

# Kansas Tax Facts

2006 Supplement to the  
Seventh Edition



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## FOREWORD

The Seventh Edition of *Kansas Tax Facts* was published in December, 2000. This addendum is designed to supplement and update that publication by providing data from FY 2001 through FY 2006 and by summarizing significant tax legislation enacted in 2006. Summaries of significant tax legislation enacted in 2001 through 2005 may be found in the 2005 Supplement.

One change in this edition relates to the disaggregation of receipts to the state and various local units of the 16m and 20m “tagged” vehicle tax. (The owners of certain vehicles weighing up to 20,000 pounds pay these taxes with liability based on the motor vehicle tax law but have a payment schedule similar to personal property. In previous editions of *Tax Facts*, these receipts were all treated as local and could not be allocated between the various kinds of local governmental units.)

A second change in this edition relates to the treatment of property tax “excess local effort” for purposes of the school finance formula as a state receipt. Previous editions had treated all receipts from the mandatory school district general fund levy as local. Excess local effort, estimated at \$4.526 million of about \$493 million in school district general fund levy receipts for FY 2006, is now shown as a separate data series in the state receipts tables.

Another newly imposed state tax was added to the tables beginning in FY 2006. Legislation enacted in 2004 created the combative arts gross receipts tax, which generally applies to the regulated sports contests of boxing, sparring, professional kick-boxing, professional mixed martial arts, and professional full-contact karate.

Chris W. Courtwright, Principal Economist, is responsible for this publication.

## Combined State and Local Tax Revenue

Kansas state and local government net tax revenue totaled \$10.992 billion in FY 2006, which equated to \$4,004 per capita and to 12.15 percent of Kansas personal income in CY 2005. Following are the tax levies or collections, combining state and local tax revenue, in descending order of magnitude for FY 2006.

**Table 1**  
**Kansas State and Local Taxes**

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>% of FY 06 Total</u>	<u>% increase from FY 05</u>
General Property (a)	\$ 2,917,442	\$ 3,093,696	\$ 3,324,107	30.24%	7.45%
Sales and Use (b)	2,543,140	2,684,262	2,916,070	26.53	8.64
Income and Privilege	2,065,942	2,327,835	2,782,388	25.31	19.53
Motor Fuels	423,853	425,556	428,166	3.90	0.61
Unemployment Comp.	282,569	340,252	344,562	3.13	1.27
Various Vehicle (a) (c)	293,879	306,631	315,100	2.87	2.76
Vehicle Registration	170,940	175,411	176,650	1.61	0.71
Severance	91,039	111,147	143,476	1.31	29.09
Insurance Premiums	121,827	122,028	127,819	1.16	4.75
Cigarette and Tobacco	124,586	123,978	122,992	1.12	(0.80)
Liquor and Beer	87,528	89,966	95,282	0.87	5.91
Mortgage Registration	60,556	51,692	55,817	0.51	7.98
Estate/Inheritance	48,064	51,803	51,784	0.47	(0.04)
Corporation Franchise	36,806	47,085	46,880	0.43	(0.44)
Transient Guest	20,385	22,838	24,161	0.22	5.79
Motor Carrier Property	19,498	20,404	22,056	0.20	8.10
Parimutuel	3,530	3,210	3,004	0.03	(6.42)
Intangibles (a)	3,124	2,588	2,645	0.02	2.20
All Other (d)	7,690	7,659	8,544	0.08	11.56
<b>Total</b>	<b>\$ 9,322,398</b>	<b>\$ 10,008,041</b>	<b>\$ 10,991,503</b>	<b>100.0%</b>	<b>9.83%</b>

(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 nine taxes, the largest of which for FY 2006 was the clean water drinking tax at \$3.285 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 currently is 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 2006, total state and local tax revenue in Kansas was \$10.992 billion, with state taxes accounting for \$6.521 billion—or about 59.3 percent—of the total. State and local taxes grew by 9.83 percent over the FY 2005 figure of \$10.008 billion. State taxes increased by about \$632 million, or 10.74 percent, from FY 2005 to FY 2006, while local taxes increased by \$351 million, or 8.52 percent.
- Local governments continue to spend most of the state and local tax revenue. In FY 2006, local government tax revenue was \$4.470 billion; and local units received another \$3.142 billion from state taxes allocated to or shared with them. Thus, local units received \$7.612 billion, or about 69 percent, of total state and local taxes in FY 2006. Over 48 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 30 percent in FY 2006 (or about 33 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 25 percent of state and local tax revenue in FY 2006, 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 about 27 percent in FY 2006. The spread of local sales taxes has contributed significantly to the growth of sales tax revenue since 1970.
- State and local tax revenue in FY 2006 was 12.15 percent of CY 2005 Kansas personal income. Historically, this figure has remained remarkably constant. (The ratio was 14.63 percent in FY 1940; 11.64 percent in FY 1970; and 11.55 percent in FY 1990). The following table provides the data for the last six fiscal years.

#### **Taxes as Percent of Personal Income**

	State	Local	Both
FY 2001	6.83%	4.31%	11.14%
FY 2002	6.32	4.50	10.83
FY 2003	6.54	4.62	11.16
FY 2004	6.74	4.75	11.49
FY 2005	6.88	4.81	11.69
FY 2006	7.21	4.94	12.15

- The rate of growth in local taxes, especially property taxes, accelerated in FY 2006 for the second consecutive year after coming off two years of more modest growth. Local property taxes in FY 2006 increased by about 7.5 percent, or \$228 million. Of this amount, schools accounted for \$117 million of the increase. Property taxes in FY 2005 had increased by \$193 million (6.8 percent), with \$126 million of the increase attributable to schools. Property taxes in FY 2004 had increased by \$126 million (4.6 percent), only \$10 million of which was attributable to schools. Property taxes in FY 2003 had increased by \$113 million (4.3 percent), \$58 million of which was attributable to schools. Property taxes in FY 2002 had increased by \$243 million (10.2 percent), \$123 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 primarily treated as a local tax for the maintenance of historical tax tables. The relatively small portion of “excess” local effort that is recaptured for deposit in the State School District Finance Fund is treated as a state tax receipt.

### **State Tax Revenue**

In FY 2006, state tax revenue totaled \$6.521 billion, which was an increase of \$632 million, or 10.74 percent above collections in FY 2005. Receipts in FY 2005 had grown by \$425 million, or 7.78 percent, above FY 2004. (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. State tax collections grew by 6.3 percent in FY 2004.) Individual income taxes, which had declined for two consecutive years through FY 2003, again led the way in FY 2006 with a growth of \$321 million (after growing by \$181 million and \$122 million in FY 2005 and FY 2004, respectively). Corporation income taxes also increased by \$124 million; as did sales and compensating use taxes by \$123 million; and severance taxes by \$32 million.

For FY 2006, Table 3 shows state tax revenues in descending order of importance and how much of such revenue was credited to the State General Fund (SGF) and to other state funds. In that year, 81.66 percent went to the SGF and 18.34 percent was deposited in other funds.

Individual income taxes, corporation income taxes, and sales and use taxes accounted for 89 percent of SGF tax receipts in FY 2006 (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 have eroded slightly since the late 1990s. (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 2006, property and vehicle taxes accounted for 33.1 percent of the burden; sales and use taxes, 26.5 percent; and income and privilege taxes, 25.3 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)**

<u>Fiscal Year</u>	<u>State</u>	<u>Percent Increase</u>	<u>Local</u>	<u>Percent Increase</u>	<u>State and Local</u>	<u>Percent Increase</u>
2001	\$ 5,089,944	4.19%	\$ 3,216,871	6.70%	\$ 8,306,815	5.15%
2002	4,905,300	(3.63)	3,493,328	8.59	8,398,626	1.11
2003	5,141,714	4.82	3,632,124	3.97	8,773,839	4.47
2004	5,470,064	6.39	3,852,334	6.06	9,322,398	6.25
2005	5,888,881	7.66	4,119,260	6.93	10,008,141	7.36
2006	6,521,366	10.74	4,470,137	8.52	10,991,503	9.83

**Comparative Kansas Tax Burden**

Kansas is not a high tax state, according to federal comparison statistics. Using the two major tax burden comparisons (taxes as a percent of personal income or per capita), the state over the years consistently has finished in the middle when compared with all other states. For example, Kansas finished number 33 in state tax revenue as a percent of personal income; and number 32 in per capita state tax revenue in FY 2005, the latest year for which data are available from all states for such statistics. Kansas finished number 24 in per capita state and local collections; and number 25 in state and local collections as a percent of personal income in FY 2004, 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**

(1 = highest tax burden; 50 = lowest)

	<u>FY 2005 State Taxes as Percent of Personal Income</u>	<u>FY 2005 State Taxes Per Capita</u>	<u>FY 2004 State and Local as Percent of Personal Income</u>	<u>FY 2004 State and Local Per Capita</u>
Arkansas	4	18	33	50
Nebraska	29	24	13	12
Oklahoma	23	34	36	45
Kansas	33	32	24	25
Iowa	37	33	17	27
Missouri	46	46	46	43
Colorado	49	47	43	20

**Source:** U.S. Census Bureau

## **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.



TABLE 2

**STATE TAX REVENUE, NET OF REFUNDS, FY 2001 – FY 2006**  
(\$ In Thousands)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Property						
Educational Bldg. <sup>(1)</sup>	\$ 20,973	\$ 22,563	\$ 23,142	\$ 24,051	\$ 25,491	\$ 26,901
Institutional Bldg. <sup>(1)</sup>	10,487	11,282	11,571	12,025	12,746	13,450
State General	--	--	--	13,718	538	55
Mortgage Regis. <sup>(2)</sup>	813	1,001	1,097	1,140	1,145	1,204
Motor Carrier	17,920	18,068	15,729	19,498	20,404	22,056
Various Vehicle <sup>(3)</sup>	3,887	4,062	4,258	4,415	4,500	4,621
Excess Local Effort <sup>(4)</sup>	4,495	3,794	3,153	9,636	3,640	4,526
Total	\$ 58,575	\$ 60,770	\$ 58,950	\$ 84,483	\$ 68,464	\$ 72,813
Income and Privilege						
Individual	\$ 1,984,575	\$ 1,854,848	\$ 1,776,884	\$ 1,899,334	\$ 2,079,782	\$ 2,401,129
Corporation	211,907	94,012	105,222	141,173	226,040	350,201
Financial Inst.	24,816	27,919	31,120	25,435	22,013	31,058
Total	\$ 2,221,298	\$ 1,976,779	\$ 1,913,226	\$ 2,065,942	\$ 2,327,835	\$ 2,782,388
Inheritance/Estate <sup>(5)</sup>	\$ 41,196	\$ 48,082	\$ 46,952	\$ 48,064	\$ 51,803	\$ 51,784
Sales, Use, and Excise						
Retail Sales	\$ 1,500,677	\$ 1,552,746	\$ 1,650,318	\$ 1,706,678	\$ 1,747,774	\$ 1,844,744
Compensating Use	249,323	246,739	238,225	225,156	257,412	282,853
Subtotal	\$ 1,750,000	\$ 1,799,485	\$ 1,888,543	\$ 1,931,834	\$ 2,005,186	\$ 2,127,597
Motor Fuels	358,899	374,701	411,619	423,853	425,556	428,166
Vehicle Registration <sup>(6)</sup>	136,685	137,549	151,737	157,276	161,394	162,714
Cereal Malt Beverage	2,489	2,380	2,273	2,165	2,077	2,090
Liquor Gallonage	15,196	15,337	15,488	16,615	16,493	17,508
Liquor Enforcement	35,351	37,424	38,833	40,256	41,904	44,234
Liquor Drink	24,495	26,239	27,197	28,492	29,492	31,450
Cigarette	48,784	48,040	129,250	119,789	118,939	117,899
Tobacco Prod.	4,092	4,302	4,510	4,797	5,039	5,093
Corporation Franchise	16,927	18,520	31,089	36,806	47,085	46,880
Boat Registration	640	757	858	846	869	992
Severance	109,180	59,871	78,253	91,039	111,147	143,476
New Tires	1,433	864	705	727	719	692
Motor Vehicle Rental	2,636	2,788	2,898	2,615	2,761	2,862
Drycleaning & Laundry	1,202	1,207	1,209	1,267	1,274	1,205
Clean Water	0	490	2,760	2,734	2,509	3,285
Total	\$ 2,508,009	\$ 2,529,954	\$ 2,787,222	\$ 2,861,111	\$ 2,972,444	\$ 3,136,143

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Gross Receipts						
Insurance Premiums						
Foreign Cos. <sup>(7)</sup>	\$ 50,222	\$ 69,979	\$ 80,070	\$ 89,467	\$ 91,409	\$ 94,471
Domestic Cos.	17,528	15,807	15,566	18,465	16,272	18,708
Firefighters Relief	5,519	6,714	7,574	8,404	8,759	8,969
Fire Marshal	3,942	4,394	4,979	5,491	5,588	5,671
Subtotal	\$ 77,211	\$ 96,894	\$ 108,189	\$ 121,827	\$ 122,028	\$ 127,819
Private Car Cos.	\$ 887	\$ 856	\$ 758	\$ 740	\$ 812	\$ 883
Music-Dramatic Tax	14	11	11	20	22	20
Bingo Enforcement	778	680	675	651	585	583
Transient Guest <sup>(8)</sup>	367	376	376	422	457	483
Parimutuel	3,973	3,813	3,875	3,530	3,210	3,004
Illegal Drugs	1,299	1,031	852	705	869	849
Combative Arts <sup>(9)</sup>	0	0	0	0	0	35
Total	\$ 84,529	\$ 103,661	\$ 114,736	\$ 127,895	\$ 127,983	\$ 133,676
Unemployment Comp.	\$ 176,337	\$ 186,054	\$ 220,628	\$ 282,569	\$ 340,352	\$ 344,562
<b>TOTAL STATE TAXES</b>	<b>\$ 5,089,944</b>	<b>\$ 4,905,300</b>	<b>\$ 5,141,714</b>	<b>\$ 5,470,064</b>	<b>\$ 5,888,881</b>	<b>\$ 6,521,366</b>

**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, recreational, and 16m and 20m "tagged" vehicle taxes.
4. "Excess local effort" produced from the mandatory school district general fund property tax levy and returned to the state pursuant to the school finance formula (see KSA 2006 Supp. 72-6431).
5. For FY 2003, includes \$2.237 million in succession tax collections; and for FY 2004, includes \$2.898 million in succession tax refunds.
6. State receipts only, excluding amounts retained by county treasurers.
7. Includes retaliatory taxes.
8. State's 2 percent share of the tax.
9. Created by the Kansas Professional Regulated Sports Act, enacted in 2004.

**TABLE 3**

**Allocation to Funds of Total State Tax Revenue  
(Net of Refunds) FY 2006  
(\$ in Thousands)**

	Amount	Percent of Total	Cumulative Percent	Taxes Credited to:	
				SGF	Other Funds
Individual Income	\$ 2,401,129	36.82%	36.82%	\$ 2,371,253	\$ 29,876
Retail Sales	1,844,744	28.29%	65.11%	1,736,048	108,696
Motor Fuels	428,166	6.57%	71.67%	0	428,166
Corporation Income	350,201	5.37%	77.04%	350,201	0
Unemployment Compensation	344,562	5.28%	82.33%	0	344,562
Compensating Use	282,853	4.34%	86.66%	269,250	13,603
Motor Vehicle Registration	162,714	2.50%	89.16%	0	162,714
Insurance Premiums	127,819	1.96%	91.12%	112,207	15,612
Cigarette and Tobacco	122,992	1.89%	93.00%	122,992	0
Gas Severance	103,806	1.59%	94.60%	96,539	7,267
Liquor and Beer	95,282	1.46%	96.06%	71,009	24,273
Estate/Inheritance	51,784	0.79%	96.85%	51,806	(22)
Corporation Franchise	46,880	0.72%	97.57%	46,898	(18)
State Property	40,406	0.62%	98.19%	55	40,351
Oil Severance	39,670	0.61%	98.80%	36,893	2,777
Financial Institutions Privilege	31,058	0.48%	99.27%	31,058	0
Motor Carrier Property	22,056	0.34%	99.61%	22,056	0
Excess Local Effort (Property)	4,526	0.07%	99.68%	0	4,526
State Motor Vehicle	4,458	0.07%	99.75%	1,875	2,583
Water	3,285	0.05%	99.80%	3,130	155
Parimutuel	3,004	0.05%	99.85%	0	3,004
Vehicle Rental Excise	2,862	0.04%	99.89%	0	2,862
Drycleaning	1,205	0.02%	99.91%	0	1,205
State Mortgage Reg.	1,204	0.02%	99.93%	0	1,204
Boat Registration	992	0.02%	99.94%	0	992
Private Car Co.	883	0.01%	99.96%	883	0
Illegal Drugs	849	0.01%	99.97%	213	636
New Tires	692	0.01%	99.98%	0	692
Bingo	583	0.01%	99.99%	389	194
State Transient Guest	483	0.01%	100.00%	483	0
State Tagged Vehicle	108	0.00%	100.00%	0	108
State Rec. Vehicle	53	0.00%	100.00%	0	53
Combative Arts	35	0.00%	100.00%	0	35
Music, Dramatic	20	0.00%	100.00%	20	0
<b>Total</b>	<b>\$ 6,521,366</b>	<b>100.00%</b>		<b>\$ 5,325,257</b>	<b>\$ 1,196,109</b>
				<b>81.66%</b>	<b>18.34%</b>

TABLE 4

**LOCAL GOVERNMENT TAX REVENUE, FY 2001-2006**  
In Thousands

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Counties</b>						
Tangible Property(1	\$ 677,315	\$ 737,746	\$ 771,090	\$ 825,062	\$ 862,537	\$ 930,828
Intangibles(2	2,257	2,131	2,015	1,399	1,101	1,171
Mortgage Registration(3	31,916	41,339	48,661	59,416	50,547	54,613
Motor Veh. Registration(3	11,041	11,230	13,614	13,664	14,017	13,936
Transient Guest	1,082	1,068	1,059	1,090	1,223	1,436
Various Vehicle(4	77,355	83,350	87,880	95,270	99,961	105,294
Sales and Use	293,922	296,528	291,142	314,378	357,153	452,328
<b>Cities</b>						
Tangible Property(1	\$ 461,354	\$ 510,043	\$ 539,330	\$ 585,292	\$ 607,241	\$ 638,071
Intangibles(2	1,359	1,404	1,266	1,005	861	898
Transient Guest	16,990	17,324	17,309	18,873	21,158	22,242
Various Vehicle(4	57,675	60,697	63,757	65,927	68,749	72,197
Sales and Use	228,652	235,578	239,841	279,897	300,442	309,776
<b>Schools(5</b>						
Tangible Property(1	\$ 1,071,993	\$ 1,195,254	\$ 1,253,287	\$ 1,263,235	\$ 1,389,409	\$ 1,506,044
Various Vehicle(4	80,504	87,759	98,161	107,807	112,258	109,726
<b>Townships</b>						
Tangible Property(1	\$ 39,258	\$ 41,882	\$ 43,170	\$ 45,258	\$ 46,223	\$ 48,743
Intangibles(2	1,405	1,244	977	720	626	576
Various Vehicle(4	4,348	4,609	4,696	4,890	5,062	5,389
<b>Special Districts</b>						
Tangible Property(1	\$ 127,031	\$ 134,633	\$ 125,583	\$ 139,165	\$ 145,871	\$ 155,489
Various Vehicle(4	11,223	12,010	12,496	12,955	13,340	15,011
Sales and Use(6	20,191	17,499	16,790	17,031	21,481	26,369
<b>TOTAL LOCAL TAXES</b>	<b>\$ 3,216,871</b>	<b>\$ 3,493,328</b>	<b>\$ 3,632,124</b>	<b>\$ 3,852,334</b>	<b>\$ 4,119,260</b>	<b>\$ 4,470,137</b>
<b>Exhibit:</b>						
Tangible Property	\$ 2,376,951	\$ 2,619,558	\$ 2,732,461	\$ 2,858,012	\$ 3,051,281	\$ 3,279,174
Various Vehicle	231,105	248,425	266,990	286,849	299,370	307,617
Total	<u>\$ 2,608,056</u>	<u>\$ 2,867,983</u>	<u>\$ 2,999,451</u>	<u>\$ 3,144,861</u>	<u>\$ 3,350,651</u>	<u>\$ 3,586,791</u>
<b>Exhibit:</b>						
Local Sales and Use	\$ 542,765	\$ 549,605	\$ 547,773	\$ 611,306	\$ 679,076	\$ 788,473

**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 2006 column is for CY 2005.
4. Calendar year taxes for motor, recreational, and 16m and 20m "tagged" vehicles.
5. School districts, community colleges, and municipal universities, including out-district tuition tax levies made by counties and townships.
6. Collections by the Department of Revenue for municipal universities and transportation development districts which impose a sales tax, as reported by the Division of Accounts and Reports.

**Special Note**

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

**TABLE 5 — PERCENTAGE OF COMBINED STATE AND LOCAL TAX REVENUE**

**Ranked on the Basis of FY 2006**

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	FY 1990	FY 1980	FY 1970	FY 1960	FY 1950	FY 1940	FY 1930
General Property (a)	30.24%	30.91%	31.30%	31.57%	31.64%	29.05%	28.00%	32.34%	39.19%	53.06%	56.44%	52.19%	62.95%	82.02%
Sales and Use (b)	26.53	26.82	27.28	27.77	27.97	27.60	28.58	22.55	19.75	15.74	15.34	15.76	9.94	-
Income and Privilege	25.31	23.36	22.16	21.81	23.54	26.74	27.01	21.87	21.42	10.57	6.73	4.95	2.04	-
Motor Fuels	3.90	4.25	4.55	4.69	4.46	4.32	4.54	4.61	5.24	8.81	8.26	11.00	9.92	8.18
Unemployment Comp.	3.13	3.40	3.03	2.51	2.22	2.12	1.36	3.49	3.86	1.77	2.21	2.51	4.85	-
Various Vehicle (c)	2.87	3.06	3.15	3.12	3.04	2.86	3.31	5.66	-	-	-	-	-	-
Vehicle Registration	1.61	1.75	1.83	1.88	1.77	1.78	1.89	2.02	3.03	3.50	4.39	4.35	3.99	5.69
Severance	1.31	1.11	0.98	0.89	0.71	1.31	0.72	1.71	-	-	-	-	-	-
Insurance Premiums	1.16	1.22	1.31	1.23	1.15	0.93	0.86	1.44	1.54	1.22	1.31	1.22	0.99	1.05
Cigarette and Tobacco	1.12	1.24	1.34	1.52	0.62	0.64	0.67	1.15	1.44	2.20	1.83	2.08	1.27	0.63
Liquor and Beer	0.87	0.90	0.94	0.96	0.97	0.93	0.93	1.03	1.30	1.08	1.09	2.24	0.49	-
Mortgage Registration	0.51	0.52	0.65	0.57	0.50	0.39	0.46	0.25	0.38	0.20	0.28	0.39	0.30	0.30
Estate/Inheritance	0.47	0.52	0.52	0.54	0.57	0.50	0.80	0.89	1.19	0.82	0.82	0.48	0.39	0.67
Corporation Franchise	0.43	0.47	0.39	0.35	0.22	0.20	0.21	0.19	0.25	0.09	0.13	0.17	0.31	0.34
Transient Guest	0.22	0.23	0.22	0.21	0.22	0.22	0.22	0.15	0.04	-	-	-	-	-
Motor Carrier Property	0.20	0.20	0.21	0.18	0.22	0.22	0.20	0.20	0.19	0.15	0.16	0.09	0.03	(e)
Parimutuel	0.03	0.03	0.04	0.04	0.05	0.05	0.05	0.16	-	-	-	-	-	-
Intangibles	0.02	0.03	0.03	0.05	0.06	0.06	0.06	0.23	0.98	0.64	0.70	1.09	0.93	0.72
All Other (d)	0.08	0.08	0.08	0.09	0.07	0.08	0.13	0.06	0.20	0.15	0.31	1.48	1.60	0.40
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

(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 nine 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**

	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
State Taxes (\$000)	\$ 6,521,366	\$ 5,888,881	\$ 5,470,064	\$ 5,141,714	\$ 4,905,300	\$ 5,089,944
Local Taxes (\$000)	<u>4,470,137</u>	<u>4,119,260</u>	<u>3,852,334</u>	<u>3,632,124</u>	<u>3,493,328</u>	<u>3,216,871</u>
<b>Total (\$000)</b>	<b>\$ 10,991,503</b>	<b>\$ 10,008,141</b>	<b>\$ 9,322,398</b>	<b>\$ 8,773,838</b>	<b>\$ 8,398,628</b>	<b>\$ 8,306,815</b>
State Population (000)	2,745	2,734	2,725	2,712	2,701	2,693
Kansas Personal Income (\$ millions)	\$ 90,433.0	\$ 85,596.4	\$ 81,126.1	\$ 78,606.1	\$ 77,563.8	\$ 74,569.7
Per Capita Income	32,945	31,308	29,771	28,985	28,717	27,690
Per Capita Taxes						
State	\$ 2,376	\$ 2,154	\$ 2,007	\$ 1,896	\$ 1,816	\$ 1,890
Local	<u>1,628</u>	<u>1,507</u>	<u>1,414</u>	<u>1,339</u>	<u>1,293</u>	<u>1,195</u>
<b>Total</b>	<b>\$ 4,004</b>	<b>\$ 3,661</b>	<b>\$ 3,421</b>	<b>\$ 3,235</b>	<b>\$ 3,109</b>	<b>\$ 3,085</b>
Ratio of Taxes to Personal Income						
State	7.21%	6.88%	6.74%	6.54%	6.32%	6.83%
Local	4.94%	4.81%	4.75%	4.62%	4.50%	4.31%
<b>Total</b>	<b>12.15%</b>	<b>11.69%</b>	<b>11.49%</b>	<b>11.16%</b>	<b>10.83%</b>	<b>11.14%</b>

Estimates of the U.S. Department of Commerce as of September 26, 2006.

## SUMMARY OF MAJOR 2006 TAX LEGISLATION

### Sales and Excise Tax Authority—City Uniformity

**SB 55** restores uniformity to local sales tax provisions relating to cities by reducing the number of classes of cities to one. All cities in that class are granted authority to levy sales taxes of up to 2 percent for general purposes and up to 1 percent for special purposes (for a maximum rate of 3 percent). Any special purpose taxes levied would be required to sunset after 10 years. Additional language provides a grandfather clause clarifying that sales taxes imposed by cities as of July 1, 2006 pursuant to the exercise of home rule authority will remain in effect.

Cities not levying development excise taxes as of January 1, 2006, are prohibited from doing so. Moreover, cities already levying such taxes on that date are prohibited from increasing the tax rates without having the proposed increases approved via elections.

Finally, all cities are granted authority to levy excise taxes on tickets for admissions to concerts, theatrical performances, sports contests, or other similar performances which occur on property owned by cities or counties.

### Estate Tax—Stand-Alone Kansas Tax

**SB 365** creates a stand-alone Kansas estate tax no longer tied directly to federal law, effective for the estates of decedents dying on and after January 1, 2007. A set of brackets designed to be revenue-neutral relative to prior law is provided for tax years 2007-2009, with an estates valued at \$1 million and below exempt from the tax. For tax year 2007, rates will range from 3 to 10 percent; for tax year 2008, rates will range from 1 to 7 percent; and for tax year 2009, rates will range from 0.5 to 3 percent. The tax sunsets, effective for the estates of decedents dying on and after January 1, 2010.

The amount of revenues anticipated both under prior law and under the new stand-alone tax is as follows:

	(\$ in millions)
FY 2007	\$52.0
FY 2008	\$43.0
FY 2009	\$32.0
FY 2010	\$15.0
FY 2011	\$5.0
FY 2012 and thereafter	\$0.0

## **Sales Tax—Exemptions and Food Rebate Program**

**SB 404** enacts a number of new sales tax exemptions and expands the food sales tax rebate program.

### ***Sales Tax Exemptions***

An exemption is provided for three years for cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of original sales. This exemption sunsets on June 30, 2009.

New exemptions also are provided for:

- Property and services purchased by or on behalf of Special Olympics Kansas, Inc. for the purpose of providing year-round sports training and athletic competition for individuals with intellectual disabilities.
- Sales of certain dietary supplements purchased pursuant to prescription orders issued by licensed or mid-level practitioners.
- Direct and indirect purchases of property and services used by organizations exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code when such purchases are used in the collection, storage and distribution of food products to other nonprofit organizations operating programs that distribute such products on a charitable basis. An additional retroactive provision would authorize refunds of taxes collected on such purchases on an after July 1, 2005.
- Property and services purchased by or on behalf of TLC for Children and Families, Inc.; Catholic Charities; or Youthville (charitable family providers) used for the purpose of providing emergency shelter and treatment for abused and neglected children as well as meeting additional critical needs for children, juveniles and family. An additional exemption would be extended to all sales by or on behalf of charitable family providers for such purpose. Finally, a third exemption would apply to certain purchases of property and services made by contractors for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services by charitable family providers.
- Sales and purchases of property and services purchased by or on behalf of certain homeless shelters for the purpose of emergency and transitional housing for individuals and families experiencing homelessness.

Additional exemptions are provided for purchases of tangible personal property and sales of tangible personal property by or on behalf of:

- Community Housing of Wyandotte County, Inc., for the purpose of rebuilding urban core neighborhoods through the construction of new homes, acquiring and renovating existing homes and other related activities, and promoting economic development in such neighborhoods;



- The Cross-Lines Cooperative Council for the purpose of providing social services to low income individuals and families;
- The Lyme Association of Greater Kansas City, Inc., for the purpose of providing support to persons with lyme disease and public education relating to the prevention, treatment and cure of lyme disease;
- The Kansas Specialty Dog Service, Inc., for the purpose of promoting the independence and inclusion of people with disabilities as fully participating and contributing members of their communities and society through the training and providing of guide and service dogs to people with disabilities, and providing disability education and awareness to the general public;
- The Dreams Work, Inc., for the purpose of providing young adult day services to individuals with developmental disabilities and assisting families in avoiding institutional or nursing home care for a developmentally disabled member of their family; and
- The Marillac Center, Inc., for the purpose of providing psychosocial-biological and special education services to children, and all sales of any such property by or on behalf of such organization for such purpose.

The bill also exempts all purchases of tangible personal property and services by the West Sedgwick County-Sunrise Rotary Club and Sunrise Charitable Fund for the purpose of constructing a boundless playground which is an integrated, barrier free and developmentally advantageous play environment for children of all abilities and disabilities.

An additional exemption also is extended to sales of property and services purchased by or on behalf of a county law library, as well as sales and services purchased by an organization which would have been exempt if such purchases had been made directly by the library for the purpose of providing legal resources to attorneys, judges, students and the general public.

The bill further provides a sales tax exemption for property and services purchased by or on behalf of the Kansas Children's Service League for the purpose of providing for the prevention and treatment of child abuse and maltreatment as well as meeting additional critical needs for children, juveniles, and families.

The legislation also provides a sales tax exemption for indirect purchases made through contractors of property and services for a project relating to restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by certain nonprofit museums.

Finally, the bill exempts sales of tangible personal property by or on behalf of public libraries serving the general public and supported in whole or in part with tax money or not-for-profit organizations whose purpose is to raise funds for or provide services or other benefits to such libraries.

## ***Food Sales Tax Rebate Program***

The bill also expands the food sales tax rebate program by providing that the rebate amounts (currently \$36 and \$72) be indexed for inflation beginning in tax year 2006.

## ***Fiscal Impact***

The bill is expected to have the following fiscal impact:

	(\$ in millions)							Total thru
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2013</u>
Car Rebates	(\$9.900)	(\$11.178)	(\$11.569)	(\$0.998)	\$0.000	\$0.000	\$0.000	(\$33.645)
All Other Exemptions	(\$1.402)	(\$1.470)	(\$1.522)	(\$1.575)	(\$1.630)	(\$1.687)	(\$1.746)	(\$11.031)
Total Exemptions	<u>(\$11.302)</u>	<u>(\$12.648)</u>	<u>(\$13.091)</u>	<u>(\$2.573)</u>	<u>(\$1.630)</u>	<u>(\$1.687)</u>	<u>(\$1.746)</u>	<u>(\$44.676)</u>
State General Fund	(\$10.492)	(\$11.097)	(\$11.485)	(\$2.257)	(\$1.430)	(\$1.480)	(\$1.532)	(\$39.773)
State Highway Fund	(\$0.810)	(\$1.551)	(\$1.605)	(\$0.316)	(\$0.200)	(\$0.207)	(\$0.214)	(\$4.903)
Food Sales Rebates	(\$1.400)	(\$2.800)	(\$4.200)	(\$5.600)	(\$7.000)	(\$8.400)	(\$9.800)	(\$39.200)
Net State Impact	<u>(\$12.702)</u>	<u>(\$15.448)</u>	<u>(\$17.291)</u>	<u>(\$8.173)</u>	<u>(\$8.630)</u>	<u>(\$10.087)</u>	<u>(\$11.546)</u>	<u>(\$83.876)</u>
SGF Total	(\$11.892)	(\$13.897)	(\$15.685)	(\$7.857)	(\$8.430)	(\$9.880)	(\$11.332)	(\$78.973)

## ***Income Tax—Various Provisions***

**SB 432** makes a number of changes relative to income taxation and also establishes a task force to promote adoption of children.

### ***Adoption Provisions***

The bill enhances the current Kansas income tax credit for certain qualified adoption expenses beginning in tax year 2006. Prior law set the Kansas credit at 25 percent of the federal adoption income tax credit. The bill increases the state credit to 50 percent of the federal credit for adoptions of children who are Kansas residents; and to 75 percent of the federal credit for adoptions of “special-needs” children who are Kansas residents.

The bill also eliminates a restriction that currently prohibits taxpayers from carrying forward unused portions of adoption income tax credits for more than five years.

The bill further creates a task force to promote adoption. The 11-member task force is to be appointed as follows: eight members appointed by House and Senate leadership of which two would be from the public and six from the Legislature; and three appointed by the Governor. The task force is charged with providing statewide policy recommendations encouraging adoption; and with conducting an analysis of adoption in Kansas based upon specific questions dealing with tax credits and issues involved in decisions of birth parents when faced with unintended pregnancies. The task force is required to submit a final report to the Legislature and to the Governor by February 15, 2007.

### ***Net-Operating-Loss Carryback Refunds***

The bill also relaxes a limitation on income tax refunds resulting from farm net-operating-loss carrybacks (NOLs) to allow the Department of Revenue to pay out about \$0.25 million more in refunds than under prior law.

### ***Tax Credit—Employment of Ex-Military***

Employers who employ members of the Kansas Army and Air National Guard or members of a Kansas Reserve units who were federally activated and deployed on or after August 7, 1990, are allowed income tax credits for either of tax years 2006, 2007, or 2008 equal to 25 percent of the amount paid as salary and compensation, provided (a) such employers had not employed such persons prior to activation and deployment; and (b) such persons were unemployed at the time of the qualifying employment. Any such credits claimed are limited to a maximum of \$7,000 and will be non-refundable, but any unused portion may be carried forward against a future tax year's liability.

### ***Deductions for "529" Program Contributions***

An additional provision expands, beginning in tax year 2007, the income tax deduction authorized relative to certain contributions to qualified tuition programs established pursuant to section 529 of the federal Internal Revenue Code. Under current law, the income tax deduction of up to \$3,000 (or up to \$6,000 for married couples filing jointly) is available only for contributions to the Kansas qualified tuition program. The bill authorizes beginning in tax year 2007 the deduction for contributions to other states' programs.

### ***Income Tax Checkoffs***

The bill also requires that two new checkoffs be placed on the Kansas individual income tax form beginning in tax year 2006.

One such checkoff will be for Kansas military emergency relief, and all moneys that taxpayers contribute for this purpose would be used for helping military families defray the costs of food, housing, utilities and medical services incurred when a member is on active military duty; or more generally for other services associated with support of Kansas military personnel and their families.

The second checkoff will be for funding breast cancer research at the University of Kansas Cancer Center relating to the prevention, treatment and cure of the disease. Moneys contributed for this purpose may not be used for the funding of administrative personnel or positions and will be deemed to be supplemental to any other funding otherwise appropriated to the cancer center. Such funds also are required to be used in collaboration with other research institutions, including members of the Midwest Cancer Alliance and faculty at state institutions. The center is required to report annually to various standing committees on the use of the checkoff funds for breast cancer research.

### ***Withholding Tax—Electronic Filing of Statements***

The legislation also requires entities filing withholding tax statements with the Department of Revenue to file such statements electronically when reporting information for 51 or more employees.

## ***Tax Credit Effectiveness Evaluation***

Finally, the bill requires taxpayers claiming certain tax credits beginning with tax year 2006 to provide information to the Department of Revenue to assist in the evaluation of the effectiveness of various tax credit programs. The requirement is imposed for claimants seeking business and job development credits and high performance incentive program credits.

Included in the required information will be data on actual jobs created; additional payroll generated; actual jobs retained; additional revenue generated; additional sales generated; and total employment and payroll. Credits may not be denied solely on the basis of the contents of the information provided by taxpayers.

## ***Fiscal Impact***

The bill is expected to have the following impact on receipts:

	(\$ in millions)							Total thru
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2013</u>
Adoption Credits	(\$0.460)	(\$0.483)	(\$0.507)	(\$0.533)	(\$0.559)	(\$0.587)	(\$0.616)	(\$3.745)
Farm NOL Refunds	(\$0.250)	(\$0.250)	(\$0.250)	(\$0.250)	(\$0.250)	(\$0.250)	(\$0.250)	(\$1.750)
Military empl. credit	(\$1.400)	(\$1.470)	(\$1.544)	\$0.000	\$0.000	\$0.000	\$0.000	(\$4.414)
Sec. 529 deductions	<u>\$0.000</u>	<u>(\$1.200)</u>	<u>(\$1.260)</u>	<u>(\$1.323)</u>	<u>(\$1.389)</u>	<u>(\$1.459)</u>	<u>(\$1.532)</u>	<u>(\$8.162)</u>
TOTAL	<u>(\$2.110)</u>	<u>(\$3.403)</u>	<u>(\$3.561)</u>	<u>(\$2.106)</u>	<u>(\$2.198)</u>	<u>(\$2.296)</u>	<u>(\$2.398)</u>	<u>(\$18.071)</u>

## **County Sales Tax Authority**

**House Sub. for SB 435** grants additional local sales tax authority to a number of counties and clarifies the disaggregation of revenues with respect to a previously adopted tax in Phillips County. None of the new taxes could be imposed without voter approval.

Crawford County is granted an additional 0.5 percent authority for economic development initiatives and public infrastructure projects. Any such tax imposed would be required to sunset after five years.

Reno County is granted an additional authority of either 0.25 or 0.5 percent and Marion County is granted additional authority of 1.5 percent for the construction or remodeling of a courthouse, jail, law enforcement center, or other county administrative facility. Any such tax imposed would be required to sunset when all costs incurred in the financing of the project had been paid.

Harvey County is granted additional authority of 1.0 percent for property tax relief, infrastructure improvement, and economic development. Any such tax imposed is not required to sunset.

Atchison County is authorized to impose a local sales tax of 0.25 percent to finance the construction and maintenance of sports and recreational facilities. Any such tax imposed would be required to sunset once all costs authorized in the financing of the facilities had been paid.

Saline County is granted additional sales tax authority of 0.5 percent to finance the construction and operation of an expocenter. Any such tax imposed would be required to sunset after five years.

The bill also provides that Phillips County may retain prospectively the revenues from a 0.5 percent sales tax previously adopted by voters and no longer be required to share the monies with cities located in that county.

## **Property Tax—Machinery and Equipment Exemption and Other Provisions**

**HB 2583** makes a number of property tax related changes to current law; expands the Homestead property tax refund program; and provides for a partial restoration of local ad valorem tax reduction fund (LAVTRF) transfers beginning in FY 2010.

### ***Machinery and Equipment Property Tax Provisions***

The bill provides a property tax exemption for:

- Certain commercial and industrial, railroad, and telecommunications machinery and equipment; acquired by qualified purchase or lease after June 30, 2006 as the result of bona fide transactions not consummated for the purpose of avoiding taxation; and
- Such machinery and equipment transported into the state after June 30, 2006 to expand existing businesses or create new businesses.

Taxpayers receiving such exemptions will not be subject to annual filing requirements with the State Board of Tax Appeals (SBOTA).

Additional language clarifies that the exemption will not be applicable to property acquired pursuant to the exchange of stock securities or transfer of assets from one going concern to another due to a merger or consolidation; and clarifies the circumstances under which property involved in bankruptcy proceedings may qualify.

The bill further expands, effective for tax year 2007, an existing exemption for certain “low-cost” items of machinery, equipment, materials, and supplies by removing from the tax rolls such property with a retail cost when new of greater than \$400 but equal to or less than \$1,500.

The bill also creates two new funds within the state treasury, the Business Machinery and Equipment Tax Reduction Assistance Fund (BMETRAF); and the Telecommunications and Railroad Machinery and Equipment Tax Reduction Assistance Fund (TRMETRAF). These funds provide a mechanism whereby taxing subdivisions will be reimbursed beginning in February, 2008 for certain property tax reductions assumed attributable to the exemptions. The Secretary of Revenue is required to compute for each county an amount equal to the difference in machinery and equipment property taxes levied in tax year 2005 and various future tax years (beginning with tax year 2007). Based upon this computation, county treasurers will receive 90 percent of the difference for tax year 2007; 70 percent for tax year 2008; 50 percent for tax year 2009; 30 percent for tax year 2010; and 10 percent for tax year 2011. (The transfers from the state to counties would be made during FY 2008-2012). County treasurers are required to apportion the BMETRAF and TRMETRAF funds among taxing subdivisions (including the state) relative to their respective shares of property tax

levies. The Secretary also is required to make an annual report to the standing tax committees on the BMETRAF and TRMETRAF computation methodologies.

### ***Property Tax Credit—Digital TV and Radio***

Television broadcasters are granted a property tax credit equivalent to the amount of property taxes paid on digital television equipment acquired prior to July 1, 2006, times the estimated percentage of non-digital televisions in the United States. The credit will expire after the Federal Communications Commission has ended the broadcast of analog television signals by all full power commercial television stations in Kansas.

Radio broadcasters also are granted a property tax credit equivalent to the amount of property taxes paid on digital radio equipment acquired prior to January 1, 2006, times the estimated percentage of non-digital radios in the United States. The credit will expire after tax year 2013 or when 50 percent of radios are capable of receiving digital signals, whichever comes first.

### ***Administration of Hay Barn Property Tax Exemption***

An additional provision exempts taxpayers seeking to claim property tax exemptions for newly constructed hay barns from initial filing requirements with SBOTA, effectively allowing landowners to claim the hay barn exemption at the local level.

### ***Use of Preliminary Abstract by Regional Libraries***

Another section requires that regional public library districts base the certified property tax levies relative to their budgets on the preliminary abstract of property values submitted to the Property Valuation Division (PVD) pursuant to KSA 79-1604.

### ***Homestead Provisions***

The bill also expands the Homestead Property Tax Refund Act by increasing the amount of refunds that all eligible claimants will receive, based on an enhancement to the statutory formula. Under the Homestead law, households with incomes of \$27,600 or less and with a least one member who is (a) Age 55 or above; (b) A dependent under age 18; (c) Blind; or (d) Otherwise disabled are eligible to receive partial property tax refunds.

### ***LAVTRF Transfers***

An additional provision reinstates LAVTRF transfers from the state to local units in the amounts of \$13.5 million in FY 2010; \$27.0 million in FY 2011; \$40.5 million in FY 2012; and \$54.0 million in FY 2013 and thereafter.

## ***Fiscal Impact***

The bill is expected to have the following fiscal impact:

	(\$ in millions)							Total thru
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2013</u>
Motor Carrier Prop. Taxes		(\$0.743)	(\$2.284)	(\$3.903)	(\$5.600)	(\$7.376)	(\$8.394)	(\$28.300)
USD Local Effort (20 mills)		(\$9.236)	(\$16.525)	(\$22.897)	(\$27.709)	(\$31.386)	(\$34.608)	(\$142.361)
State Building Funds (1.5 mills)		(\$0.692)	(\$1.239)	(\$1.717)	(\$2.078)	(\$2.353)	(\$2.595)	(\$10.674)
Homestead Exemption	(\$3.500)	(\$3.500)	(\$3.500)	(\$3.500)	(\$3.500)	(\$3.500)	(\$3.500)	(\$24.500)
Slider Transfer (initial)		(\$28.300)	(\$44.846)	(\$45.263)	(\$31.983)	(\$11.498)	\$0.000	(\$161.889)
Slider returned to local effort		\$4.445	\$7.051	\$7.103	\$5.011	\$1.863	\$0.000	\$25.473
Slider return to state building funds		\$0.334	\$0.631	\$0.533	\$0.376	\$0.190	\$0.000	\$2.063
Net state slider impact		(\$23.521)	(\$37.165)	(\$37.627)	(\$26.597)	(\$9.445)	\$0.000	(\$134.354)
Reduction in income tax credit		\$10.530	\$17.976	\$24.239	\$28.786	\$31.831	\$34.228	\$147.590
LAVTRF		\$0.000	\$0.000	(\$13.500)	(\$27.000)	(\$40.500)	(\$54.000)	(\$135.000)
<b>Net state impact</b>	<b>(\$3.500)</b>	<b>(\$27.162)</b>	<b>(\$42.737)</b>	<b>(\$58.905)</b>	<b>(\$63.698)</b>	<b>(\$62.729)</b>	<b>(\$68.869)</b>	<b>(\$327.599)</b>

## **Local Sales Tax—Sherman County**

**HB 2698** authorizes Sherman County to impose a special local sales tax of 1 percent, subject to voter approval, for street and roadway improvements. The maximum local sales tax rate that could be levied by the county for all purposes also is increased to 2.25 percent. The legislation further exempts all local sales tax revenue bonds issued by the county from statutory bonded indebtedness limitations.