Kansas Tax Facts

2004 Supplement to the Seventh Edition

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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 through FY 2004 and by summarizing significant tax legislation enacted in 2001 through 2004.

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Combined State and Local Tax Revenue

Kansas state and local government net tax revenue totaled $9.322 billion in FY 2004, which equated to $3,422 per capita and to 11.43 percent of Kansas personal income in CY 2003. Following are the tax levies or collections, combining state and local tax revenue, in descending order of importance for FY 2004.

Table 1
Kansas State and Local Taxes

	FY 2002	FY 2003	FY 2004	% of FY 04 Total	% increase from FY 03
General Property (a)	$ 2,657,197	$ 2,770,327	$ 2,917,442	31.30%	5.31%
Sales and Use (b)	2,349,090	2,436,316	2,543,140	27.28	4.38
Income and Privilege	1,976,778	1,913,226	2,065,942	22.16	7.98
Motor Fuels	374,701	411,619	423,853	4.55	2.97
Various Vehicle (a) (c)	255,275	274,146	293,879	3.15	7.20
Unemployment Comp.	186,054	220,628	282,569	3.03	28.07
Vehicle Registration	148,779	165,351	170,940	1.83	3.38
Cigarette and Tobacco	52,342	133,760	124,586	1.34	(6.86)
Insurance Premiums	96,894	108,189	121,827	1.31	12.61
Severance	59,871	78,253	91,039	0.98	16.34
Liquor and Beer	81,380	83,791	87,528	0.94	4.46
Mortgage Registration	42,340	49,758	60,556	0.65	21.70
Estate/Inheritance	48,082	46,952	48,064	0.52	2.37
Corporation Franchise	18,519	31,089	36,806	0.39	18.39
Transient Guest	18,768	18,744	20,385	0.22	8.75
Motor Carrier Property	18,068	15,729	19,498	0.21	23.96
Parimutuel	3,813	3,875	3,530	0.04	(8.90)
Intangibles (a)	4,779	4,258	3,124	0.03	(26.63)
All Other (d)	5,896	7,828	7,690	0.08	(1.76)
Total	**$ 8,398,626**	**$ 8,773,839**	**$ 9,322,398**	**100.0%**	**6.25%**

(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 eight taxes, the largest of which for FY 2003 was the clean water drinking tax at $2.760 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 2004, total state and local tax revenue in Kansas was $9.322 billion, with state taxes accounting for $5.460 billion—or about 58.6 percent—of the total. State and local taxes grew by 6.3 percent over the FY 2003 figure of $8.774 billion. State taxes increased by about $322 million, or 6.3 percent, from FY 2003 to FY 2004, while local taxes increased by $227 million, or 6.2 percent.

! Local governments continue to spend most of the state and local tax revenue. In FY 2004, local government tax revenue was $3.862 billion and local units received another $2.695 billion from state taxes allocated to or shared with them. Thus, local units received $6.557 billion, or 70 percent, of total state and local taxes in FY 2003. Over 49 percent of the state's tax revenue was shared with or allocated to local units, mostly for education, though this figure was down from 59 percent as recently as FY 2002.

! While the general property tax is still the most important single revenue producer, its proportion of total state and local taxes has steadily declined over the decades—from 82 percent of the total in FY 1930, to 56 percent in FY 1960, and to 31 percent in FY 2004 (or about 34 percent if the various vehicle taxes, which are levied in lieu of the general property tax, are included). But the trend has reversed itself recently, since in FY 1998 the general property tax was only about 27 percent of the burden (or 31 percent if vehicle taxes were included).

! Income and privilege taxes accounted for 22 percent of state and local tax revenue in FY 2004, compared with 11 percent in FY 1970 and only 2 percent in FY 1940. But this long-term trend also has changed in recent years, as income and privilege taxes were as much as 28 percent of state and local taxes as recently as FY 1998; and 27 percent in FY 2000.

- Sales and use tax revenue over the decades also has been increasing significantly as part of 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 over 27 percent in FY 2004. The spread of local sales taxes has contributed significantly to the growth of sales tax revenue since 1970, though that growth has tapered off in recent years.

- State and local tax revenue in FY 2004 was 11.43 percent of CY 2003 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 six fiscal years.

Taxes as Percent of Personal Income

	State	Local	Both
FY 1999	6.72%	4.20%	10.91%
FY 2000	6.96	4.30	11.26
FY 2001	6.82	4.32	11.14
FY 2002	6.37	4.55	10.92
FY 2003	6.56	4.64	11.19
FY 2004	6.70	4.74	11.43

- The recent rate of growth in local taxes, especially property taxes, continued at a somewhat slower pace for the second year in a row in FY 2004. Property taxes in FY 2004 increased by about 4.8 percent, or $132 million. Of this amount, schools accounted for only $16 million of the increase. Property taxes in FY 2003 had increased by $112 million (4.2 percent), $57 million of which what attributable to schools. Property taxes in FY 2002 had increased by $242 million (10.2 percent), $123 million of which was attributable to schools; and such taxes had increased by $199 million (9.1 percent) in FY 2001, $117 million of which was attributable to schools.

- 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 2004, state tax revenue totaled $5.460 billion, which was an increase of $322 million, or 6.3 percent, above collections in FY 2003. (Total state tax collections had declined in two of the previous four fiscal years prior to FY 2003 and likely would have declined in FY 2003 but for the enactment of an estimated $295 million in new taxes by the 2002 Legislature.) Individual income taxes, which had declined for two consecutive years through FY 2003, bounced back to lead the FY 2004 revenue increases with a gain of $122 million. Unemployment compensation taxes also increased by $62 million; as did sales and compensating use taxes by $43 million; and corporation income taxes by $36 million.

For FY 2004, 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, 80.35 percent went to the General Fund and 19.65 percent was deposited in other funds.

Individual income taxes, corporation income taxes, and sales and use taxes accounted for 88 percent of SGF tax receipts in FY 2004 (down from 91 percent in FY 2002). The same four sources comprised just over 80 percent of SGF taxes in FY 1985.

State and Local Taxes

The relative balance in the big three sources of state and local tax revenue – sales, income, and property – that Kansas had achieved for a number of years after the 1992 school finance law appears to be eroding. (In FY 1992 – prior to the implementation of that law – property and vehicle taxes comprised 38.7 percent of total state and local revenues; sales and use taxes, 22.7 percent; and income and privilege taxes, 21.1 percent.)

In FY 2004, property and vehicle taxes accounted for 34.5 percent of the burden; sales and use taxes, 27.3 percent; and income and privilege taxes, 22.2 percent. As recently as FY 1998, the figures were much more closely balanced: 30.9 percent for property and vehicles; 28.1 percent for sales and use; and 28.0 percent for income and privilege.

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)

Fiscal Year	State	Percent Increase	Local	Percent Increase	State and Local	Percent Increase
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
2002	4,901,421	(3.62)	3,497,205	8.56	8,398,626	1.11
2003	5,138,471	4.84	3,635,368	3.95	8,773,839	4.47
2004	5,460,333	6.26	3,862,065	6.24	9,322,398	6.25

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 when compared with all other states. For example, Kansas finished number 27 in state tax revenue as a percent of personal income and also number 26 in per capita state tax revenue in FY 2003, the latest year for which data are available from all states for such statistics. Kansas finished number 26 in per capita state and local collections and number 27 in state and local collections as a percent of personal income in FY 2002, 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 2003 State Taxes Per Capita	FY 2003 State Taxes as Percent of Personal Income	FY 2002 State and Local Taxes Per Capita	FY 2002 State and Local as Percent of Personal Income
Kansas	26	27	26	27
Missouri	45	44	36	40
Oklahoma	34	24	43	38
Colorado	47	50	20	46
Nebraska	19	20	21	15

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.

Streamlined Sales Tax, Franchise and Other Tax Provisions

Sub. for SB 147 makes a number of major changes relative to sales, franchise, property, and income tax laws. The bill also facilitates the transition for retailers regarding the streamlined sales tax requirement of destination-based sourcing by extending to January 1, 2005, the date when taxpayers must be fully compliant with such sourcing provisions.

Streamlined Sales Tax

Retailers are authorized prior to January 1, 2005, to elect to utilize origin-based sales tax sourcing provisions in effect on June 30, 2003, as an alternative to the destination-based sourcing provisions which became effective July 1, 2003. On and after January 1, 2005, all retailers are required to be in full compliance with the destination-sourcing provisions. The Secretary of Revenue subsequently is authorized to waive penalties and interest that would otherwise be imposed relative to the failure of taxpayers to properly implement destination sourcing, provided such failure is due to "reasonable" causes.

Other Sales Tax Provisions

The bill contains a number of other significant sales tax provisions, including those which:

- Amend the sales tax law to provide that in the case of isolated sales of motor vehicles or trailers, the tax is to be charged on the greater of the stated selling price or the valuation of the motor vehicles or trailers pursuant to the motor vehicle tax law. An exception is provided for "damaged or wrecked" vehicles, for which the sales tax would be charged on the actual selling price.

- Allow those public water supply systems which did not previously avail themselves of an option to impose a clean water drinking fee in exchange for obtaining a sales tax exemption to again have that opportunity on and after January 1, 2005.

- Extend sales tax exemptions, effective January 1, 2005, to:

  - sales and purchases of the Heartstrings Community Foundation for the purpose of providing training, employment, and activities for adults with developmental disabilities;

  - sales of property and services purchased by or on behalf of domestic violence shelters that are member agencies of the Kansas Coalition Against Sexual and Domestic Violence;

  - sales of all property to certain contractors for use in preparing certain meals for delivery to homebound elderly or disabled persons or to be served at a group-sitting for such individuals at a location outside of the home or for consumption by indigent or homeless individuals;

- sales and purchases of the Cystic Fibrosis Foundation, Heart of America Chapter, for the purposes of assuring the development of the means to cure and control cystic fibrosis and improving the quality of life for those with the disease;

- certain sales of hearing aids and replacement parts (including batteries) therefor, by persons licensed in the practice of dispensing and fitting hearings aids;

- certain sales and purchases of the Spina Bifida Association of Kansas;

- certain sales relating to aircraft repair, modification, and replacement parts, including sales of labor services;

- certain sales of property and services purchased by contractors from July 2003, through June 2004, in connection with a community-based mental retardation or mental health facility located in Riverton; and

- certain computer software customization services.

- Decelerate from monthly to quarterly the sales tax filing requirements for retailers with annual liability of $1,600 to $3,200.

Franchise Tax Provisions

The bill also makes numerous structural changes in the franchise tax, effective for tax year 2004 and thereafter. The rate of the tax is reduced from 0.2 percent of shareholder equity or net worth to 0.125 percent. The maximum liability “cap” of $5,000 also is increased to $20,000; and a new exemption is provided for entities with equity or net worth of $100,000 or less.

Administration of the franchise tax based on shareholder equity or net worth is relocated from the Secretary of State to the Department of Revenue. Corporations and associations, limited liability companies, limited partnerships, and business trusts are required to file annual returns with the Director of Taxation and remit the franchise tax liability before April 15 of each year.

The Secretary of State’s Office maintains a separate annual franchise fee of $40 for for-profit and not-for-profit entities. All franchise taxes and fees will continue to be deposited in the State General Fund.

Property Tax Provisions

Relative to property taxes, the bill:

- Expands retroactive to tax year 2003 a property tax exemption for business aircraft to replace a requirement that the aircraft be “actually and regularly used exclusively” to earn income for owners with a requirement that the aircraft be used “predominantly” for such purpose. “Predominantly” is defined to mean at least 80 percent of the total use of the aircraft; or utilization of the aircraft such that all costs are deductible for federal income tax purposes. Additional new language provides that when the owner’s business is the leasing of aircraft, the lessee’s use of the aircraft is not to be considered in determining the exemption.

- Amends KSA 79-201f, to repeal an exemption for certain personal property moving in interstate commerce; and KSA 79- 5a01, to clarify that the definition of public utility includes brokers that now or hereafter own, control, and hold for resale stored natural gas.

- Classifies all wireless communication towers, broadcast towers, antenna and relay sites, except for public utility property, as tangible personal property for property tax purposes. These towers, antenna and relay sites are defined as commercial and industrial machinery and equipment for classification purposes.

- Expands the Homestead Property Tax Refund Program effective for tax year 2004 by increasing the upper threshold income level from $25,000 to $26,300.

- Increases the limit on interest accrued to $5, below which the county treasurers of Sedgwick, Johnson, Shawnee, and Douglas counties are not required to collect interest due on delinquent personal property taxes. The bill also excludes Wyandotte County from a list of counties authorized to use an alternative method of collecting delinquent personal property taxes.

Income and Other Taxes

One section of the estimated (income) tax law relating to penalties assessed relative to underpayment is amended to provide that the amount of tax individuals can reasonably be expected to owe before estimated payments are required is increased from $200 to $500.

Additional language requires the Secretary of Revenue to adopt rules and regulations regarding the filing of documentation to support income, premiums, and privilege tax credits claimed to help offset a portion of property taxes actually and timely paid for commercial and industrial machinery and equipment.

Tax Law Changes—Various

Senate Sub. for HB 2375 makes a number of changes in various state and local tax laws.

The bill:

- Amends KSA 79-412 to require the person recording or filing a lease agreement to include the words "building on leased ground" on the first page of a lease agreement, when improvements exist which are owned by entities other than the landowner. The legislation further states failure to include these words may result in the improvements being assessed to the landowner.

- Provides that taxes collected on additional valuation added as a result of penalties for the late filing of personal property and oil and gas renditions need not be distributed by county treasurers to taxing subdivisions when such taxes have been paid under protest until such time as the appeals are final.

- Provides that certain contractors who had entered into written agreements prior to July 1, 2003—the effective date of the expansion of the local use tax base—to furnish tangible personal property that becomes part of completed improvements relative to the construction, reconstruction, restoration, replacement, repair, equipment or improvement of a bridge or highway, street, road, alley, sewer, sewage system, water line, or water system, are entitled to an exemption from the local use tax if proof of the written agreements is submitted to the Director of Taxation prior to July 10, 2004.

! Authorizes cities to establish redevelopment districts to finance the investigation and remediation of certain floodplains. Cities are authorized to establish an annual floodplain increment in property taxes, provided that the increment does not exceed 20 percent of the amount of taxes produced in the year the redevelopment districts were first established.

! Provides a motor fuel tax exemption for the sale of kerosene used as a fuel to power antique steam motor vehicles first manufactured prior to 1940.

! Renews special local sales tax rate authority of 0.5 percent for Clay County for additional five-year periods, subject to voter approval.

! Makes clarifying changes to language in the motor fuel tax refund statute, KSA 79-3458, regarding necessary documentation by authorizing invoices or self-generated lists approved by the Director of Taxation; and by further eliminating the prior requirement that only hard-copy original invoices are acceptable for documentation purposes.

! Replaces the formal appeal process for drug tax assessments, previously under the Kansas Administrative Procedures Act (KAPA), with an informal conference process similar to that used for income and sales tax administrative appeals.

! Requires, as of January 1, 2005, organizations with entity-based sales tax exemptions to apply for identification numbers from the Department of Revenue which subsequently will be required to be shown on exemption certificates presented to retailers.

! Amends the definition of "residential" for property tax classification purposes to provide that such term includes land and improvements used to store household goods and personal effects not used for the production of income, even when such land and improvements are not contiguous to land accommodating a dwelling or home.

! Authorizes an increase in the bonded indebtedness limitation for Franklin County from 3 to 30 percent of the assessed value of all tangible taxable property in the county.

! Requires the suspension or revocation of vehicle dealers' licenses when such dealers are delinquent in the submission of sales or withholding taxes for three consecutive months.

! Provides that the property tax exemption for household goods and personal effects is extended to such items used in the home for "bed and breakfast home purposes" as defined in KSA 79-1439.

! Amends KSA 79-1439 to clarify that residential real property used for bed and breakfast home purposes is eligible for the 11.5 assessment rate applicable to other residential property. A bed and breakfast home is defined to include residences with five or fewer bedrooms available for overnight guests who stay for not more than 28 consecutive days and for which there is compliance with all zoning and other ordinances or laws pertaining to facilities which lodge and feed guests.

- Increases the mineral severance tax minimum production exemption renewal period from one year to two years on oil wells and oil production leases. The bill also adds the definition of "lease number", *i.e.*, the number assigned by the director of taxation to identify each well, lease, or combination of wells within a lease.

- Amends an exemption relating to not-for-profit cooperative housing projects approved by the US Department of Housing and Urban Development (HUD). Under the new language, projects obtaining financing from entities other than HUD will be able to retain their property tax exemption, provided that the articles of incorporation or by-laws are amended to require that the corporations will continue to operate in compliance with certain HUD affordability income guidelines.

Internet Cigarette Sales—Tax, Age and Licensure Provisions

HB 2682 provides a number of requirements for individuals and companies selling cigarettes over the Internet, telephone, or by any other type of mail-order transaction. Such entities selling to Kansas residents by such means are required to obtain licenses pursuant to the Kansas Cigarette and Tobacco Products Act; are prohibited from selling cigarettes without valid Kansas cigarette tax stamps; and are required to register as a retailer for sales tax purposes and collect and remit state and local sales or use taxes.

Sellers are required to obtain certifications from purchasers confirming that purchasers are of legal age; and that the cigarettes are not intended for consumption by others not of legal age. Sellers are subsequently required to verify the information provided in such certifications against a commercially available database of governmental records or, in the alternative, obtain a photocopy or other image of valid identifications showing the age or date of birth of purchasers. Sellers further are required to obtain written statements signed by purchasers certifying age and address and acknowledging that purchasers understand the illegality of signing another person's name and of selling cigarettes to individuals not of legal age.

All invoices, bills of lading, sales receipts and other documents relating to the sales of cigarettes over the Internet or by any other mail-order transaction are required to contain current, valid retailer Kansas cigarette dealer license numbers; Kansas sales tax registration numbers; and business names and addresses of sellers.

All packages of cigarettes shipped to purchasers residing in Kansas are required to have "CIGARETTES" printed clearly on all sides of such packages. All such packages also are required to contain externally visible and easily legible notices stating:

> IF THESE CIGARETTES HAVE BEEN SHIPPED TO YOU FROM A SELLER LOCATED OUTSIDE OF THE STATE IN WHICH YOU RESIDE, THE SELLER HAS REPORTED PURSUANT TO FEDERAL LAW THE SALE OF THESE CIGARETTES TO YOUR STATE TAX COLLECTION AGENCY, INCLUDING YOUR NAME AND ADDRESS. YOU ARE LEGALLY RESPONSIBLE FOR ALL APPLICABLE UNPAID STATE TAXES ON THESE CIGARETTES.

Violation of any of the licensure, certification, or certification verification provisions is deemed a severity level 8, nonperson felony. Violation of any of the other requirements is deemed a misdemeanor punishable by a fine of not more than $1,000 or imprisonment for not more than one year, or both.

The Department of Revenue is required to publish a monthly list of active cigarette and tobacco licensees.

Finally, additional language requires the Department to seize counterfeit cigarettes, including cigarettes that have false manufacturing labels; and packages bearing counterfeit tax stamps.

SUMMARY OF 2003 TAX LEGISLATION

Sales Tax Rate Extension

SB 265 enacts various provisions of law such that the current 5.3 percent sales and compensating use tax rate is maintained until July 1, 2006, at which point the rate would be reduced to 5.0 percent. Under prior law, the 5.3 percent rate had been scheduled to be reduced to 5.2 percent on July 1, 2004; and to 5.0 percent on July 1, 2005.

State and Local Tax Policy

HB 2005 makes a number of changes in state and local tax policy and enacts various provisions relating to the State Board of Tax Appeals (SBOTA).

Income Tax Credits. The bill clarifies the intent of legislation enacted originally in 2002 by repealing the extension to non-railroad state assessed public utility property of income tax credits offsetting a portion of certain personal property taxes timely paid.

School Finance Mill Levy. Other provisions reenact for the 2003-2004 and 2004-2005 school years (property tax years 2003 and 2004) the 20-mill mandatory school district general fund property tax levy and the $20,000 residential exemption therefrom.

State Board of Tax Appeals Provisions. The bill further makes several statutory adjustments relative to the State Board of Tax Appeals (SBOTA). The number of members is reduced from five to three, effective January 15, 2003. The bill provides that no successors be appointed for the two SBOTA members whose terms expired on that date.

The bill also makes several adjustments to statutory requirements concerning SBOTA members. Under prior law, at least one member had to have been appointed from each of the state's congressional districts. The bill amends that requirement such that no more than one member may be appointed from any one congressional district. Prior law also required that three of the five SBOTA members either had to have been regularly admitted to practice law or have been engaged in the practice of law for at least five years or have been a certified public accountant who had maintained registration as an active attorney. That requirement is amended such that at least one member will still have to meet such requirement; and a second member will have to be a certified public accountant.

A requirement that the votes of at least three members are necessary for SBOTA to take any action is amended such that a minimum of two votes would be necessary.

The bill also allows SBOTA to charge and collect filing fees through the establishment of rules and regulations. No filing fees may be imposed with regard to single-family residential property. In addition, the bill limits the fee for not-for-profit organizations to $10 or less for property with a valuation of not more than $100,000.

Tax Amnesty. A tax amnesty is provided under certain circumstances that would forgive penalties and interest assessed on certain unpaid taxes if the outstanding liability is paid in full from October 1, 2003, to November 30, 2003. Included in the amnesty provisions are financial institution privilege taxes; estate taxes; income taxes; withholding and estimated taxes; cigarette and tobacco products taxes; sales and use taxes; liquor enforcement taxes; liquor drink taxes; and severance taxes.

The amnesty for income and privilege taxes is relative to liabilities for tax periods ending on or before December 31, 2001. For all other taxes, the amnesty is for tax periods ending on or before December 31, 2002.

The amnesty provisions are not applicable if any of the following have occurred on or after February 6, 2003:

- The taxpayer has received notice of the commencement of an audit.
- An audit is in progress.
- The taxpayer has received notice of an assessment pursuant to KSA 79-2971 or 79-3643.
- The taxpayer has received notice of a proposed or estimated assessment or notice of assessment as the result of an audit.
- The time to appeal administratively an issued assessment has not yet expired.
- An assessment resulting from an audit, or any portion of such assessment, is pending in the administrative appeals process before the Secretary of Revenue, Board of Tax Appeals, or the judicial review process.

Amnesty also is not applicable to any matter that is the subject of an assessment, or any portion of an assessment, which has been affirmed by a reviewing state or federal district or appellate court.

Amnesty further does not apply to any party to any criminal investigation or to any civil or criminal litigation that is pending in any court for nonpayment, delinquency, or fraud in relation to any tax imposed by the State of Kansas.

The Secretary of Revenue is required to develop application forms for the amnesty.

Taxpayers electing to participate in the amnesty will be making "an express and absolute relinquishment of all administrative and judicial rights of appeal" with respect to the affected liability. Amnesty payments will be ineligible for refunds or credits. Any payments of penalties or interest made prior to October 1, 2003, are ineligible for the amnesty.

For tax returns for which amnesty has been requested, nothing in the legislation is to be interpreted to prohibit adjustments to such returns resulting from audits.

Finally, fraud or intentional misrepresentation of a material fact in connection with an amnesty application will void the application and any waiver of penalties and interest; and discovery of fraud relating to the underlying tax liability will void the abatement of any liability pursuant to the amnesty.

Succession and Estate Taxes. Another section repeals retroactive to its date of enactment the succession tax enacted in 2002 and provides for refunds of any such taxes which have already been paid. The succession tax was imposed on the privilege of succeeding to the ownership of property by someone who is not a spouse, sibling, lineal ancestor, or lineal descendant of the decedent.

Additional provisions of the bill provide a number of amendments to the Kansas Estate Tax Act designed to improve administration and enforcement. Specific definitions are provided for “decedent,” “distributee,” and “tax situs,” and persons spending more than six months of a calendar year immediately preceding their death in the state are defined as a “resident decedent.”

New language clarifies who is responsible for filing estate tax returns with the Department of Revenue. Closing letters provided by the Department are to be deemed applicable only with respect to assets reported in returns which have been filed.

Kansas estate tax returns are required to be filed on or before the date federal estate tax returns are required to be filed, except that the extensions may be provided upon a showing of good cause. Failure to timely file a return or pay any estate tax liability due under the act will result in a penalty assessment of one percent of the unpaid balance of the tax due for each month, up to 24 percent, plus interest as prescribed by subsection (a) of KSA 79-2968 from the date the tax was due until paid. If the Director of Taxation were to determine that underpayment of tax was due to a failure to have made a reasonable attempt to comply with the act, an additional 25 percent penalty of the unpaid balance of the tax would be levied. Failure to file a return or the filing of an incorrect or insufficient return will trigger a provision requiring the Director of Taxation to estimate the value of the taxable estate and assess a 50 percent penalty thereon, plus interest. Any personal representative acting with fraudulent intent is subject to a penalty of 100 percent of the tax due, plus interest. Personal representatives intentionally signing fraudulent returns are deemed guilty of a felony and subject to imprisonment of up to five years.

Additional provisions authorize under certain circumstances the filing of tax liens and provide for the issuance of tax warrants.

Finally, the Kansas estate tax exemption filing threshold is conformed to the federal threshold, effective for estates of decedents dying on and after January 1, 2007.

Local Sales Taxes. Additional language classifies all Wyandotte County cities as "class D" cities for purposes of local sales taxation, granting such cities additional local sales tax authority of up to 0.75 percent for economic development or strategic planning initiatives or for public infrastructure projects. Sumner County also is authorized to impose a local sales tax of up to 1.0 percent without sharing the monies with cities located therein, provided the revenues are pledged to finance a courthouse, jail, law enforcement center, or county administrative facility.

Other local sales tax language provides new sales tax authority of 0.4 percent for Jackson County, with the revenues earmarked 50 percent for economic development initiatives and 50 percent for public infrastructure projects. Any such tax imposed is required to sunset after seven years.

Additional provisions of the bill provide special local sales tax authority for Chase and Shawnee counties. Chase County is authorized to impose a tax of up to one percent without being required to share the revenues with cities located therein, provided the monies are earmarked for financing the construction or remodeling of a courthouse, jail, law enforcement facility, or other county administrative facility. Any such tax imposed is required to sunset upon the payment of all costs incurred in the financing of such facilities. Shawnee County is granted new authority of one quarter percent for the purposes of pledging the monies to the city of Topeka to finance the costs of rebuilding the Topeka Boulevard Bridge and other public infrastructure improvements associated therewith. Any such tax imposed is required to sunset upon the payment of all costs incurred in the financing of such projects.

Withholding Tax Provisions. Additional sections amend income tax withholding statutes to:

- Require withholding on management and consulting fees that are paid in the ordinary course of trade, business, or other for-profit venture to a nonresident of the State of Kansas.

- Clarify in a number of places that withholding is required by employers, payers, persons, or organizations deducting and withholding tax. Prior law referred to the employer or payor only.

- Make a number of adjustments to the definition section of the withholding law.

- Clarify that S corporations, partnerships, and limited liability companies (LLCs) are required to withhold tax on distributions to nonresident shareholders, partners, and members.

- Require that S corporations, partnerships, and LLCs file a return on withholding and furnish nonresident shareholders, partners, and members with a written statement as proof of the amount of his or her share of distributed or undistributed income that has been withheld.

- Waive the withholding requirement if the nonresident shareholder, partner, or member is income tax exempt and provides a statement to that effect including pertinent information.

- Waive the withholding requirement if the nonresident shareholder, partner, or member files an affidavit agreeing to be subject to personal jurisdiction of the Department of Revenue and the Kansas courts for tax purposes.

Streamlined Sales Tax Provisions. Other provisions of the bill make a number of changes to state and local sales tax laws necessary to bring Kansas into compliance with the uniformity and simplification requirements set forth in the multistate Streamlined Sales and Use Tax Agreement (Agreement) adopted by the Implementing States (including Kansas) on November 12, 2002.

Included among the major streamlined provisions are changes in sourcing rules; provisions establishing uniform state and local sales tax bases; and enactment of a number of definitions required by the multistate agreement.

Property Tax and Real Estate Provisions—Various

HB 2205 provides that in the determination of fair market value for property tax purposes of any real property subject to a special assessment, the value may not be determined by adding the present value of the special assessment to the sales price.

Other provisions of the bill require sellers of real property subject to certain special assessments or fees to estimate the amount of such assessments or fees and disclose the information to buyers. Sellers are then required to obtain written acknowledgments that buyers have been apprised of the information.

Additional language amends property tax exemption statutes relating to certain airport property owned and operated by political subdivisions to authorize county appraisers, retroactively to tax year 1992 in one instance and retroactively to tax year 1993 in another, to list the value of land and improvements separately on the assessment rolls after such property has been valued. An additional provision limits the authority of the State Board of Tax Appeals to order refunds, effective for certain exemption applications filed after December 31, 2002, from the current three years to the year immediately preceding the year in which such applications have been filed.

Another provision permits a mortgagee of record at the time of sale, or their assignee, to be a bidder at tax foreclosure sales.

Property Tax Accelerator

HB 2397 would, contingent upon a special determination by the Governor in August or September of 2003 as to the state's fiscal condition, provide for acceleration of the payment date for the second half of the prior year's property taxes from June 20 to May 10, beginning in 2004. (The Governor in late August in fact made such a finding and triggered the accelerator provisions.) Also contingent upon that determination, the bill would change a number of other statutory dates related to that policy decision, including various property tax receipt distribution dates; motor vehicle receipt distribution dates; dates relating to when county treasurers are required to mail delinquency notices; and dates relating to the computation of interest on delinquent taxes.

Further, contingent upon the determination of the Governor to implement the property tax accelerator are various adjustments to state property tax levies. For tax year 2003 only, the current levy of 1 mill for the Kansas Educational Building Fund (EBF) would be reduced to 0.6 mills; the current levy of 0.5 mills for the State Institutions Building Fund (SIBF) would be reduced to 0.3 mills; and a new temporary levy of 0.6 would be imposed for the State General Fund (SGF). The levies for the EBF and SIBF would return to their current levels beginning in tax year 2004, and no levy would be imposed for the SGF in that year.

The Governor, if deciding to implement her authority and make the determination necessary to trigger the property tax accelerator and other provisions, is required to publish notice in the *Kansas Register* on or before September 30, 2003.

Should the Governor make the determination necessary to implement the provisions of the bill, the net benefit to the State General Fund in FY 2004 is projected to be $178.986 million.

Sales Tax Nexus

HB 2416 redefines “retailer doing business in the state” for purposes of sales and use taxes to include retailers having or maintaining permanently, temporarily, directly or indirectly through a subsidiary, agent or representative, an office, distribution house, sales house, warehouse, or other place of business. Additional new language relating to sales tax nexus requires in-state businesses to collect sales tax on the selling price of items delivered to in-state customers who have ordered such items from out-of-state businesses not registered to do business with Kansas.

Income Tax Withholding

SB 281, the Economic Development Revitalization and Reinvestment Act, provides for the issuance of up to $500 million in income tax withholding bonds by the Kansas Development Finance Authority for certain research, development, engineering, or manufacturing projects approved by the Secretary of Commerce. Qualifying projects would have to be undertaken by businesses developing a new or improved component or product; proposing to invest at least $500 million in the state in direct connection with the project; and proposing to employ up to 4,000 full-time employees in the state.

Income tax withholding monies collected by eligible employers from employees involved in qualifying projects could be diverted from the SGF for up to 20 years to pay interest on the bonds.

Statewide STAR Bond Authority

Sub. for HB 2208 expands provisions relating to sales tax and revenue (STAR) bonds to authorize additional "special bond projects" having either a $50 million capital investment; $50 million in projected gross annual sales revenues; or which have been found by the Secretary of Commerce to be a major commercial entertainment and tourism area of regional or statewide importance.

STAR bonds, which provide for a diversion of state sales tax receipts from the SGF and SHF, could be issued for periods of up to 20 years.

SUMMARY OF 2002 TAX LEGISLATION

Revenue Enhancements and Other Tax Provisions

SB 39 provides a number of revenue enhancements, with the additional revenues earmarked for deposit in the State General Fund (SGF). The bill also provides for several business tax reductions, including an expansion of the business machinery and equipment income tax credit for property taxes paid; an extension of that credit to railroads; a special corporation income tax apportionment formula for investment funds service corporations; and a package of incentives for tire manufacturers and retreaders that includes a provision authorizing that debt service on Kansas Development Finance Authority (KDFA) bonds be paid by utilizing up to 75 percent of employee withholding taxes. The legislation further expands two programs designed to reduce the regressivity of the tax structure - the earned income tax credit and food sales tax rebate programs. Among the bill's provisions:

Revenue Enhancements

! **Sales Tax.** The state sales and compensating (use) tax rates are increased from 4.9 to 5.3 percent, effective July 1, 2002. The rates will subsequently be reduced to 5.2 percent on July 1, 2004; and to 5.0 percent on July 1, 2005.

! **Cigarette Tax.** The cigarette tax is increased from 24 cents per pack to 70 cents per pack, effective July 1, 2002, and is further increased an additional nine cents (to 79 cents per pack) on January 1, 2003. A "floor" or inventory tax equivalent to the increases also is imposed, and an adjustment is made to the dealers' discount percentage to assure that all new revenues will be deposited in the SGF.

! **Class C Inheritance Tax Reimposition.** For estates of decedents dying on or after the effective date of this section, an inheritance tax is imposed on interests received by "Class C" beneficiaries (generally, persons other than lineal ascendants or descendants and brothers and sisters) at rates ranging from 10 to 15 percent. These provisions effectively reenact part of the inheritance tax act repealed in 1998.

! **Withholding Tax Provisions**. A definition of "distribution" is amended to include subchapter S corporations, limited liability corporations, and partnerships to bring Kansas' withholding tax provisions into conformity with federal provisions such that state withholding will occur under the same circumstances as federal withholding. KSA 2001 Supp. 79-31,100a is amended to provide that withholding be applicable to distributions to nonresident shareholders and partners. An additional provision clarifies that any IRS determination relieving payors from withholding responsibilities also will be applicable for Kansas withholding. Finally, the term "wages" is expanded to include prizes and awards paid to professional athletes at sporting events held in the state.

! **Corporation and Other Franchise Taxes**. Various franchise taxes and fees are increased to effectively double the amount of revenue received relative to prior law. (Prior law, for example, imposed a tax of $1 per $1,000 of shareholder equity on corporations up to a maximum of $2,500. The tax will now be $2 per $1,000 of shareholder equity up to a maximum of $5,000).

! **Sales Tax Exemption on Custom Software.** The bill repeals a sales tax exemption which had been provided for the sale of custom computer software.

Low-and-Moderate-Income Tax Relief

- **Food Sales Tax Rebates**. The food sales tax rebate program is expanded beginning in tax year 2002 by indexing the qualifying income thresholds for inflation and by increasing the dollar amounts of the rebates to $36 and $72. (Under prior law, refunds of $60 per person were available for taxpayers with qualifying income of $0 to $12,500; and refunds of $30 were available for those with income of $12,501 to $25,000. Based on inflation assumptions used by the Department of Revenue, the program will be expanded for tax year 2002 such that refunds of $72 per person will be available for those with qualifying income of $0 to $12,800; and refunds of $36 per person will be available for those with income of $12,801 to $25,600.)

- **EITC**. The bill increases the Kansas Earned Income Tax Credit from 10 percent to 15 percent of the federal credit beginning in tax year 2002.

Business and Economic Development Tax Provisions

- **Business Machinery and Equipment Credits.** The tax credits available for property taxes timely paid on business machinery and equipment are increased from 15 to 20 percent beginning in tax year 2005; and to 25 percent beginning in tax year 2007.

- **Tax Credits Extended to Railroads**. The machinery and equipment tax credits for property taxes paid will for the first time be made available for railroad property beginning in tax year 2005 (when the amount of the credit will be 20 percent). The railroad property also will qualify for the subsequent credit increase in tax year 2007. Prior to 2005, the Joint Committee on Economic Development will be required to conduct an interim study regarding the necessity of extending the tax credits to railroad property.

- **Investment Funds Service Corporations.** A special income tax apportionment formula will be made available to investment funds service corporations, authorizing such entities to elect to have income apportioned to Kansas based on the number of shares owned by resident shareholders compared with the total number of shares owned by all shareholders (in lieu of the traditional three factor apportionment formula based on property, payroll, and sales).

- **Tire Manufacturers.** KDFA is authorized to issue up to $10 million in bonds qualified to tire manufacturing businesses meeting certain criteria and contracting with the Department of Commerce and Housing. Bonds would be issued equal to $1 for every $5 pledged to be invested by the qualified business, and the proceeds would be used to acquire or improve real or personal property in Kansas for modernization and retooling of the contracting business. The bonds would be paid with up to 75 percent of moneys collected by the contracting business for withholding of employee individual income taxes.

- **Property Tax Exemption**. The bill also expands the property tax exemption in KSA 2001 Supp. 79-201w for certain items of machinery, equipment, materials, and supplies with original retail cost when new of $250 or less to include such items with original retail cost when new of $400 or less beginning in tax year 2003.

- **Use Valuation of Agricultural Land**. The statutory formula relating to use valuation of agricultural land for property tax purposes is amended to provide that the capitalization rate for all years beginning in 2003 be set at not less than 11 percent and not more than 12 percent.

Property Tax Provisions—Miscellaneous

- **Use Valuation Report.** The Director of Property Valuation (PVD) is required to submit a report on or before September 1, 2002, relating to the history of agricultural land valuation procedures.

- **Delinquent Property Tax Provisions**. The bill amends the procedures for sale of property for delinquent taxes to permit a county without a court order to sell lots or tracts previously offered at public auction but which did not sell. In addition, a court may authorize a county to dispose of one or more lots or tracts by negotiated public or private sale or simply to transfer the lots or tracts if the properties have not sold at a prior public auction. (The latter procedure is subject to a notice and hearing procedure.) KSA 79-2401a also is amended to remove Wyandotte County from a special provision of law previously applicable to only Wyandotte and Johnson counties that requires partial redemption payments for delinquent homestead property taxes be credited to the most recent year for which the real estate was carried on the county tax-sale books.

- **Boat Valuation.** The bill provides for proration of the taxable value of boats which are acquired or sold between January 1 and September 1 of any taxable year. Under prior law, responsibility for taxes on the entire value of the boat is with the party who owns the boat on January 1 of a given year. A specific formula will now be used to establish a prorated share of the taxable value for parties selling and acquiring a boat between January 1 and September 1. The bill requires that the county appraiser be notified within 30 days of the sale or acquisition.

Sales Tax Provisions—Miscellaneous

- **Sales Tax on Phone Cards.** The bill removes from the sales tax imposition statute a requirement that prepaid telephone calling cards or authorization numbers have prepaid value measured in minutes or other time units in order to qualify for gross receipts taxation at the point of sale. Striking the requirement effectively extends the point-of-sale tax treatment to all prepaid calling cards and authorization numbers.

- **Local Sales Tax Provisions**. The bill grants Douglas County additional local sales tax authority of 0.25 percent, provided the revenue is pledged for preservation, access, and management of open space and for industrial and business park-related economic development. Anderson County also is added to a list of counties authorized to impose a sales tax and retain the entire amount of revenues (without sharing such revenues with cities), provided the moneys are pledged for financing the construction or remodeling of a courthouse, jail, law enforcement center, or other county administrative facility. Anderson County is granted an additional one percent of authority relative to the law for such purposes.

- **Sales Tax Exemption for Federal Employee Hotel Room Rentals.** Another section enacts a new sales tax exemption for the gross receipts received from the rental of rooms by hotels and accommodations brokers to the federal government and its officers and employees when such rentals are made in association with the performance of official government duties.

Income Tax Provisions—Miscellaneous

- **Historic Preservation Credits**. The bill makes several changes to the Historic Structure Rehabilitation Expenditure Credit which was created in 2001 and authorizes tax credits equivalent to 25 percent of qualified expenditures incurred in the restoration and preservation of a qualified historic structure pursuant to a qualified rehabilitation plan. The bill allows the credits to be claimed against the financial institutions privilege tax and the insurance premiums tax, in addition to the income tax. The bill further clarifies the treatment of business entities claiming the credits against individual income taxes and provides for the transfer of credits.

! **PEOs.** A Professional Employment Organization (PEO) will be considered an employer for purposes of Kansas income tax withholding. The client will give payroll information for assigned workers to the Department of Revenue for income tax purposes and in order to qualify for certain tax incentives.

Taxpayer Fairness

! **Taxpayer Fairness.** Other sections of the bill enact the Taxpayer Fairness Act of 2002:

" Among the new provisions of law are a requirement that Department of Revenue correspondence regarding tax assessments contain detailed, clear and accurate explanations of the assessments demanded, including specific information on the tax and tax year in question, as well as on penalties and interest. Any such correspondence involving amounts in excess of $750 for individual accounts and $2,000 for business accounts is required to be reviewed for accuracy by departmental employees prior to issuance and to contain the employee identification number and telephone number of employees performing the accuracy reviews. An additional requirement relating to correspondence seeking to change the tax or refund due on returns filed by taxpayers mandates that the proposed change be explained in simple and nontechnical terms.

" If a taxpayer has designated a third party or other representative to discuss Kansas income tax returns, the Department is required to adhere to and comply with such designation and in discussions and correspondence regarding issues related to the returns.

" The Department also is required to waive civil penalties upon the finding of any circumstance allowing waiver of civil penalties pursuant to the provisions of the federal Internal Revenue Code.

" Closing letters also are required to be issued within 30 days upon the resolution of assessments to taxpayers or taxpayers' representatives. Taxpayers will be entitled to rely on the closing letters, and the Department is prohibited from maintaining positions against taxpayers inconsistent with the stipulations of the letters.

" The Department is required to notify in writing persons who are the subject of tax warrant filings. The notification will have to be delivered within five business days of the date the warrant is filed and is required to include in simple and nontechnical terms the amount of unpaid taxes, information on the administrative appeals process available to the taxpayer, and on the provisions of law relating to the release of warrants on property.

" KSA 79-3226 is amended to change a provision prohibiting additional individual income tax assessments in amounts of less than $5. Under the new language, additional tax amounts of up to $100 may be waived when the Department has determined that administration and collection costs involved would not warrant the efforts.

Annual Report on Cost-Effectiveness of Tax Incentives

SB 129 requires the Secretary of Revenue to consult with the President of Kansas, Inc. regarding the development of a questionnaire on the use of state income tax credits and sales questionnaires to develop an annual report on the cost-effectiveness of economic development tax exemptions and credits.

Mobile Telecommunications Sourcing Act

SB 372 conforms Kansas law to the federal Mobile Telecommunications Sourcing Act (MTSA). The MTSA will be in effect as of August 1, 2002. It provides for a uniform method of sourcing tax revenues from the sales of mobile transactions, thereby avoiding multiple taxation of a customer's purchase of wireless telecommunications services. Two key components of the law are establishment of a "place of primary use" and the creation of state databases assigning street addresses to state and local taxing jurisdictions.

Under the law, tax revenues from sales of wireless telecommunications services are sourced to the customer's place of primary use. This is defined as the residential or business street address of the customer, regardless of the state where the individual's calls originate, terminate, or pass through. This address also must be within the licensed service area of the customer's home service provider.

In order to facilitate the new method of sourcing, the MTSA allows for states to create a state-level database assigning each street address within the state to the appropriate set of taxing jurisdictions. Carriers using a state database are held harmless for mistakes in assigning street addresses to taxing jurisdictions. If a state chooses not to create the database, a carrier may develop a database that assigns street addresses to taxing jurisdictions using a nine-digit zip code methodology. So long as the carrier exercises due diligence in creating and maintaining the database, the carrier is held harmless under the law for any under-collected tax liability arising from a good faith mistake in matching street addresses to taxing jurisdictions.

The effective date of the bill is August 1, 2002, to correspond with the effective date of the federal law.

Streamlined Sales Tax; Tax Administration

SB 472 enacts the Kansas version of the streamlined sales and use tax administration act and a number of tax administrative clean-up provisions.

Streamlined Sales Tax

The Department of Revenue is authorized to become a signatory to the multistate streamlined sales and use tax agreement and make preparations for its implementation, which cannot occur until such time as the Legislature has taken further action to bring the state's laws into compliance with the agreement. The Department is required to identify all changes in law and rules and regulations necessary and sufficient to meet the agreement's compliance requirements. The bill also provides that the Secretary of Revenue or his designee is authorized to represent Kansas before other states participating in the streamlined sales tax project or that are signatories to the agreement. Appointees of the Senate President, House Speaker, Senate Minority Leader, and House Minority Leader also will be authorized to represent Kansas at the meetings. All such appointees will be paid compensation, subsistence allowances, mileage, and other expenses.

Tax Administrative Clean-Up

New statutory language clarifies that the Secretary of Revenue is authorized to adopt rules and regulations necessary to administer and enforce, as provided by law, various taxes and that all rules and regulations in existence on the effective date of the act will continue to be in effect.

Amendments to KSA 2001 Supp. 74-2438 and KSA 79-3226 clarify that taxpayers are authorized to appeal to the State Board of Tax Appeals at any time when no final determination has been made by the Department of Revenue after 270 days since the date of request for informal conferences, provided no written agreement exists between the parties agreeing to extend the time for final determination.

Additional amendments to KSA 79-3650 expand the circumstances under which consumers are authorized to file sales tax refund claims directly with the Department in lieu of going through retailers. Refund claims from individuals will be acceptable when accompanied with notarized statements from retailers: (a) disavowing making the same refund claims on behalf of consumers; (b) agreeing to provide documentation of any information to consumers regarding the claims; (c) acknowledging that the tax in question has already been remitted to the state; and (d) stipulating that credits have not been and will not be taken for the amount of tax in question.

Another provision clarifies corporation income tax law regarding how income is reported for Kansas tax purposes by confirming that the state uses a" transactional test" to determine whether income is apportionable business income.

Another section provides statutory authority for the Department of Revenue to setoff a taxpayer's liability for one type of tax against the taxpayer's overpayment of another type of tax. The bill expressly provides that overpayments of estimated income tax will first be applied to any other tax liability, with the balance remaining available for refund or credit. The bill also amends certain statutes to replace references to the "Director of Revenue" with the "Secretary," reflecting the current organizational structure of the Department of Revenue.

KSA 2001 Supp. 75-5154 is amended to add marijuana and controlled substance taxes to the list of other excise taxes that may be abated by the Secretary of Revenue or his designee.

Finally, additional language provides civil penalties and interest provisions for failure to meet requirements relative to filing or payment of royalties for sand, gravel, or other products removed from river beds. The Department of Revenue will enforce the penalties, which may be waived or reduced at the Secretary's discretion.

IMPACT Program Enhancements

SB 565 increases the statutory maximum on the percentage rate of individual income withholding taxes credited to funds within the Department of Commerce and Housing and used for debt service on bonds for the Investments in Major Projects and Comprehensive Training (IMPACT) Program. The bonds are issued to fund grants for training expenses for companies relocating to or expanding in Kansas. The prior statutory maximum rate was 1.0 percent of individual income withholding taxes and was credited to funds for payment of the debt service. SB 565 increases that maximum to 1.5 percent in Fiscal Year 2004 and to 2.0 percent in Fiscal Year 2006. The bill also adjusts the eligibility requirements for participation in the IMPACT program. Previously, companies were required to maintain a minimum of 1,000 retained jobs and make a minimum capital investment of $250,000,000. SB 565 lowers those minimums to 250 retained jobs and $50,000,000 in capital investment.

Tax Credit for Port Authority Debt Retirement

HB 2586 provides capital contribution credit similar to an income tax credit for tax years 2002 through 2021 equal to the total amount attributable to the retirement of indebtedness authorized by a single city port authority established before January 1, 2002. The amount of the credit allowed for any one fiscal year is limited to $500,000, and any unused credit could be carried forward to future tax years.

The Director of Accounts and Reports is required to issue a warrant to such taxpayer for the amount of the credit after the appropriate amount of credit has been certified by the Secretary of Revenue. This warrant mechanism will be in lieu of an actual tax credit and will be deemed to be a capital contribution.

Real Estate Sales Validation Questionnaire

HB 2698 changes the requirement for filling out the real estate sales validation questionnaire to add to the list of exemptions regarding transfers of title. The questionnaire requirement would not apply to transfers of title “from” a trust with no consideration. Prior law allowed the exemption for transfers “to” a trust with no consideration.

Another exception is to be made for the purpose of releasing an equitable lien on a previously recorded affidavit of equitable interest and without additional consideration.

Transportation Tax Enhancements

HB 3011 makes several changes in tax provisions relative to the comprehensive transportation program enacted in 1999.

Motor Fuels Tax Increase

The gasoline and LP-gas motor fuels tax rate are 2 cents per gallon, effective July 1, 2002. Various fees charged for special LP-gas permit users also are increased by complementary amounts. The motor fuels tax rate changes on July 1, 2002, will be as follows: gasoline, increased from 21 to 23 cents per gallon; the special fuels tax increased from 23 to 25 cents per gallon; and the LP-gas tax increased from 20 to 22 cents per gallon. Total motor fuels tax receipts are expected to increase by about $32.6 million in fiscal 2003.

Motor Vehicle Registration Tax Increase

Motor vehicle registration taxes are increased for passenger automobiles and pickup trucks by $5; and for various trucks by amounts ranging from $2 to $10, effective July 1, 2002. Registration taxes are expected to increase by $11.6 million in fiscal 2003.

Additional Local Use Tax—Motor Vehicle Situs

HB 3032 imposes an additional local compensating use tax on motor vehicles purchased in the state that is applicable to the extent that the combined local sales tax rates imposed on the situs of such vehicles (the residences or places of business of purchasers) exceeds the combined local rates imposed at the locations of the vehicle purchases.

Any such additional tax imposed will be collected by county treasurers at the time the vehicles are registered. All laws and rules and regulations of the Department of Revenue relating to the use tax will apply to the additional use tax insofar as they may be made applicable.

Revenues from the tax received by counties are required to be apportioned according to the existing formulas for distribution of countywide sales and use taxes.

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 1999 – FY 2004

In Thousands

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Property						
Educational Bldg.[1]	$ 18,885	$ 19,790	$ 20,973	$ 22,563	$ 23,142	$ 24,051
Institutional Bldg.[1]	9,443	9,895	10,487	11,282	11,571	12,025
State General	--	--	--	--	--	13,718
Mortgage Regis. [2]	849	771	813	1,001	1,097	1,140
Motor Carrier	15,771	16,125	17,920	18,068	15,729	19,498
Mtr. & Rec. Vehicles [3]	3,944	3,836	3,809	3,979	4,168	4,320
Total	$ 48,892	$ 50,417	$ 54,002	$ 56,893	$ 55,707	$ 74,752
Income and Privilege						
Individual	$ 1,697,580	$ 1,861,624	$ 1,984,575	$ 1,854,848	$ 1,776,884	$ 1,899,334
Corporation	227,370	250,123	211,907	94,012	105,222	141,173
Financial Inst.	26,356	22,301	24,816	27,919	31,120	25,435
Domestic Ins. Co.	(1,191)	(5)	0	0	0	0
Total	$ 1,950,115	$ 2,134,043	$ 2,221,298	$ 1,976,779	$ 1,913,226	$ 2,065,942
Inheritance/Estate[4]	$ 81,859	$ 62,888	$ 41,196	$ 48,082	$ 46,952	$ 48,064
Sales, Use, and Excise						
Retail Sales	$ 1,474,536	$ 1,520,412	$ 1,500,677	$ 1,552,746	$ 1,650,318	$ 1,706,678
Compensating Use	212,035	223,423	249,323	246,739	238,225	225,156
Subtotal	$ 1,686,571	$ 1,743,835	$ 1,750,000	$ 1,799,485	$ 1,888,543	$ 1,931,834
Motor Fuels	325,088	358,569	358,899	374,701	411,619	423,853
Vehicle Registration [5]	137,872	138,696	136,685	137,549	151,737	157,276
Cereal Malt Beverage	2,448	2,431	2,489	2,380	2,273	2,165
Liquor Gallonage	14,496	15,063	15,196	15,337	15,488	16,615
Liquor Enforcement	30,797	33,336	35,351	37,424	38,833	40,256
Liquor Drink	21,833	22,606	24,495	26,239	27,197	28,492
Cigarette	51,181	49,125	48,784	48,040	129,250	119,789
Tobacco Prod.	3,369	3,773	4,092	4,302	4,510	4,797
Corporation Franchise	15,866	16,834	16,927	18,520	31,089	36,806
Wheat [6]	4,052	3,432	0	0	0	0
Boat Registration	646	626	640	757	858	846
Severance	44,013	56,956	109,180	59,871	78,253	91,039
New Tires	1,384	1,423	1,433	864	705	727
Motor Vehicle Rental	2,719	2,521	2,636	2,788	2,898	2,615
Drycleaning & Laundry	1,058	1,241	1,202	1,207	1,209	1,267
Clean Water	0	0	0	490	2,760	2,734
Total	$ 2,343,393	$ 2,450,467	$ 2,508,009	$ 2,529,954	$ 2,787,222	$ 2,861,111

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Gross Receipts						
Insurance Premiums						
Foreign Cos.[7]	$ 59,809	$ 49,914	$ 50,222	$ 69,979	$ 80,070	$ 89,467
Domestic Cos.	6,440	8,862	17,528	15,807	15,566	18,465
Firefighters Relief	5,545	5,213	5,519	6,714	7,574	8,404
Fire Marshal	3,680	3,642	3,942	4,394	4,979	5,491
Subtotal	$ 75,474	$ 67,631	$ 77,211	$ 96,894	$ 108,189	$ 121,827
Private Car Cos.	$ 881	$ 866	$ 887	$ 856	$ 758	$ 740
Music-Dramatic Tax	15	18	14	11	11	20
Bingo Enforcement	979	908	778	680	675	651
Transient Guest [8]	338	341	367	376	376	422
Parimutuel	4,118	4,239	3,973	3,813	3,875	3,530
Illegal Drugs	1,601	1,466	1,299	1,031	852	705
Total	$ 83,406	$ 75,469	$ 84,529	$ 103,661	$ 114,736	$ 127,895
Unemployment Comp.	$ 47,848	$ 107,655	$ 176,337	$ 186,054	$ 220,628	$ 282,569
TOTAL STATE TAXES	**$ 4,555,513**	**$ 4,880,939**	**$ 5,085,371**	**$ 4,901,421**	**$ 5,138,471**	**$ 5,460,333**

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. For FY 2003, includes $2.237 million in succession tax collections; and for FY 2004, includes $2.898 million in succession tax refunds.

5. State receipts only, excluding amounts retained by county treasurers.

6. Starting in FY 2001, wheat collections are no longer 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.

7. Includes retaliatory taxes.

8. State's 2 percent share of the tax.

TABLE 3

Allocation to Funds of Total State Tax Revenue
(Net of Refunds) FY 2004
($ in Thousands)

	Amount	Percent of Total	Cumulative Percent	Taxes Credited to: SGF	Other Funds
Individual Income	$ 1,899,334	34.78%	34.78%	$ 1,888,431	$ 10,903
Retail Sales	1,706,678	31.26%	66.04%	1,612,067	94,611
Motor Fuels	423,853	7.76%	73.80%	0	423,853
Unemployment Comp.	282,569	5.17%	78.98%	0	282,569
Compensating Use	225,156	4.12%	83.10%	214,503	10,653
Motor Vehicle Registration	157,276	2.88%	85.98%	0	157,276
Corporation Income	141,173	2.59%	88.57%	141,173	0
Cigarette and Tobacco	124,586	2.28%	90.85%	124,586	0
Insurance Premiums	121,827	2.23%	93.08%	106,864	14,963
Liquor and Beer	87,528	1.60%	94.68%	65,418	22,110
Gas Severance	71,032	1.30%	95.98%	66,054	4,978
State Property	49,794	0.91%	96.90%	13,718	36,076
Estate/Inheritance	48,064	0.88%	97.78%	48,064	0
Corporation Franchise	36,801	0.67%	98.45%	36,806	(5)
Financial Institutions Privilege	25,435	0.47%	98.92%	25,435	0
Oil Severance	20,007	0.37%	99.28%	18,587	1,420
Motor Carrier Property	19,498	0.36%	99.64%	19,498	0
State Motor Vehicle	4,269	0.08%	99.72%	1,541	2,728
Parimutuel	3,530	0.06%	99.78%	0	3,530
Water	2,734	0.05%	99.83%	2,595	139
Vehicle Rental Excise	2,615	0.05%	99.88%	0	2,615
Drycleaning	1,267	0.02%	99.90%	0	1,267
State Mortgage Reg.	1,140	0.02%	99.92%	0	1,140
Boat Registration	846	0.02%	99.94%	0	846
Private Car Co.	740	0.01%	99.95%	740	0
New Tires	727	0.01%	99.97%	0	727
Illegal Drugs	705	0.01%	99.98%	177	528
Bingo	651	0.01%	99.99%	434	217
State Transient Guest	422	0.01%	100.00%	422	0
State Rec. Vehicle	51	0.00%	100.00%	0	51
Music, Dramatic	20	0.00%	100.00%	20	0
Total	**$ 5,460,333**	**100.00%**		**$ 4,387,130**	**$ 1,073,203**
				80.35%	**19.65%**

TABLE 4

LOCAL GOVERNMENT TAX REVENUE, FY 1999-2004
In Thousands

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Counties						
Tangible Property(1	$ 593,659	$ 634,595	$ 677,315	$ 737,746	$ 771,090	$ 825,062
Intangibles(2	2,101	2,087	2,257	2,131	2,015	1,399
Mortgage Registration(3	36,410	35,463	31,916	41,339	48,661	59,416
Motor Veh. Registration(3	10,580	10,890	11,041	11,230	13,614	13,664
Transient Guest	1,052	1,090	1,082	1,068	1,059	1,090
Motor and Rec. Vehicle(2	78,134	75,727	75,249	80,989	85,252	92,458
Cities						
Tangible Property(1	$ 397,334	$ 432,523	$ 461,354	$ 510,043	$ 539,330	$ 585,292
Intangibles(2	1,627	1,497	1,359	1,404	1,266	1,005
Transient Guest	15,506	15,637	16,990	17,324	17,309	18,873
Motor and Rec. Vehicle(2	62,054	58,853	57,285	60,271	63,296	65,450
Schools(4						
Tangible Property(1	$ 897,665	$ 959,305	$ 1,076,488	$ 1,199,048	$ 1,256,440	$ 1,272,871
Motor and Rec. Vehicle(2	115,482	100,933	79,295	86,369	96,553	105,983
Townships						
Tangible Property(1	$ 34,418	$ 37,687	$ 39,258	$ 41,882	$ 43,170	$ 45,258
Intangibles(2	1,258	1,304	1,405	1,244	977	720
Motor and Rec. Vehicle(2	4,109	4,043	4,108	4,336	4,405	4,581
Special Districts						
Tangible Property(1	$ 106,555	$ 118,446	$ 127,031	$ 134,633	$ 125,583	$ 139,165
Motor and Rec. Vehicle(2	11,472	10,976	10,959	11,696	12,157	12,607
Taxes Not Allocated						
Local Sales & Use(5	$ 470,432	$ 513,635	$ 542,765	$ 549,605	$ 547,773	$ 611,306
16m & 20m "tagged" vehicles(2 (6	4,688	4,352	4,287	4,847	5,417	5,865
TOTAL LOCAL TAXES	**$ 2,844,536**	**$ 3,019,043**	**$ 3,221,444**	**$ 3,497,205**	**$ 3,635,368**	**$ 3,862,065**
Exhibit:						
Tangible Property	$ 2,029,631	$ 2,182,556	$ 2,381,446	$ 2,623,352	$ 2,735,614	$ 2,867,648
Motor and Rec. Vehicle	275,939	254,884	226,896	243,661	261,663	281,079
Total	$ 2,305,570	$ 2,437,440	$ 2,608,342	$ 2,867,013	$ 2,997,277	$ 3,148,727

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 2003 column is for CY 2002.
4. School districts, community colleges, and municipal universities, including out-district tuition tax levies made by counties and townships.
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; $83,000 of the $4.847 million in CY 2001 collections; $90,000 of the $5.417 million in CY 2002 collections; and $95,000 of the CY 2003 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 — PERCENTAGE OF COMBINED STATE AND LOCAL TAX REVENUE

Ranked on the Basis of FY 2004

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	FY 1999	FY 1990	FY 1980	FY 1970	FY 1960	FY 1950	FY 1940	FY 1930
General Property (a)	31.30%	31.57%	31.64%	29.05%	28.00%	27.81%	32.34%	39.19%	53.06%	56.44%	52.19%	62.95%	82.02%
Sales and Use (b)	27.28	27.77	27.97	27.60	28.58	29.15	22.55	19.75	15.74	15.34	15.76	9.94	-
Income and Privilege	22.16	21.81	23.54	26.74	27.01	26.35	21.87	21.42	10.57	6.73	4.95	2.04	-
Motor Fuels	4.55	4.69	4.46	4.32	4.54	4.39	4.61	5.24	8.81	8.26	11.00	9.92	8.18
Various Vehicle (c)	3.15	3.12	3.04	2.86	3.31	3.82	5.66	-	-	-	-	-	-
Unemployment Comp	3.03	2.51	2.22	2.12	1.36	0.65	3.49	3.86	1.77	2.21	2.51	4.85	-
Vehicle Registration	1.83	1.88	1.77	1.78	1.89	2.01	2.02	3.03	3.50	4.39	4.35	3.99	5.69
Cigarette and Tobacco	1.34	1.52	0.62	0.64	0.67	0.74	1.15	1.44	2.20	1.83	2.08	1.27	0.63
Insurance Premiums	1.31	1.23	1.15	0.93	0.86	1.02	1.44	1.54	1.22	1.31	1.22	0.99	1.05
Severance	0.98	0.89	0.71	1.31	0.72	0.59	1.71	-	-	-	-	-	-
Liquor and Beer	0.94	0.96	0.97	0.93	0.93	0.94	1.03	1.30	1.08	1.09	2.24	0.49	-
Mortgage Registration	0.65	0.57	0.50	0.39	0.46	0.50	0.25	0.38	0.20	0.28	0.39	0.30	0.30
Estate/Inheritance	0.52	0.54	0.57	0.50	0.80	1.11	0.89	1.19	0.82	0.82	0.48	0.39	0.67
Corporation Franchise	0.39	0.35	0.22	0.20	0.21	0.21	0.19	0.25	0.09	0.13	0.17	0.31	0.34
Transient Guest	0.22	0.21	0.22	0.22	0.22	0.23	0.15	0.04	-	-	-	-	-
Motor Carrier Property	0.21	0.18	0.22	0.22	0.20	0.21	0.20	0.19	0.15	0.16	0.09	0.03	(e)
Parimutuel	0.04	0.04	0.05	0.05	0.05	0.06	0.16	-	-	-	-	-	-
Intangibles	0.03	0.05	0.06	0.06	0.06	0.07	0.23	0.98	0.64	0.70	1.09	0.93	0.72
All Other (d)	0.08	0.09	0.07	0.08	0.13	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 6

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

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	FY 1999
State Taxes ($000)	$ 5,460,333	$ 5,138,471	$ 4,901,421	$ 5,085,371	$ 4,880,939	$ 4,555,513
Local Taxes ($000)	3,862,065	3,635,368	3,497,205	3,221,444	3,019,043	2,844,536
Total ($000)	**$ 9,322,398**	**$ 8,773,839**	**$ 8,398,626**	**$ 8,306,815**	**$ 7,899,982**	**$ 7,400,049**
State Population (000)	2,724	2,712	2,701	2,693	2,678	2,661
Kansas Personal Income						
($ millions)	$ 81,528.9	$ 78,382.5	$ 76,936.3	$ 74,569.7	$ 70,158.4	$ 67,800.3
Per Capita Income	29,930	28,838	28,432	27,439	26,134	25,519
Per Capita Taxes						
State	$ 2,005	$ 1,895	$ 1,815	$ 1,888	$ 1,823	$ 1,712
Local	1,418	1,339	1,294	1,196	1,127	1,069
Total	**$ 3,422**	**$ 3,234**	**$ 3,109**	**$ 3,085**	**$ 2,950**	**$ 2,781**
Ratio of Taxes to Personal Income						
State	6.70%	6.56%	6.37%	6.82%	6.96%	6.72%
Local	4.74%	4.64%	4.55%	4.32%	4.30%	4.20%
Total	**11.43%**	**11.19%**	**10.92%**	**11.14%**	**11.26%**	**10.91%**

Estimates of the US Department of Commerce as of April 1, 2004.

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