than in any state except Iowa, due primarily to high property taxes. The difference in taxes between Missouri, the lowest state, and Kansas amounts to 14.7 percent of before tax profits. The Missouri advantage is very great.

TABLE 11A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		481	481	481	481	481	481
HYPOTHETICAL # EMPLOYEES		100	100	100	100	100	100
HYPOTHETICAL PAYROLL		\$3,098,692	\$3,098,692	\$3,098,692	\$3,098,692	\$3,098,692	\$3,098,692
PRODUCTION		\$3,098,692	\$3,098,692	\$3,098,692	\$3,098,692	\$3,098,692	\$3,098,692
OTHER		\$0	\$3,098,692	\$0	\$0	\$0	\$0
EMPLOYER'S SS PAYMENT (TOTAL)		\$221,556	\$221,556	\$221,556	\$221,556	\$221,556	\$221,556
EMPLOYER'S UI PAYMENT (TOTAL)		\$11,060	\$5,785	\$12,214	\$5,143	\$5,357	\$7,928
EMPLOYER'S WC PAYMENT (TOTAL)		\$13,863	\$16,928	\$7,714	\$9,642	\$7,500	\$12,214
EMPLOYER'S BENEFITS PAYMENT		\$601,766	\$601,766	\$601,766	\$601,766	\$601,766	\$601,766
HYPOTHETICAL SALES		\$11,252,055	\$11,252,055	\$11,252,055	\$11,252,055	\$11,252,055	\$11,252,055
HYPOTHETICAL COST OF MATERIALS		\$2,881,527	\$2,881,527	\$2,881,527	\$2,881,527	\$2,881,527	\$2,881,527
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$317,805	\$317,805	\$317,805	\$317,805	\$317,805	\$317,805
HYPOTHETICAL BUILDINGS		\$3,178,045	\$3,178,045	\$3,178,045	\$3,178,045	\$3,178,045	\$3,178,045
HYPOTHETICAL MACHINERY		\$22,633,438	\$22,633,438	\$22,633,438	\$22,633,438	\$22,633,438	\$22,633,438
HYPOTHETICAL INVENTORY		\$0	\$0	\$0	\$0	\$0	\$0
HYPOTHETICAL ANNUAL DEPRECIATION		\$1,305,060	\$1,305,060	\$1,305,060	\$1,305,058	\$1,320,845	\$1,305,060
DEBT/EQUITY RATIO		0.72	0.72	0.72	0.72	0.72	0.72
INTEREST PAYMENT		\$1,093,784	\$1,093,784	\$1,093,784	\$1,093,784	\$1,093,784	\$1,093,784
TOTAL RENT PAYMENT		\$0	\$0	\$0	\$0	\$0	\$0
PRESENT VALUE: FED. TAXABLE INCOME							
15 YEARS OPERATION		\$10,220,934	\$11,657,761	\$10,196,845	\$12,289,873	\$11,022,257	\$10,978,776
ANNUALIZED		\$1,221,623	\$1,393,354	\$1,218,743	\$1,468,903	\$1,333,332	\$1,312,201
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION							
FEDERAL INCOME TAX		\$3,475,118	\$3,963,639	\$3,466,927	\$4,178,557	\$3,747,568	\$3,732,784
STATE INCOME TAX		\$260,454	\$266,227	\$488,931	(\$25,989)	\$402,542	\$341,138
UNEMPLOY. AND WORKER COMP.		\$125,494	\$172,758	\$151,570	\$112,455	\$97,787	\$153,200
PROPERTY		\$3,560,449	\$2,098,872	\$3,718,183	\$1,683,672	\$2,793,756	\$2,704,682
FRANCHISE		\$19,015	\$0	\$3,148	\$63,602	\$2,909	\$19,015
SALES		\$247,120	\$452,878	\$407,590	\$307,664	\$498,166	\$452,878
TOTAL		\$7,687,650	\$6,954,373	\$8,236,351	\$6,319,962	\$7,542,729	\$7,403,698
ANNUALIZED		\$918,840	\$831,198	\$984,422	\$755,371	\$912,423	\$884,902

TABLE 11B

TAXES AS PERCENTAGES OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	114.06%	99.76%	120.24%	107.84%	107.41%
STATE INCOME TAX	100.00%	102.22%	187.72%	-9.98%	154.55%	130.98%
UNEMPLOY. AND WORKER COMP.	100.00%	137.66%	120.78%	89.61%	77.92%	122.08%
PROPERTY	100.00%	58.95%	104.43%	47.29%	78.47%	75.96%
FRANCHISE	100.00%	0.00%	16.56%	334.48%	15.30%	100.00%
SALES	100.00%	183.26%	164.94%	124.50%	201.59%	183.26%
TOTAL	100.00%	90.46%	107.14%	82.21%	98.11%	96.31%

TABLE 11C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 481: TELECOMMUNICATIONS

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$2,049,669	\$2,049,669	\$2,049,669	\$2,049,671	\$2,033,884	\$2,049,669
Profit Before Income Taxes	\$1,606,848	\$1,774,877	\$1,586,775	\$1,827,394	\$1,687,935	\$1,705,819
Profit Before Fed Income Tax	\$1,575,718	\$1,743,057	\$1,528,337	\$1,830,500	\$1,639,823	\$1,665,045
Profit (After Taxes)	\$1,160,367	\$1,269,317	\$1,113,965	\$1,331,073	\$1,191,908	\$1,218,898
Profit, % of Total Assets	4.44%	4.86%	4.26%	5.09%	4.56%	4.66%
Profit as % of Kansas Profit	100.00%	109.39%	96.00%	114.71%	102.72%	105.04%
Profit Difference, % Kansas Profit	0.00%	9.39%	-4.00%	14.71%	2.72%	5.04%
Federal Taxes, % of Profit	20.26%	23.11%	20.22%	24.37%	22.02%	21.77%
State Income Taxes, % of Profit	1.52%	1.55%	2.85%	-0.15%	2.37%	1.99%
UI and WC, % of Profit	0.73%	1.01%	0.88%	0.66%	0.57%	0.89%
Property Tax, % of Profit	20.76%	12.24%	21.68%	9.82%	16.42%	15.77%
Franchise, % of Profit	0.11%	0.00%	0.02%	0.37%	0.02%	0.11%
Sales Tax, % of Profit	1.44%	2.64%	2.38%	1.79%	2.93%	2.64%
Total Tax, % of Profit	44.83%	40.55%	48.03%	36.85%	44.32%	43.17%

Table 11D

Highest and Lowest States and Regional Averages
SIC 481: Telecommunications

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE IOWA	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$11,252,055	\$11,252,055	\$11,252,055	\$11,252,055	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$3,475,118	\$4,178,557	\$3,466,927	\$3,760,765	92.40%
STATE INCOME TAX	\$260,454	\$25,989	\$488,931	\$288,884	90.16%
UNEMPLOYMENT AND WORKER'S COMP.	\$125,494	\$112,455	\$151,570	\$135,544	92.59%
PROPERTY TAX	\$3,560,449	\$1,683,672	\$3,718,183	\$2,759,936	129.00%
FRANCHISE TAX	\$19,015	\$63,602	\$3,148	\$17,948	105.94%
SALES TAX	\$247,120	\$307,664	\$407,590	\$394,383	62.66%
TOTAL TAXES	\$7,687,650	\$6,319,962	\$8,236,351	\$7,357,460	104.49%
STATE AND LOCAL TAX TOTAL	\$4,212,532	\$2,141,405	\$4,769,423	\$3,596,695	117.12%
STATE AND LOCAL TAX AS A PERCENT OF SIC 481'S TOTAL TAX LIABILITY	54.80%	33.88%	57.91%	48.89%	112.09%

Industry 737: Data Processing and Computer Services

For this industry, the interstate differential in taxes is about average, 6.1 percent of profits. The difference between Kansas and the low taxed state, Missouri, is fairly large, 4.38 percent. In comparison with Missouri, Kansas taxes are relatively large.

TABLE 12A

SUMMARY REPORT:		KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE		737	737	737	737	737	737
HYPOTHETICAL # EMPLOYEES		10	10	10	10	10	10
HYPOTHETICAL PAYROLL		\$234,758	\$234,758	\$234,758	\$234,758	\$234,758	\$234,758
PRODUCTION		\$234,758	\$234,758	\$234,758	\$234,758	\$234,758	\$234,758
OTHER		\$0	\$0	\$0	\$0	\$0	\$0
EMPLOYER'S SS PAYMENT (TOTAL)		\$16,785	\$16,785	\$16,785	\$16,785	\$16,785	\$16,785
EMPLOYER'S UI PAYMENT (TOTAL)		\$2,676	\$4,273	\$4,273	\$1,808	\$1,878	\$2,747
EMPLOYER'S WC PAYMENT (TOTAL)		\$446	\$399	\$399	\$516	\$446	\$822
EMPLOYER'S BENEFITS PAYMENT		\$17,607	\$17,607	\$17,607	\$17,607	\$17,607	\$17,607
HYPOTHETICAL SALES		\$652,830	\$652,830	\$652,830	\$652,830	\$652,830	\$652,830
HYPOTHETICAL COST OF MATERIALS		\$48,205	\$48,205	\$48,205	\$48,205	\$48,205	\$48,205
HYPOTHETICAL ASSETS							
HYPOTHETICAL LAND		\$2,158	\$2,158	\$2,158	\$2,158	\$2,158	\$2,158
HYPOTHETICAL BUILDINGS		\$21,583	\$21,583	\$21,583	\$21,583	\$21,583	\$21,583
HYPOTHETICAL MACHINERY		\$50,359	\$50,359	\$50,359	\$50,359	\$50,359	\$50,359
HYPOTHETICAL INVENTORY		\$0	\$0	\$0	\$0	\$0	\$0
HYPOTHETICAL ANNUAL DEPRECIATION		\$10,900	\$10,900	\$10,873	\$10,632	\$11,059	\$10,900
DEBT/EQUITY RATIO		0.79	0.79	0.79	0.79	0.79	0.79
INTEREST PAYMENT		\$3,281	\$3,281	\$3,281	\$3,281	\$3,281	\$3,281
TOTAL RENT PAYMENT		\$29,443	\$29,443	\$29,443	\$29,443	\$29,443	\$29,443
PRESENT VALUE: FED. TAXABLE INCOME		\$2,079,319	\$2,101,778	\$2,042,079	\$2,179,439	\$2,072,172	\$2,087,482
15 YEARS OPERATION		\$248,524	\$251,208	\$244,073	\$260,490	\$250,665	\$249,499
ANNUALIZED							
PRESENT VALUE OF TAXES:							
15 YEARS OPERATION		\$683,533	\$692,292	\$669,009	\$722,579	\$680,745	\$686,716
FEDERAL INCOME TAX		\$109,715	\$94,950	\$145,310	\$15,146	\$122,909	\$106,491
STATE INCOME TAX		\$23,748	\$19,641	\$35,533	\$17,677	\$17,677	\$27,141
UNEMPLOY. AND WORKER COMP.		\$12,202	\$6,663	\$6,691	\$5,439	\$12,901	\$2,489
PROPERTY		\$314	\$0	\$239	\$282	\$314	\$705
FRANCHISE		\$2,810	\$5,100	\$4,590	\$0	\$5,609	\$5,240
SALES							
TOTAL		\$832,322	\$818,646	\$861,372	\$761,123	\$840,157	\$828,782
ANNUALIZED		\$99,480	\$97,846	\$102,953	\$90,970	\$101,631	\$100,057

TABLE 12B

TAXES AS PERCENTAGES OF CORRESPONDING KANSAS TAXES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	101.28%	97.88%	105.71%	99.59%	100.47%
STATE INCOME TAX	100.00%	86.54%	132.44%	13.80%	112.03%	97.06%
UNEMPLOY. AND WORKER COMP.	100.00%	82.71%	149.62%	74.44%	74.44%	114.29%
PROPERTY	100.00%	54.61%	54.84%	44.57%	105.73%	20.40%
FRANCHISE	100.00%	0.00%	76.17%	89.74%	100.00%	224.35%
SALES	100.00%	181.45%	163.30%	0.00%	199.59%	186.45%
TOTAL	100.00%	98.36%	103.49%	91.45%	100.94%	99.57%

TABLE 12C

PROFIT, COMPARISON TO KANSAS
INDUSTRY 737: DATA PROCESSING AND COMPUTER SERVICES

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	\$291,852	\$291,852	\$291,878	\$292,119	\$291,693	\$291,852
Profit Before Income Taxes	\$287,517	\$288,670	\$286,803	\$289,323	\$288,000	\$288,226
Profit Before Fed Income Tax	\$274,404	\$277,321	\$269,435	\$287,513	\$273,310	\$275,498
Profit (After Taxes)	\$192,707	\$194,577	\$189,475	\$201,149	\$191,946	\$193,421
Profit, % of Total Assets	260.06%	262.59%	255.70%	271.46%	259.04%	261.03%
Profit as % of Kansas Profit	100.00%	100.97%	98.32%	104.38%	99.61%	100.37%
Profit Difference, % Kansas Profit	0.00%	0.97%	-1.68%	4.38%	-0.39%	0.37%
Federal Taxes, % of Profit	27.99%	28.35%	27.40%	29.56%	27.89%	28.12%
State Income Taxes, % of Profit	4.49%	3.89%	5.95%	0.62%	5.04%	4.36%
UI and WC, % of Profit	0.97%	0.80%	1.46%	0.72%	0.72%	1.11%
Property Tax, % of Profit	0.50%	0.27%	0.27%	0.22%	0.53%	0.10%
Franchise, % of Profit	0.01%	0.00%	0.01%	0.01%	0.01%	0.03%
Sales Tax, % of Profit	0.12%	0.21%	0.19%	0.00%	0.23%	0.21%
Total Tax, % of Profit	34.09%	33.53%	35.27%	31.14%	34.43%	33.94%

Table 12D

Highest and Lowest States and Regional Averages
SIC 737: Data Processing and Computer Services

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE IOWA	AVG	KAN % AVG
TOTAL ANNUAL SALES	\$652,830	\$652,830	\$652,830	\$652,830	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	\$683,533	\$722,579	\$669,009	\$689,146	99.19%
STATE INCOME TAX	\$109,715	\$15,146	\$145,310	\$99,087	110.73%
UNEMPLOYMENT AND WORKER'S COMP.	\$23,748	\$17,677	\$35,533	\$23,570	100.76%
PROPERTY TAX	\$12,202	\$5,439	\$6,691	\$7,731	157.83%
FRANCHISE TAX	\$314	\$282	\$239	\$309	101.65%
SALES TAX	\$2,810	\$0	\$4,590	\$3,892	72.22%
TOTAL TAXES	\$832,322	\$761,123	\$861,372	\$823,734	101.04%
STATE AND LOCAL TAX TOTAL	\$148,789	\$38,544	\$192,363	\$134,588	110.55%
STATE AND LOCAL TAX AS A PERCENT OF SIC 737'S TOTAL TAX LIABILITY	17.88%	5.06%	22.33%	16.34%	109.41%

Appendix A
Details of the Firm Profiles

Hypothetical Number of Employees

Data from County Business Patterns were used to calculate the median number of employees per plant or establishment in each industry. These statistics were then used as the hypothetical number of employees for the representative firm in the manufacturing industries. The median number of employees per plant proved to be quite small. This is consistent with 1986 data on new manufacturing provided by the Kansas Department of Commerce, which indicate that about 85 percent of new Kansas manufacturing firms hire fewer than 50 new workers. For the service industry included in the study (data processing and computer services), median firm size was also calculated from County Business Patterns. However, the median firm size was smaller than four employees. For this industry, we chose a somewhat larger than median firm, one with 10 employees. About 30 percent of firms in the data processing industry have at least this many workers. For telecommunications, we somewhat arbitrarily picked a firm size of 100 employees. It should be noted that any of the firm profiles can be scaled up or down to represent realistic firm sizes.

Hypothetical Payroll, Employer's Benefits, Social Security.

For manufacturing industries, payroll figures were taken from the 1985 Annual Survey of Manufactures. All costs including payroll are measured in 1985 dollars. Since the units of measurements (1985 dollars) are the same for all states, the failure to adjust costs for inflation between 1985 and 1987 has no consequence for the relative rankings of tax payments across the

states. For data processing and telecommunications, payrolls were obtained from County Business Patterns, 1984, and adjusted for inflation to 1985 dollars.

Employer's benefits payments include contributions made by employers for health and life insurance, pensions, and other fringe benefits. For manufacturing, benefits as a percentage of payroll were obtained from the Annual Survey of Manufactures. For data processing and computer services, this ratio was obtained from the 1982 Census of Service Industries; this was the most current data available. For telecommunications, the ratio of benefits to payroll was obtained from the Survey of Current Business series on employee compensation.

Social security payments were estimated by multiplying the 1987 rate of 7.15 percent time payroll.

Hypothetical Sales and Cost of Materials.

For manufacturing, the ratio of sales to payroll was calculated from the Annual Survey of Manufactures. This was multiplied by the hypothetical number of employees to obtain the sales of the hypothetical firm. Similar calculations provided the hypothetical cost of materials figure. For data processing and computer services, sales figures were provided in the 1986 U.S. Industrial Outlook. Sales were divided by estimated number of employees to get sales per employee. A ratio of the cost of materials to sales was available for 1982 for a broader industry grouping (S.I.C. code 73, which includes all business services). Since no better data were readily available, this ratio was used to calculate hypothetical cost of materials. A ratio of operating costs less depreciation to sales for the telecommuni-

cations industry was available in Telephone Statistics, 1987. This number was adjusted to exclude labor payments. The remainder was assumed to be materials costs.

Hypothetical Assets.

The gross book value of depreciable assets for manufacturing industries is recorded in the Annual Survey of Manufactures. Assets are broken down into two categories, machinery and buildings. The gross book value of assets must be adjusted for depreciation and inflation to arrive at an estimate of the market value of capital. Two adjustment ratios were calculated. The Bureau of Economic Analysis estimate of the current value of U.S. manufacturing equipment (Survey of Current Business, Jan., 1986) was divided by the Annual Survey of Manufactures estimate of the gross book value of machinery. The ratio for 1985 was 0.85, indicating that depreciation outweighed inflation in the preceding years. Similarly, the B.E.A. estimate of the current value of structures was divided by the gross book value of structures. The resulting ratio of 1.42 indicates that for structures, inflation outweighed depreciation.

The gross book value of assets in the telecommunications industry is detailed in Telephone Statistics, 1987. Adjustments similar to those used for manufacturing were applied to arrive at estimates of the current capital to labor ratio in telecommunications.

Information on assets in the data processing industry was obtained from Dun and Bradstreet Industry Norms and Key Business Ratios. No breakdown between structures and machinery was available; a ratio of 0.4 to 1 was assumed.

No information on the current value of land was available for any industry. It was assumed throughout the study that land values were equal to 10 percent of the value of structures.

Inventory to sales ratios for manufacturing were available from the Annual Survey of Manufactures. For telecommunications and data processing, inventories were assumed to be zero. While it is true that these industries may keep supplies in inventory, it is likely that the values of their inventories are much smaller than for firms which keep final goods in stock.

Depreciation.

The Internal Revenue Service publishes estimates of the average life of various types of assets. Many of these asset types are specific to industries, for example, grain milling equipment. The hypothetical firms are assumed to hold machinery exclusive to their industries. The asset lives estimated by the I.R.S. are used to place equipment into categories for depreciation. Most of the firms in this study have assets which fall in the 7 year category. Specific depreciation rates apply to each category of asset life. The rates used for this study are those which will apply in 1987. Straight line depreciation is applied to structures over 31.5 years, in accordance with I.R.S. rules.

Since this study looks at a firm's operation over 15 years, it is necessary to look at depreciation of replacement investment as well as of the initial investment. Firms are assumed to replace a fraction of their equipment equal to $1/(\text{estimated life})$ each year. This keeps the real value of the firm's capital constant over the 15 year period.

Depreciation is highest in the early years of the firms' operations, when a large stock of new equipment is eligible for accelerated depreciation rates. An annualized depreciation figure, shown in the profile of the hypothetical firm, gives a time adjusted average of depreciation over the 15 year period.

Depreciation of equipment varies slightly across states because depreciation is calculated on the basis of the full price of assets including sales tax. Sales tax varies from state to state both because of rate differences and because of differences in exemptions.

Interest and Debt to Equity Ratio.

Debt to equity ratios were obtained from Dun and Bradstreet, Industry Norms and Key Business Ratios. The ratios used to estimate the amount of the debt. The debt of each firm was assumed to remain constant over the 15 year period. Debt was multiplied by an interest rate of 10 percent to estimate interest payments.

Rental Payments.

For manufacturing industries, a ratio of rental payments to sales was obtained from the Annual Survey of Manufactures. The 1982 Census of Service Industries provides a similar ratio for business services; this ratio was used for the data processing industry. No information on rental payments was available for telecommunications.

Appendix B
Details of the Tax Calculations

Overview.

As a first step in calculating the taxes of the hypothetical firms, corporate income tax forms were obtained from the I.R.S. and from each of the individual states. Simplifying assumptions about the activities of the firms were made in order to set some lines on the tax forms equal to zero. In particular, it was assumed that the firms' income derived exclusively from sales, and that the firms had no capital gains or losses for the time period considered. For the most part, the state and federal tax laws in effect in 1987 were assumed to remain in effect throughout the 15 year period (1987-2001). However, when a specific change was scheduled to become effective after 1987, appropriate adjustments to the calculations were made. Worksheets incorporating an abbreviated version of state and local tax forms were developed using Lotus 1-2-3.

Federal Taxes.

State and local taxes, payroll, benefits, labor taxes, depreciation, rent, material costs, and interest were subtracted from gross sales to arrive at federal taxable income. As discussed in Appendix A, depreciation was calculated using I.R.S. depreciation rules as they apply in 1987. Clearly federal taxable income depends on state income taxes. However, most state income tax calculations begin with federal taxable income. As an easy way around this simultaneity problem, state income taxes lagged one period were used to calculate federal taxable income.

State Income Taxes.

State tax calculation in all of the states begin with federal taxable income. Adjustments are made to federal income in order to arrive at gross state income. For the purposes of this study, the most important adjustment to federal taxable income is the deduction of federal income taxes, applicable in Missouri and Iowa. An allocation formula determines the portion of the remaining income which is taxable in a specific state.

Allocation formulas vary across the states, as shown Part 1 of this study. All allocation formulas require firms to calculate the percentage of in-state sales to total firm sales. Calculation of the percentage of in-state payroll to total payroll and in-state property to total property may also be required. For the purposes of this study, all firms except telecommunications (discussed separately in Appendix C) were assumed to have 100 percent of their payroll and property in-state. This assumption is reasonable for a small firm which operates only one plant. However, the firms were assumed to sell to out of state as well as in-state customers. This required us to gather information on factor allocations actually in use. Data were obtained only for Kansas; we assumed that the percentage of in-state to total sales was the same in the surrounding states.

To estimate individual in-state to total factor ratios, various business lists and directories were examined to produce a list of six or seven sample firms for each S.I.C. code within Kansas. The selection process sought to include average size firms and firms specializing in the particular industry. Small, very large, and multiple S.I.C. firms were excluded. Where possible the selection of firms included a regional distribution within Kansas. Summary data on the actual allocation ratios

used by the firms in each S.I.C. code were provided by the Kansas Department of Revenue. Using corporate income tax returns, the Department of Revenue averaged the percentages used within each S.I.C. code, after eliminating extreme values. The in-state sales to total sales ratio proved particularly useful for this study.

The allocation formulas for each state were calculated using a 100 percent payroll figure, a 100 percent property figure, and the sales figure provided by the Kansas Department of Revenue. For the purposes of this study, it was assumed that the firms paid taxes in only one of the states in the region. However, the firms might also encounter some state income tax liabilities due to their multi-state sales. This additional taxation was not incorporated in the study.

State specific deductions must be subtracted from state allocated income before taxes can be calculated. This was especially important in Missouri, where 50 percent of income earned in an enterprise zone can be deducted from Missouri taxable income. Taxes are calculated on the basis of state taxable income after deductions.

All of the states in the region allow economic development credits against the calculated tax liability. The size of these credits generally depends on the number of new jobs and the amount of investment brought into the state by a new or expanding firm. Credits for each state were calculated according to the individual state regulations. In most of the states in the region, credits are allowed up to 100 percent of tax liability. In Kansas, the figure is 50 percent. In Missouri, refunds are allowed when earned credits exceed total tax liabilities. This explains why state income taxes are actually negative for some Missouri industries.

Unemployment and Worker's Compensation.

Worker's compensation rates vary by industry and by state. Current information on rates was provided by the National Council on Compensation Insurance. For each industry, workers not directly engaged in production were assumed to qualify for a special office and clerical worker's rate. Worker's compensation rates were multiplied by respective payrolls to calculate the total payment in each year. A 15 year present value figure was also calculated.

Unemployment compensation as a percent of actual payroll was calculated using data from a sample of firms, the same firms chosen to estimate the factor allocation rates. The Research and Analysis section of the Kansas Department of Human Resources provided 1986 unemployment compensation tax payments, taxable wages, and total wages for each of the selected firms. Firms with fewer than four quarters of tax payments were eliminated; this excluded firms just starting business and firms ceasing business during the year. An average tax rate, contributions divided by total wages, was calculated for each firm. For each S.I.C., extreme values were eliminated and for the remaining firms (at least four in each industry) an average tax rate was calculated. The rates used in this study are averages of individual firm tax rates; they are not weighted by firm size. The analysis done for Kansas was extended to the other states in the region. A state adjustment factor was calculated from Division of Actuarial Services, U.S. Department of Labor data. The data employed are the 1986/1987 total tax contributions divided by total wages for each state. These effective total state tax rates were expressed as a percentage of the comparable Kansas tax rate, The adjustment factors were applied to the calculated Kansas average

tax rates by S.I.C. In this way, the Kansas particular profile of tax rates by S.I.C. are prorated to other states on the basis of the overall relationship of these states to Kansas.

Property Tax.

The study applied state average effective tax rates on various classes of assets, real estate, equipment, and inventories, to the amounts of these assets used by the hypothetical firms. Replacement investment was assumed to occur at a rate exactly sufficient to keep the real value of the firm's machinery and equipment constant at its initial value. Machinery and equipment were assumed to be appraised at their real values. The rates applied to the various classes of equipment were essentially the rates found in Table 12 of Part 1 of this report. The property tax rates used for Kansas were those estimated to apply after classification and reassessment of property.

All of the states in the region allow reductions in property taxes for new and expanding enterprises. Credits in Nebraska, however, are very limited and apply to none of the firms in our study. For the remaining states, it was generally assumed that the firms qualified for the maximum credits allowed for their industries. Exceptions were made for Missouri and Colorado. Discussions with the Missouri Department of Economic Development revealed that applying an abatement of 100 percent for 10 years instead of the maximum allowable length of 25 years would more closely represent actual average practices in the state. Discussions with the Colorado Department of Local Affairs indicated that Colorado localities have so far shown little interest in granting property tax reductions; since the inception of the

program in July, 1987, no abatements have in fact been granted. In view of this information, Colorado firms were assumed to be granted abatements only on real estate rather than on the much larger base of real estate and equipment. Even this may overstate the importance of Colorado's property tax abatement program. In Colorado and Missouri, firms engaged in any revenue producing enterprise are eligible for property tax abatements if they qualify in other respects. In Kansas, Oklahoma, and Iowa, such abatements are limited to manufacturing and a few other selected industries. For the purposes of this study, telecommunications and data processing qualify for abatements only in Colorado and Missouri.

Franchise Tax.

The franchise and licence taxes described in Part 1 of this study were applied in each state. In all states except Missouri, franchise taxes are very small in comparison with other business taxes.

Sales Tax.

As noted in Part 1 of this study, sales taxes are levied both locally and at the state level. For the purposes of the hypothetical firm study, the average sales tax rate for the largest cities in each state were used in making state comparisons. Sales tax exemptions on new and replacement equipment are common throughout the region; these were applied as applicable. Some states distinguish between manufacturing equipment and other equipment in granting exemptions. For this study, it was assumed that 100 percent of the equipment purchased by manufacturers is used directly in the manufacturing process.

Appendix C.
Taxation of the Hypothetical Telecommunications Firm.

A profile of the hypothetical telecommunications firm is constructed using data from Telephone Statistics, 1987. The industry has the highest capital to labor ratio of any of the firms included in this study, about \$270,000 per worker. About 40 percent of this capital consists of lines and cables, and 60 percent consists of central office equipment. Given the large amount of capital employed in this industry, it is not surprising that property taxes form a substantial part of total tax payments.

The analysis of taxes begins by assuming that the hypothetical firm expands by 50 percent over a base of 67 workers for a total of 100 employees. The proportion of in-state to total payroll, property, and sales are each initially 53 percent, a figure derived from actual firm data supplied by the Kansas Department of Revenue. As the firm expands its labor force, it is assumed to expand its capital proportionally. All new workers and central office equipment are assumed to locate in-state. Only 53 percent of new lines and cables are assumed to locate in-state. Proportions of in-state to total payroll and property are recalculated after the expansion; the sales factor is assumed to remain at 53 percent.

The expanded firm is subject to all major business taxes. Since the firm is not located entirely within a single state, taxes are calculated somewhat differently than for the other firms in the study. To arrive at federal taxable income, state and local taxes in all jurisdictions must be subtracted from gross income. The in-state part of state and local taxes is calculated according to the specific state's tax structure. The out of state part of this component is assumed to be 8 percent of out of state

sales, a figure derived from national data. The tax figures in Tables 11A through 11D reflect the firm's entire federal tax payment, but only the in-state portion of state and local taxes.

States employ distinctive methods of taxing public utilities, including telecommunications. The firm is assessed by the state rather than by local taxing agencies. In general, the individual states value the entire firm rather than specific pieces of property. An exception is Missouri where both the entire firm and individual properties are assigned values. Once the value of the firm has been established, a share of the value is apportioned to the state according to the ratio of in-state to total property. In calculating the taxes of the telecommunications firm, it was assumed that all states valued the firms at a figure equal to the value of its assets. An effective assessment ratio provided by each state, generally equal to the statutory assessment ratio, was then applied to the in-state portion of firm value to get the tax base. Finally, the tax base was multiplied by the average property tax rate.

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