

Kansas Tax Facts

2001 Supplement to the
Seventh Edition



December 2001

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FOREWORD

The Seventh Edition of *Kansas Tax Facts* was published in December, 2000. This document is designed to supplement and update that publication by providing data from FY 2001 and by summarizing significant tax legislation enacted by the 2001 Kansas Legislature.

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Combined State and Local Tax Revenue

Kansas state and local government net tax revenue totaled \$8.307 billion in FY 2001, which equated to \$3,083 per capita and to 11.25 percent of Kansas personal income in CY 2000. Following are the tax levies or collections, combining state and local tax revenue, in descending order of importance for FY 2001.

Table 1
Kansas State and Local Taxes

	FY 1999	FY 2000	FY 2001	% of FY 01 Total	% increase from FY 00
General Property (a)	\$ 2,057,957	\$ 2,212,241	\$ 2,412,906	29.05%	9.07%
Sales and Use (b)	2,157,003	2,257,470	2,292,765	27.60%	1.56%
Income and Privilege	1,950,115	2,134,043	2,221,298	26.74%	4.09%
Motor Fuels	325,088	358,569	358,899	4.32%	0.09%
Various Vehicle (a) (c)	282,602	261,241	237,628	2.86%	(9.04)%
Unemployment Comp.	47,848	107,655	176,337	2.12%	63.80%
Vehicle Registration	148,452	149,586	147,726	1.78%	(1.24)%
Severance	44,013	56,956	109,180	1.31%	91.69%
Liquor and Beer	69,574	73,436	77,531	0.93%	5.58%
Insurance Premiums	75,474	67,631	77,210	0.93%	14.16%
Cigarette and Tobacco	54,550	52,898	52,876	0.64%	(0.04)%
Estate/Inheritance	81,859	62,888	41,196	0.50%	(34.49)%
Mortgage Registration	37,259	36,234	32,729	0.39%	(9.67)%
Transient Guest	16,896	17,068	18,439	0.22%	8.03%
Motor Carrier Property	15,771	16,125	17,920	0.22%	11.13%
Corporation Franchise	15,866	16,834	16,927	0.20%	0.55%
Intangibles	4,987	4,888	5,022	0.06%	2.74%
Parimutuel	4,118	4,239	3,973	0.05%	(6.28)%
Wheat	4,052	3,432	---	0.00%	(100.00)%
All Other (d)	6,565	6,548	6,253	0.08%	(4.51)%
Total	\$ 7,400,049	\$ 7,899,982	\$ 8,306,815	100.00%	5.15%

(a) Taxes levied for collection during the fiscal year.

(b) Includes state, county, city, and municipal university sales and use taxes.

(c) Includes motor vehicle, recreational vehicle, 16m and 20m "tagged" vehicles, and rental car excise taxes.

(d) Total revenue from seven taxes, the largest of which for FY 2001 was the new tire excise tax at \$1.433 million.

State and Local Tax Structure – Overview

Kansas has had a broad-based state and local tax structure since the 1930s when income, sales, and other taxes were adopted. The broadening continued—at least through the 1980s—with the adoption of various privilege, gross receipts, and severance taxes. One result of these changes is that the general property tax, while still by far the most important tax source for local governments, now is far less significant in terms of the overall state and local tax mix.

The 1992 school finance law substantially altered school district property taxes. In 1991, school district general fund property tax levies ranged from 9.12 mills (Burlington) to 97.69 mills (Parsons). The 1992 law established a uniform general fund mill levy rate of 32 mills for 1992, 33 mills for 1993, and 35 mills for 1994 and thereafter. Beginning in 1997, the Legislature provided major reductions in the general fund levy—which is currently set at 20 mills—in addition to an exemption from that levy for residential property to the extent of the first \$20,000 of its valuation.

Some Highlights of this Supplement

- In FY 2001, total state and local tax revenue in Kansas was \$8.307 billion, with state taxes accounting for \$5.085 billion—or about 61 percent—of the total. State and local taxes grew 4.9 percent over the FY 2000 figure of \$7.900 billion. Absent a large increase in the unemployment compensation tax due to the sunset of a moratorium that had been in place, state and local taxes would have grown by 4.3 percent in FY 2001. Details are available in Table 1.
- Local governments, however, spend most of the state and local tax revenue. In FY 2001, local government tax revenue was \$3.221 billion and local units received another \$2.778 billion from state taxes allocated to or shared with them. Thus, local units received \$5.999 billion, or 72 percent, of total state and local taxes in FY 2001. Over 54 percent of the state's tax revenue was shared with or allocated to local units, mostly for education.
- While the general property tax is still the most important single revenue producer, its proportion of total state and local taxes has steadily declined—from 82 percent of the total in FY 1930, to 56 percent in FY 1960, and to 29 percent in FY 2001 (or about 32 percent if the various vehicle taxes, which are levied in lieu of the general property tax, are included).
- Income and privilege taxes accounted for 27 percent of state and local tax revenue in FY 2001, compared with only 11 percent as recently as FY 1970 and only 2 percent in FY 1940. Less dramatic, but significant nevertheless, has been the growth of sales and use tax revenue in the state-local tax mix, *i.e.*, rising from 10 percent of the total in FY 1940, to 16 percent in FY 1970, and to almost 28 percent in FY 2001. The spread of local sales taxes has contributed significantly to the growth of sales tax revenue since 1970.

- State and local tax revenue in FY 2001 was 11.25 percent of CY 2000 Kansas personal income. Historically, this figure has remained remarkably constant. (The ratio was 10.77 percent for FY 1970, for example). The following table provides the data for the last five fiscal years.

Taxes as Percent of Personal Income

	State	Local	Both
FY 1996	6.98%	4.63%	11.61%
FY 1997	6.99%	4.50%	11.49%
FY 1998	7.23%	4.27%	11.50%
FY 1999	6.70%	4.19%	10.89%
FY 2000	6.93%	4.28%	11.21%
FY 2001	6.89%	4.36%	11.25%

- It should be noted that while the courts have held that the mandatory school district general fund property tax levy is a state tax, it is treated as a local tax for the maintenance of historical tax tables.

State Tax Revenue

In FY 2001, state tax revenue totaled \$5.085 billion, which was an increase of \$204 million, or 4.2 percent, over collections in FY 2000. A large part of that increase, however, was attributable to the aforementioned growth in unemployment compensation taxes. Absent the growth in this source, state tax receipts grew by 2.8 percent.

For FY 2001, Table 3 shows state tax revenues in descending order of importance and how much of such revenue was credited to the State General Fund and to other state funds. In that year, 83.22 percent went to the General Fund and 16.78 percent was deposited in other funds.

Individual income taxes, corporation income taxes, and sales and use taxes accounted for over 91 percent of SGF tax receipts in FY 2001. The same four sources comprised just over 80 percent of SGF taxes in FY 1985.

State and Local Taxes

Kansas has achieved close to a balance in the big three sources of state and local tax revenues—sales, income, and property. In FY 2001, for example, property taxes (including vehicle taxes) accounted for 31.9 percent of total state and local revenues; state and local sales and use taxes accounted for 27.6 percent; and income and privilege taxes accounted for 26.8 percent. (The three major sources have been in relative balance since the enactment of the 1992 school finance law. In FY 1992—prior to the implementation of that law—property and car taxes comprised 38.7 percent of the burden; sales and use taxes 22.7 percent; and income and privilege taxes 21.1 percent.) Economists generally believe

that with a diversified revenue portfolio not relying too heavily on a single source, Kansas state and local governments are better able to withstand economic downturns. Indeed, the Governor's Tax Equity Task Force in 1995 concluded as a major tax policy objective that:

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

Shown below for the last six years are state, local, and combined state and local tax revenues.

State and Local Tax Revenue (in thousands)

<u>Fiscal Year</u>	<u>State</u>	<u>Percent Increase</u>	<u>Local</u>	<u>Percent Increase</u>	<u>State and Local</u>	<u>Percent Increase</u>
1996	3,954,189	3.64%	2,622,319	6.06%	6,576,508	4.59%
1997	4,199,176	6.20	2,704,078	3.12	6,903,254	4.97
1998	4,605,403	9.67	2,723,830	0.73	7,329,233	6.17
1999	4,555,513	(1.08)	2,844,536	4.43	7,400,049	0.97
2000	4,880,939	7.14	3,019,043	6.13	7,899,982	6.76
2001	5,085,371	4.19%	3,221,444	6.70%	8,306,815	5.15%

Comparative Kansas Tax Burden

Kansas is not a “high” tax state. Using the two major tax burden comparisons (taxes per capita or as a percent of personal income), the state consistently has finished in the middle of the pack when compared with all other states. For example, Kansas finished #28 in state tax revenue as a percent of personal income and also #28 in per capita state tax revenue in FY 2000, the latest year for which data are available from all states for such statistics. Kansas finished #27 in per capita state and local collections and #32 in state and local collections as a percent of personal income in FY 1999, the latest data for these statistics. Economic development proponents sometimes suggest that the Kansas tax burden figures should be compared more closely with the data from surrounding states. The following table provides this comparison.

50-State Tax Burden Ranking of Kansas and Surrounding States

	FY 2000 State Taxes Per Capita	FY 2000 State Taxes as Percent of Personal Income	FY 1999 State and Local Taxes Per Capita	FY 1999 State and Local as Percent of Personal Income
Kansas	28	28	27	32
Missouri	44	44	37	44
Oklahoma	35	21	46	36
Colorado	39	46	18	41
Nebraska	32	33	25	31

Recommended Tax Policy Objectives

The aforementioned Governor's Tax Equity Task Force in 1995 recommended that all tax legislation "be evaluated with the following objectives in mind."

- Kansas should maintain its enviable reputation as a fiscally responsible state.
- A tax system should produce revenues that are adequate to finance an agreed-upon level of public services over time.
- A tax system should produce adequate revenue during economic downturns and also respond to economic growth.
- State and local taxing and spending decisions should be consistent with economic growth and development.
- Administration of the tax system should be fair and efficient.
- Fiscal accountability should be strengthened by making taxpayers aware of their true tax liabilities.
- Tax revisions should not unduly erode the tax base.
- State fiscal policy should advance the interests of the state as a whole, while facilitating the fiscal autonomy of local governments.
- Policymakers must recognize that tax policy influences economic behavior, and not always in the desired manner.
- Kansans should be able to rely upon a stable tax policy.
- The state and local tax system should be balanced and diversified.

SUMMARY OF 2001 TAX LEGISLATION

Bundled Telecommunications Services—Taxation

SB 1 provides a system for taxing bundled telecommunications services. Under this system, a retailer with the ability to break down the cost of bundled telecommunications services remits tax for only those services which are taxable. If the retailer's bookkeeping system does not allow for a breakdown of the cost of taxable and nontaxable services, then the combined cost is deemed to be attributable to the taxable services and, as such, the combined total is taxed.

The bill places the burden of proving that a receipt or charge is not taxable on the telecommunications retailer. The bill also provides that, upon request from the customer, the retailer is required to disclose the selling price of taxable services (if a breakdown is provided) and of taxable and nontaxable services (if billed on a combined basis).

The bill also requires that such retailers offering taxable and nontaxable bundled services enter into a written agreement with the Secretary of Revenue identifying the records to be used in determining the taxable portion of the selling price of the combined services within 90 days of billing.

Estate Tax Act—Outstanding Liability

SB 41 amends the Kansas Estate Tax Act to eliminate any outstanding inheritance tax liability as of July 1, 2008, for those estates for which no return has been filed by that date.

Liquor Drink Tax—Statute of Limitation

SB 42 provides a three-year statute of limitations for the liquor drink tax. The statute-of-limitation language, which limits refund requests and assessments to three years, except in cases of fraud, is similar to that previously in place for the sales tax. In the case of a false or fraudulent return with intent to evade the tax, assessments must be made within two years after the fraud is discovered.

Sales Tax—Food Sales Tax Refund Claims

SB 43 changes the appeals process for denials of food sales tax refund claims to provide that aggrieved persons enter into the Department of Revenue's informal appeals process before proceeding to the State Board of Tax Appeals (SBOTA). Final determinations by the Director of Taxation may subsequently be appealed to SBOTA.

Homestead Property Tax Refunds; Property Taxes on Certain Oil Leases

SB 44 makes several changes to the Homestead Property Tax Refund Act and also clarifies a law designed to offset a portion of property taxes paid on certain low-production oil leases.

One series of amendments allows refunds to be paid directly from the income tax refund fund in lieu of the prior methodology, which provided for refunds to be paid from an appropriation.

A second set of amendments to the refund advancement program, which allows certain eligible taxpayers to receive refunds prior to the payment of their property taxes on December 20, clarifies that the certificate of eligibility forms must be issued by the Department of Revenue and that the Department (and not county clerks) is ultimately responsible for the qualification determination.

A final provision clarifies that extant refunds designed to offset part of property taxes paid on the working interest of certain low-production oil leases be paid from the income tax refund fund.

Kansas Income Tax Law

SB 45 modifies Kansas income tax law in several ways. These include the following.

Assistive Technology Individual Development Accounts. The bill enacts the Individual Development Account Program for Assistive Technology, a program which will be administered by the Schiefelbusch Institute for Life Span Studies of the University of Kansas. This program enables eligible families and individuals to establish accounts for the purpose of funding purchases of assistive technology.

Families or individuals with household income less than or equal to 300 percent of the federal poverty level are eligible to open individual development accounts (IDAs) earmarked for assistive technology purchases, which are defined to include “any item, piece of equipment or product system, whether acquired commercially, off the shelf, modified or customized, that is used to increase, maintain or improve functional capabilities of individuals with disabilities.” The maximum amount account holders may deposit into an IDA in a calendar year is limited to \$5,000. The total balance of an IDA at any point in time is limited to \$50,000.

The Schiefelbusch Institute (the University of Kansas) will be required to adopt rules and regulations and prepare a request for proposals from nonprofit or charitable community-based organizations seeking to administer the Individual Development Account Reserve Fund (IDARF). The IDARF will be created to fund administrative cost of the program incurred by financial institutions, community-based organizations, and also to provide matching funds for moneys in IDAs. No more than 20 percent of all funds in the IDARF may be used for administrative costs during the first two years of the program, and the limitation will be set at 15 percent in subsequent years.

A program contributor, defined to include “a person or entity who makes a contribution” to an IDARF, is allowed income tax credits up to 25 percent of the contribution amount. The total amount of all such tax credits authorized may not exceed \$6,250 in any fiscal year. These tax credits will not take effect until tax year 2003.

Account holders making nonqualified withdrawals from IDAs are required to forfeit all matching moneys in the accounts, which are then returned to the IDARFs of the contributing

community-based organizations. In the event of the death of an account holder, the account holder's money is distributed, without matching moneys, to his or her heirs.

State agencies are directed to disregard IDA funds, including accrued interest, when determining eligibility for public assistance or benefits.

Additional language clarifies that the Schiefelbusch Institute has no contractual expense in recruiting or maintaining community-based organizations or financial institutions willing to administer the program; and that the Institute is under no obligation to provide matching funds if sufficient outside IDARF contributors are not found.

Community Service Tax Credits. The bill extends the Community Service Tax Credit Program to allow charitable contributions by individual taxpayers to qualify for the tax credits available through the program. Under the law, only contributions made to participating charitable organizations by business taxpayers qualify for tax credits.

The bill requires that transfers of Community Service Tax Credits be for at least 50 percent of the value of the credits and a minimum contribution of \$250 is required in order to receive a tax credit.

The bill also reduces the cap on Community Service Tax Credits which may be used in a year from \$5.0 million to \$4.13 million.

Meals on Wheels Check-Off. The bill provides an income tax check-off for the Senior Citizen Meals on Wheels Program, to be placed on each Kansas individual income tax return form beginning for tax year 2002.

Income Tax Statute of Limitations. The bill clarifies that the statute of limitations for assessments is established at three years after the original return was filed or within one year after an amended return was filed, whichever is later. The bill also eliminates the distinction between timely filed returns and late returns regarding refunds and conforms state law with federal income tax statute of limitation provisions.

The statute of limitations for both assessments and refunds attributable to federal revenue agent reports are set at 180 days following receipt of such reports or "within two years of the date the tax claimed to be refunded or against which the credit is claimed was paid," whichever date is later.

Income Tax Credit for Certain Costs Associated with Plugging Abandoned Oil and Gas Wells. An income tax credit equivalent to 50 percent of expenditures incurred in plugging abandoned oil and gas wells is made permanent beginning with tax year 2001. This credit had previously been available, but it sunset at the conclusion of tax year 2000.

Limitation on Alternative Fuel Motor Vehicle Income Tax Credits. The bill places a limitation on an income tax credit already available to taxpayers who make the original purchase of alternative fuel system motor vehicles. For such vehicles capable of operating on a fuel blend of 85 percent ethanol and 15 percent gasoline, the credit of up to \$750 is available only after taxpayers claiming the credit furnished evidence of the purchase of at least 500 gallons of such blend from the date of the purchase of the vehicle through December 31 of the next calendar year.

Estate Tax Apportionment Act

SB 137 enacts the Kansas Estate Tax Apportionment Act. The bill establishes a default rule for the method of payment of federal and state estate taxes and further establishes an apportionment rule whereby each person interested in the estate pays a proportionate part of the total tax.

Property Tax Exemption—Farm Storage and Drying Equipment

SB 138 amends the property tax exemption for farm storage and drying equipment to remove a requirement that property must be “used exclusively” for the storage or drying of enumerated grains in order to qualify for the exemption. This change has the effect of expanding the exemption to include property which is acquired through a lease agreement.

Job Investment Credit Act

SB 146 temporarily expands the sales tax exemption provisions of the Job Investment Credit Act to allow a sales tax exemption for qualified retail businesses located outside of a city in a county having a population of 10,000 or less. This provision applies to retail businesses which locate or expand prior to July 1, 2004. Under prior law, certain retail businesses could qualify for the sales tax exemption but they had to be located within a city having a population of 2,500 or less.

Local Sales Tax—0.1 Percent Incremental Authority for Cities

SB 216 amends KSA 2000 Supp. 12-189 to authorize local sales tax rates in 0.1 percent increments for class A, B, and C cities. Such cities had rate authority in 0.25 percent increments under prior law.

Local Retail Sales Tax—Amendments

SB 253 changes two timing issues related to implementing an approved local retail sales tax. The first change imposes a 30-day deadline for a city or county to notify the Director of Taxation following the adoption of a local retail sales tax. Under prior law, no deadline existed. The second change increases the time between notifying the Director and implementing the sales tax from 60 days to 90 days.

The bill also specifies accounting procedures for "excess" local retail sales tax receipts to require local governments to deposit into their general funds any receipts received in excess of amounts necessary to pay the cost of special projects.

Water Districts—Various Provisions

House Sub. for SB 332 provides a sales tax exemption—under certain circumstances—effective January 1, 2002, for the purchases of various public water districts, including indirect purchases made on behalf of such districts by contractors. Additional language clarifies that the sales tax does not apply to the gross receipts from sales of rural water district benefit units; water system impact or system enhancement or other similar fees; and connection or reconnection fees collected by water suppliers.

A new clean water drinking fee of \$0.03 per 1,000 gallons of water sold at retail by a public water supply system is imposed on and after January 1, 2002 by those public water supply systems which do not elect prior to October 1, 2001 to “opt out” of imposing such fee. Any such election will be irrevocable and would eliminate the application of the aforementioned sales tax exemption for those systems. Public water supply systems which do not opt out and do begin imposing the fee are prohibited from passing on the fee to consumers.

Transient Guest Tax—Information Sharing

HB 2007 authorizes the Director of Taxation to provide monthly transient guest tax reports to cities located within counties imposing such taxes and to counties within which are located in cities imposing such taxes. (Prior law allowed the information to be provided to only those cities and counties levying transient guest taxes.)

City and county officials receiving such information are authorized to divulge it solely to financial officers designated by governing bodies.

Sales Tax Exemptions—Parkinson’s Disease and Kidney Foundation

HB 2029 provides a sales tax exemption for sales and purchases of Kansas chapters of the Parkinson’s Disease Association when such transactions are related to the purpose of eliminating Parkinson’s Disease through medical research and public and professional education.

The bill also exempts sales and purchases of the National Kidney Foundation of Kansas and Western Missouri when such transactions are related to the purpose of eliminating kidney disease through medical research and public and private education.

Income Tax Credit for Business Research and Development

HB 2055 provides a permanent income tax credit for business research and development. The bill authorizes a 6.5 percent credit for research and development expenditures in Kansas, based on the amount by which such expenditures exceed the business' actual expenditures for that purpose in the tax year and the two preceding tax years. In any tax year, the maximum deduction from tax liability is 25 percent of earned

credit plus carryover amounts. Any amount by which the allowed portion of the credit exceeds the business' total Kansas tax liability in a given tax year can be carried forward.

Any expenditures that are eligible for a Kansas research and development tax credit also are eligible for a federal itemized income tax deduction or, for an expanded level of research activity, a federal research tax credit. However, if the business receives a federal or state grant and uses grant proceeds for research and development expenditures, that taxpayer cannot claim a state credit for those expenditures.

Property and Motor Vehicle Tax

HB 2063 clarifies that any personal property located in exempt student dormitories also is exempt, and the clarification is retroactive to tax year 1998 as well as being prospective.

The bill further provides for the cancellation of any delinquent motor vehicle property taxes more than one year past due along with any related penalty and interest when the motor vehicle has been donated to a nonprofit charitable organization exempt from federal income taxation.

Finally, the bill amends KSA 79-2801 to provide that if a county has failed to initiate proceedings for a judicial tax foreclosure sale on property located within the corporate limits of a city and if the taxes on such property have remained delinquent for at least three years, the governing body of the city may initiate a tax foreclosure sale. Under such circumstances, the city governing body and the city attorney will have the same powers and duties as the board of county commissioners and the county counselor under the judicial tax foreclosure sale statutes. All other county officers are required to perform the same duties required by law as if such tax sales had been initiated by the county.

Income Tax Credits—Historic Preservation

HB 2128 provides state income tax credits equal to 25 percent of qualified expenditures incurred in the restoration and preservation of a qualified historic structure pursuant to a qualified rehabilitation plan. "Qualified rehabilitation plan" is defined as a project consistent with rehabilitation standards and guidelines adopted by the federal Secretary of the Interior and further approved by either the Kansas State Historical Society's Cultural Resources Division or a local government certified by the Division.

All expenditures of \$5,000 or more under such plans will qualify for the tax credit.

The tax credits are nonrefundable, but any unused portions may be carried forward for up to ten years.

Tax Incentives—Annual Report on Cost-Effectiveness

HB 2591 suspends until the 2003 Legislative Session a pre-existing requirement that Kansas, Inc. prepare an annual report evaluating the cost effectiveness of various economic development income and sales tax incentives.

The bill also requires Kansas, Inc. and the Department of Revenue prior to the 2002 Legislative Session to agree upon procedures regarding the disclosure of tax information and submit whatever proposed changes in law would be necessary as a result of that agreement to the 2002 Legislature.

School Finance

Senate Sub. for HB 2336 modified the school finance formula and addressed various education policy matters and extended the uniform school district property tax rate of 20 mills and the \$20,000 residential exemption for tax years 2001 and 2002.

Premium Tax Changes

HB 2065 concerns premium tax credits allowed to insurance companies. For tax year 2001 and thereafter, insurance companies may claim a credit against any premium tax owed in an amount up to 15 percent of the salaries paid to Kansas employees. However, the credit allowed may not reduce the amount of the tax owed by more than 1.125 percent of premium for an insurance company or 1 percent for companies having affiliates. (Prior law allowed for a credit up to 30 percent of the salaries paid to Kansas employees with a reduction in the amount of the tax not to exceed 1.25 percent for all companies and affiliates.)

Incentives for Independent Power Producers

HB 2266 provides a property tax exemption for certain “independent power producer (IPP) property” which is newly constructed and placed in service on or after January 1, 2001.

Qualifying IPP property will be exempt from property taxation from and after commencement of construction of the generating facility and any pollution control devices installed at the facility and for the 12 taxable years immediately following the taxable year in which construction or installation of the property is completed. For peak load plants and pollution control devices at such plants, the tax exemption will apply for six taxable years immediately following completion of construction or installation.

Electric Public Utilities—Expanded Use of Construction Work in Progress

HB 2268 provides a number of incentives for the construction of certain electric utility property which is owned or operated by Kansas public utilities, including a property tax exemption for eligible electric generation facilities, pollution control devices at such facilities, and eligible transmission lines. One such exemption applies from and after commencement

of construction of such facilities (except for peak load plants) or transmission lines and from and after purchase or commencement of construction or installation of pollution control devices at “non-peaking” plants for ten taxable years immediately following the year in which construction is completed.

A property tax exemption provision for “peak load” plants and pollution control devices installed at such plants is effective for four years following the year in which construction is completed.

TABLE 2

STATE TAX REVENUE, NET OF REFUNDS, FY 1996-2001

In Thousands

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Property						
Educational Bldg. ⁽¹⁾	\$ 16,236	\$ 16,729	\$ 18,169	\$ 18,885	\$ 19,790	\$ 20,973
Institutional Bldg. ⁽¹⁾	8,118	8,364	9,084	9,443	9,895	10,487
Mortgage Regis. ⁽²⁾	596	599	729	849	771	813
Motor Carrier	14,008	15,683	15,998	15,771	16,125	17,920
Mtr. & Rec. Vehicles ⁽³⁾	3,672	3,761	3,858	3,944	3,836	3,809
Total	\$ 42,630	\$ 45,136	\$ 47,839	\$ 48,892	\$ 50,417	\$ 54,002
Income and Privilege						
Individual	\$ 1,391,829	\$ 1,527,516	\$ 1,744,030	\$ 1,697,580	\$ 1,861,624	\$ 1,984,575
Corporation	218,587	263,573	281,651	227,370	250,123	211,907
Financial Inst.	35,262	26,506	22,150	26,356	22,301	24,816
Domestic Ins. Co.	1,025	1,001	2,113	(1,191)	(5)	0
Total	\$ 1,646,702	\$ 1,818,597	\$ 2,049,944	\$ 1,950,115	\$ 2,134,043	\$ 2,221,298
Inheritance/Estate	\$ 98,704	\$ 76,029	\$ 88,651	\$ 81,859	\$ 62,888	\$ 41,196
Sales, Use, and Excise						
Retail Sales	\$ 1,243,081	\$ 1,301,355	\$ 1,424,215	\$ 1,474,536	\$ 1,520,412	\$ 1,500,677
Compensating Use	157,941	174,499	195,031	212,035	223,423	249,323
Subtotal	\$ 1,401,023	\$ 1,475,854	\$ 1,619,246	\$ 1,686,571	\$ 1,743,835	\$ 1,750,000
Motor Fuels	295,441	302,216	320,373	325,088	358,569	358,899
Vehicle Registration ⁽⁴⁾	119,048	123,456	121,253	137,872	138,696	136,685
Cereal Malt Beverage	2,533	2,460	2,439	2,448	2,431	2,489
Liquor Gallonage	13,049	13,437	13,857	14,496	15,063	15,196
Liquor Enforcement	26,205	27,446	28,549	30,797	33,336	35,351
Liquor Drink	19,024	19,449	20,818	21,833	22,606	24,495
Cigarette	52,359	52,931	52,095	51,181	49,125	48,784
Tobacco Prod.	2,925	3,103	3,269	3,369	3,773	4,092
Corporation Franchise	13,140	14,293	15,351	15,866	16,834	16,927
Wheat ⁽⁵⁾	1,587	1,929	3,294	4,052	3,432	0
Boat Registration	618	597	620	646	626	640
Severance	68,366	81,412	67,266	44,013	56,956	109,180
New Tires	1,259	1,291	1,315	1,384	1,423	1,433
Motor Vehicle Rental	1,882	2,098	2,248	2,719	2,521	2,636
Drycleaning & Laundry	901	1,005	969	1,058	1,241	1,202
Total	\$ 2,019,360	\$ 2,122,976	\$ 2,272,963	\$ 2,343,393	\$ 2,450,467	\$ 2,508,009

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Gross Receipts						
Insurance Premiums						
Foreign Cos. ⁶	\$ 80,720	\$ 71,560	\$ 77,632	\$ 59,809	\$ 49,914	\$ 50,222
Domestic Cos.	9,100	9,910	10,425	6,440	8,862	17,528
Firefighters Relief	4,630	5,057	5,149	5,545	5,213	5,519
Fire Marshal	2,953	3,079	2,378	3,680	3,642	3,942
Subtotal	\$ 97,403	\$ 89,605	\$ 95,584	\$ 75,474	\$ 67,631	\$ 77,211
Private Car Cos.	\$ 866	\$ 900	\$ 873	\$ 881	\$ 866	\$ 887
Music-Dramatic Tax	25	25	20	15	18	14
Bingo Enforcement	1,053	1,055	958	979	908	778
Transient Guest ⁷	245	257	287	338	341	367
Parimutuel	5,232	4,090	4,032	4,118	4,239	3,973
Illegal Drugs	938	1,278	1,023	1,601	1,466	1,299
Total	\$ 105,761	\$ 97,209	\$ 102,777	\$ 83,406	\$ 75,469	\$ 84,529
Unemployment Comp.	\$ 41,031	\$ 39,229	\$ 43,229	\$ 47,848	\$ 107,655	\$ 176,337
TOTAL STATE TAXES	\$ 3,954,189	\$ 4,199,176	\$ 4,605,403	\$ 4,555,513	\$ 4,880,939	\$ 5,085,371

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's 1/26 share of the tax.
3. Amount received by the state from the motor vehicle and recreational vehicle taxes.
4. State receipts only, excluding amounts retained by county treasurers.
5. Starting in FY 2001, wheat collections will no longer be treated as a tax. Legislation enacted in 2000 privatizing the wheat commission also changed the nature of this levy from a tax to an assessment.
6. Includes retaliatory taxes.
7. State's 2 percent share of the tax.

TABLE 3

**Allocation to Funds of Total State Tax Revenue
(Net of Refunds) FY 2001
(\$ in thousands)**

	Amount	Percent of Total	Cumulative Percent	Revenue Credited to:	
				SGF	Other Funds
Individual Income	\$ 1,984,575	39.03%	39.03%	\$ 1,977,342	\$ 7,233
Retail Sales	1,500,677	29.51%	68.53%	1,423,059	77,618
Motor Fuels	358,899	7.06%	75.59%	0	358,899
Compensating Use	249,323	4.90%	80.50%	235,893	13,430
Corporation Income	211,907	4.17%	84.66%	211,907	0
Unemployment Comp.	176,337	3.47%	88.13%	0	176,337
Motor Vehicle Registration	136,685	2.69%	90.82%	0	136,685
Gas Severance	93,893	1.85%	92.66%	87,320	6,573
Liquor and Beer	77,531	1.52%	94.19%	58,568	18,963
Insurance Premiums	77,210	1.52%	95.71%	67,680	9,530
Cigarette and Tobacco	52,876	1.04%	96.75%	52,876	0
Estate/Inheritance	41,196	0.81%	97.56%	41,196	0
State Property	31,460	0.62%	98.18%	0	31,460
Financial Institutions Privilege	24,816	0.49%	98.66%	24,816	0
Motor Carrier Property	17,920	0.35%	99.02%	17,920	0
Corporation Franchise	16,927	0.33%	99.35%	16,927	0
Oil Severance	15,287	0.30%	99.65%	14,217	1,070
Parimutuel	3,973	0.08%	99.73%	0	3,973
Vehicle Rental Excise	2,636	0.05%	99.78%	0	2,636
New Tires	1,433	0.03%	99.81%	0	1,433
Illegal Drugs	1,299	0.03%	99.83%	325	974
Drycleaning	1,202	0.02%	99.86%	0	1,202
Car Companies	887	0.02%	99.87%	887	0
Bingo	778	0.02%	99.89%	519	259
Boat Registration	640	0.01%	99.90%	0	640
Music, Dramatic	14	0.00%	99.90%	14	0
Other Taxes (a)	4,990	0.10%	100.00%	367	4,623
Total	\$ 5,085,371	100.00%		\$ 4,231,833	\$ 853,538
				83.22%	16.78%

(a) Other taxes include the state's share of the following taxes: mortgage registration, motor vehicle, recreational vehicle, and transient guest.

(b) Does not include nontax revenue credited to the SGF.

TABLE 4

LOCAL GOVERNMENT TAX REVENUE, FY 1996-2001
In Thousands

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Counties						
Tangible Property(1	\$ 489,264	\$ 505,298	\$ 541,849	\$ 593,659	\$ 634,595	\$ 677,315
Intangibles(2	1,699	2,005	2,022	2,101	2,087	2,257
Mortgage Registration(3	17,710	22,321	25,021	36,410	35,463	31,916
Motor Veh. Registration(3	9,140	9,910	8,960	10,580	10,890	11,041
Transient Guest	818	885	960	1,052	1,090	1,082
Motor and Rec. Vehicle(2	74,539	75,402	76,314	78,134	75,727	75,249
Cities						
Tangible Property(1	\$ 305,296	\$ 315,244	\$ 327,037	\$ 397,334	\$ 432,523	\$ 461,354
Intangibles(2	1,244	1,441	1,554	1,627	1,497	1,359
Transient Guest	11,175	11,691	13,105	15,506	15,637	16,990
Motor and Rec. Vehicle(2	62,612	63,118	62,466	62,054	58,853	57,285
Schools(4						
Tangible Property(1	\$ 1,001,616	\$ 1,017,723	\$ 949,129	\$ 897,665	\$ 959,305	\$ 1,076,488
Motor and Rec. Vehicle(2	141,072	147,766	136,473	115,482	100,933	79,295
Townships						
Tangible Property(1	\$ 29,027	\$ 29,775	\$ 31,646	\$ 34,418	\$ 37,687	\$ 39,258
Intangibles(2	1,098	1,223	1,333	1,258	1,304	1,405
Motor and Rec. Vehicle(2	3,587	3,763	3,894	4,109	4,043	4,108
Special Districts						
Tangible Property(1	\$ 82,289	\$ 84,275	\$ 93,523	\$ 106,555	\$ 118,446	\$ 127,031
Motor and Rec. Vehicle(2	10,020	10,652	10,810	11,472	10,976	10,959
Taxes Not Allocated						
Local Sales & Use(5	\$ 380,113	\$ 401,590	\$ 437,735	\$ 470,432	\$ 513,635	\$ 542,765
16m & 20m "tagged"						
vehicles(2 (6	\$ 0	\$ 0	\$ 0	4,688	4,352	4,287
TOTAL LOCAL TAXES	\$ 2,622,319	\$ 2,704,078	\$ 2,723,830	\$ 2,844,536	\$ 3,019,043	\$ 3,221,444
Exhibit:						
Tangible Property	\$ 1,907,492	\$ 1,952,315	\$ 1,943,184	\$ 2,029,631	\$ 2,182,556	\$ 2,381,446
Motor and Rec. Vehicle	291,830	300,700	289,958	275,939	254,884	226,896
Total	<u>\$ 2,199,322</u>	<u>\$ 2,253,015</u>	<u>\$ 2,233,141</u>	<u>\$ 2,305,570</u>	<u>\$ 2,437,440</u>	<u>\$ 2,608,342</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 collected on a calendar-year basis.
3. Calendar year revenue, e.g., the figure in the FY 2000 column is for CY 1999.
4. School districts, community colleges, and municipal universities, including out-district tuition tax levies made by counties and townships. Legislation enacted in 1999 eliminates out-district tuition levies after FY 2003.
5. Collections by the Department of Revenue for counties, cities, and municipal universities which impose a sales tax, as reported by the Division of Accounts and Reports.
6. Certain vehicles weighing up to 20,000 pounds pay these taxes with liability based upon the motor vehicle tax law but have a payment schedule (December and June) similar to personal property (see KSA 2000 Supp. 79-5105a). The state received \$78,000 of the \$4.287 million in CY 2000 collections. Since the state's share could not be disaggregated for prior years, all revenue is again treated as "local" for the sake of comparison.

Special Note

This table does not include revenue from certain taxes for which annual data are not compiled, e.g., occupation and franchise taxes; "911" taxes; and development excise taxes.

TABLE 5—STATE COLLECTED TAXES ALLOCATED TO OR SHARED WITH LOCAL UNITS OF GOVERNMENT FROM TAXES LISTED IN TABLE 2

In Thousands

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Transportation-User Taxes to Counties, Cities, & Townships ¹	\$ 130,671	\$ 135,975	\$ 139,061	\$ 145,294	\$ 174,991	\$ 178,219
Firefighters' Relief Tax to Local Firefighters' Relief Associations ²	4,359	4,749	5,072	5,468	5,127	5,250
Bingo Enforcement Tax to County or City Based on Licensed Premises	414	349	337	327	303	259
Liquor Drink Tax to County or City Based on Collections From Licensees Therein	13,259	13,546	14,604	14,912	15,226	15,547
Severance Tax to Counties and School Districts ³	4,586	5,364	5,240	3,174	3,189	3,956
Racing Admissions Tax to City and/or County Where Racing Facility Located	2	2	3	2	2	2
Illegal Drug Taxes to Local Units	672	751	817	1,201	1,099	974
Mortgage Registration Tax to Qualifying Local Units ⁴	173	45	94	206	286	350
Motor Vehicle Rental Excise Tax to Property Tax Levy Units	1,882	2,098	2,248	2,619	3,050	2,479
New Tires Tax to Qualifying Cities or Counties	837	614	0	0	0	0
From State General Fund ⁵						
for Education ⁶	1,729,379	1,754,473	1,934,003	2,180,481	2,313,701	2,366,319
for Property Tax Reduction ⁷	46,301	46,949	47,771	55,122	57,903	54,139
to Counties and Cities (Revenue Sharing) ⁷	34,610	35,095	35,709	36,566	36,932	34,532
Other ⁶	73,020	83,190	98,605	125,402	132,349	115,541
Total, General Fund	\$ 1,883,310	\$ 1,919,707	\$ 2,116,088	\$ 2,397,571	\$ 2,540,885	\$ 2,570,531
GRAND TOTAL	\$ 2,040,165	\$ 2,083,201	\$ 2,283,564	\$ 2,570,774	\$ 2,744,158	\$ 2,777,567

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, aid for public transportation, aid for aviation, and an amount equal to annual receipts from the motor carrier tax credited to the State General Fund which 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 95.85 percent of General Fund receipts in FY 2001. The "Other" category does not include the motor carrier tax transfer to the Special City and County Highway Fund 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, area vocational schools and technical institutes, the state's contribution for school employees retirement (KPERs-School), arts program grants, and the KUMC telemedicine program. Aid to school districts does not include "excess" local effort remitted to the state by certain districts with exceptionally high assessed valuations; these amounts were included in the tax levies of those districts.
- 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, unless the Legislature limits the transfers by separate legislation.
- 8) The principal aids included in "Other" were for community corrections and community conservation camps, local public health, community mental health and retardation and associated community assistance grants, Aging Department programs, and the juvenile community programs.

TABLE 6 — PERCENTAGE OF COMBINED STATE AND LOCAL TAX REVENUE

Ranked on the Basis of FY 2001

	FY 2001	FY 2000	FY 1999	FY 1998	FY 1997	FY 1996	FY 1990	FY 1980	FY 1970	FY 1960	FY 1950	FY 1940	FY 1930
General Property (a)	29.05%	28.00%	27.81%	26.88%	26.87%	29.36%	32.34%	39.19%	53.06%	56.44%	52.19%	62.95%	82.02%
Sales and Use (b)	27.60	28.58	29.15	28.07	28.05	27.07	22.55	19.75	15.74	15.34	15.76	9.94	-
Income and Privilege	26.74	27.01	26.35	27.97	27.96	25.03	21.87	21.42	10.57	6.73	4.95	2.04	-
Motor Fuels	4.32	4.54	4.39	4.37	4.37	4.49	4.61	5.24	8.81	8.26	11.00	9.92	8.18
Various Vehicle (c)	2.86	3.31	3.82	4.01	4.01	4.49	5.66	-	-	-	-	-	-
Vehicle Registration	1.78	1.89	2.01	1.78	1.82	1.99	2.02	3.03	3.50	4.39	4.35	3.99	5.69
Unemployment Comp	2.12	1.36	0.65	0.59	0.59	0.62	3.49	3.86	1.77	2.21	2.51	4.85	-
Severance	1.31	0.72	0.59	0.92	0.92	1.04	1.71	-	-	-	-	-	-
Liquor and Beer	0.93	0.93	0.94	0.90	0.90	0.93	1.03	1.30	1.08	1.09	2.24	0.49	-
Insurance Premiums	0.93	0.86	1.02	1.30	1.30	1.48	1.44	1.54	1.22	1.31	1.22	0.99	1.05
Cigarette and Tobacco	0.64	0.67	0.74	0.76	0.76	0.84	1.15	1.44	2.20	1.83	2.08	1.27	0.63
Estate/Inheritance	0.50	0.80	1.11	1.21	1.21	1.50	0.89	1.19	0.82	0.82	0.48	0.39	0.67
Mortgage Registration	0.39	0.46	0.50	0.35	0.35	0.28	0.25	0.38	0.20	0.28	0.39	0.30	0.30
Transient Guest	0.22	0.22	0.23	0.20	0.20	0.19	0.15	0.04	-	-	-	-	-
Motor Carrier Property	0.22	0.20	0.21	0.22	0.22	0.21	0.20	0.19	0.15	0.16	0.09	0.03	(e)
Corporation Franchise	0.20	0.21	0.21	0.21	0.21	0.20	0.19	0.25	0.09	0.13	0.17	0.31	0.34
Intangibles	0.06	0.06	0.07	0.07	0.07	0.06	0.23	0.98	0.64	0.70	1.09	0.93	0.72
Parimutuel	0.05	0.05	0.06	0.06	0.05	0.08	0.16	-	-	-	-	-	-
All Other (d)	0.08	0.13	0.14	0.15	0.15	0.14	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%	100.00%	100.00%	100.00%

(a) Taxes levied for collection during the fiscal year.

(b) Local sales taxes included starting in FY 1980.

(c) Includes motor vehicle, recreational vehicle, 16m and 20m "tagged" vehicles, and rental car excise taxes.

(d) Total revenue from eight taxes.

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

TABLE 7

**State and Local Government Taxes in Relation
to Population and Personal Income**

	<u>FY 2001</u>	<u>FY 2000</u>	<u>FY 1999</u>	<u>FY 1998</u>	<u>FY 1997</u>	<u>FY 1996</u>
State Taxes (\$000)	5,085,371	4,880,939	4,555,513	4,605,403	4,199,176	3,954,189
Local Taxes (\$000)	<u>3,221,444</u>	<u>3,019,043</u>	<u>2,844,536</u>	<u>2,723,830</u>	<u>2,704,078</u>	<u>2,622,319</u>
Total (\$000)	8,306,815	7,899,982	7,400,049	7,329,233	6,903,254	6,576,508
State Population (000)	2,694	2,679	2,660	2,635	2,614	2,600
Kansas Personal Income (\$ millions)	73,829.2	70,482.8	67,942.3	63,727.8	60,073.7	56,626.7
Per Capita Income	27,405	26,309	25,542	24,185	22,982	21,780
Per Capita Taxes						
State	1,888	1,822	1,713	1,748	1,606	1,521
Local	<u>1,196</u>	<u>1,127</u>	<u>1,069</u>	<u>1,034</u>	<u>1,034</u>	<u>1,009</u>
Total	3,083	2,949	2,782	2,781	2,641	2,529
Ratio of Taxes to Personal Income						
State	6.89%	6.93%	6.70%	7.23%	6.99%	6.98%
Local	<u>4.36%</u>	<u>4.28%</u>	<u>4.19%</u>	<u>4.27%</u>	<u>4.50%</u>	<u>4.63%</u>
Total	11.25%	11.21%	10.89%	11.50%	11.49%	11.61%

Estimates of the U.S. Department of Commerce, revised September 24, 2001, and consistent with a subsequent announcement on October 17, 2001, that population estimates for the 1990s would not be revised to be consistent with the 2000 census figure until March, 2002.

