

MEMORANDUM

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KANSAS TAX FACTS

1995 Supplement to the Sixth Edition

Kansas state and local government net tax revenue totaled nearly \$6.288 billion in FY 1995, which equated to \$2,462 per capita and to 11.86 percent of Kansas personal income in CY 1994. Following are the tax levies or collections, combining state and local revenue, in descending order of importance.

COMBINED STATE AND LOCAL TAX REVENUE (NET)

Taxes	Fiscal Year 1995		
	Amount (Thousands)	Percent of Total	% Increase From FY 1994
General Property	\$ 1,836,057 ^(a)	29.20%	7.8%
Sales and Use	1,724,648	27.43	7.1
Income and Privilege	1,508,722	23.99	4.1
Motor Fuels	284,832	4.53	0.5
Motor and Recreational Vehicles	271,456 ^(b)	4.32	(7.0)
Vehicle Registration	127,989	2.04	8.0
Unemployment Comp.	114,905	1.83	(37.1)
Insurance Premiums	95,819	1.52	0.2
Severance	77,137	1.23	(23.8)
Liquor and Beer	59,026	0.94	1.7
Inheritance	56,691	0.90	(35.3)
Cigarette and Tobacco	54,952 ^(b)	0.87	1.6
Mortgage Registration	19,160	0.30	(13.7)
Corporation Franchise	12,025	0.19	3.3
Motor Carrier Property	11,722	0.19	12.8
Transient Guest	11,475	0.18	7.4
Parimutuel	6,403	0.10	(22.8)
Intangibles	6,153	0.10	(14.7)
Wheat	2,238	0.04	11.0
All Other	6,379 ^(c)	0.10	4.2
TOTAL	<u>\$ 6,287,791</u>	<u>100.00%</u>	<u>2.8%</u>

a) Includes state, county, and city sales and use taxes.

b) Total tax levied in CY 1994 less state's share plus actual state receipts in FY 1995.

c) Total revenue from nine taxes, the largest single amount included in that total being \$1.752 million.

This Supplement contains the same numbered tables that appear in the Sixth Edition of *Tax Facts* published in November 1993, except Table VII is on the preceding page and shows the data for FY 1995. Also included is a summary of the tax legislation enacted in 1994 and 1995.

The reader is reminded that local tax revenue does not include receipts from certain local taxes, e.g., occupation and franchise taxes, for which there is no central reporting or compilation. A recent survey by the League of Municipalities revealed that in CY 1992 occupation taxes imposed for revenue purposes raised about \$3.0 million and that, for responding cities, franchise taxes totaled nearly \$57 million which is an incomplete figure.

Some Highlights of This Supplement

1. State and local tax revenue increased by 2.8 percent from FY 1994. Local tax revenue rose by 6.3 percent, but state revenue increased by only 0.7 percent. As to state taxes, receipts from the unemployment compensation tax decreased by 37.1 percent (the 1995 Legislature enacted a two-year moratorium for positive balance contributing employers beginning in CY 1995), inheritance taxes declined by 35.3 percent (in FY 1994 there were two extraordinary payments totaling \$30.3 million), severance tax receipts fell by 23.8 percent (part of which was due to a 1994 law that provides for a three-year phased reduction in the effective tax rate on natural gas), parimutuel taxes decreased by 22.8 percent (betting at the tracks has fallen off), and motor fuels and insurance premiums taxes increased by only 0.5 percent and 0.2 percent, respectively. Motor vehicle tax revenue, most of which goes to local governments, decreased by 7.0 percent, reflecting lower school district property tax rates in 1992 as a consequence of the new school finance program enacted in that year.
2. State taxes accounted for 60.7 percent of total state and local tax revenue in FY 1995. That year, 82.8 percent of state tax receipts was credited to the State General Fund and 17.2 percent went to other funds.
3. Local governments, however, spend most of the state and local tax revenue. In FY 1995, identifiable local government tax revenue was \$2.472 billion and local units received another \$1.985 billion from state taxes allocated to or shared with them. Thus, local units received \$4.457 billion, or 70.9 percent, of total state and local taxes. About 52 percent of the state's tax revenue was shared with or allocated to local units, mostly for education.
4. General property tax levies accounted for 29.20 percent of state and local tax revenue in FY 1995 (the ratio would be 33.52 by including the motor and recreational vehicle taxes which are levied in lieu of the general property tax), followed by sales and compensating use taxes at 27.43 percent and income and privilege taxes at 23.99 percent. No other tax source produced as much as 5 percent of the total.
5. The spread of local sales taxes has contributed significantly to the growth of both sales tax revenue and total tax revenue over the last 25 years. There were no local sales taxes in 1970. As of October 1, 1995, they were imposed

by 70 counties and 145 cities at rates ranging from 0.5 percent to 2.0 percent. In FY 1995, the state Department of Revenue collected nearly \$346 million for the counties and cities which had sales taxes in effect that year.

Summary of 1994 Legislation

Property Taxes

House Sub. S.B. 157 reduced the property tax assessment level from 30 percent to 12 percent starting in tax year 1994 on taxable real property owned and operated by nonprofit groups or organizations chartered pursuant to subsections 501(c)(3), 501(c)(4), 501(c)(8), and 501(c)(10) of the Internal Revenue Code; taxable real property owned and operated by 501(c)(2) organizations if such property is leased to a 501(c)(8) organization; and certain land owned by 501(c)(7) organizations if such land is actually and regularly used for recreational purposes.

S.B. 459 permitted Wyandotte County to institute and administer, prior to July 1, 1995, a one-time property tax accumulated interest amnesty program. The bill also authorized the county treasurer of any county to accept partial payment of delinquent real property tax, in accordance with payment guidelines established by the county treasurer.

S.B. 462 amended the School District Finance and Quality Performance Act to reenact the mandatory 35-mill uniform school district general fund property tax levy for the 1994-95 and 1995-96 school years. The bill responded to a court decision which construed this levy to be a state property tax which could be imposed for only two years at a time.

S.B. 542 removed the requirement that a physical inspection be performed when a property's value is increased, in favor of a requirement that the record of the latest physical inspection be reviewed, and that documentation exist to support the increase in valuation. Payments of taxes under protest on the basis of valuation or assessment were prohibited in cases where the valuation had been appealed in the spring, unless the property had been sold or a change in value had been rescinded by the Director of Property Valuation (PVD). The Director was granted authority to review changes made by appraisers or hearing officers or panels subsequent to appeals or protests, and to rescind the changes. The Kansas Real Estate Ratio Study Act was amended to define the terms "valid sale," "invalid sale," and "unvalidated sale." The Director was allowed to select random sales samples from the residential subclass and use the samples to establish the residential ratios in certain counties. The filing date for oil and gas personal property renditions was changed from March 15 to April 1. Tangible personal property discovered by appraisers after January 1, 1994 and on or before March 14, 1995 was declared not liable for any taxes prior to tax year 1992, and no penalty was to be added unless the taxpayer had fraudulently omitted or underreported the property and the fraud was proven by clear and convincing evidence.

H.B. 2555 eliminated, starting in 1995, the ability of cities and counties to grant certain property tax exemptions through the issuance of industrial revenue bonds (IRBs) for those retail firms classified under standard industrial classification codes 52 through 59. The bill also required cities and counties to conduct public hearings and conduct cost-benefit analyses prior to the granting of property tax exemptions through the issuance of IRBs. County clerks were mandated to transmit copies of exempt real and personal property appraisal rolls and all property exemption claim forms

for IRBs and economic development exemptions (EDXs) to the Director of PVD. The Director was required to prepare an annual report on the amount of valuation exempted by IRBs and EDXs.

H.B. 2557 required Kansas Inc. to adopt a uniform cost-benefit model for purposes of statewide data collection and for evaluating potential industrial revenue bond and economic development property tax exemptions under consideration by cities and counties.

H.B. 2623 allowed boards of county commissioners to waive penalties and interest on personal property which was discovered in 1993 or 1994 to have been omitted from the tax rolls or which was discovered to have had its value underreported. Counties could waive the penalties and interest only when the appropriate total amount of current and back taxes due on the escaped or underreported personal property was paid in 1994. The bill also excluded penalties for the late filing of personal property renditions from consideration by county clerks when computing the final tax levy rate.

H.B. 2624 removed property used exclusively by the state or any political subdivision for right-of-way purposes from the requirements that property tax exemption applications be filed with county appraisers and that the exemptions be approved by the State Board of Tax Appeals.

H.B. 2774, as amended by H.B. 3093, provided a property tax exemption for certain property owned and leased by any municipality or political subdivision or acquired by the municipality or political subdivision pursuant to a lease-purchase agreement when that property was used to provide office space necessary for performance of medical services by persons licensed to practice medicine and surgery by the Board of Healing Arts.

H.B. 3011 provided that when real property or improvements to real property were discovered to have been omitted from the tax rolls and the property had been sold in the same year, the new owners of such property were not to be liable for back years' tax liability if the tax for the tax year in which the property was discovered to have been omitted was paid within 45 days after the issuance of an added or escaped property tax bill. The bill also prohibited persons who own real estate upon which delinquent property taxes or delinquent special assessments are due from purchasing additional real estate at delinquent tax sales.

S.B. 436 expanded an existing law to allow any county to employ attorneys or other persons to assist in the collection of unpaid personal property taxes on a contingent fee basis not to exceed 50 percent of the amount collected. Counties were prohibited, however, from employing persons on a contingent fee basis to audit personal property tax returns for the purpose of discovering undervalued property or property which has escaped taxation. The bill also amended the law dealing with real property tax sales to prohibit the sale to: any person who had a right to redeem the property subject to sale even if the amount included all unpaid amounts; any person who held an interest in the property or any mortgagee or assignee; any parent, grandparent, child, grandchild, spouse, sibling, trustee, or trust beneficiary of any person with an interest in the real estate; or any corporation, current or former stockholder, officer, or director of any person with an interest in the property.

Sub. S.B. 732 authorized any municipality covered by the cash basis law to designate areas within its boundaries as neighborhood revitalization areas and to provide rebates to taxpayers in the amount of the incremental increases in property taxes resulting from improvements made to the property.

S.B. 731 added a new category of licensee for real estate appraisers -- state provisionally licensed real property appraiser -- and extended from two years to five years the time

in which an applicant for licensure or certification has to meet requirements and pass the examination for the classification sought by the applicant.

Income and Privilege Taxes

S.B. 230, the Kansas Community Services Program Act, authorized income tax, financial institution privilege tax, and domestic insurance company privilege tax credits for contributions by business firms to community service organizations or governmental entities which provide community services, beginning with tax year 1994. The credit granted a contributor could not exceed 50 percent of the amount contributed to a community service organization or 70 percent of the amount contributed to a rural community service organization. The contribution was not to be deductible at the state level. The credits were limited to a total of \$5,000,000 per year for all business firms.

S.B. 463 extended the sunset on the income tax credit for research and development expenditures by two years, from tax year 1993 to tax year 1995.

H.B. 2687, as amended by H.B. 3088, expanded income and financial institution privilege tax credits for expenditures to make certain property accessible for persons with a disability, beginning in tax year 1994. The bill also authorized domestic insurance company privilege tax credits for the same purpose.

H.B. 3068 directed the Secretary of Revenue to approve and recommend judicial approval of a settlement agreement to resolve income tax refund claims of military retirees pending in the class action, *Keyton E. Barker, et al. v. State of Kansas, et al.* The bill provided that the settlement, if approved by the Shawnee County District Court, would be an aggregate amount equal to the amount of tax paid by each military retiree on retirement benefits received in tax years 1984 through 1991, plus 5 percent interest through December 31, 1991. Eligible claimants were to receive refund payments in annual installments over a three-year period. Transfers over a three-year period were to be made into the Military Retirees Income Tax Refund Fund (MRITRF) based on an amount certified by the Secretary of Revenue. The FY 1995 transfer (December 20, 1994) was to be made from the State Budget Stabilization Fund, and the FYs 1996 and 1997 transfers (July 1, 1995 and July 1, 1996) were to be made from the State General Fund. The settlement agreement, which had to be submitted to the District Court by June 15, 1994, was required to contain provisions for joint administration under the supervision of the Secretary of Revenue and counsel for the class. The settlement agreement also was required to contain a stipulation that the plaintiffs dismiss, with prejudice, their motion pursuant to 42 U.S.C. § 1988 to have attorney's fees paid by the state. An additional stipulation authorized class counsel to submit applications to District Court for reasonable litigation costs and expenses. If the settlement agreement received judicial approval, the bill stated that the payment of refunds would represent a "final and complete" settlement of all refund claims of all military retired personnel for tax years 1984 through 1991, including any appeal or administrative process perfected pursuant to law. Refunds would not be allowed on claims made after 18 months from judicial approval of the settlement agreement, provided due diligence had been exercised in attempting to locate eligible claimants. Payment of the refunds would be subject to the jurisdiction and supervisory control of the District Court. All administrative appeals were held in abeyance for as long as the judicial process remained active in regard to the settlement agreement. Upon final judicial approval of the settlement agreement, all the administrative appeals were to be deemed dismissed with prejudice to all parties. The MRITRF was to be administered by the Secretary of Revenue in accordance with the provisions of the bill. No expenditures were to be made from such fund unless: (1) the settlement agreement was approved by the District Court; and (2) eligible persons had been afforded "reasonable notice and an opportunity to be heard." Such

expenditures were to be made pursuant to vouchers approved by the Secretary of Revenue in accordance with the settlement agreement. H.B. 3068 also provided that the refunds would be allowed on claims duly made on behalf of estates of the deceased, surviving spouses, or other heirs-at-law.

H.B. 2929, the welfare reform bill, authorized any resident of the state to deposit up to \$2,000 (in the first year) in an individual development account (IDA) for educational purposes, with the income earned on contributions deposited in an IDA exempt from state income taxation. Account holders also were authorized to contribute \$1,000 for each dependent child in such an account. The maximum allowable amount of deposit escalates in each subsequent year based on the previous year's increase in the consumer price index.

Sales Taxes

S.B. 253 exempted from the sales tax fees and charges levied for participation in sports, games, and other recreational activities by not-for-profit youth recreation organizations exclusively providing services to persons 18 years of age or younger. The bill also declared null and void assessments of sales tax liability made against not-for-profit youth recreation organizations.

S.B. 447 exempted utilities consumed in the severing of crude oil.

H.B. 2004 provided a sales tax exemption for entry fees in a special event or tournament sanctioned by a national sporting association if spectators to such events are charged admissions which are taxable under another subsection of the sales tax imposition statute.

H.B. 2622 exempted all sales of propane gas for agricultural use. The bill also authorized the City of Manhattan to levy an additional sales tax of up to 0.75 percent for the financing of economic development initiatives or public infrastructure projects. Such a tax is required to expire no later than five years from the date of imposition. Allen County was authorized to levy a 0.5 percent sales tax for the financing of a solid waste disposal area. The revenue would not have to be shared with cities, and the tax would sunset upon the payment of all costs incurred in the financing of the project. Jefferson County was granted additional rate authority of 1.0 percent for financing a courthouse, jail, law enforcement facility, or other county administrative facility.

Severance Tax

House Sub. S.B. 324 enacted a phased-in expansion in the property tax credit allowed in the severance tax law on natural gas, reducing the effective rate from 7 percent to 4.33 percent. The effective rate on gas was reduced from 7 percent to 6 percent on July 1, 1994; to 5 percent on July 1, 1995; and to 4.33 percent on July 1, 1996.

S.B. 714 exempted from the severance tax for a period of ten years all production of oil or gas from a "three-year inactive well."

Recreational Vehicle Tax

House Sub. for S.B. 191, as amended by H.B. 3090, established a new tax system starting in 1995 for recreational vehicles, which include those motorized vehicles and trailers

“designed primarily as living quarters for recreational, camping, vacation, or travel use.” The bill removed such vehicles from the motor vehicle tax and personal property tax systems and imposed a new tax based on the age and weight of the vehicles. The bill contained an amnesty provision which eliminated back taxes, penalties, and interest for persons who had not paid taxes for any tax year or any registration period commencing prior to January 1, 1995.

Economic Development Tax Incentives

S.B. 461 provided additional economic development incentives for certain service sector firms by making such firms eligible for incentives under the Tax Incentives for High Performance Firms Law (K.S.A. 74-50,131 *et seq.*), and by expanding the Kansas Certified Venture Capital Company Act (K.S.A. 74-8301 *et seq.*) to allow service sector firm investments to qualify for the credits.

H.B. 2556 required Kansas Inc. to submit an annual report to various legislative committees evaluating the cost effectiveness of various economic development tax incentives, including certain income tax credits and sales tax exemptions.

Other Tax Measures

S.B. 479 authorized the Director of Taxation or any county treasurer to accept credit cards in payment for any taxes or fees.

S.B. 480 reduced the interest rate on delinquent state taxes from 18 percent to 12 percent, from January 1, 1995, until December 31, 1997. After that time, the rate will be the underpayment rate in effect on the previous July 1, as prescribed by Section 6621 of the federal Internal Revenue Code, plus 1 percent. The rate paid by the state on refunds of overpayment of income tax was reduced from 12 percent to 6 percent from January 1, 1995, until December 31, 1997, and thereafter the rate will be the overpayment rate which is in effect on the previous July 1 as prescribed by Section 6621 of the federal Internal Revenue Code. A new section was enacted permitting taxpayers to make a deposit with the Director of Taxation of all or any part of additional taxes, interest and penalty assessed, and the amount deposited would not be subject to any interest or penalty from the time of the deposit until the liability is finally determined.

S.B. 494 amended the Kansas Inheritance Tax Act to make several technical changes. First, the class of beneficiaries of Qualified Terminable Interest Property (QTIP) for inheritance tax purposes was to be determined by their relationship to the predeceased spouse rather than with respect to the surviving spouse. Also, a fractional QTIP election was authorized. The term “distributee” was expanded to include a QTIP trustee or any other successor in interest. The bill also allowed a trustee to divide trusts into two or more separate trusts or merge two or more trusts into a single trust without a judicial proceeding in order to cause a significant decrease in current or future federal income, gift, estate, or generation-skipping transfer tax liability.

S.B. 503 amended provisions relating to penalties for nonpayment and underpayment of, and interest on late payments of, state income and excise taxes.

The 10 percent penalty for underpayment of state income or excise taxes was applied for six months rather than 60 days. Thereafter, the penalty was to be 25 percent, as under prior law. A penalty of 10 percent was imposed on assessments following an audit, unless it was determined

that a taxpayer had failed to make a reasonable attempt at compliance. Under such circumstances, a 25 percent penalty would be assessed. Penalties could be waived and the interest rate could be reduced to the federal underpayment rate for reasonable cause. On valid extensions of time to file, the penalty was to be waived if 90 percent of the tax was paid by the original due date. When a taxpayer voluntarily amended a return, penalties were to be waived unless the taxpayer had been advised at the time of filing that the return was being examined.

S.B. 545 removed the July 1, 1994 sunset of the authority to conduct instant bingo games.

H.B. 2613 changed the distribution of the marijuana and controlled substance taxes and made a number of technical changes in the law. The bill reduced the share of drug tax assessments and penalties deposited in the State General Fund from 50 percent to 25 percent and increased the share distributed to law enforcement agencies from 50 percent to 75 percent. The bill also clarified that the Department of Revenue may assess the tax immediately; codified the previous practice of not selling seized real and personal property until completion of the hearing and appeals process; and provided that the Director of Taxation would not be bound by plea agreements or judicial determinations in criminal cases with respect to the quantity of illegal drugs involved.

H.B. 2809 exempted from special fuel tax the sale or delivery of special fuel dyed according to regulations prescribed under federal law and used only for nonhighway purposes.

H.B. 2726 authorized the Kansas Development Finance Authority to create subsidiary corporations for the purpose of establishing state tax credit equity funds to assist in the development of low-income and middle-income housing and to obtain financing through participation in the low income housing tax credit program pursuant to Section 42 of the Internal Revenue Code.

H.B. 2654 changed the amount of mortgage registration tax collected by the register of deeds from \$0.26 for each \$100 and major fraction thereof to .26 percent of principal debt or obligation secured by a mortgage on real property and exempted from the payment of the mortgage registration fee any mortgage given for the sole purpose of changing the trustee.

Summary of 1995 Legislation

Property Taxes

H.B. 2209 extended for one year -- from July 1, 1995 to July 1, 1996 -- the aggregate levy limit (property tax lid) imposed on the amount of dollars levied by cities, counties, townships, community colleges, and municipal universities.

The bill also required local units to publish certain information prior to the issuance of bonds when a protest petition procedure is authorized or an election has been called on the issuance question.

S.B. 165 contained a number of property tax provisions.

The bill exempts, beginning in tax year 1996, any item of machinery, equipment, materials, and supplies with a retail cost when new of \$250 or less which is actually or regularly used exclusively for business purposes. The exemption also applies to similar property used in the

conduct of activities by not-for-profit entities. Owners of all property qualifying for this exemption also will be exempt from filing requirements with the State Board of Tax Appeals.

All commercial and industrial machinery and equipment not being used for the production of income is classified as "all other" tangible personal property. This classification allows such property to be assessed and taxed at 30 percent of its fair market value.

Land established as a controlled shooting area pursuant to K.S.A. 32-943 is deemed agricultural land for property taxation purposes.

K.S.A. 1994 Supp. 79-503a was amended to provide that earning capacity, as indicated by absorption or sell-out period (developer's discount methodology), be considered in the determination of fair market value for property taxation purposes.

Owners of delinquent homestead property in Johnson and Wyandotte counties who are seeking to redeem the property and prevent tax foreclosure sales are required to pay off all back taxes, special assessments, and interest at least once every three years.

Mortgage holders are allowed to bid at tax foreclosure sales.

The property tax exemption for certain property owned or being acquired by the state or political subdivisions which is used for governmental purposes or proprietary functions was expanded to include "property which is vacant or lying dormant." Additional language provided that real property leased by a political subdivision to another entity to be used exclusively for an exempt purpose will continue to qualify for the exemption.

Property tax exemption filing requirements with the State Board of Tax Appeals were eliminated for vehicles owned by the state or political subdivisions and used exclusively for governmental purposes.

H.B. 2115 reduced the penalties for oil and gas and other personal property tax renditions filed less than one year late. The bill sets penalties ranging from 5 percent of assessed valuation (for renditions filed up to one month late) to 25 percent of assessed valuation (for renditions filed from five months to one year late). Under prior law, appraisers were required to apply penalties ranging from an additional 10 percent of assessed valuation (for renditions filed less than 16 days late) to an additional 50 percent of assessed valuation (for renditions filed from 61 days to one year late). The bill also reduced from 100 percent to 50 percent the penalty for oil and gas renditions filed more than one year late.

H.B. 2113 reduced the penalty and the number of years for which back taxes are due on taxable tangible personal property which has been underreported or has not been listed and has escaped taxation. The number of prior years for which county appraisers are required to list and appraise such property was reduced from four years to two years. The amount of penalty required to be added to such property for each year of escaped taxation or appraisal was reduced from 100 percent to 50 percent.

The time period for assessment of back taxes on real property which is discovered to have been omitted from the tax rolls was limited to the prior two years. Prior law required escaped real property to be listed and assessed for as many prior years as the property had been omitted from the tax rolls.

Motor Vehicle Tax

S.B. 150 made a number of changes in the motor vehicle tax beginning in 1996: (1) The assessment rate for vehicles is reduced from 30 to 28.5 percent in 1996; to 26.5 percent in 1997; to 24.5 percent in 1998; to 22.5 percent in 1999; and to 20 percent in 2000. (2) The definition of the "county average tax rate" and the tax distribution formula were amended such that the assumed levy for school district general funds is reduced from 35 mills to 31 mills in 1996, to 24 mills in 1997, to 16 mills in 1998, to 8 mills in 1999, and is eliminated altogether starting in 2000. (3) The minimum tax levels were raised from \$6 to \$12 for motorcycles and from \$12 to \$24 for all other motor vehicles, except that all vehicles currently below the new minimum tax levels will continue to pay taxes as under prior law. All other vehicles will no longer be eligible to qualify for the minimum tax levels based solely on the age of the vehicles. (4) The depreciation rate was decelerated from 16 to 15 percent. (5) The bill also created a new misdemeanor applicable to taxpayers who with fraudulent intent fail to pay tax at the appropriate time and appropriate place. (6) The recreational vehicle tax was amended to provide that the tax on any RV with a model year of 1981 or earlier will be \$30.

Income and Privilege Taxes

S.B. 301 amended the High Performance Incentive Program (HPIP) to remove the 500- employee cap and replace it with a two-tier system of average wage standards. Current qualifications were retained for firms with no more than 500 employees. Also, a taxpayer who would have been eligible to claim job expansion and investment income tax credits if the taxpayer's business facility had been within a designated enterprise zone, is authorized to claim the credits if, at the time of commencing construction of the facility, the taxpayer had a reasonable basis to believe that the city would declare the site to be part of an enterprise zone.

S.B. 354 provided that financial institutions privilege taxes imposed under K.S.A. 79-1107 or 79-1108 are not to be added to federal adjusted gross income in arriving at Kansas adjusted gross income. The effect is that financial institutions will not be required to add back their financial institutions privilege tax from the previous year in determining their income for purposes of calculating that tax. The change is effective for privilege tax year 1995.

H.B. 2234 accelerated to FY 1995 revenue transfers that, under 1994 legislation, were to be made in FYs 1996 and 1997 from the State General Fund to the Military Retirees Income Tax Refund Fund (see 1994 H.B. 3068 on page 5.)

Sales Taxes

S.B. 14 repealed the 2.5 percent sales taxes on original construction labor services and on utilities consumed in the production or manufacture of tangible personal property. The tax on original construction labor services was repealed on April 15, 1995, and the tax on utilities consumed in production was repealed on June 1, 1995. Both taxes were implemented on June 1, 1992.

S.B. 88 made a number of changes in the sales tax statutes and one amendment to the motor fuel tax law. The bill exempted from sales tax: (1) fumigants used in the processing and storing of grains; (2) the treating of by-products or wastes derived from a production process; (3) farm machinery and equipment used in the operation of a nursery; (4) all sales of natural gas,

electricity, heat, and water delivered through mains, lines, or pipes to property which is exempt from property taxation pursuant to K.S.A. 79-201b Second through Sixth; (5) sales of motor vehicles subject to taxation pursuant to K.S.A. 79-5101 *et seq.*, between “family members,” defined to include lineal ascendants and descendants; and (6) sales of accessories to be attached to motor vehicles to assist disabled persons in leading a normal life.

The bill also exempted from statutory bonded indebtedness limitations certain sales tax backed general obligation bonds issued by Douglas County.

Finally, the bill narrowed the exemption for motor fuel sold or delivered to the United States and its agencies to exclude the sale or delivery of fuel to retail dealers located on Indian reservations when such fuel is sold to nontribal members.

Local Sales Tax

S.B. 20 granted Crawford, Seward, and Cherokee counties additional local sales tax authority of up to 0.5 percent, provided the money is earmarked for financing the construction or remodeling of a courthouse, jail, law enforcement facility, or other county administrative facility. Any such taxes imposed will be required to sunset once sales tax receipts sufficient to pay all costs of financing the facilities have been collected. The receipts from such a countywide sales tax would be retained exclusively by the county and not shared with the cities. H.B. 2111 granted Ottawa County similar authority of up to 1.0 percent, and its November 8, 1994 election on the question was ratified.

S.B. 20 also gave Cowley County authority to impose such a tax and not share the revenues with its cities, but the county was not granted any additional rate authority.

Dickinson County was given new authority to impose a tax of 0.25 percent to finance the renovation of a community use building owned by the county. The tax is required to sunset after three years, and all receipts from such a tax are to be retained by the county and not shared with cities.

All receipts from the 1.0 percent Montgomery County sales tax which was approved on November 8, 1994, will be retained by the county and expended only for the purpose pledged.

Cities in Ellis and Ellsworth counties were added to a list of cities previously authorized to levy an additional tax of up to 0.75 percent for economic development initiatives or public infrastructure projects. Additional language clarified that such a tax also may be levied to fund “strategic planning” initiatives.

Drycleaner Environmental Response Excise Taxes

H.B. 2256 created the Kansas Drycleaner Environmental Response Act to address contamination resulting from releases of drycleaning solvents and established the Drycleaning Facility Release Trust Fund from which moneys will be expended for the costs of administration and for costs of corrective action.

In order to finance the new fund, as of July 1, 1995, the bill imposed a 2 percent gross receipts tax on laundering and drycleaning businesses and a \$3.50 per gallon fee for the purchase

or acquisition of drycleaning solvent. The fee is to increase by \$.25 each successive calendar year until the fee reaches \$5.50 per gallon.

The bill restricts the imposition of taxes and fees on or after the next July 1, if on April 1 of any year the unobligated principal balance of the fund equals or exceeds \$4,000,000 and provides for the reimposition of the taxes and fees levied on July 1, if on April 1 of any year after the restriction, the principal balance of the fund equals \$2,000,000 or less.

Motor Fuels Taxation

H.B. 2161 granted an income tax credit to any taxpayer who makes expenditures for qualified alternative fuel motor vehicle property, including vehicles, modifications to vehicles, and property for delivery of alternative fuel such as compression equipment, storage tanks, or receptacles. The credit is 50 percent for 1996, 1997, and 1998. After January 1, 1999, the credit drops to 40 percent of the amount expended.

H.B. 2161 also revamped the motor fuel taxation law to address evasion of the motor fuel tax and made it unlawful to operate a motor vehicle with dyed special fuel in the fuel tank. "School buses" are defined, for motor fuel tax purposes, to include leased buses, thereby exempting such buses from motor fuel tax.

Unemployment Compensation Tax

H.B. 2305 established a two-year moratorium on unemployment taxes from positive balance contributing employers. A delinquent employer will be able to become current in order to take advantage of the moratorium. Negative balance employers are not affected. New employers will pay at a rate of 1 percent. If the reserve fund ratio falls too low, the 1994 law will be reinstated. The bill also enacted a .50 percent reduction in Schedule III -- Fund Control for most employers at the end of the moratorium.

Intangibles Taxes

S.B. 132 repealed a special in-lieu property tax of 5 mills imposed on the intangibles of certain entities engaged in the business of lending money, buying and selling bills of exchange, notes, bonds, stocks, or other evidence of indebtedness. The bill makes the money, notes, and other evidence of debt subject to local gross earnings taxes levied by cities, counties, and townships pursuant to K.S.A. 12-1,109.

Personal property of entities which previously had been subject to the 5-mill in-lieu tax is subject to listing and ad valorem taxation for the first time.

TABLE I -- CHRONOLOGY OF STATE-IMPOSED TAXES

Tax	Year Enacted	Type of Tax by Major Categories*				
		Property	Income, Privilege and Inheritance	Sales, Use, and Excise	Gross Receipts	Payroll
Poll ^(a)	1861			X		
General Purpose Levy ^(a)	1861	X				
Corporation Franchise	1866			X		
Insurance Premiums						
Foreign Companies	1871					X
Firemen's Relief	1895					X
Express Companies ^(a)	1907					X
Inheritance	1909/1915		X			
Private Car Companies	1911					X
Insurance Premiums						
Fire Marshal	1913					X
Motor Vehicle Registration	1913			X		
Dog ^(a)	1913	X				
Mortgage Registration	1915/1925	X				
Soldier's Bonus ^(a)	1923	X				
Intangibles ^{(a),(b)}	1925/1931	X				
Gasoline	1925			X		
Cigarette	1927			X		
Motor Carrier	1929	X				
Finance Companies	1930	X				
Ton - Mile ^(a)	1931			X		
Income - Individual	1933		X			
Income - Corporation	1933		X			
Oleomargarine ^(a)	1933			X		
Retail Sales	1937			X		
Use - Consumers	1937			X		
Cereal Malt Beverage	1937			X		
Unemployment Comp.	1937					
Music - Dramatic Composition	1939					X
Special Fuels and LP Gas	1941			X		
Grain ^(a)	1941	X				
Educational Buildings	1941	X				
Use - Retailers	1945			X		
Liquor Gallonage	1949			X		
Liquor Enforcement (Sales)	1949			X		
State Institutions Buildings	1953	X				
Wheat	1957			X		
Severance	1957/1983			X		
Boat Registration	1959			X		
Financial Institutions	1963		X			
Tobacco Products	1969/1972			X		
Insurance Companies -- Domestic	1970		X			
Insurance Premiums -- Domestic Cos.	1970					X
Bingo Enforcement -- Call Bingo	1975					X
Correctional Institution Buildings ^(a)	1976	X				
Motor Vehicle Dealers ^(a)	1978			X		
Motor Vehicle	1979	X				
Private Clubs/Liquor Drinking Places	1979/1987			X		
Parimutuel Wagering	1987					X
Parimutuel Admissions	1987			X		
Marijuana and Controlled Substances	1987			X		
New Tires	1990			X		
Motor Vehicle Rental Excise	1991			X		
School District General Fund Levy ^(c)	1992	X				
Bingo -- Instant	1993					X
Recreational Vehicle	1994			X		
Drycleaning and Laundering	1995			X		

* Based on classifications adopted by the Division of Accounts and Reports of the Department of Administration for state accounting and budgetary purposes or on the type of tax based on the statute imposing the tax.

a) Tax no longer levied or imposed.

b) In 1982, the Legislature repealed the statewide intangibles tax statutes, exempted intangibles from the property tax, and authorized counties, cities, and townships to impose a gross earnings tax on intangibles on a local option basis.

c) In 1993, this levy was ruled by a Kansas district court judge to be a state-imposed tax.

Note: In 1976 and 1977, respectively, state property tax levies of 0.25 mill and 0.1 mill were made for the Correctional Institutions Building Fund and the tax levy for the State Institutions Building Fund was reduced correspondingly in those two years. In 1986, 1987, and 1990, a levy of 0.25 mill was made for the Correctional Institutions Building Fund and the levy for the State Institutions Building Fund was reduced correspondingly.

**TABLE II -- STATE TAX REVENUE, NET OF REFUNDS
In Thousands**

	FY 1995		FY 1995
Property		Gross Receipts	
Educational Bldg. ⁽¹⁾	\$ 15,541	Ins. Premiums	
Institutional Bldg. ⁽¹⁾	7,770	Foreign Cos.	\$ 79,952
Intangibles ⁽¹⁾⁽²⁾	21	Domestic Cos.	8,850
Mortgage Registration ⁽³⁾	473	Firefighters Relief	4,372
Motor Carrier	11,722	Fire Marshal	<u>2,645</u>
Motor and Recreational Vehicles ⁽⁴⁾	3,521	Subtotal	95,819
Total	<u>39,048</u>	Private Car Cos.	872
Income and Privilege		Music-Dramatic Composition	28
Individual	1,247,314	Bingo Enforcement	1,075
Corporation	229,421	Transient Guest ⁽⁶⁾	230
Financial Inst.	30,438	Parimutuel	6,403
Domestic Ins. Cos.	<u>1,549</u>	Illegal Drugs	<u>832</u>
Total	<u>1,508,722</u>	Total	105,259
Inheritance	56,691	Unemployment Comp.	114,905
Sales, Use, and Excise		TOTAL STATE TAXES	<u><u>\$ 3,815,417</u></u>
Retail Sales	1,223,090		
Compensating Use	<u>155,979</u>		
Subtotal	1,379,069		
Motor Fuels	284,832		
Vehicle Registration ⁽⁵⁾	117,941		
Cereal Malt Beverage.	2,694		
Liquor Gallonage	13,142		
Liquor Enforce.	24,789		
Liquor Drink	18,401		
Cigarette	52,272		
Tobacco Prod.	2,680		
Corporation Fran.	12,025		
Wheat	2,238		
Boat Registration	614		
Severance	77,137		
New Tires	1,206		
Motor Vehicle Rental	<u>1,752</u>		
Total	<u>1,990,792</u>		

SOURCES: Financial reports of the Division of Accounts and Reports and records of tax-collecting agencies. Details might not add to totals due to rounding.

1. Taxes levied for collection in the fiscal year as reported by the Department of Revenue, including the state's small share (if any) of certain in-lieu tax levies.
2. The state gave up its one-sixth share of the intangibles tax when the privilege tax on financial institutions was enacted in 1963. Any receipts since then were delinquent taxes or the state's share of the 5-mill tax on finance companies.
3. The state's 1/26 share of the tax.
4. Amount received by the state from the motor vehicle tax levied under the "tax and tags law" which took effect on January 1, 1981.
5. State receipts only, excluding amounts retained by county treasurers.
6. State's 2 percent share of the tax.

**TABLE IIA -- STATE TAX REVENUE, NET OF REFUNDS
In Thousands**

	FY 1994		FY 1994
Property		Gross Receipts	
Educational Bldg. ⁽¹⁾	\$ 14,913	Ins. Premiums	
Institutional Bldg. ⁽¹⁾	7,456	Foreign Cos.	\$ 80,064
Intangibles ⁽¹⁾⁽²⁾	17	Domestic Cos.	8,668
Mortgage Registration ⁽³⁾	611	Firefighters Relief	4,302
Motor Carrier	10,389	Fire Marshal	<u>2,602</u>
Motor Vehicle ⁽⁴⁾	<u>3,361</u>	Subtotal	95,636
Total	36,747	Private Car Cos.	820
Income and Privilege		Music-Dramatic Composition	28
Individual	1,194,328	Bingo Enforcement	1,077
Corporation	211,953	Transient Guest ⁽⁶⁾	214
Financial Inst.	41,991	Parimutuel	8,299
Domestic Ins. Cos.	<u>948</u>	Illegal Drugs	<u>901</u>
Total	1,449,220	Total	106,975
Inheritance	87,592	Unemployment Comp.	182,662
Sales, Use, and Excise		TOTAL STATE TAXES	\$ 3,788,407
Retail Sales	1,163,270		
Compensating Use	<u>139,446</u>		
Subtotal	1,302,716		
Motor Fuels	283,534		
Vehicle Registration ⁽⁵⁾	108,610		
Cereal Malt Beverage.	2,717		
Liquor Gallonage	12,989		
Liquor Enforce.	24,512		
Liquor Drink	17,829		
Cigarette	51,556		
Tobacco Prod.	2,541		
Corporation Fran.	11,638		
Wheat	2,016		
Boat Registration	579		
Severance	101,255		
New Tires	1,137		
Motor Vehicle Rental	<u>1,582</u>		
Total	1,925,211		

SOURCES: Financial reports of the Division of Accounts and Reports and records of tax-collecting agencies. Details might not add to totals due to rounding.

1. Taxes levied for collection in the fiscal year as reported by the Department of Revenue, including the state's small share (if any) of certain in-lieu tax levies.
2. The state gave up its one-sixth share of the intangibles tax when the privilege tax on financial institutions was enacted in 1963. Any receipts since then were delinquent taxes or the state's share of the 5-mill tax on finance companies.
3. The state's 1/26 share of the tax.
4. Amount received by the state from the motor vehicle tax levied under the "tax and tags law" which took effect on January 1, 1981.
5. State receipts only, excluding amounts retained by county treasurers.
6. State's 2 percent share of the tax.

**TABLE III -- TOTAL STATE TAX REVENUE (NET OF REFUNDS)
AND ALLOCATION TO FUNDS**

FY 1995; In Thousands

	Amount	Percent of Total	Cumulative Percent	Revenue Credited to:	
				State General Fund	Other Fund or Funds
Ind. Income Tax	\$ 1,247,314	32.69%	32.69%	\$ 1,245,397	\$ 1,917 ^(a)
Retail Sales Tax	1,223,090	32.06	64.75	1,160,722	62,368
Motor Fuels Taxes	284,832	7.46	72.21	--	284,832
Corp. Income Tax	229,421	6.01	78.22	229,421	--
Comp. Use Taxes	155,979	4.09	82.31	148,026	7,952
Motor Vehicle Regis. Tax	117,941	3.09	85.40	--	117,941
Unemployment Comp. Tax	114,905	3.01	88.41	--	114,905
Insurance Prem. Taxes	95,819	2.51	90.92	88,417	7,402
Gas Severance Tax	60,034	1.57	92.49	55,832	4,202
Liquor and Beer Taxes	59,026	1.55	94.04	44,636	14,391
Inheritance Tax	56,691	1.49	95.53	56,691	--
Cigarette and Tobacco. Taxes	54,952	1.44	96.97	54,952	--
Fin. Inst. Privilege. Tax	30,438	0.80	97.77	30,438	--
General Property Tax	23,311	0.61	98.38	--	23,311
Oil Severance Tax	17,102	0.45	98.83	15,905	1,197
Corp. Franchise Tax	12,025	0.31	99.14	12,025	--
Motor Carrier Prop. Tax	11,722	0.31	99.45	11,722	--
Parimutuel Taxes	6,403	0.17	99.62	--	6,403
Motor and Recreational Vehicle Taxes	3,521	0.09	99.71	--	3,521
Wheat Tax	2,238	0.06	99.77	51	2,187
Motor Vehicle Rental Excise Tax	1,752	0.05	99.82	--	1,752
Dom. Ins. Cos. Priv. Tax	1,549	0.04	99.86	1,549	--
New Tires Tax	1,206	0.03	99.89	--	1,206
Other Taxes	4,145	0.11	100.00	1,678	2,467
TOTAL	\$ 3,815,417	100.0%		\$ 3,157,462 ^(b)	\$ 657,954
				82.8%	17.2%

a) Credited to the SKILL program from income tax withholding receipts as provided by K.S.A. 74-50,107.

b) Does not include nontax revenue credited to the General Fund, *i.e.*, \$61.3 million from interest earnings, net revenue transfers, and agency earnings and miscellaneous revenue.

Source: With a few exceptions, the data in this table are from a computer run provided by the Division of Accounts and Reports, 7/19/95. Details may not add to total due to rounding to thousands of dollars.

TABLE IV
DISPOSITION OF STATE TAX REVENUE
(After Refunds)

Tax	Distribution
State Property Taxes	

Tax	Distribution
Educational Buildings (1 mill)	All to Educational Building Fund. ⁽¹⁾
State Institutions Buildings (0.5 mill)	All to State Institutions Building Fund. ⁽¹⁾
Motor Carrier	All to State General Fund (amount equal to the tax revenue is transferred to Special City and County Highway Fund). ⁽²⁾⁽⁷⁾
Motor and Recreational Vehicles (state's share)	Two-thirds to Educational Building Fund and one-third to State Institutions Building Fund. ⁽¹⁾
Mortgage Registration	All of state's 1/26 share to Heritage Trust Fund.

Tax	Distribution
Income and Privilege Taxes	All to State General Fund except, beginning in FY 1992, not to exceed 1.0 percent of receipts from individual income tax withholding may be diverted to the SKILL program as provided under K.S.A. 74-50,107. (Beginning in FY 1993, all revenue attributable to the individual and corporation income tax increases enacted in 1992 was earmarked for transfer from the General Fund to the School District Finance Fund, but that earmarking was eliminated by 1993 legislation after two of the three scheduled transfers were made. From FY 1974 through FY 1992, various percentages of resident individual income tax liability were earmarked for transfer to the School District Income Tax Fund, which was abolished by 1992 legislation.) ²
Inheritance Tax	All to State General Fund (5 percent was earmarked for transfer to County Inheritance Tax Fund prior to January 1, 1988).
Sales and Use Taxes	Currently, 5.102 percent to State Highway Fund and 94.898 percent to State General Fund. Of the General Fund amount, 3.63 percent of receipts in CY 1993 and thereafter are earmarked for transfer from the General Fund to the Local Ad Valorem Tax Reduction Fund (LAVTRF); 2.823 percent of receipts in CY 1993 and thereafter are earmarked for transfer to the County-City Revenue Sharing Fund (CCRSF); for sales tax receipts only, 7.628 percent in all quarters starting on July 1, 1993 are earmarked for transfer to State Highway Fund (SHF); and for part of FY 1993 all sales and use tax receipts attributable to the rate and base changes enacted in the 1992 school finance legislation were earmarked for transfer to the School District Finance Fund, but that earmarking was eliminated by 1993 legislation after two of the three scheduled transfers were made.) ⁽²⁾⁽⁷⁾
Motor Vehicle Rental Excise Tax	All to Rental Motor Vehicle Excise Tax Fund for distribution to treasurer of the county where taxable transactions took place.
Drycleaning and Laundering Tax and Fee	All to Drycleaning Facility Release Trust Fund.
Motor and Special Fuels and LP-Gas Taxes	Except for the \$625,000 per quarter gasohol subsidy in effect from 10/1/87 to 7/1/97, 59.5 percent to State Highway Fund and 40.5 percent to Special City and County Highway Fund from which \$2.5 million is transferred annually to the County Equalization and Adjustment Fund.
Vehicle Registration Tax	All to State Highway Fund, after part of collections retained by counties. ⁽³⁾
Boat Registration Tax	All to Boating Fee Fund.
Cereal Malt Beverages Tax	All to State General Fund.
Liquor Gallonage Tax	All to State General Fund, except 10 percent of the tax on alcohol and spirits which is credited to the Community Alcoholism and Intoxication Programs Fund.
Liquor Enforcement Tax	All to State General Fund.
Private Club and Liquor Drinking Places Tax	25 percent to State General Fund; ⁽⁴⁾ 70 percent to Local Alcoholic Liquor Fund;

Tax

Distribution

5 percent to Community Alcoholism and Intoxication Programs Fund.

<u>Tax</u>	<u>Distribution</u>
Cigarette Tax	All to State General Fund.
Tobacco Products Tax	All to State General Fund.
Corporation Franchise Tax	All to State General Fund.
Wheat Tax	20 percent to State General Fund, subject to limitation; ⁶ remainder to Wheat Commission.
Severance Tax	93 percent to State General Fund; 7 percent to County Mineral Production Tax Fund.
Marijuana and Controlled Substances Taxes	All to State General Fund (except 75 percent of assessments and penalties to law enforcement agencies conducting the investigations).
New Tires Tax	All to Waste Tire Management Fund from which at least 91 percent must be used for making grants to counties, cities, and private companies.
Parimutuel Taxes	
Wagering Tax	All to State Racing Fund (excess over amount appropriated for operations and promotion transferred to Gaming Revenues Fund).
General Admissions Tax	Same.
Admissions Tax at Tracks Exempt from Property Tax	All to Local Racing Admissions Tax Fund.

Tax	Distribution
Insurance Premium Taxes	
Domestic and Foreign Companies	All to State General Fund less amounts diverted to a special revenue fund to help finance the Insurance Department. ⁶
Fire Marshal	20 percent to State General Fund (not to exceed \$200,000); remainder to Fire Marshal Fee Fund.
Firefighters Relief	All to State Firefighters Relief Fund, from which: a) amount determined by legislative appropriations for administrative costs; b) 3 percent to State Firefighters Ass'n. for fire prevention education and study; c) 5 percent to State Firefighters Ass'n. for a death benefit fund (not more than the lesser of \$100,000 or the difference between the balance in such fund and \$100,000); and d) balance to local firefighters relief associations.
Private Car Companies Tax	All to State General Fund.
Music-Dramatic Composition Tax	All to State General Fund.
Bingo Enforcement Tax (Call and Instant Bingo)	One-third to State General Fund, 1/3 to County and City Bingo Tax Fund, and 1/3 to the Bingo Regulation Fund.
Unemployment Compensation Tax	All to Unemployment Trust Fund.

- 1) For 1986, 1987, and 1990 only, the levy for the State Institutions Building Fund was reduced to 0.25 mill and a levy at that rate was made for the Correctional Institutions Building Fund; and for FY 1987, FY 1988, and FY 1991 only, one-sixth of the state's share of the motor vehicle tax was allocated to each of those two funds. For 1983 only, the tax levy for the State Educational Building Fund was 1.1 mill and for the Institutions Building Fund was 0.4 mill. The levy for the State Institutions Building Fund was reduced from 0.5 mill to 0.25 mill in 1976 and to 0.4 mill in 1977 and levies of 0.25 mill and 0.1 mill were made in 1976 and 1977, respectively, for the Correctional Institutions Building Fund.
- 2) Transfers to the LAVTRF and CCRSF were reduced by 3.8 percent in CYs 1988 and 1989. Dollar transfers to those two funds and to the School District Income Tax Fund, State Highway Fund, and Special City-County Highway Fund were reduced by 1 percent in FY 1992. A 3.0 percent reduction applied to the LAVTRF, CCRSF, State Highway Fund, and Special City-County Highway Fund in FY 1993, and a 4.0 percent reduction was applicable in FY 1994. For FY 1995, transfers to the State Highway Fund and the City-County Highway Fund were capped at a 3.0 percent increase above actual transfers in FY 1994. For FY 1996, transfers to the State Highway Fund, City-County Highway Fund, LAVTRF, and CCRSF were limited to a 3.7 percent increase over FY 1995 transfers.
- 3) County treasurers retain 75 cents of license and tag transfer application fees and \$2 of each certificate of title fee (K.S.A. 8-145). After December 31, 1982, a 50-cent service fee was paid to the county treasurer at the time of making an application for registration or renewal thereof (K.S.A. 8-145d); this fee was raised to \$1 after December 31, 1985; and to \$2.25 on and after January 1, 1990. Also, county treasurers retain the \$5 fee required for registration of antique vehicles for the purpose of taxation (K.S.A. 8-167(b)).

- 4) If total amount distributed to counties and cities in any calendar year is less than the amount distributed in CY 1981, an amount equal to the difference must be transferred from the General Fund for distribution to counties and cities on the next March 15. At present tax revenue levels, this provision is moot.
- 5) Total amount credited to General Fund from wheat tax and assessments (marketing fees) on corn, sorghum, and soybeans cannot exceed \$100,000.
- 6) In addition, revolving funds not to exceed \$68,000 may be established for the Insurance Company Annual Statement Examination Fund established under K.S.A. 40-223a and the Insurance Company Examiner Training Fund created by K.S.A. 40-223e.
- 7) For FY 1991, the dollar amount of the transfer to the Special City-County Highway Fund and the State Highway Fund was reduced by 1.75 percent, for FY 1992 there was a reduction of 1.0 percent, for FY 1993 there was a reduction of 3.0 percent, and for FY 1994 there was a reduction of 4.0 percent. For FY 1995, such transfers were capped at a 3.0 percent increase over actual transfers in FY 1994, and for FY 1996 were limited to an increase of 3.7 percent over FY 1995 transfers.

Note: The State General Fund receives 2 percent of transient guest taxes which may be imposed by counties and cities but are collected by the state for them.

TABLE V

**FORMULAS FOR DISTRIBUTION TO LOCAL GOVERNMENTS OF STATE-SHARED
TAXES REFERRED TO IN TABLE IV***

*This table pertains only to specific state imposed and collected taxes part or all of the revenue from which is earmarked by law for distribution to local units. In addition to such distributions, various state aid or grant programs are financed by appropriations from the State General Fund and other funds.

Tax Source	Fund	Distribution Formula
Sales and Use	Local Ad Valorem Tax Reduction Fund (K.S.A. 79-2959, 79-2961)	Distributed on January 15 and July 15 proportionately among all counties, 65 percent on the basis of population ⁽¹⁾ and 35 percent on the basis of assessed tangible valuation. Within each county, to each property tax levying subdivision (including the county but excluding unified school districts) proportionately based on tax levies in the preceding year. Each subdivision's share must be credited to one or more tax levy funds of general application, except bond and interest funds. ⁽²⁾
	County and City Revenue Sharing Fund (K.S.A. 79-2964 through 79-2966)	Allocated among counties 65 percent on the basis of population and 35 percent on the basis of assessed tangible valuation, with distributions on July 15 and December 10. Counties retain 50 percent and cities receive 50 percent in proportion to their populations. ⁽²⁾
Motor Vehicle Rental Excise	Rental Motor Vehicle Excise Tax Fund (K.S.A. 79-5117)	Distributed on June 30 and November 30 to counties where a taxable transaction took place. Then allocated among tax levy units in the same manner as the motor vehicle (property) tax is allocated.
Motor and Special Fuels and LP-Gas	Special City and County Highway Fund (K.S.A. 79-3425c)	Quarterly distributions in January, April, July, and October, net of the \$2.5 million annual transfer to the County Equalization and Adjustment Fund. Cities receive directly 43 percent on the basis of city population. Counties receive 57 percent, as follows: \$5,000 to each county; the balance from revenue produced by tax rates in effect prior to July 1, 1989 is distributed 50 percent on the basis of motor vehicle registration fees collected in each county and 50 percent on the basis of average daily vehicle miles traveled in each county, excluding travel on interstate highways. The balance from additional revenue produced by tax rates taking effect on and after July 1, 1989 is distributed 1/3 on the basis of registration fees, 1/3 on the basis of average daily vehicle miles traveled, and 1/3 on the basis of total road miles in the county. Amount received by county is allocated 50 percent to county and 50 percent to cities on basis of city population in Sedgwick and Shawnee counties; 10 percent to the county and 90 percent to cities in Wyandotte County; 90 percent to county and 10 percent to cities in Butler, Cowley, Crawford, Douglas, Leavenworth, Lyon, Montgomery, Reno, Riley, and Saline counties; and 100 percent to county in all other counties. Townships share in the amount retained by counties which have not adopted the county-unit road system. ⁽²⁾
Motor and Special Fuels and LP-Gas	County Equalization and Adjustment Fund (K.S.A. 79-3425c)	A total of \$2.5 million is transferred annually from the Special City and County Highway Fund to assure that no county will receive less than it and the cities therein received from the Special City and County Highway Fund and three state aid funds abolished in 1970 when compared with the amount the county and cities therein currently receive from the Special City and

Private Club and Liquor Drinking Places Tax	Local Alcoholic Liquor Fund (K.S.A. 79-41a04)	County Highway Fund. ³ The balance remaining after such "equalization" payments, if any, is distributed to counties, cities, and townships to the same extent they share in the counties' portion of the Special City and County Highway Fund, with the initial payment to counties being made on the basis of motor vehicle registration fees (50%) and average daily vehicle miles traveled in the county (50%).
Severance Tax	County Mineral Production Tax Fund (K.S.A. 79-4227)	Distributed March 1, June 1, September 1, and December 1 to counties in proportion to severance taxes imposed on production in each county. Within each county, 50 percent to county general fund and 50 percent to school districts on the basis of the assessed valuation of oil, gas, and coal properties in such districts.
Admissions Tax at Race Meetings Parimutuel) Exempt from Property Tax	Local Racing Admissions Tax Fund (K.S.A. 74-8824)	Distributed at least quarterly, 50 percent to the city where the racing facility is located and 50 percent to the county; 100 percent to county if facility not located in a city.
Firefighters Relief Insurance Premium Tax	Firefighters Relief Fund (K.S.A. 40-1706 and 40-1707)	Annually, \$1,000 to each firefighters relief association and remainder distributed to each association in proportion to the amount it received in FY 1984 from taxes collected for CY 1983, subject to various adjustments.
Bingo Enforcement (Call and Instant Bingo)	County and City Bingo Tax Fund (K.S.A. 79-4710)	Revenue remitted not less than annually to city in which registered premises are located, or to county if such premises are located in unincorporated area, to be used to assist in bingo enforcement.
Marijuana and Controlled Substances	County Drug Tax Fund (K.S.A. 79-5211)	To treasurer of city or county whose law enforcement agency conducted or was involved in the investigation, to be used solely for law enforcement. Time of distribution not specified by law.
New Tires Tax	Waste Tire Management Fund (K.S.A. 65-3424f and 65-3424g)	To counties and cities which, individually or collectively, submit applications for grants to the Secretary of the Department of Health and Environment under plans approved by the Secretary. (Grants also may be made to private companies.)
Mortgage Registration	Heritage Trust Fund (K.S.A. 75-2729 and 79-3107b)	To local units (among others) whose grants have been approved by the State Historical Society.

- 1) K.S.A. 19-2694 establishes a formula designed to prevent counties from receiving less money distributed on the basis of population from the LAVTRF due to changing from state census data to federal census data, effective July 1, 1979.
- 2) Legislation enacted in 1982 provides that persons residing within Ft. Riley shall not be included in determining the population of any city located in Geary or Riley counties and that the population of any military reservation which was annexed to a city after December 31, 1981, shall not be included in the population of such city for the purpose of allocating the cities' 43 percent share of the Special City and County Highway Fund.
- 3) In FY 1985, only two counties received "equalization" payments, totaling \$7,388. In FYs 1986-1995, there were no such payments.

TABLE VI -- LOCAL GOVERNMENT TAX REVENUE

In Thousands

	<u>FY 1995</u>		<u>FY 1995</u>
Counties		Townships	
Tangible Property ¹	\$ 473,952	Tangible Property ¹	\$ 27,656
Intangibles ²	2,022	Intangibles ²	1,305
Mortgage Registration ³	18,687	Motor Vehicle ⁴	3,239
Motor Vehicle Registration ³	10,048		
Motor Vehicle ⁴	66,106	Special Districts	
Transient Guest	749	Tangible Property ¹	77,224
		Motor Vehicles ⁴	8,785
Cities		Intangibles ²	107
Tangible Property ¹	298,350	Taxes Not Allocated	
Intangibles ²	1,742	County and City Sales and Use ⁶	<u>345,579</u>
Motor Vehicle ⁴	56,819		
Transient Guest	10,497	TOTAL LOCAL TAXES	<u>\$ 2,472,374</u>
Schools ⁵		Exhibit:	
Tangible Property ¹	935,564	Tangible Property	1,812,746
Intangibles ²	956	Motor Vehicle	<u>267,935</u>
Motor Vehicle ⁴	132,987	Total	<u>\$ 2,080,681</u>

Sources: Reports and records of the Department of Revenue.

1. Taxes levied for collection in the fiscal year. Includes certain in-lieu taxes, e.g., on industrial revenue bond property.
2. Taxes levied for collection in the fiscal year, including the 5-mill tax on finance companies.
3. Calendar year revenue, e.g., the figure in the FY 1995 column is for CY 1994.
4. Tax levied under the 1979 "tax and tags law" which took effect on January 1, 1981 and which replaced the tangible property tax levied on vehicles covered by the 1979 law.
5. School districts, community colleges, and municipal universities, including out-district tuition tax levies made by counties and townships.
6. Collections by the Department of Revenue for counties and cities which impose a sales tax, as reported by the Division of Accounts and Reports.

Special Note

This table does not include revenue from certain taxes for which annual data are not compiled, e.g., city occupation and franchise taxes.

TABLE VIA -- LOCAL GOVERNMENT TAX REVENUE

In Thousands

	FY 1994		FY 1994
Counties		Townships	
Tangible Property ⁽¹⁾	\$ 455,544	Tangible Property ⁽¹⁾	26,472
Intangibles ⁽²⁾	2,414	Intangibles ⁽²⁾	1,772
Mortgage Registration ⁽³⁾	21,583	Motor Vehicle ⁽⁴⁾	2,851
Motor Vehicle. Registration ⁽³⁾	9,875		
Motor Vehicle ⁽⁴⁾	58,638	Special Districts	
Transient Guest	636	Tangible Property ⁽¹⁾	72,350
		Motor Vehicles ⁽⁴⁾	7,872
Cities		Intangibles ⁽²⁾	84
Tangible Property ⁽¹⁾	287,218		
Intangibles ⁽²⁾	2,259	Taxes Not Allocated	
Motor Vehicle ⁽⁴⁾	51,249	County and City Sales and Use ⁽⁶⁾	307,924
Transient Guest	9,837		
		TOTAL LOCAL TAXES	<u>??</u>
Schools⁽⁵⁾		Exhibit:	
Tangible Property ⁽¹⁾	838,494	Tangible Property	1,680,078
Intangibles ⁽²⁾	669	Motor Vehicle	288,400
Motor Vehicle ⁽⁴⁾	167,789	Total	<u>\$ 1,968,477</u>

Sources: Reports and records of the Department of Revenue.

1. Taxes levied for collection in the fiscal year. Includes certain in-lieu taxes, e.g., on industrial revenue bond property.
2. Taxes levied for collection in the fiscal year, including the 5-mill tax on finance companies.
3. Calendar year revenue, e.g., the figure in the FY 1994 column is for CY 1993.
4. Tax levied under the 1979 "tax and tags law" which took effect on January 1, 1981 and which replaced the tangible property tax levied on vehicles covered by the 1979 law.
5. School districts, community colleges, and municipal universities, including out-district tuition tax levees made by counties and townships.
6. Collections by the Department of Revenue for counties and cities which impose a sales tax, as reported by the Division of Accounts and Reports.

Special Note

This table does not include revenue from certain taxes for which annual data are not compiled, e.g., city occupation and franchise taxes.

TABLE VIII -- PERCENTAGE OF COMBINED STATE AND LOCAL TAX REVENUE

Ranked on the Basis of FY 1995

	FY 1995	FY 1994	FY 1993	FY 1990	FY 1980	FY 1970	FY 1960	FY 1950	FY 1940	FY 1930
General Property ¹	29.20%	27.85%	28.35%	32.34%	39.19%	53.06%	56.44%	52.19%	62.95%	82.02%
Sales and Use ²	27.43	26.34	25.67	22.55	19.75	15.74	15.34	15.76	9.94	--
Income and Privilege	23.99	23.70	23.99	21.87	21.42	10.57	6.73	4.95	2.04	--
Motor Fuels	4.53	4.64	4.71	4.61	5.24	8.81	8.26	11.00	9.92	8.18
Motor Vehicle	4.32 ^(a)	4.77 ^(a)	4.56 ^(a)	5.66 ^(a)	--	--	--	--	--	--
Vehicle Registration	2.04	1.94	2.08	2.02	3.03	3.50	4.39	4.35	3.99	5.69
Unemployment Comp.	1.83	2.99	3.09	3.49	3.86	1.77	2.21	2.51	4.85	--
Insurance Prem.	1.52	1.56	1.58	1.44	1.54	1.22	1.31	1.22	0.99	1.05
Severance	1.23	1.66	1.74	1.71	--	--	--	--	--	--
Liquor and Beer	0.94	0.95	1.01	1.03	1.30	1.08	1.09	2.24	0.49	--
Inheritance	0.90	1.43	1.00	0.89	1.19	0.82	0.82	0.48	0.39	0.67
Cigarette and Tobacco	0.87	0.88	0.94	1.15	1.44	2.20	1.83	2.08	1.27	0.63
Mortgage Registration	0.30	0.36	0.34	0.25	0.38	0.20	0.28	0.39	0.30	0.30
Corp. Franchise	0.19	0.19	0.19	0.19	0.25	0.09	0.13	0.17	0.31	0.34
Motor Carrier Prop.	0.19	0.17	0.17	0.20	0.19	0.15	0.16	0.09	0.03	^(b)
Transient Guest	0.18	0.18	0.17	0.15	0.04	--	--	--	--	--
Parimutuel	0.10	0.14	0.14	0.16	--	--	--	--	--	--
Intangibles ⁽¹⁾	0.10	0.12	0.15	0.23	0.98	0.64	0.70	1.09	0.93	0.72
All Other	0.14	0.13	0.11	0.06	0.20	0.15	0.31	1.48	1.60	0.40
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

1) Taxes levied for collection in the fiscal year.

2) Includes city and county sales taxes, fiscal years 1995, 1994, 1993, 1990, and 1980.

a) Based on the total tax levied less the state's share plus actual state receipts in the fiscal year. This tax replaced the general property tax on vehicles now subject to the "tax and tags law." For FY 1995, includes state's share of the recreational vehicle tax.

b) Included in the general property tax until the law was changed in 1935.

TABLE IX -- STATE COLLECTED TAXES ALLOCATED TO OR SHARED WITH LOCAL UNITS OF GOVERNMENT FROM TAXES LISTED IN TABLE II

In Thousands

	<u>FY 1994</u>	<u>FY 1995</u>
Highway-User Taxes to Counties, Cities, and Townships ⁽¹⁾	\$ 125,266	\$ 126,822
Firemen's Relief Tax to Local Firemen's Relief Associations ⁽²⁾	4,024	4,166
Bingo Enforce. Tax to County or City Based on Licensed Premises	310	318
Liquor Drink Tax to County or City Based on Collections From Licensees Therein	12,429	12,853
Severance Tax to Counties and School Districts ⁽³⁾	6,963	6,014
Racing Admissions Tax to City and/or County Where Racing Facility Located	1	3
Illegal Drug Taxes to Counties	229	683
Mortgage Registration Tax to Qualifying Local Units ⁽⁴⁾	120	74
Motor Vehicle Rental Excise Tax to Property Tax Levy Units	1,582	1,752
New Tires Tax to Qualifying Cities or Counties	661	1,930
From State General Fund ⁽⁵⁾		
for Education ⁽⁶⁾	1,600,882	1,672,851
for Property Tax Reduction ⁽⁷⁾	40,293	44,649
to Counties and Cities (Revenue Sharing) ⁽⁷⁾	30,629	33,375
Other ⁽⁸⁾	<u>68,537</u>	<u>79,330</u>
Total, General Fund	\$ 1,740,341	\$ 1,830,205
GRAND TOTAL	<u>\$ 1,891,926</u>	<u>\$ 1,984,820</u>

Sources: Records of the Division of Accounts and Reports and state budget documents.

- 1) Includes city maintenance payments, Special City and County Highway Fund, County Equalization and Adjustment Fund, County Treasurer's Licensing Fee Fund, and aid for elderly and handicapped transportation. An amount equal to annual receipts from the motor carrier tax credited to the State General Fund is earmarked for transfer to the Special City and County Highway Fund.
- 2) Excludes payments to the State Firefighters Association and any amount of the tax used for administration.
- 3) Seven percent of the tax is returned to producing areas.
- 4) Amount distributed from the Heritage Trust Fund.
- 5) Taxes accounted for 97 percent of General Fund receipts in FY 1994 and for 98 percent in FY 1995. The "Other" category does not include the motor carrier tax transfer to the Special City and County Highway Fund (\$9.743 million in FY 1994 and \$10.036 million in FY 1995) because those amounts are included in "Highway-User Taxes."
- 6) This category includes aid to school districts, community colleges, Washburn University (including Public TV), local libraries, and area vocational schools, and the state's contribution for school employees retirement (KPERs-School). Aid to school districts does not include \$26.309 million in FY 1994 and \$35.422 million in FY 1995

distributed from "excess" local effort remitted to the state by certain districts with exceptionally high assessed valuations.

- 7) By law, fixed percentages of state sales and use taxes credited to the General Fund are transferred to the Local Ad Valorem Tax Reduction Fund and the County-City Revenue Sharing Fund.
- 8) Includes community corrections and community conservation camps, local public health, community mental health and retardation and associated community assistance grants, Aging Department programs, disaster relief or training, the HOME program, Corporation for Change grants, watershed construction grants (FY 1994), soil conservation districts aid (FY 1995), the juvenile intake and assessment program (FY 1995), and a small amount for a flood study in Crawford County (FY 1995).

**TABLE X -- STATE AND LOCAL GOVERNMENT TAXES IN RELATION TO
POPULATION AND PERSONAL INCOME**

	<u>FY 1995</u>	<u>FY 1994</u>	<u>FY 1993</u>	<u>FY 1990</u>	<u>FY 1980</u>	<u>FY 1970</u>	<u>FY 1960</u>	<u>FY 1950</u>	<u>FY 1940</u>	<u>FY 1930</u>
State Taxes (\$000)	\$ 3,815,417	\$ 3,788,407	\$ 3,525,200	\$ 2,780,807	\$ 1,328,404	\$ 432,839	\$ 210,559	\$ 115,750	\$ 41,302	\$ 25,551
Local Taxes (\$000)	<u>2,472,374</u>	<u>2,325,530</u>	<u>2,161,895</u>	<u>2,087,623</u>	<u>941,358</u>	<u>490,852</u>	<u>267,631</u>	<u>121,723</u>	<u>60,064</u>	<u>82,389</u>
Total (\$000)	\$ 6,287,791	\$ 6,113,937	\$ 5,687,095	\$ 4,868,430	\$ 2,269,762	\$ 923,691	\$ 478,190	\$ 237,473	\$ 101,366	\$ 107,940
State Population (000) ⁽¹⁾	2,554	2,535	2,518	2,478	2,364	2,249	2,179	1,905	1,801	1,881
Personal Income -- Kansas (millions) ⁽²⁾	\$ 53,028.2	\$ 50,397.5	\$ 48,483.2	\$ 40,553.3	\$ 21,275.4	\$ 7,850.3	\$ 4,560.4	\$ 2,489.1	\$ 683.6	\$ 977.0
Per Capita Income ⁽²⁾	\$ 20,762	\$ 19,880	\$ 19,256	\$ 16,399	\$ 9,064	\$ 3,511	\$ 2,111	\$ 1,293	\$ 375	\$ 523
Per Capita Taxes										
State	\$ 1,494	\$ 1,494	\$ 1,400	\$ 1,122	\$ 562	\$ 192	\$ 97	\$ 61	\$ 23	\$ 14
Local	<u>968</u>	<u>917</u>	<u>859</u>	<u>843</u>	<u>398</u>	<u>218</u>	<u>123</u>	<u>64</u>	<u>33</u>	<u>44</u>
Total	\$ 2,462	\$ 2,412	\$ 2,259	\$ 1,965	\$ 960	\$ 410	\$ 220	\$ 125	\$ 56	\$ 58
Ratio of Taxes to Personal Income										
State	7.20%	7.52%	7.27%	6.86%	6.24%	5.52%	4.62%	4.65%	6.04%	2.62%
Local	<u>4.66</u>	<u>4.61</u>	<u>4.46</u>	<u>5.15</u>	<u>4.43</u>	<u>6.25</u>	<u>5.87</u>	<u>4.89</u>	<u>8.79</u>	<u>8.43</u>
Total	11.86%	12.13%	11.73%	12.01%	10.67%	11.77%	10.49%	9.54%	14.83%	11.05%

1) 1930-1990, U.S. Census; 1993, 1994, and 1995 estimated as of July 1, 1992, July 1, 1993, and July 1, 1994.

2) Estimates of the U.S. Department of Commerce. The income figure in each column is for the calendar year in which the fiscal year began.

