

## How Heavy? Assessing the Burden of Taxation in Kansas

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Nobody likes to pay taxes. As a result pledging to cut taxes is always a popular issue for those running for public office. At the same time, taxes fund essential federal, state, and local services. Finding programs to cut to balance revenue reductions is often difficult. With the opening of the 2005 state legislative session the issue of taxes will once again be central to many legislative discussions.

A number of legislators have already suggested that Kansas adopt a tax cutting plan – called a Taxpayers Bill of Rights – that is modeled on one adopted in Colorado in 1992. In its simplest form, the plan would limit state revenue growth to the rate of inflation plus the rate of population growth. Any increase in revenues above these amounts would be refunded to state taxpayers (Lawrence Journal World, 6 December 2004, p.1). One advocate of the plan, Representative Brenda Landwehr of Wichita asserts that “The Legislature had not been able to maintain control over spending, so the people should.”

There are legitimate differences of opinion about what level of services the state should provide in areas like highways, higher education, social services, etc., but any discussion of these choices must begin with the facts. To get a sense of how heavy the burden of taxation in Kansas is currently, and how it has changed it helps to step back and get the big picture.

The Federal government’s Bureau of Economic Analysis collects and publishes statistics that help to put the burden of taxation in Kansas in perspective.<sup>1</sup> Using these data it is possible to: (1) trace changes in the level of state taxes in Kansas relative to personal income, which is the best available measure of Kansans’ ability to pay, and (2) compare the level of taxes in Kansas with other states. As will become clear, Kansas legislators have not been spending out of control. The burden of supporting state government in Kansas is roughly in the middle of all U.S. states, and as a share of Kansans’ income the cost of supporting their state government has fallen slightly over the past decade.

### The Tax Burden in Kansas

In 2003 state tax revenues per capita in Kansas amounted to \$1,838.62.<sup>2</sup> Table 1 provides a breakdown of the sources of these revenues. By far the largest portion of total state tax collections comes from two sources: sales taxes (which account for 37.7 percent of

**Table 1**  
**Sources of State Tax Revenue in Kansas, 2003**

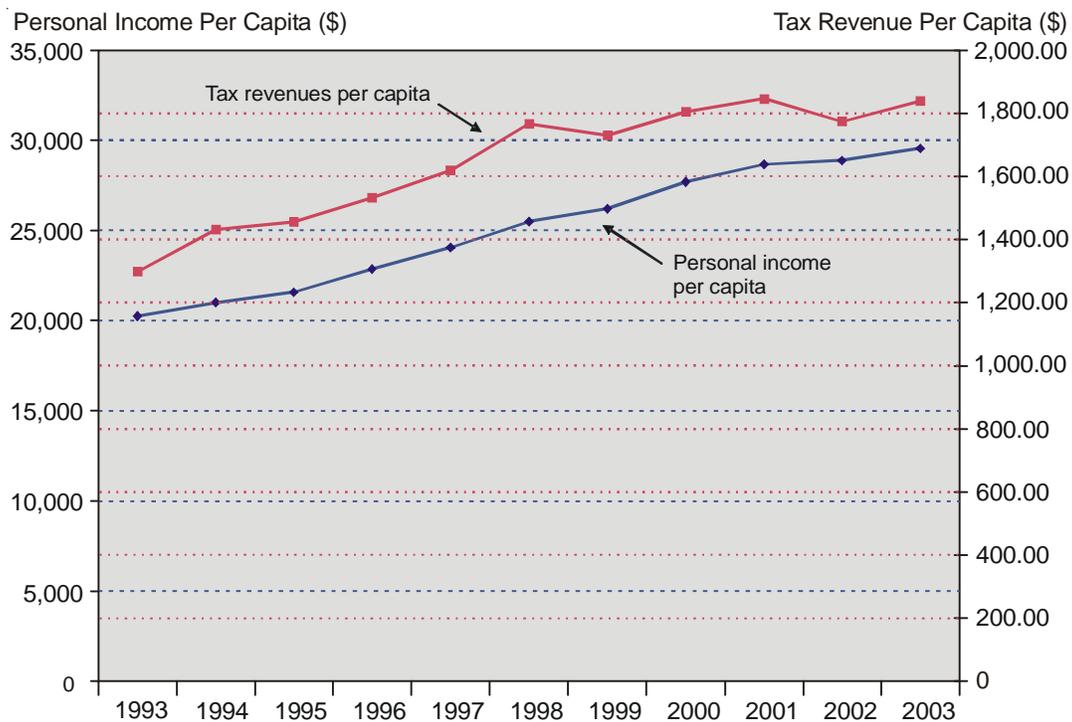
Item	Amount	Per Capita
Population (July 1, 2003, released December 18, 2003)	2,724	X
Total taxes	5,008,411	1,838.62
Property taxes	54,030	19.83
Sales and gross receipts	2,664,383	978.11
General sales and gross receipts	1,888,543	693.30
Selective sales taxes	775,840	284.82
Alcoholic beverages	83,982	30.83
Amusements	675	0.25
Insurance premiums	121,317	44.54
Motor fuels	411,458	151.05
Pari-mutuels	3,875	1.42
Public utilities	758	0.28
Tobacco products	133,760	49.10
Other selective sales	20,015	7.35
Licenses	256,372	94.12
Alcoholic beverages	2,404	0.88
Amusements	211	0.08
Corporation	41,619	15.28
Hunting and fishing	16,784	6.16
Motor vehicle	155,959	57.25
Motor vehicle operators	10,081	3.70
Public utility	4,361	1.60
Occupation and business, NEC	22,190	8.15
Other licenses	2,763	1.01
Other taxes	2,033,626	746.56
Individual income	1,776,884	652.31
Corporation net income	124,519	45.71
Death and gift	46,952	17.24
Documentary and stock transfer	X	X
Severance	85,271	31.30
Other	X	X

Source: U.S. Census Bureau; <http://www.census.gov/govs/www/statetax.html>

state general fund revenue) and income taxes (35.5 percent of revenue). Most of the remaining revenue is generated by selective sales taxes such as those on alcoholic beverages and insurance premiums.

In addition to the taxes collected by the State, Kansans also pay taxes to county and city governments, school districts, and possibly other local taxing bodies. Information about these tax collections is more limited,

**Figure 1**  
**State Personal Income and Tax Revenues per Capita, 1993-2003**



Source: U.S. Census Bureau; <http://www.census.gov/govs/www/statetax.html>

and the most recent data available from the Federal government refer to 2002. In that year, local governments in Kansas collected an average of \$1,167.63 per capita in taxes, and the combined state and local tax burden was \$2,940.63 per capita.<sup>3</sup> Nearly four-fifths of local taxes were in the form of property taxes, while sales taxes provided essentially all of the remaining local tax revenues.

**The Cost of Government in Kansas**

One way to put state tax collections in perspective is to compare them to taxpayers’ personal income. This measure provides a sense of what portion of Kansans’ spending goes to pay for government services. In 2003, state personal income per capita in Kansas was \$29,545, so state taxes were equivalent to 6.2 percent of personal income in the state. In 2002, when both state and local tax collections can be analyzed their combined burden was equivalent to 10.2 percent of personal income.<sup>4</sup>

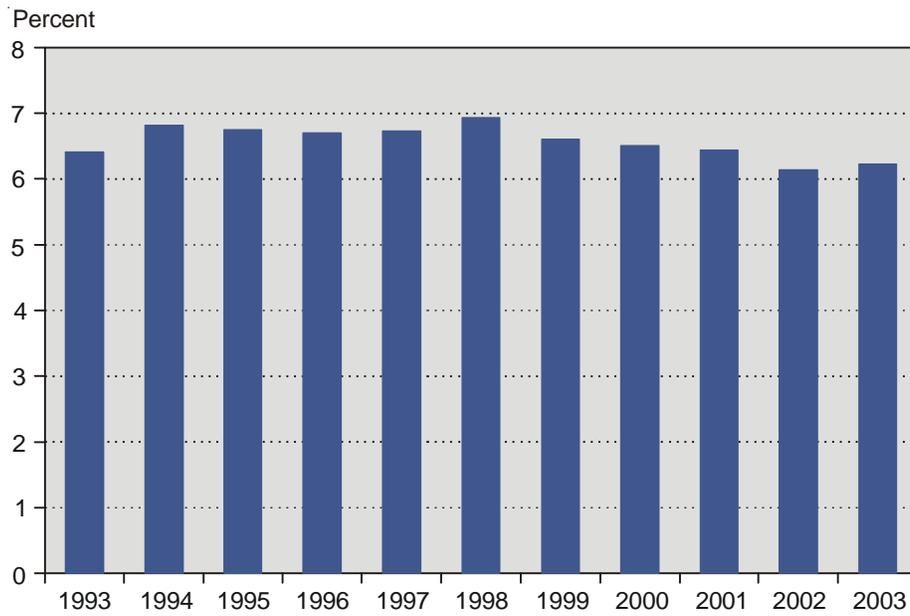
Have tax revenues been growing out of control in Kansas? At first glance it might appear that the answer

to this question is yes. Advocates of cutting taxes are likely to point to the fact that the nominal (current price) level of taxes per person has increased by 41 percent in the ten years since 1993. Of course, they would acknowledge that part of this increase reflects inflation. Since 1993 the GDP deflator, a broad measure of price inflation, has increased by 20 percent, so the real increase in tax revenues is 18 percent.

Despite the increase in tax revenues over the past decade, the burden of taxation as a share of income has actually fallen. As Figure 1 shows, state tax revenues per capita have grown roughly in parallel with personal income over the last decade. A closer look reveals that during the early 1990s taxes were rising faster than income, increasing from 6.4 percent of income in 1993 to a peak of 6.9 percent of income in 1998. But since 1998 income has grown faster than tax revenues. As Figure 2 illustrates, by 2002 the relative tax burden had fallen to its lowest level in any year considered (6.1 percent of income). Despite a small increase in 2003, tax revenues remained relatively low by historical standards.

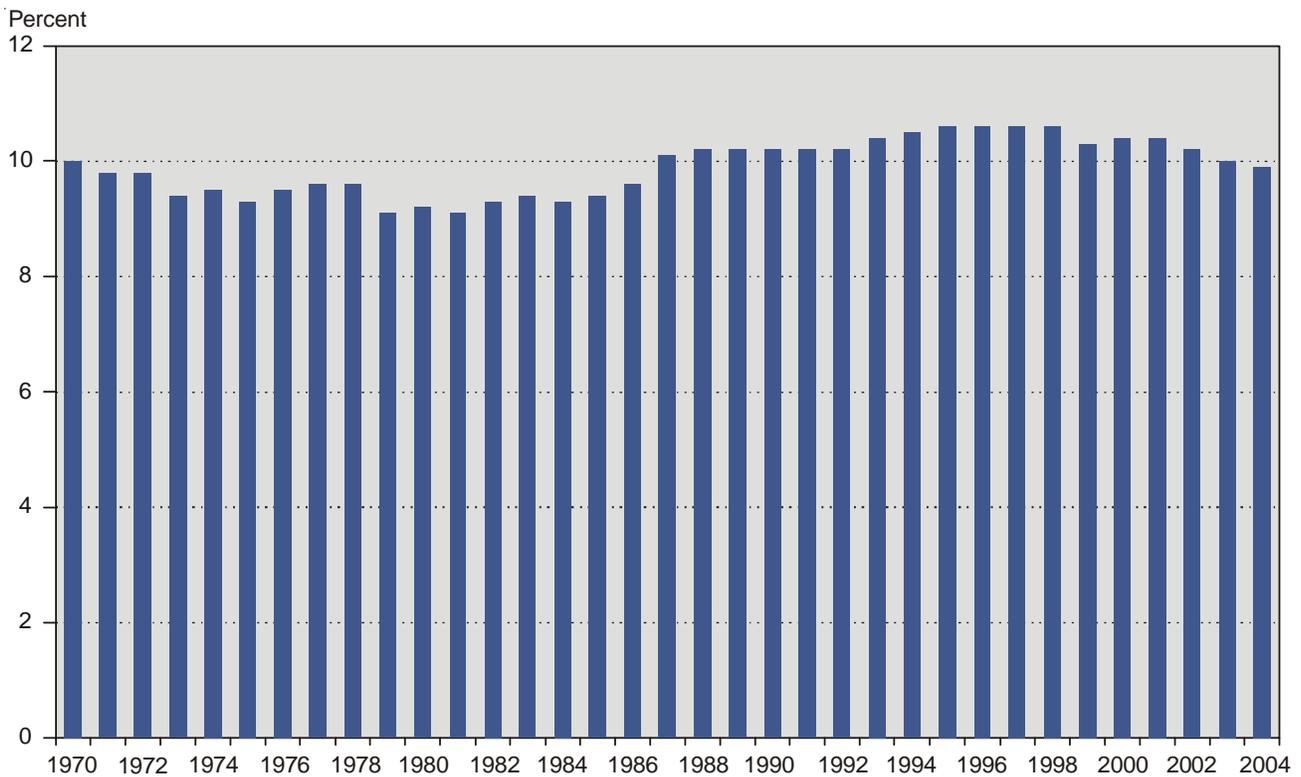
Much the same conclusion emerges from an analysis of the combined state and local tax burden. Figure 3

**Figure 2**  
**Kansas State Tax Revenues as a Percentage of Personal Income, 1993-2003**



Source: U.S. Census Bureau; <http://www.census.gov/govs/www/statetax.html>

**Figure 3**  
**Kansas State and Local Tax Collections as a Percentage of Personal Income, 1970-2004**



Source: The Tax Foundation, <http://www.taxfoundation.org/kansas/statelocal-ks.html>

**Table 2**  
**State Taxes per Capita, 2003**

Rank	State	Amount	Rank	State	Amount
	United States .....	1,883.56			
1	Hawaii .....	2,837.70	<b>26</b>	<b>Kansas .....</b>	<b>1,838.62</b>
2	Connecticut .....	2,730.02	27	Indiana .....	1,810.27
3	Minnesota .....	2,649.48	28	Ohio .....	1,805.84
4	Delaware .....	2,601.60	29	Virginia .....	1,755.91
5	Vermont .....	2,518.11	30	Illinois .....	1,750.30
6	Wyoming .....	2,429.45	31	Iowa .....	1,718.56
7	Massachusetts .....	2,426.68	32	Mississippi .....	1,717.25
8	New Jersey .....	2,307.97	33	Idaho .....	1,716.21
9	Michigan .....	2,256.76	34	Oklahoma .....	1,681.63
10	California .....	2,231.94	35	Utah .....	1,680.44
11	Wisconsin .....	2,226.76	36	Louisiana .....	1,656.48
12	Washington .....	2,113.88	37	Alaska .....	1,647.64
13	New York .....	2,113.51	38	Montana .....	1,619.85
14	Rhode Island .....	2,097.26	39	Oregon .....	1,601.60
15	Maine .....	2,065.29	40	Florida .....	1,580.90
16	Kentucky .....	2,021.56	41	Arizona .....	1,557.38
17	Maryland .....	1,993.16	42	Georgia .....	1,544.23
18	West Virginia .....	1,983.08	43	South Carolina .....	1,531.98
19	Nebraska .....	1,925.07	44	New Hampshire .....	1,521.13
20	New Mexico .....	1,923.82	45	Missouri .....	1,512.52
21	Arkansas .....	1,887.58	46	Tennessee .....	1,508.32
22	North Carolina .....	1,885.17	47	Colorado .....	1,458.18
23	Pennsylvania .....	1,875.23	48	Alabama .....	1,425.54
24	North Dakota .....	1,857.61	49	South Dakota .....	1,321.84
25	Nevada .....	1,842.54	50	Texas .....	1,315.55

Source: The Tax Foundation, <http://www.taxfoundation.org/kansas/statelocal-ks.html>

shows estimates of state and local tax collections as a percentage of personal income from 1970 to the present. Over the past 34 years state and local taxes have fluctuated in a narrow range relative to personal income with no apparent trend. Relative to income, the combined state and local tax burden reached its lowest level (9.1%) between 1979 and 1981. From this trough it rose to a peak (10.6%) in the mid-1990s (10.6%) before falling back toward its current level.

**Comparing Kansas and the Nation**

Comparing taxes with income helps to provide a measure of the cost of government relative to Kansans' ability to pay. But it is also useful to compare the tax burden in Kansas with that in other states. This helps to

evaluate whether the cost of government in Kansas is in line with experience in other states. Every state must fund essentially the same package of services and activities. If Kansas tax revenues were substantially out of line with national norms it would be a basis for concern. In fact, however, Kansas is very much average in its tax burden.

Table 2 shows per capita tax revenues for all 50 states along with the U.S. average. The states are listed in declining order of per capita tax burden. Kansas is right in the middle, ranking 26<sup>th</sup> out of 50 states, and its per capita tax revenues are within \$50 of the U.S. average.<sup>5</sup> What is striking about this table is actually how similar state tax burdens are across states. Indeed half of all states impose per capita taxes that are within \$250 of Kansas' taxes. This similarity suggests that any

radical cuts in state expenditures would require more than simply increasing the efficiency of state government. Rather they would require substantially rethinking what services and activities Kansans expect the state to provide.

## Conclusion

There will always be those who advocate reducing the size of state government, and reasonable people can disagree about what services state government should provide to its citizens. But advocates of reducing the size of government should concentrate on explaining what areas of spending they would advocate reducing. Contrary to the assertions of those who wish to reduce state taxes, there has been no irresponsible growth in state spending in Kansas. Rather state and local government spending in Kansas appears very much in line with current practices in other states, and the burden of government has changed very little in the past decade.

## Notes

1. These data are available on the internet at <http://www.bea.doc.gov/bea/regional/spi/>
2. It should be noted that this figure excludes property taxes collected by counties and transferred to the state as part of the funding mechanism for public schools.
3. Local and state tax collections based on the 2002 census of governments are available from Census Bureau, at <http://www.census.gov/govs/statetax/0217ksstax.html>
4. Although Federal statistics are not available for more recent years, a private organization, the Tax Foundation, collects and analyzes data on combined state and local taxation. Their estimates of the amount of state and local taxes in Kansas for every year from 1970 through 2004 are available from their website <http://www.taxfoundation.org/kansas/statelocal-ks.html>. According to this source combined state and local taxes in Kansas were equivalent to 10 percent of personal income in the state in 2003, and 9.9 percent of personal income in 2004.
5. Adding local taxes does not greatly alter the situation. The average state and local tax burden across all states was 10 percent in 2004, just slightly greater than Kansas' figure of 9.9 percent, and Kansas ranked 22 in terms of combined state and local tax burden as a percent of income (The Tax Foundation <http://www.taxfoundation.org/statelocal04.html>).