

**STATE OF KANSAS ADJUSTED GENERAL FUND TAX  
RECEIPTS, RATES OF CHANGE, ELASTICITIES,  
COMPOSITION, AND EFFECTIVE TAX RATES:**

**FISCAL YEARS 1991 THROUGH 2007**

Prepared for



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## **Introduction**

This report presents (1) State of Kansas General Fund Tax Receipts for Fiscal Years 1991 through 2007 adjusted for changes in statutes, regulations, and administrative procedures; (2) rates of change for Adjusted General Fund Tax Receipts for Fiscal Years 1991 through 2007, Fiscal Years 1998 through 2007, and Fiscal Years 2004 through 2007; (3) elasticities for Adjusted General Fund Tax Receipts for Fiscal Years 1991 through 2007, Fiscal Years 1998 through 2007, and Fiscal Years 2004 through 2007; (4) the composition of Adjusted General Fund Tax Receipts for Fiscal Years 1991 through 2007; (5) graphs of Adjusted General Fund Tax Receipts for Fiscal Years 1991 through 2007; and (6) graphs of Adjusted Effective Tax Rates for major revenue sources for Fiscal Years 1991 through 2006.

## **Adjusted General Fund Tax Receipts**

Because of periodic changes in statutes, regulations, and administrative procedures, direct comparisons of Actual General Fund Tax Receipts over time may be misleading. In order to facilitate valid comparisons over time Actual General Fund Tax Receipts must be adjusted such that all past years reflect present statutes, regulations, and administrative procedures. The following discusses adjustments made to Actual General Fund Tax Receipts to estimate the revenue that would have been generated in past years if Fiscal Year 2008 statutes, regulations, and administrative procedures were in effect for the entire period Fiscal Years 1991 through 2007. Adjusted General Fund Tax Receipts are presented in Tables 1A and 1B. Graphs of Adjusted General Fund Tax Receipts are presented in Charts 1 through 20. Graphs of Effective Tax Rates for Total Taxes, Individual Income Taxes, Corporation Income Taxes, Retail Sales Taxes, and Compensating Use Taxes are presented in Charts 22 through 26.

The most important adjustments are for changes in (1) the tax base, (2) the tax rate, and (3) administrative procedures. In 2007 six components of General Fund Tax Receipts were affected by changes in statutes, regulations, and administrative procedures:

- § Individual Income Taxes,
- § Corporation Income Taxes,
- § Estate Taxes
- § Retail Sales Taxes,
- § Compensating Use Taxes, and
- § Corporate Franchise Taxes.

Adjustments for statutory, regulatory, or administrative changes that have a one-time effect are made in the year of that effect. Adjustments for changes that will have an ongoing impact are made by determining the proportion of FY 2008 tax receipts comprised by the change and allocating this proportion back for previous years. FY 2008 was used as the baseline because this will be the first fiscal year during which

provisions of the change will be fully implemented because of timing differences in the tax year and the fiscal year.

### ***Individual Income Taxes***

Adjustments were made to Individual Income Tax Receipts to account for changes resulting from 2007 Senate Substitute for House Bill 2031, Senate Substitute for House Hill 2405, Senate Substitute for House Bill 2476 and House Bill 2004.

Senate Substitute for House Bill 2031 makes a number of changes in the individual income tax, effective beginning in tax year 2007. The bill expands the state earned income tax credit (EITC); provides a subtraction modification for certain Social Security benefits; clarifies withholding requirements for certain partnerships; and authorizes the Secretary of Revenue to waive an electronic-filing requirement for withholding tax information.

The Kansas EITC is increased from 15 to 17 percent of the federal credit, effective for tax year 2007.

The bill also provides for tax year 2007, a subtraction modification from federal adjusted gross income (FAGI) prior to the determination of Kansas adjusted gross income of the amount of Social Security benefits included in FAGI for only those taxpayers with FAGI of \$50,000 or less. (The subtraction modification has the effect of exempting Social Security benefits received by Kansans with FAGI of \$50,000 or less from the Kansas income tax.) For tax year 2008 and thereafter, the subtraction modification is increased such that taxpayers with FAGI of \$75,000 or less will be exempt from any state tax on their benefits.

Additional language clarifies that certain publicly traded partnerships established pursuant to section 7704 of the federal Internal Revenue Code will be exempt from individual income tax withholding requirements.

The Secretary of Revenue is authorized upon a finding of hardship to waive an electronic-filing requirement for employers reporting income tax withholding information (W-2 forms) for 51 or more employees. Senate Substitute for HB 2031 is expected to reduce Individual Income Tax Receipts by \$12.9 in FY 2008.

2007 Senate Substitute for House Bill 2405 expands an existing income tax credit program for certain expenditures associated with qualified historic structures and enacts an alternative tax credit program for certain contributions to state-owned historic sites or not-for-profit organizations owning and operating such sites.

The historic preservation income tax credit available under prior law is increased from 25 to 30 percent beginning in tax year 2007, for those qualified expenditures incurred in the restoration and preservation of qualified historic structures which are not

income producing and are exempt from federal income taxation pursuant to section 501(c)(3) of the federal Internal Revenue Code.

A new tax credit is provided for tax years 2007-2011, equal to 50 percent of certain gifts, contributions, or donations to state-owned historic sites or not-for-profit organizations owning and operating such sites, including funds contributed for the establishment or maintenance of an endowment to provide for the future stability of such sites. Certain in-kind contributions, gifts, and donations may qualify (in addition to monetary contributions) to the extent that they have an established market value. The minimum contribution to qualify for the credit, which may be claimed against the income, privilege, or premiums tax, would be \$1,000. The maximum amount of the credit also may not exceed \$2,500 for any one taxpayer in any taxable year. The maximum amount of credits, which are refundable, may not exceed \$200,000 statewide in any fiscal year. Any contribution qualifying for this new credit is prohibited from also counting as a qualified expenditure for purposes of the historic preservation credit provided in existing law.

Senate Substitute for HB 2405 is expected to reduce Individual Income Tax Receipts by \$575,000 in FY 2008.

2007 Senate Substitute for House Bill 2476 makes a number of changes in the Homestead Property Tax Refund Act, effective for tax year 2007, the cumulative impact of which will result in a significant expansion of the program.

The maximum refund available under the program is increased from the current \$600 to \$700.

The statutory assumption that renters' effective property tax burden is equivalent to 20 percent of their total rent is reduced to 15 percent. Additional language requires the Department of Revenue to deny claims from renters reporting household income of 150 percent or less of the homestead rental amount who also fail to provide certain supporting information.

Another provision allows 50 percent of Social Security benefits to be excluded from the definition of income for the purposes of qualifying for the program.

A new residential valuation ceiling also will prohibit any homeowner with a residence valued at \$350,000 or more from participating in the program.

A prohibition against persons with delinquent homestead property taxes participating in the program is repealed and replaced with language that will automatically pay any refunds for such persons to county treasurers for application first to any such delinquent taxes; and subsequently to any other homestead taxes currently due.

Finally, all claimants will be required to submit a copy of their property tax statements only when requested to do so by the Division of Taxation.

Senate Substitute for HB 2476 is expected to reduce Individual Income Tax Receipts by \$10.5 million in FY 2008.

2007 House Bill 2004 continues the Rural Business Development Tax Credit Act; amends the Angel Investor Tax Credit Act; and creates the Kansas Film Production Tax Credit Act.

The bill continues the annual \$2 million Rural Business Development Tax Credits cap through FY 2012. Prior law provided that these caps end in FY 2007. For each of these fiscal years (FY 2008 through FY 2012) the tax credits claimed could not exceed \$2 million.

Additional provisions of the bill make a number of amendments to the Kansas Angel Investor Tax Credit Act, including expanding the definition of "angel investor" to include an owner of a permitted entity investor, and referencing the specific definition of "bioscience business" found in the Kansas Bioscience Authority Act.

Under provisions of the Act, an eligible film production company could apply for a 30 percent tax credit for direct production expenditures made in Kansas that are directly attributable to the production of a film in the State and which have been subject to taxation by the State of Kansas. The Department of Commerce is required to determine the eligibility of each and every company; approve the allowable expenses for the tax credit; and report this information to the Kansas Department of Revenue. The bill grants rule and regulation authority to the Kansas Department of Revenue and the Kansas Department of Commerce.

The bill limits the production tax credits to \$2.0 million per tax year for six years; and the tax credits could be carried forward by the production company for three years. The provisions of this Act expire on January 1, 2013. The expected reduction in Individual Income Tax Receipts resulting from HB 2004 is \$2.05 million in FY 2008.

### ***Corporation Income Taxes***

An adjustment was made to Corporation Income Tax Receipts to account for changes resulting from 2007 House Bill 2004. The expected reduction in Corporation Income Tax Receipts resulting from HB 2004 is \$2.05 million in FY 2008.

### ***Estate Taxes***

An adjustment was made to Estate Tax Receipts to account for ongoing changes resulting from 2003 House Bill 2005. HB 2005 repealed retroactive to its date of enactment the succession tax enacted in 2002 and provided for refunds of any such taxes which had 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 provided a number of amendments to the Kansas Estate Tax Act designed to improve administration and enforcement. Also, the Kansas estate tax exemption filing threshold was conformed to the federal threshold, effective for estates of decedents dying on and after January 1, 2007. The expected reduction in Estate Tax Receipts resulting from HB 2005 is \$8.5 million in FY 2008.

### ***Retail Sales Taxes***

Adjustments were made to Retail Sales Tax Receipts to account for changes resulting from 2007 Senate Substitute for House Bill 2171, Senate Substitute for House Bill 2540, and House Bill 2240.

Senate Substitute for HB 2171 provides a number of new sales tax exemptions. The bill provides a sales tax exemption for the purchase of property and services by contractors for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling state correctional institutions, as well as privately constructed correctional institutions contracted for state use and ownership.

The bill also provides a sales tax exemption for a number of not-for-profit groups, including the Dream Factory, Jazz in the Woods, Ottawa Suzuki Strings, Lions Clubs, Johnson County Young Matrons, the Frontenac Educational Foundation, the Booth Theatre Foundation, TLC Charities, the American Cancer Society, the Rotary Club of Shawnee Foundation, Victory in the Valley, the Angel Babies Association, and the Community Services of Shawnee.

All such groups except the Rotary Club of Shawnee Foundation will have both their sales and purchases exempt. That group will only have its purchases exempt. Two of the groups, TLC Charities and the Booth Theatre Foundation, also will have the exemption for their purchases extended to purchases made on their behalf by contractors.

Finally, additional language in the bill clarifies the sales tax exemption for farm machinery and equipment to provide that the exemption includes precision farming equipment that is portable or is installed or purchased to be installed on farm machinery and equipment. "Precision farming equipment" is defined to include certain specific items used only in computer-assisted farming, ranching or aquaculture production operations.

The expected reduction in Retail Sales Tax Receipts resulting from Senate Substitute for HB 2171 is \$570,000 in FY 2008.

Senate Substitute for HB 2540 provides a sales tax exemption relative to certain purchases incurred in the restoration or reconstruction of business facilities located in

Kiowa County that were damaged by severe weather. The project exemption certificates must be obtained prior to June 30, 2008. The expected reduction in Retail Sales Tax Receipts resulting from Senate Substitute for HB 2540 is \$1.36 million in FY 2008.

House Bill 2240 extends in two ways the existing sales tax exemption for repair services to certain facilities damaged by natural or man-made disasters. First, the exemption will be expanded to include repairs necessitated by windstorms, ice loading and attendant winds and terrorism to buildings or facilities, including electric distribution and transmission lines, of cooperatives and municipal and quasi-municipal corporations. Under prior law, the sales tax exemption applied to services necessary to repair those buildings and facilities damaged by fire, flood, tornado, lightning, explosion, or earthquake.

Second, for electric transmission and distribution lines owned by an independent transmission company or cooperative, the Kansas Electric Transmission Authority, or a natural gas or electric public utility, the sales tax exemption applies to services to repair damage caused by fire, flood, tornado, lightning, explosion, earthquake, windstorm, ice loading and attendant wind, or terrorism.

The bill defines "windstorm" as straight line winds of at least 80 miles per hour. The wind speed must be determined by a recognized meteorological reporting agency or organization.

The expected reduction in Retail Sales Tax Receipts resulting from HB 2240 is \$2.632 million in FY 2008.

### ***Compensating Use Taxes***

An adjustment was made to Compensating Use Tax Receipts to account for changes resulting from 2007 Senate Substitute for House Bill 2540. The expected reduction in Compensating Use Tax Receipts resulting from Senate Substitute for HB 2540 is \$240,000 in FY 2008.

### ***Corporate Franchise Taxes***

Senate Substitute for House Bill 2264, as amended by House Substitute for Substitute for Senate Bill 215, phases out the corporation franchise tax over five years. Beginning in tax year 2007, the exemption threshold is increased from \$100,000 of net worth to \$1.0 million of net worth. The rate subsequently is reduced from the current \$1.25 per \$1,000 of shareholder equity or net worth to \$0.9375 in tax year 2008; \$0.625 in tax year 2009; and \$0.3125 in tax year 2010. The tax would be repealed altogether effective in tax year 2011. The expected reduction in Corporate Franchise Tax Receipts resulting from Senate Substitute for HB 2264, as amended by House Substitute for Substitute for SB 215 is \$7 million in FY 2008.

## Rates of Change

The average annual rates of change for Adjusted General Fund Tax Receipts were calculated for three time periods: Fiscal Years 1991 through 2007, Fiscal Years 1998 through 2007, and Fiscal Years 2004 through 2007. Two methods were used to compute annual rates of change. The two-point method is computed by determining the total percentage change over the entire time period divided by the number of years.

$$\text{Rate of Change} = \left[ \frac{\text{Receipts in Last Year} - \text{Receipts in First Year}}{\text{Receipts in First Year}} \right] \div \text{Number of Years}$$

One problem with the two-point method is that the rate of change is totally dependent on the values of the end-point years. Therefore if unusual circumstances exist in one or both of the end-point years the rate of change will be misleading.

However, with the trend method all values in the time period under consideration are used. The point method is computed using a log-linear regression of the natural logarithm of receipts as the dependent variable and time as the independent variable.

$$\ln(\text{Receipts}) = a + b(\text{Time}) + e$$

Alpha ( $\alpha$ ) is the intercept term, beta ( $\beta$ ) is the slope term, and epsilon ( $\epsilon$ ) is the random error term. In a log-linear regression the coefficient of the slope variable is an estimate of the average annual rate of change.

Average annual rates of change for Adjusted General Fund Tax Receipts are presented in Table 2. It should be noted that the average annual rates of change may be somewhat misleading because of the impact of the unprecedented declines in several state general fund revenue sources during Fiscal Year 2002.

### **Total Taxes**

According to trend estimates Adjusted Total General Fund Tax Receipts grew at an average annual rate of 5.04 percent from Fiscal Year 1991 through Fiscal Year 2007. Adjusted Total General Fund Tax Receipts grew at an average annual rate of 4.34 percent from Fiscal Year 1998 through Fiscal Year 2007. Adjusted Total General Fund Tax Receipts rose at an average annual rate of 10.06 percent from Fiscal Year 2004 through Fiscal year 2007.

### **Individual Income Taxes**

According to trend estimates Adjusted Individual Income Tax Receipts grew at an average annual rate of 6.16 percent from Fiscal Year 1991 through Fiscal Year 2007. Adjusted Individual Income Tax Receipts grew at an average annual rate of 4.87 percent from Fiscal Year 1998 through Fiscal Year 2007. Adjusted Individual Income

Tax Receipts rose at an average annual rate of 12.56 percent from Fiscal Year 2004 through Fiscal Year 2007.

### ***Corporation Income Taxes***

According to trend estimates Adjusted Corporation Income Tax Receipts grew at an average annual rate of 3.60 percent from Fiscal Year 1991 through 2007. Adjusted Corporation Income Tax Receipts increased at an average annual rate of 5.02 percent from Fiscal Year 1998 through Fiscal Year 2007. Adjusted Corporation Income Tax Receipts rose at an average annual rate of 39.18 percent from Fiscal Year 2004 through Fiscal Year 2007.

### ***Retail Sales Taxes***

According to trend estimates Adjusted Retail Sales Tax Receipts grew at an average annual rate of 4.15 percent from Fiscal Year 1991 through Fiscal Year 2007. Adjusted Retail Sales Tax Receipts grew at an average annual rate of 2.83 percent from Fiscal Year 1998 through Fiscal Year 2007. Adjusted Retail Sales Tax Receipts grew at an average annual rate of 3.59 percent from Fiscal Year 2004 through Fiscal Year 2007.

### ***Compensating Use Taxes***

According to trend estimates Adjusted Compensating Use Tax Receipts grew at an average annual rate of 5.60 percent from Fiscal Year 1991 through Fiscal Year 2007. Adjusted Compensating Use Tax Receipts grew at an average annual rate of 3.90 percent from Fiscal Year 1998 through Fiscal Year 2007. Adjusted Compensating Use Tax Receipts increased at an average annual rate of 9.48 percent from Fiscal Year 2004 through Fiscal Year 2007.

## **Elasticities**

The revenue elasticities for Adjusted General Fund Tax Receipts were calculated for three time periods: Fiscal Years 1991 through 2007, Fiscal Years 1998 through 2007, and Fiscal Years 2004 through 2007. Revenue elasticity is a measure of the responsiveness of a revenue source to changes in the level of personal income. An elasticity of less than one indicates that the revenue source is not highly response to changes in personal income. An elasticity of more than one indicates that the revenue source is highly responsive to changes in personal income. Two methods were used to compute revenue elasticities. The arc method is computed by dividing the percentage change in receipts by the percentage change in income.

$$Elasticity = \left[ \frac{\frac{Receipts\ in\ Last\ Year - Receipts\ in\ First\ Year}{Receipts\ in\ Last\ Year + Receipts\ in\ First\ Year}}{\frac{Income\ in\ Last\ Year - Income\ in\ First\ Year}{Income\ in\ Last\ Year + Income\ in\ First\ Year}} \right]$$

Again a problem with the arc method is that its value is totally dependent on the values in the end-point years. Therefore if unusual circumstances exist in one or both of the end-point years the elasticity will be misleading.

With the point method all values in the time period under consideration are used. The point method is computed using a double-log regression of the natural logarithm of receipts as the dependent variable and the natural logarithm of personal income as the independent variable.

$$\ln(\text{Receipts}) = a + b(\text{Personal Income}) + e$$

Alpha ( $\alpha$ ) is the intercept term, beta ( $\beta$ ) is the slope term, and epsilon ( $\epsilon$ ) is the random error term. In a double-log linear regression the coefficient of the slope variable is an estimate of the elasticity.

Revenue elasticities for Adjusted General Fund Tax Receipts are presented in Table 3. It should be noted that the revenue elasticities may be somewhat misleading because of the impact of the unprecedented declines in several state general fund revenue sources during Fiscal Year 2002.

### ***Total Taxes***

According to arc estimates the revenue elasticity for Adjusted Total General Fund Tax Receipts was 1.06 for the period Fiscal Year 1991 through Fiscal Year 2007. The revenue elasticity for Adjusted Total General Fund Tax Receipts was 0.97 for the period Fiscal Year 1998 through Fiscal Year 2007. The revenue elasticity for Adjusted Total General Fund Tax Receipts was 1.80 for the period Fiscal Year 2004 through Fiscal Year 2007. This high value is due largely to the recovery of Individual and Corporation Income Tax Receipts following their rather sizeable declines during Fiscal Year 2002.

### ***Individual Income Taxes***

According to arc estimates the revenue elasticity for Adjusted Individual Income Tax Receipts was 1.31 for the period Fiscal Year 1991 through Fiscal Year 2007. The revenue elasticity for Adjusted Individual Income Tax Receipts was 1.16 for the period Fiscal Year 1998 through Fiscal Year 2007. The revenue elasticity for Adjusted Individual Income Tax Receipts was 2.26 for the period Fiscal Year 2004 through Fiscal Year 2007.

### ***Corporation Income Taxes***

According to arc estimates the revenue elasticity for Adjusted Corporation Income Tax Receipts was 0.74 for the period Fiscal Year 1991 through Fiscal Year 2007. The revenue elasticity for Adjusted Corporation Income Tax Receipts was 1.10 for the period Fiscal Year 1998 through Fiscal Year 2007. The revenue elasticity for Adjusted Corporation Income Tax Receipts was 6.98 for the period Fiscal Year 2004 through Fiscal Year 2007.

### ***Retail Sales Taxes***

According to arc estimates the revenue elasticity for Adjusted Retail Sales Tax Receipts was 0.86 for the period Fiscal Year 1991 through Fiscal Year 2007. The revenue elasticity for Adjusted Retail Sales Tax Receipts was 0.65 for the period Fiscal Year 1998 through Fiscal Year 2007. The revenue elasticity for Adjusted Retail Sales Tax Receipts was 0.64 for the period Fiscal Year 2004 through Fiscal Year 2007.

### ***Compensating Use Taxes***

According to arc estimates the revenue elasticity for Adjusted Compensating Use Tax Receipts was 1.20 for the period Fiscal Year 1991 through Fiscal Year 2007. The revenue elasticity for Adjusted Compensating Use Tax Receipts was 0.94 for the period Fiscal Year 1998 through Fiscal Year 2007. The revenue elasticity for Adjusted Compensating Use Tax Receipts was 1.69 for the period Fiscal Year 2004 through Fiscal Year 2007.

## **Composition**

Throughout the time period Fiscal Years 1991 through 2007 Adjusted Individual Income Taxes, Adjusted Corporation Income Taxes, Adjusted Retail Sales Taxes, and Adjusted Compensating Use Taxes comprised approximately 80 to 90 percent of the State's Adjusted General Fund Tax Receipts. However, the relative importance of each tax source has changed over time. Tables 4A and 4B and Chart 21 present the composition of Adjusted General Fund Tax Receipts.

### ***Individual Income Taxes***

Adjusted Individual Income Taxes comprised 38.31 percent of Adjusted General Fund Tax Receipts in Fiscal Year 1991, by Fiscal Year 1998 this percentage increased to 43.07 percent, and by Fiscal Year 2007 this percentage increased further to 46.32 percent. This reflects a dramatic increase in the reliance of general fund receipts on individual income taxes.

### ***Corporation Income Taxes***

Adjusted Corporation Income Taxes comprised 7.25 percent of Adjusted General Fund Tax Receipts in Fiscal Year 1991, by Fiscal Year 1998 the percentage fell to 6.81 percent, and by Fiscal Year 2007 the percentage rebounded significantly to 7.59 percent.

### ***Retail Sales Taxes***

Adjusted Retail Sales Taxes comprised 36.39 percent of Adjusted General Fund Tax Receipts in Fiscal Year 1991, by Fiscal Year 1998 this percentage decreased slightly to 35.41 percent, and by Fiscal Year 2007 this percentage dropped precipitously to 30.41 percent.

## ***Compensating Use Taxes***

Adjusted Compensating Use Taxes comprised 4.80 percent of Adjusted General Fund Tax Receipts in Fiscal Year 1991, in Fiscal Year 1998 the percentage increased to 4.90 percent, in Fiscal Year 2007 this percentage increased slightly to 4.91 percent.

## ***Other Excise Taxes***

Several Adjusted Excise Taxes also experienced significant changes over time. Adjusted Cigarette Taxes fell from 5.50 percent of Adjusted Total General Fund Tax Receipts in Fiscal Year 1991 to 1.99 percent in Fiscal Year 2007. Much of this decline can be attributed to the general decline in the incidence of cigarette smoking.

Adjusted Severance Taxes fell from 2.93 percent of Adjusted Total General Fund Tax Receipts in Fiscal Year 1991 to 2.00 percent in Fiscal Year 2007. Much of this decline can be attributed to the general decline in the oil and gas industry over much of this time period.

Although Adjusted Liquor Gallonage Taxes and Liquor Enforcement Taxes have always comprised a relatively small proportion of Adjusted Total General Fund Tax Receipts, they also experienced significant declines in their contribution to the State's Adjusted General Fund Tax Receipts over time.

## **Effective Tax Rates**

Graphs 22 to 26 present effective tax rates for Adjusted Total Taxes, Adjusted Individual Income Taxes, Adjusted Corporation Income Taxes, Adjusted Retail Sales Taxes, and Adjusted Compensating Use Taxes. Effective tax rates were computed by dividing adjusted tax receipts by Kansas personal income.

$$\text{Effective Tax Rate} = \frac{\text{Adjusted Tax Receipts}}{\text{Kansas Personal Income}}$$

The significant increase in the effective total tax rate seen in Graph 22 during the mid 1990s is largely attributable to the robust performance of the economy over this period. As can be seen in Graph 23 most of the changes in the effective total tax rate closely parallel changes in individual income tax collections.

## **Appendices**

**Table 1A:  
Adjusted General Fund Tax Receipts (\$ Thousands, FY 1991 - FY 1999)**

<b>Tax Source</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>Property Tax</b>									
<b>Motor Carrier</b>	9,453	10,307	10,177	10,738	12,116	14,478	16,209	16,535	16,300
<b>Income and Privilege Taxes</b>									
<b>Individual</b>	950,017	1,007,566	1,091,078	1,137,382	1,188,073	1,326,777	1,443,762	1,655,864	1,750,730
<b>Corporation</b>	179,856	171,662	156,434	196,093	212,434	202,402	244,677	261,982	211,492
<b>Financial Institutions</b>	33,518	34,442	50,275	57,521	41,715	48,326	36,326	30,356	36,122
<b>Estate Tax</b>	32,967	33,477	36,188	35,935	35,939	37,605	41,768	46,266	47,191
<b>Sales, Use, and Excise Taxes</b>									
<b>Retail Sales</b>	902,285	947,468	1,020,267	1,092,468	1,148,767	1,194,434	1,240,157	1,361,473	1,408,752
<b>Compensating Use</b>	119,058	118,147	118,279	134,774	150,760	152,661	168,049	188,507	203,710
<b>Cigarette</b>	136,352	138,186	132,427	133,200	135,050	135,275	136,752	134,592	132,231
<b>Tobacco Products</b>	1,808	2,063	2,227	2,541	2,680	2,925	3,103	3,269	3,369
<b>Cereal Malt Beverages</b>	3,091	2,939	2,784	2,717	2,694	2,533	2,460	2,439	2,448
<b>Liquor Gallonage</b>	12,140	12,419	12,443	12,383	12,529	12,448	12,812	13,209	13,826
<b>Liquor Enforcement</b>	21,225	23,103	24,136	24,512	24,789	26,205	27,260	28,549	30,797
<b>Private Clubs</b>	3,775	3,971	4,331	4,500	4,624	4,804	4,870	5,178	5,458
<b>Corporate Franchise</b>	13,072	13,935	14,537	15,926	16,456	17,982	19,560	21,008	21,710
<b>Severance</b>	72,747	65,879	75,011	76,990	64,889	58,748	69,960	57,804	40,932
<b>Gross Receipts Taxes</b>									
<b>Insurance Premiums</b>	49,605	55,827	57,451	61,584	61,801	62,435	62,866	63,298	65,888
<b>Miscellaneous</b>	2,000	2,355	2,477	3,838	3,454	3,536	3,792	3,578	4,016
<b>Total</b>	<b>2,479,550</b>	<b>2,582,703</b>	<b>2,753,356</b>	<b>2,947,300</b>	<b>3,061,743</b>	<b>3,247,310</b>	<b>3,481,463</b>	<b>3,845,005</b>	<b>3,999,633</b>
<b>Kansas Personal Income</b>	<b>44,875,540</b>	<b>46,540,669</b>	<b>49,867,423</b>	<b>51,729,299</b>	<b>54,163,865</b>	<b>56,072,519</b>	<b>59,729,061</b>	<b>63,355,579</b>	<b>67,800,281</b>
Eff. Adj. Tot. Tax Rate	5.53%	5.55%	5.52%	5.70%	5.65%	5.79%	5.83%	6.07%	5.90%
Eff. Adj. Ind. Inc. Tax Rate	2.12%	2.16%	2.19%	2.20%	2.19%	2.37%	2.42%	2.61%	2.58%
Eff. Adj. Corp. Inc. Tax Rate	0.40%	0.37%	0.31%	0.38%	0.39%	0.36%	0.41%	0.41%	0.31%
Eff. Adj. Ret. Sales Tax Rate	2.01%	2.04%	2.05%	2.11%	2.12%	2.13%	2.08%	2.15%	2.08%
Eff. Adj. Comp. Use Tax Rate	0.27%	0.25%	0.24%	0.26%	0.28%	0.27%	0.28%	0.30%	0.30%
Eff. Adj. Cigarette Tax Rate	0.30%	0.30%	0.27%	0.26%	0.25%	0.24%	0.23%	0.21%	0.20%

**Table 1B:  
Adjusted General Fund Tax Receipts (\$ Thousands, FY 2000 - FY 2007)**

<b>Tax Source</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Property Tax</b>								
<b>Motor Carrier</b>	16,666	18,522	18,068	15,729	19,498	20,454	22,056	25,812
<b>Income and Privilege Taxes</b>								
<b>Individual</b>	1,845,617	1,958,579	1,810,010	1,731,484	1,870,784	2,031,400	2,349,094	2,684,022
<b>Corporation</b>	254,386	215,723	93,444	104,647	140,401	224,836	348,287	440,030
<b>Financial Institutions</b>	21,625	24,907	27,919	31,120	25,435	22,063	31,058	31,126
<b>Estate Tax</b>	48,114	49,054	49,818	52,422	48,064	51,853	51,806	55,620
<b>Sales, Use, and Excise Taxes</b>								
<b>Retail Sales</b>	1,478,384	1,452,040	1,482,137	1,580,014	1,607,821	1,643,323	1,731,475	1,762,114
<b>Compensating Use</b>	214,072	240,506	236,821	229,034	214,325	244,552	269,027	284,745
<b>Cigarette</b>	126,919	126,038	124,116	129,250	119,789	118,979	117,899	115,282
<b>Tobacco Products</b>	3,773	4,092	4,302	4,510	4,797	5,039	5,093	5,305
<b>Cereal Malt Beverages</b>	2,431	2,489	2,380	2,273	2,165	2,077	2,090	2,091
<b>Liquor Gallonage</b>	14,369	14,490	14,632	14,802	15,843	15,736	16,676	17,053
<b>Liquor Enforcement</b>	33,336	35,351	37,424	38,833	40,256	41,904	44,234	47,138
<b>Private Clubs</b>	5,664	6,238	6,615	6,847	7,154	7,444	8,009	8,567
<b>Corporate Franchise</b>	23,037	23,164	25,343	26,946	31,438	40,227	40,059	40,908
<b>Severance</b>	52,969	101,537	55,681	72,775	84,639	103,390	133,433	116,025
<b>Gross Receipts Taxes</b>								
<b>Insurance Premiums</b>	68,478	76,271	84,950	94,455	106,864	106,828	112,207	113,805
<b>Miscellaneous</b>	3,882	4,219	4,323	4,427	4,387	4,291	5,118	5,493
<b>Total</b>	4,129,285	4,269,583	3,996,812	4,141,984	4,371,871	4,716,205	5,323,329	5,794,747
<b>Kansas Personal Income</b>	70,158,367	74,569,739	77,563,762	78,606,098	81,116,278	85,520,120	90,320,478	96,031,279
Eff. Adj. Tot. Tax Rate	5.89%	5.73%	5.15%	5.27%	5.39%	5.51%	5.89%	6.03%
Eff. Adj. Ind. Inc. Tax Rate	2.63%	2.63%	2.33%	2.20%	2.31%	2.38%	2.60%	2.79%
Eff. Adj. Corp. Inc. Tax Rate	0.36%	0.29%	0.12%	0.13%	0.17%	0.26%	0.39%	0.46%
Eff. Adj. Ret. Sales Tax Rate	2.11%	1.95%	1.91%	2.01%	1.98%	1.92%	1.92%	1.83%
Eff. Adj. Comp. Use Tax Rate	0.31%	0.32%	0.31%	0.29%	0.26%	0.29%	0.30%	0.30%
Eff. Adj. Cigarette Tax Rate	0.18%	0.17%	0.16%	0.16%	0.15%	0.14%	0.13%	0.12%

**Table 2:**  
**Average Annual Rates of Change for Adjusted General Fund Tax Receipts**

Tax Source	<u>FY 1991-FY 2007</u>		<u>FY 1998-FY 2007</u>		<u>FY 2004-FY 2007</u>	
	2-Point	Trend	2-Point	Trend	2-Point	Trend
<b>Property Tax</b>						
Motor Carrier	10.82%	5.75%	6.23%	4.43%	10.79%	9.01%
<b>Income and Privilege Taxes</b>						
Individual	11.41%	6.16%	6.90%	4.87%	14.49%	12.56%
Corporation	9.04%	3.60%	7.55%	5.02%	71.14%	39.18%
Financial Institutions	-0.45%	-2.99%	0.28%	-0.37%	7.46%	13.41%
<b>Estate Tax</b>	4.29%	3.31%	2.25%	1.53%	5.24%	3.63%
<b>Sales, Use, and Excise Taxes</b>						
Retail Sales	5.96%	4.15%	3.27%	2.83%	3.20%	3.59%
Compensating Use	8.70%	5.60%	5.67%	3.90%	10.95%	9.48%
Cigarette	-0.97%	-1.05%	-1.59%	-1.58%	-1.25%	-1.21%
Tobacco Products	12.09%	6.70%	6.92%	5.48%	3.53%	2.79%
Cereal Malt Beverages	-2.02%	-2.34%	-1.59%	-2.01%	-1.14%	-0.79%
Liquor Gallonage	2.53%	2.16%	3.23%	2.62%	2.55%	3.24%
Liquor Enforcement	7.63%	4.98%	7.23%	5.46%	5.70%	5.29%
Private Clubs	7.93%	5.00%	7.27%	5.49%	6.58%	6.28%
Corporate Franchise	13.31%	7.19%	10.53%	8.14%	10.04%	6.90%
Severance	3.72%	2.94%	11.19%	11.24%	12.36%	13.61%
<b>Gross Receipts Taxes</b>						
Insurance Premiums	8.09%	5.18%	8.87%	7.03%	2.17%	2.78%
Miscellaneous	10.92%	5.14%	5.95%	3.80%	8.40%	9.86%
<b>Total</b>	8.36%	5.04%	5.63%	4.34%	10.85%	10.06%
<b>Kansas Personal Income</b>	7.12%	4.73%	5.73%	4.36%	6.13%	5.59%

**Table 3:  
Elasticities for Adjusted General Fund Tax Receipts**

Tax Source	FY 1991-FY 2007		FY 1998-FY 2007		FY 2004-FY 2007	
	Arc	Point	Arc	Point	Arc	Point
<b>Property Tax</b>						
<b>Motor Carrier</b>	1.28	1.21	1.07	1.05	1.66	1.62
<b>Income and Privilege Taxes</b>						
<b>Individual</b>	1.31	1.31	1.16	1.16	2.12	2.26
<b>Corporation</b>	1.16	0.74	1.24	1.10	6.13	6.98
<b>Financial Institutions</b>	-0.10	-0.64	0.06	-0.06	1.20	2.42
<b>Estate Tax</b>	0.70	0.71	0.45	0.37	0.87	0.65
<b>Sales, Use, and Excise Taxes</b>						
<b>Retail Sales</b>	0.89	0.86	0.63	0.65	0.54	0.64
<b>Compensating Use</b>	1.13	1.20	0.99	0.94	1.68	1.69
<b>Cigarette</b>	-0.23	-0.22	-0.38	-0.38	-0.23	-0.22
<b>Tobacco Products</b>	1.35	1.39	1.16	1.19	0.60	0.50
<b>Cereal Malt Beverages</b>	-0.53	-0.48	-0.37	-0.38	-0.21	-0.14
<b>Liquor Gallonage</b>	0.46	0.45	0.62	0.62	0.44	0.58
<b>Liquor Enforcement</b>	1.04	1.04	1.20	1.20	0.94	0.95
<b>Private Clubs</b>	1.07	1.05	1.20	1.25	1.07	1.13
<b>Corporate Franchise</b>	1.42	1.48	1.57	1.73	1.55	1.22
<b>Severance</b>	0.63	0.59	1.63	2.72	1.86	2.40
<b>Gross Receipts Taxes</b>						
<b>Insurance Premiums</b>	1.08	1.03	1.39	1.42	0.37	0.50
<b>Miscellaneous</b>	1.28	1.07	1.03	0.90	1.33	1.78
<b>Total</b>	1.10	1.06	0.99	0.97	1.66	1.80

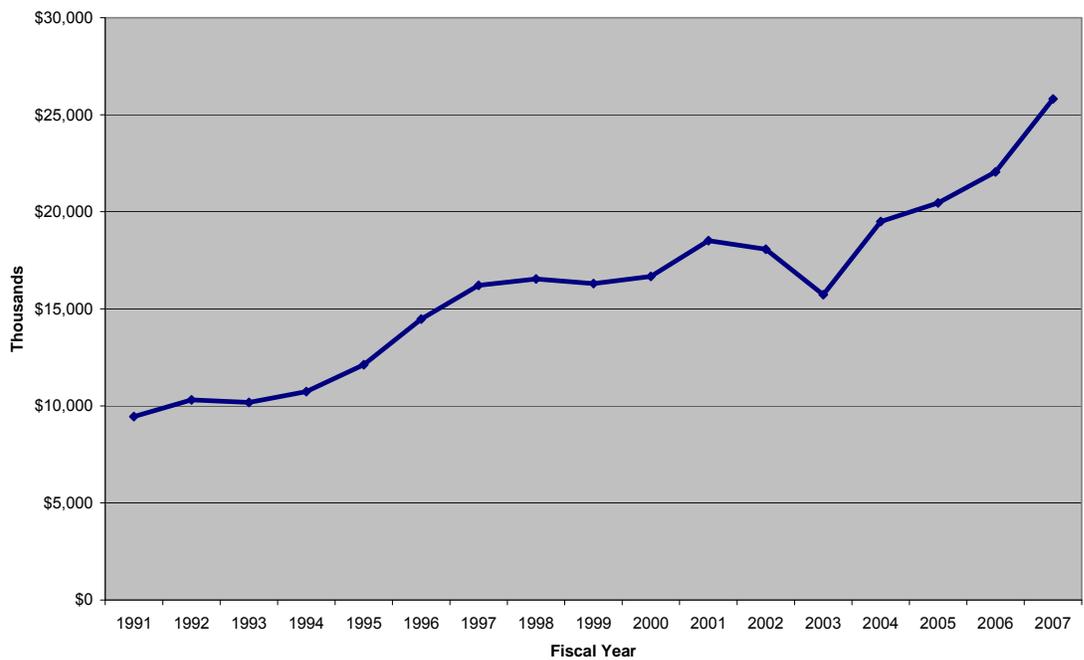
**Table 4A:**  
**Composition of Adjusted General Fund Tax Receipts (\$ Thousands, FY 1991 - FY 1999)**

<b>TAX SOURCE</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>Property Tax</b>									
<b>Motor Carrier</b>	0.38%	0.40%	0.37%	0.36%	0.40%	0.45%	0.47%	0.43%	0.41%
<b>Income and Privilege Taxes</b>									
<b>Individual</b>	38.31%	39.01%	39.63%	38.59%	38.80%	40.86%	41.47%	43.07%	43.77%
<b>Corporation</b>	7.25%	6.65%	5.68%	6.65%	6.94%	6.23%	7.03%	6.81%	5.29%
<b>Financial Institutions</b>	1.35%	1.33%	1.83%	1.95%	1.36%	1.49%	1.04%	0.79%	0.90%
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Estate Tax</b>	1.33%	1.30%	1.31%	1.22%	1.17%	1.16%	1.20%	1.20%	1.18%
<b>Sales, Use, and Excise Taxes</b>									
<b>Retail Sales</b>	36.39%	36.69%	37.06%	37.07%	37.52%	36.78%	35.62%	35.41%	35.22%
<b>Compensating Use</b>	4.80%	4.57%	4.30%	4.57%	4.92%	4.70%	4.83%	4.90%	5.09%
<b>Cigarette</b>	5.50%	5.35%	4.81%	4.52%	4.41%	4.17%	3.93%	3.50%	3.31%
<b>Tobacco Products</b>	0.07%	0.08%	0.08%	0.09%	0.09%	0.09%	0.09%	0.09%	0.08%
<b>Cereal Malt Beverages</b>	0.12%	0.11%	0.10%	0.09%	0.09%	0.08%	0.07%	0.06%	0.06%
<b>Liquor Gallonage</b>	0.49%	0.48%	0.45%	0.42%	0.41%	0.38%	0.37%	0.34%	0.35%
<b>Liquor Enforcement</b>	0.86%	0.89%	0.88%	0.83%	0.81%	0.81%	0.78%	0.74%	0.77%
<b>Private Clubs</b>	0.15%	0.15%	0.16%	0.15%	0.15%	0.15%	0.14%	0.13%	0.14%
<b>Corporate Franchise</b>	0.53%	0.54%	0.53%	0.54%	0.54%	0.55%	0.56%	0.55%	0.54%
<b>Severance</b>	2.93%	2.55%	2.72%	2.61%	2.12%	1.81%	2.01%	1.50%	1.02%
<b>Gross Receipts Taxes</b>									
<b>Insurance Premiums</b>	2.00%	2.16%	2.09%	2.09%	2.02%	1.92%	1.81%	1.65%	1.65%
<b>Miscellaneous</b>	0.08%	0.09%	0.09%	0.13%	0.11%	0.11%	0.11%	0.09%	0.10%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

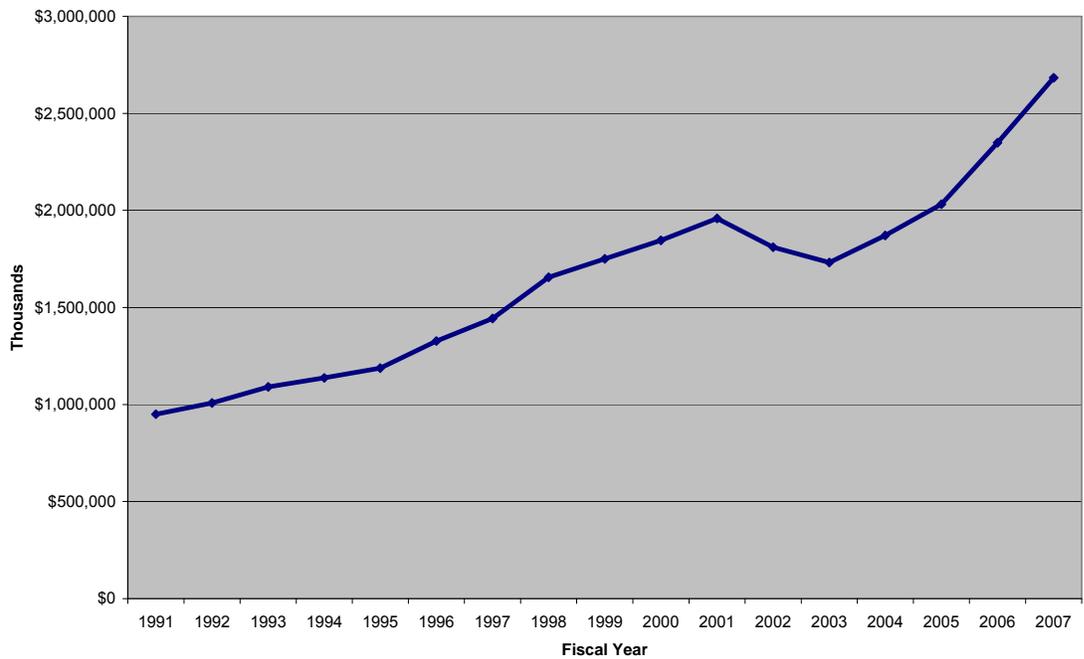
**Table 4B:  
Composition of Adjusted General Fund Tax Receipts (\$ Thousands, FY 2000 - FY 2007)**

<b>TAX SOURCE</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Property Tax</b>								
<b>Motor Carrier</b>	0.40%	0.43%	0.45%	0.38%	0.45%	0.43%	0.41%	0.45%
<b>Income and Privilege Taxes</b>								
<b>Individual</b>	44.70%	45.87%	45.29%	41.80%	42.79%	43.07%	44.13%	46.32%
<b>Corporation</b>	6.16%	5.05%	2.34%	2.53%	3.21%	4.77%	6.54%	7.59%
<b>Financial Institutions</b>	0.52%	0.58%	0.70%	0.75%	0.58%	0.47%	0.58%	0.54%
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Estate Tax</b>	1.17%	1.15%	1.25%	1.27%	1.10%	1.10%	0.97%	0.96%
<b>Sales, Use, and Excise Taxes</b>								
<b>Retail Sales</b>	35.80%	34.01%	37.08%	38.15%	36.78%	34.84%	32.53%	30.41%
<b>Compensating Use</b>	5.18%	5.63%	5.93%	5.53%	4.90%	5.19%	5.05%	4.91%
<b>Cigarette</b>	3.07%	2.95%	3.11%	3.12%	2.74%	2.52%	2.21%	1.99%
<b>Tobacco Products</b>	0.09%	0.10%	0.11%	0.11%	0.11%	0.11%	0.10%	0.09%
<b>Cereal Malt Beverages</b>	0.06%	0.06%	0.06%	0.05%	0.05%	0.04%	0.04%	0.04%
<b>Liquor Gallonage</b>	0.35%	0.34%	0.37%	0.36%	0.36%	0.33%	0.31%	0.29%
<b>Liquor Enforcement</b>	0.81%	0.83%	0.94%	0.94%	0.92%	0.89%	0.83%	0.81%
<b>Private Clubs</b>	0.14%	0.15%	0.17%	0.17%	0.16%	0.16%	0.15%	0.15%
<b>Corporate Franchise</b>	0.56%	0.54%	0.63%	0.65%	0.72%	0.85%	0.75%	0.71%
<b>Severance</b>	1.28%	2.38%	1.39%	1.76%	1.94%	2.19%	2.51%	2.00%
<b>Gross Receipts Taxes</b>								
<b>Insurance Premiums</b>	1.66%	1.79%	2.13%	2.28%	2.44%	2.27%	2.11%	1.96%
<b>Miscellaneous</b>	0.09%	0.10%	0.11%	0.11%	0.10%	0.09%	0.10%	0.09%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

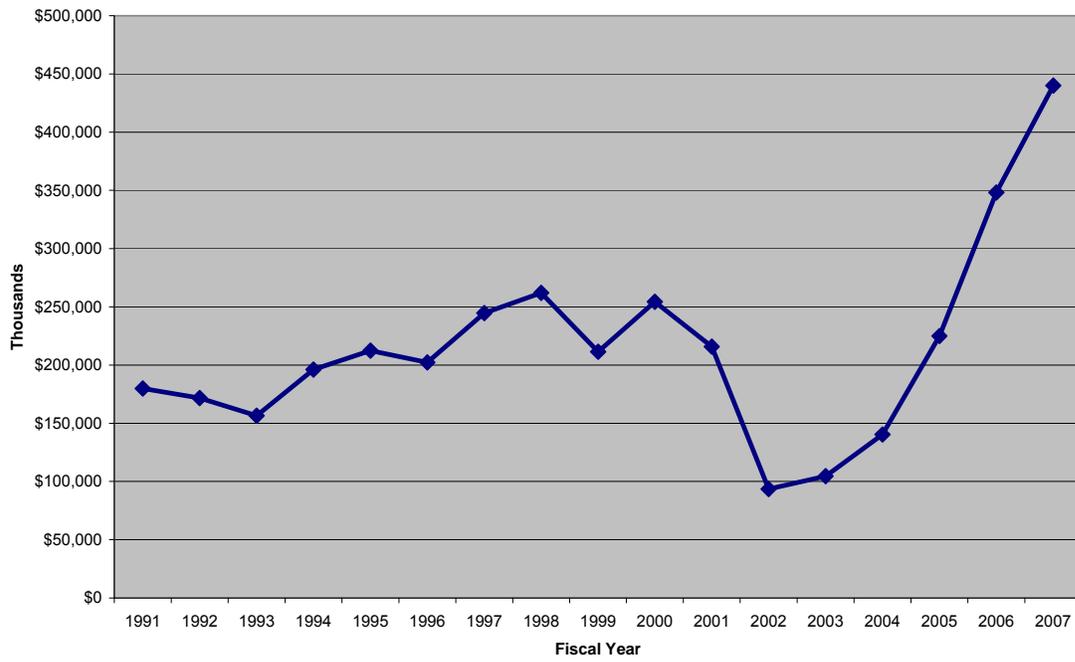
**Chart 1: Adjusted Motor Carrier Taxes**



**Chart 2: Adjusted Individual Income Taxes**



**Chart 3: Adjusted Corporation Income Taxes**



**Chart 4: Adjusted Financial Institutions Taxes**

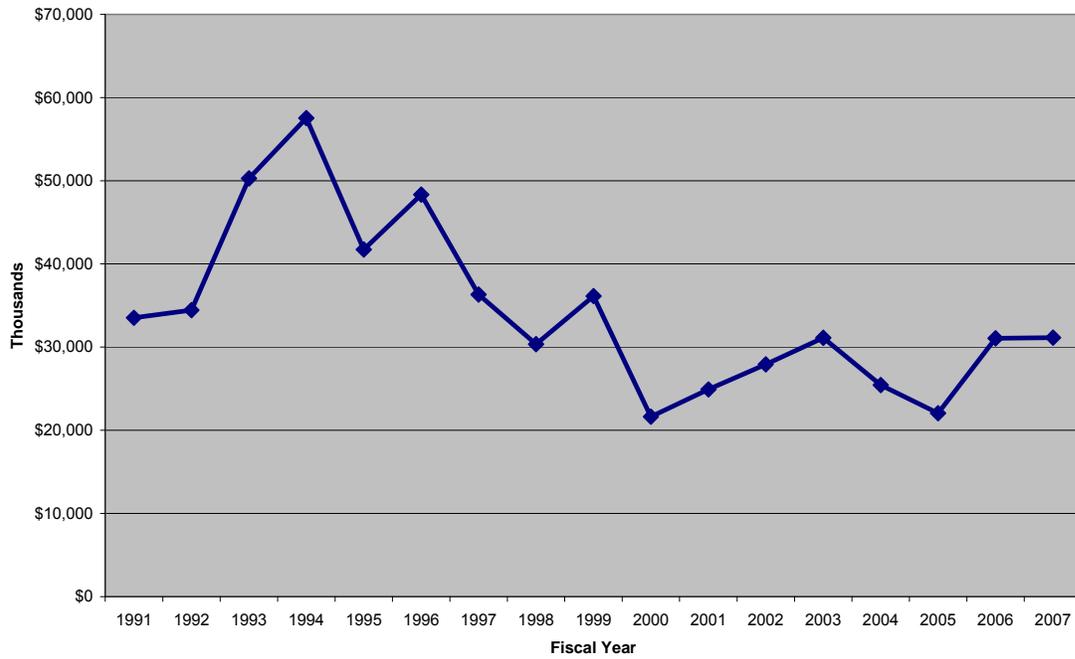


Chart 6: Adjusted Estate Taxes

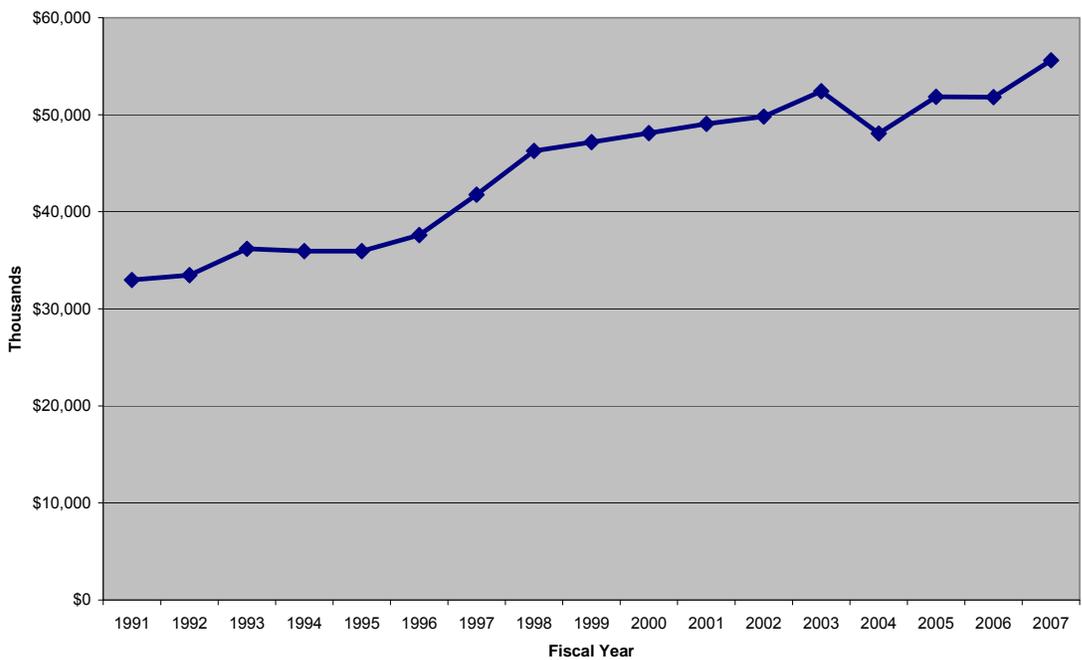
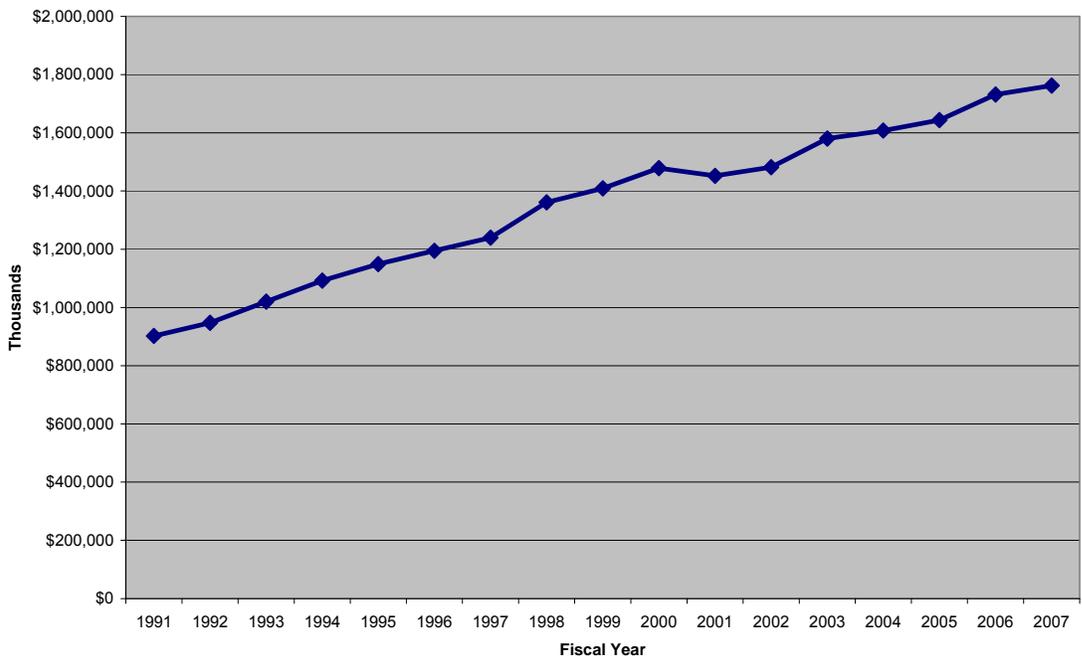
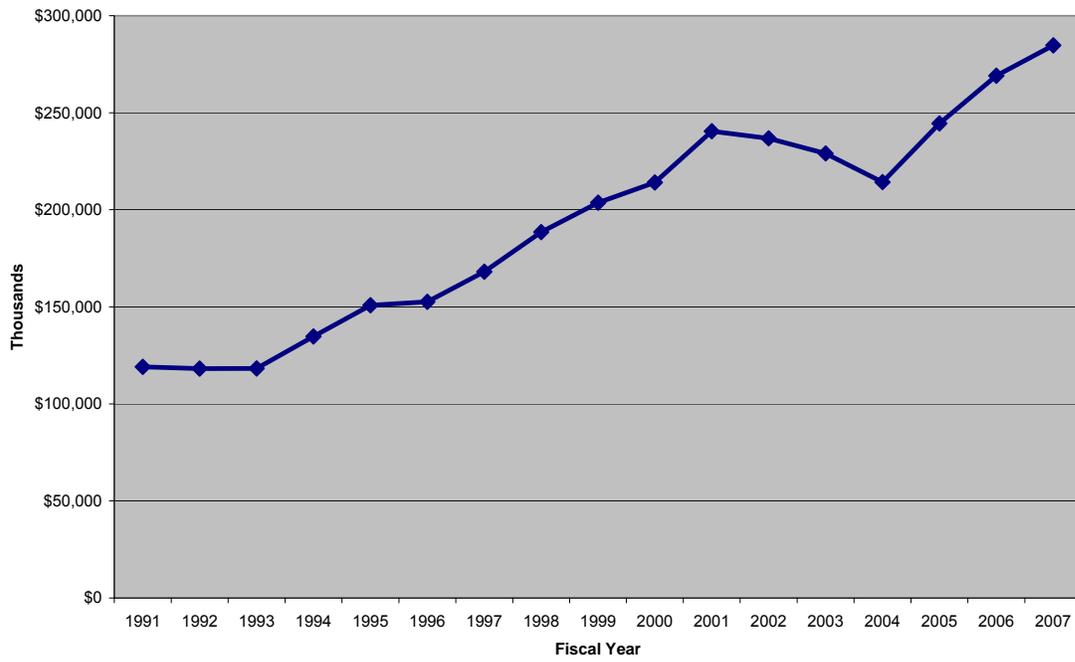


Chart 7: Adjusted Retail Sales Taxes



**Chart 8: Adjusted Compensating Use Taxes**



**Chart 9: Adjusted Cigarette Taxes**

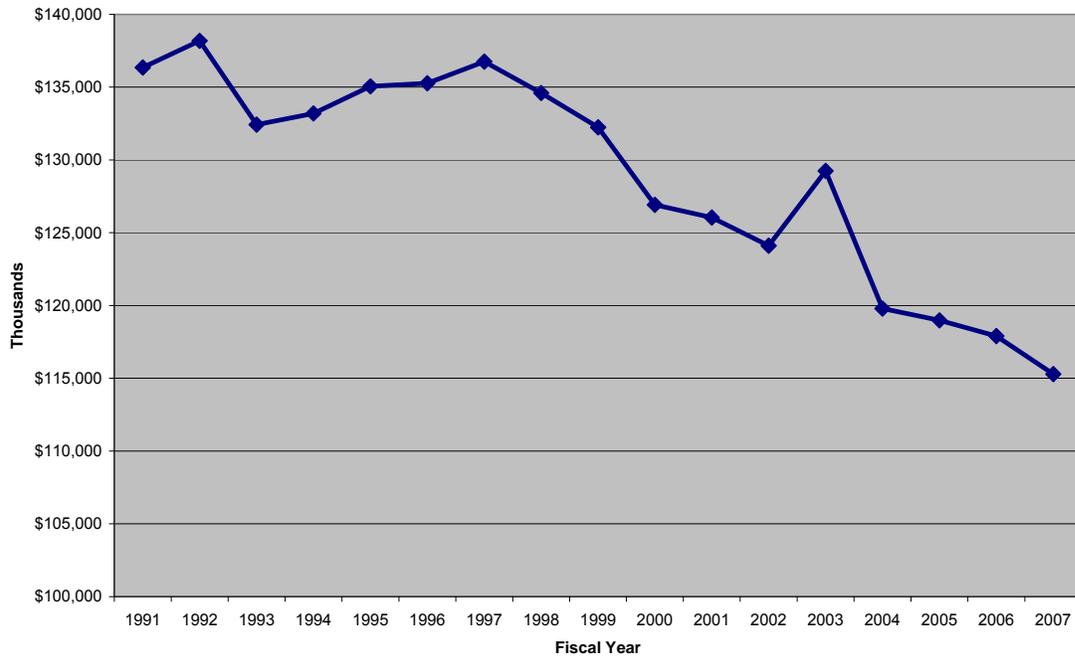


Chart 10: Adjusted Tobacco Product Taxes

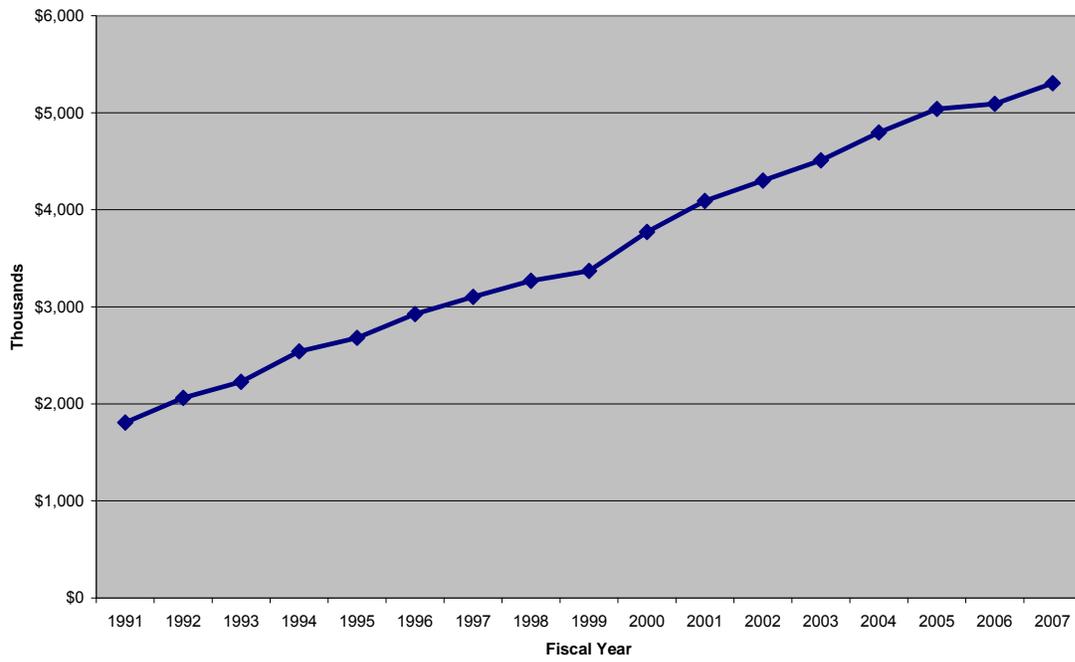


Chart 11: Adjusted Cereal Malt Beverage Taxes

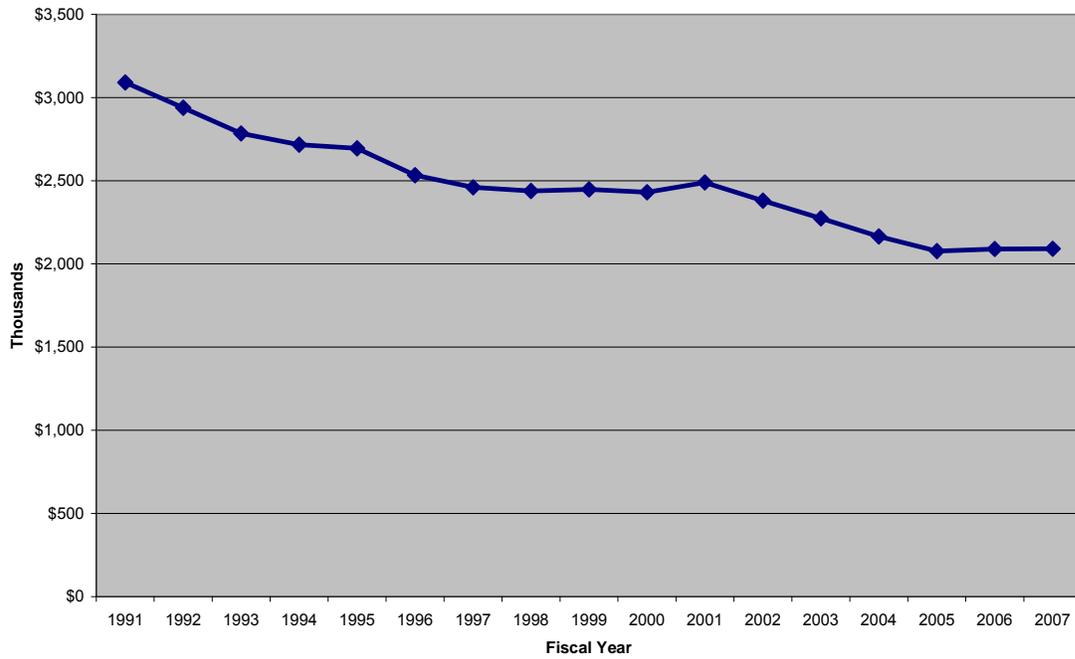


Chart 12: Adjusted Liquor Gallonage Taxes

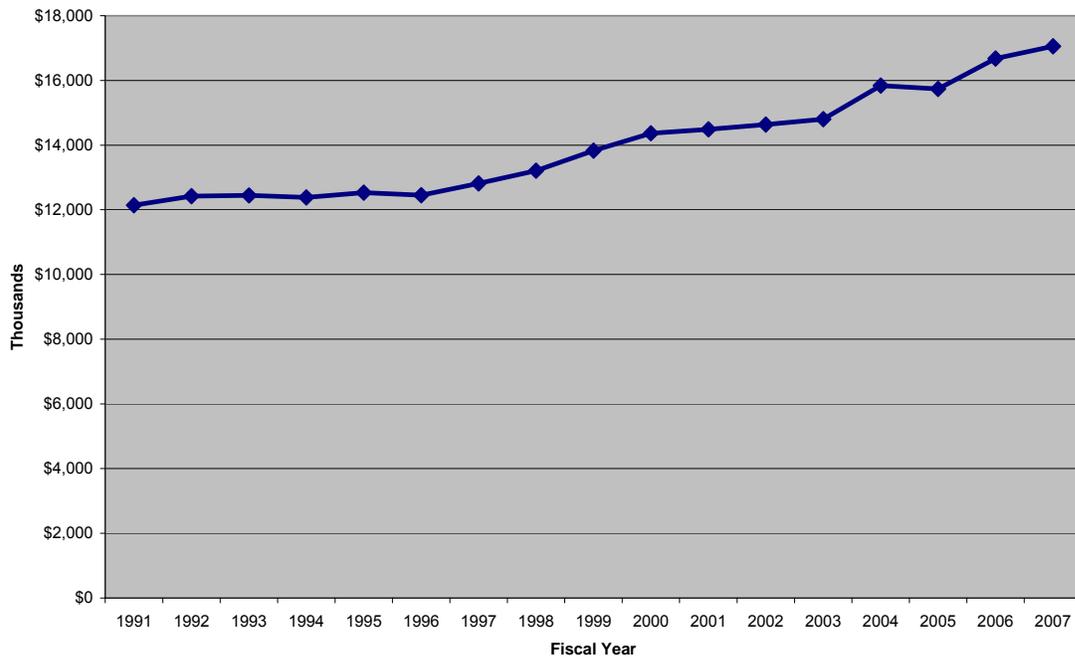


Chart 13: Adjusted Liquor Enforcement Taxes

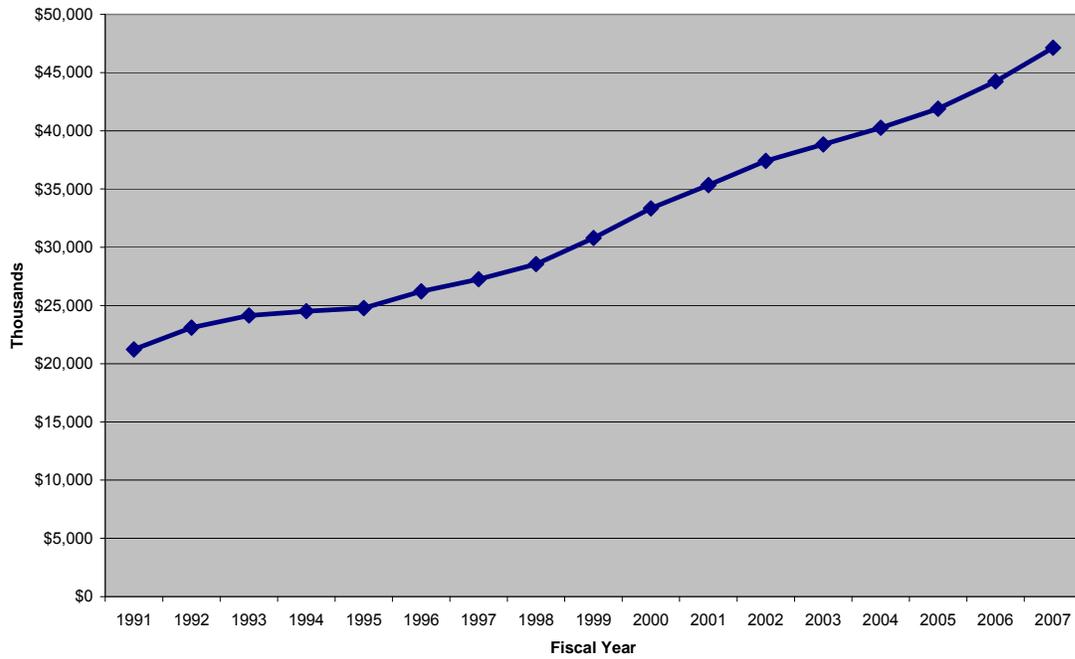


Chart 14: Adjusted Private Club Taxes

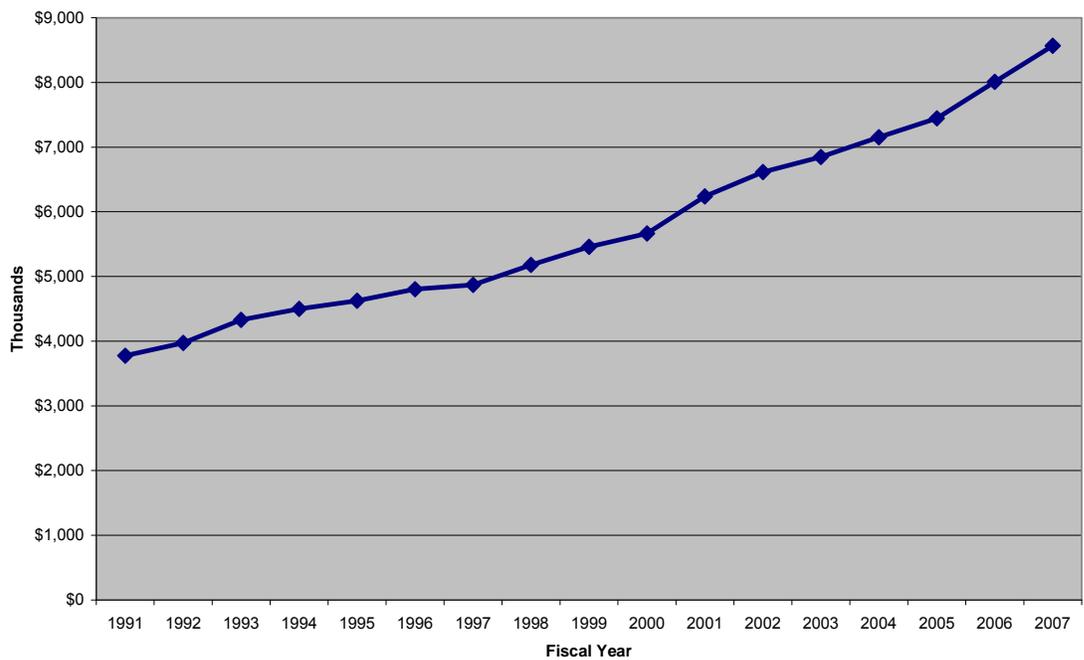


Chart 15: Adjusted Corporate Franchise Taxes

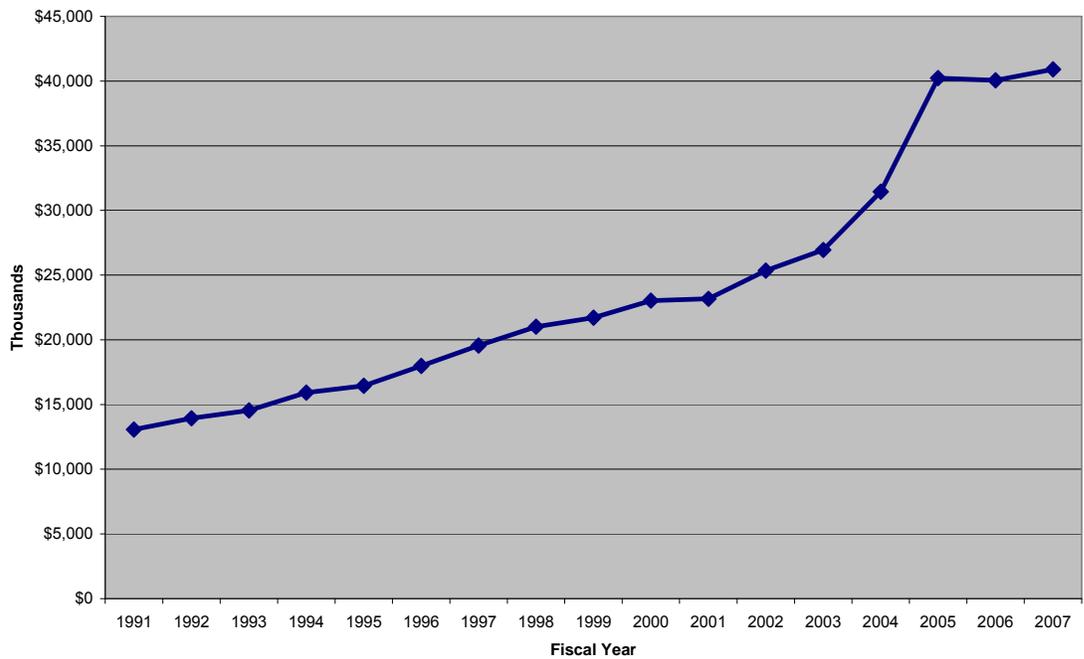


Chart 16: Adjusted Severance Taxes

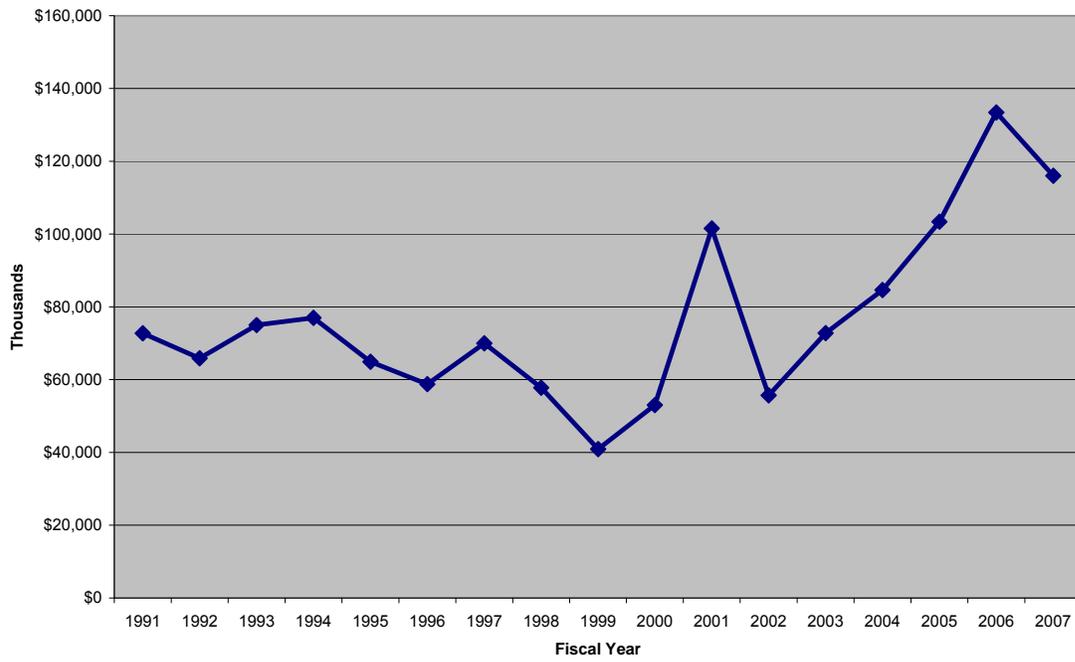


Chart 17: Adjusted Insurance Premium Taxes

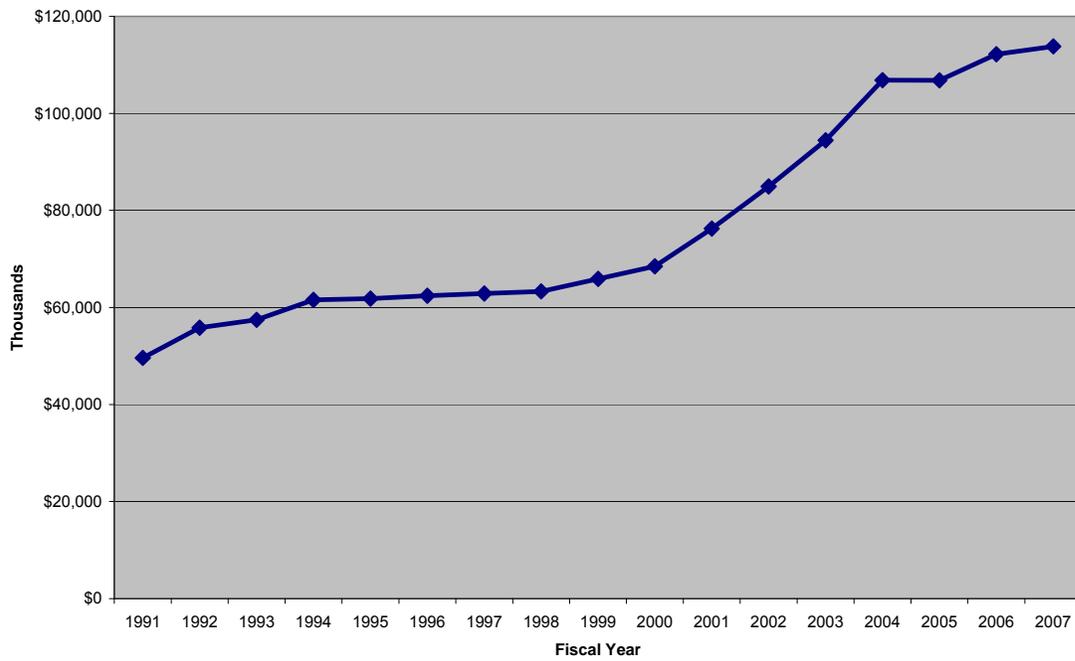


Chart 18: Adjusted Miscellaneous Taxes

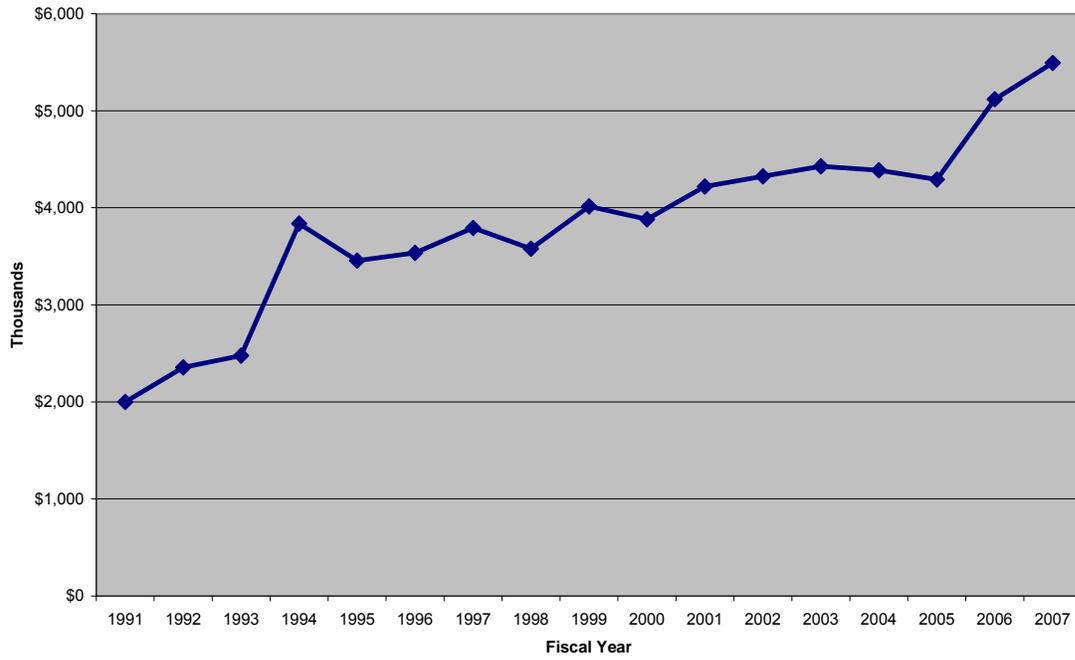


Chart 19: Adjusted Total Taxes

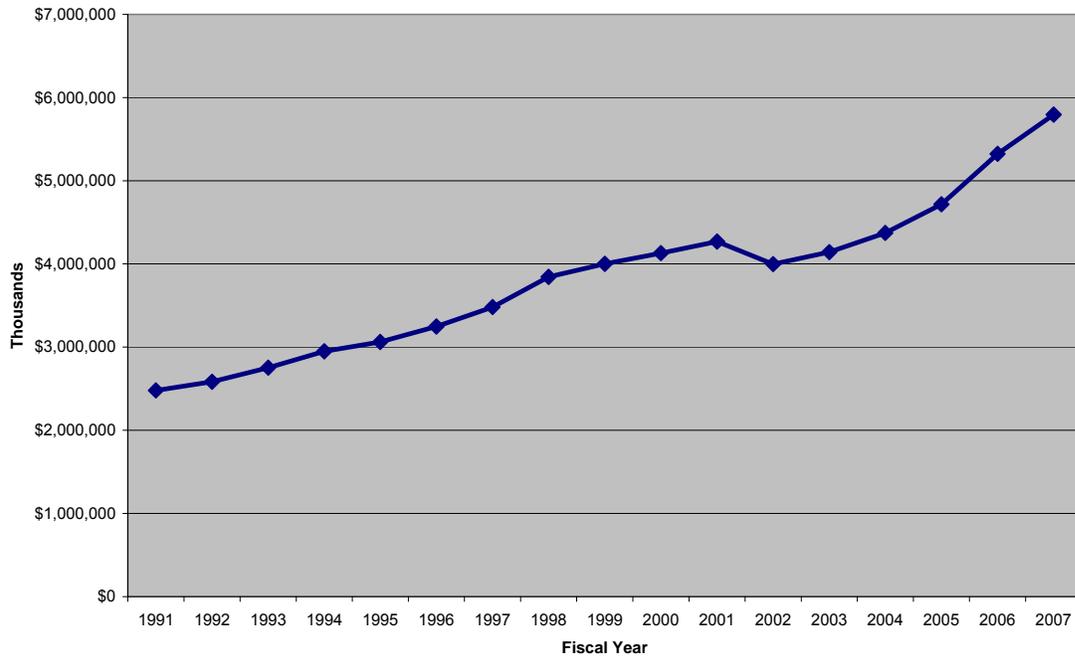


Chart 20: Kansas Personal Income

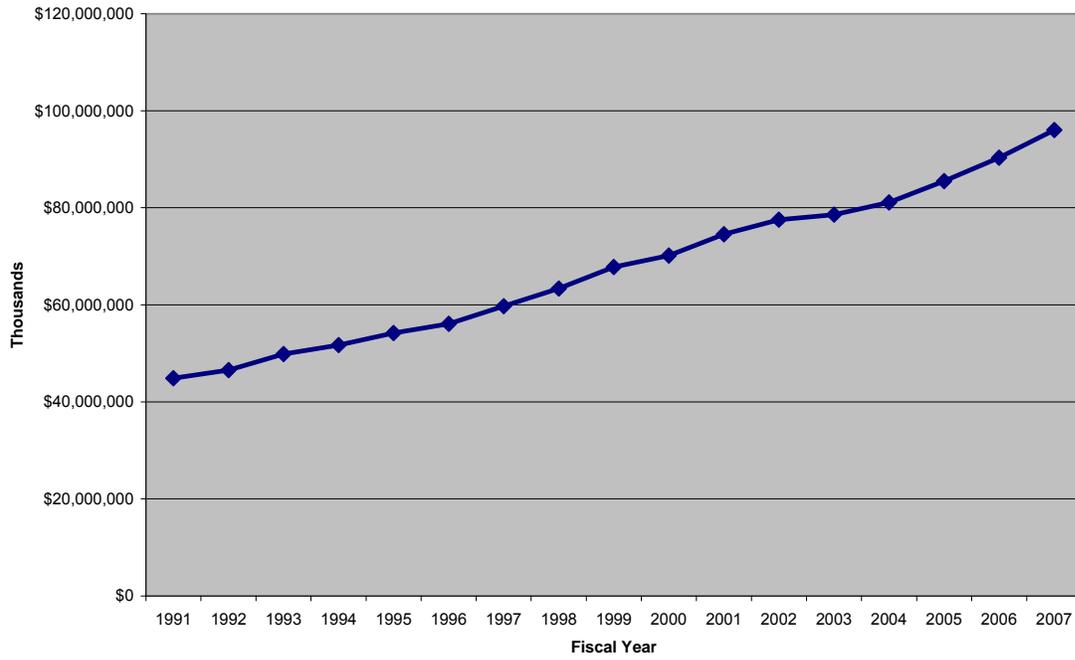


Chart 21: Composition of Adjusted General Fund Tax Receipts

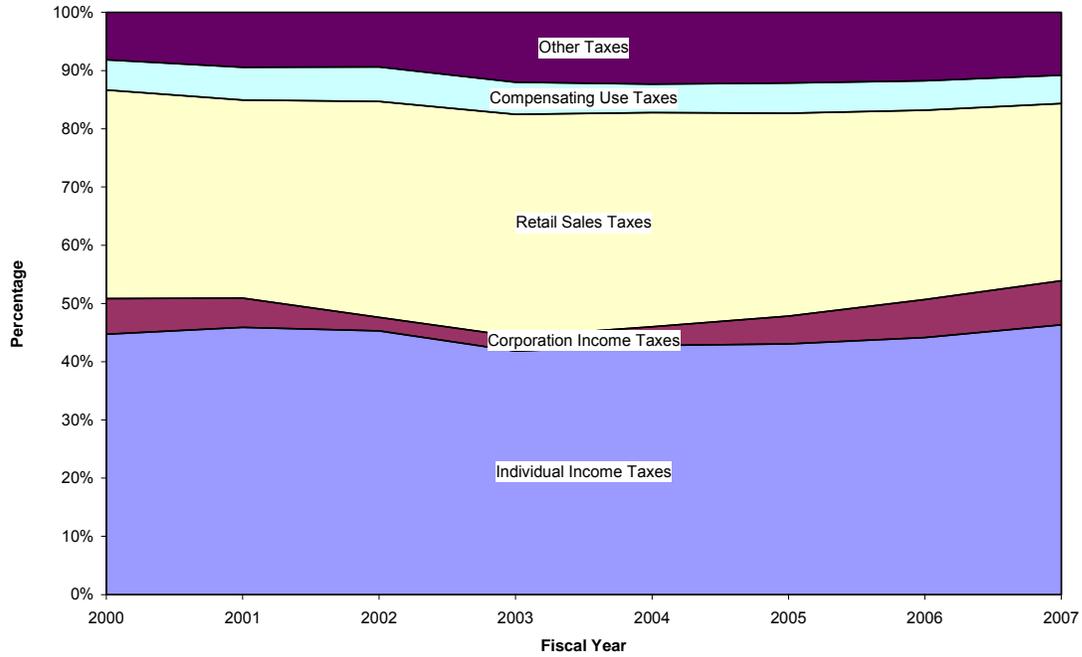


Chart 22: Effective Adjusted Total Tax Rate

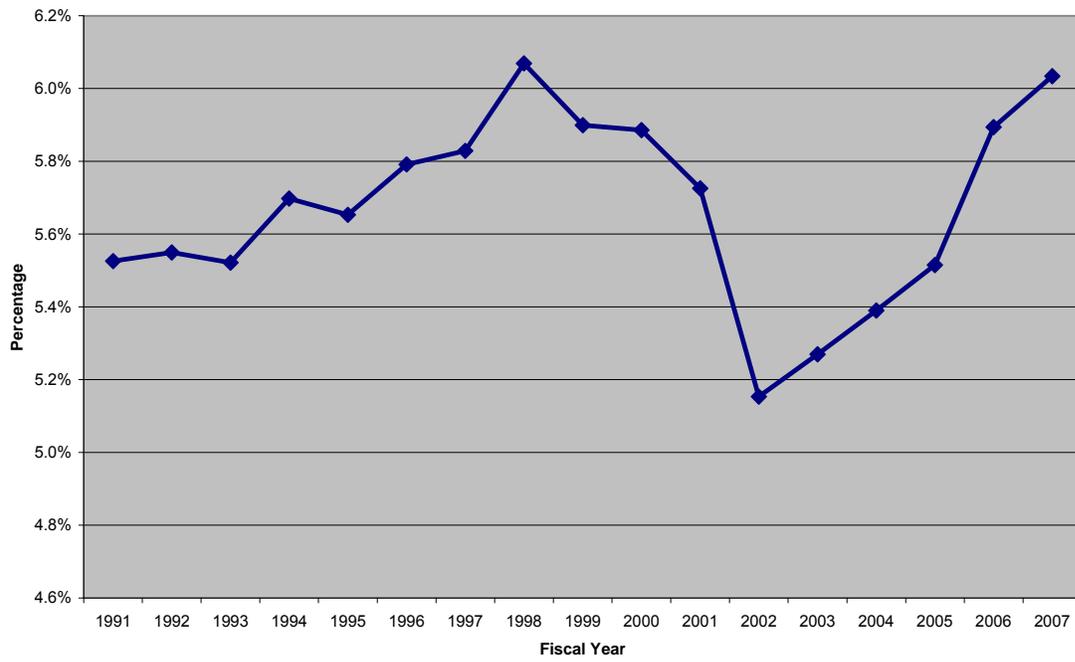
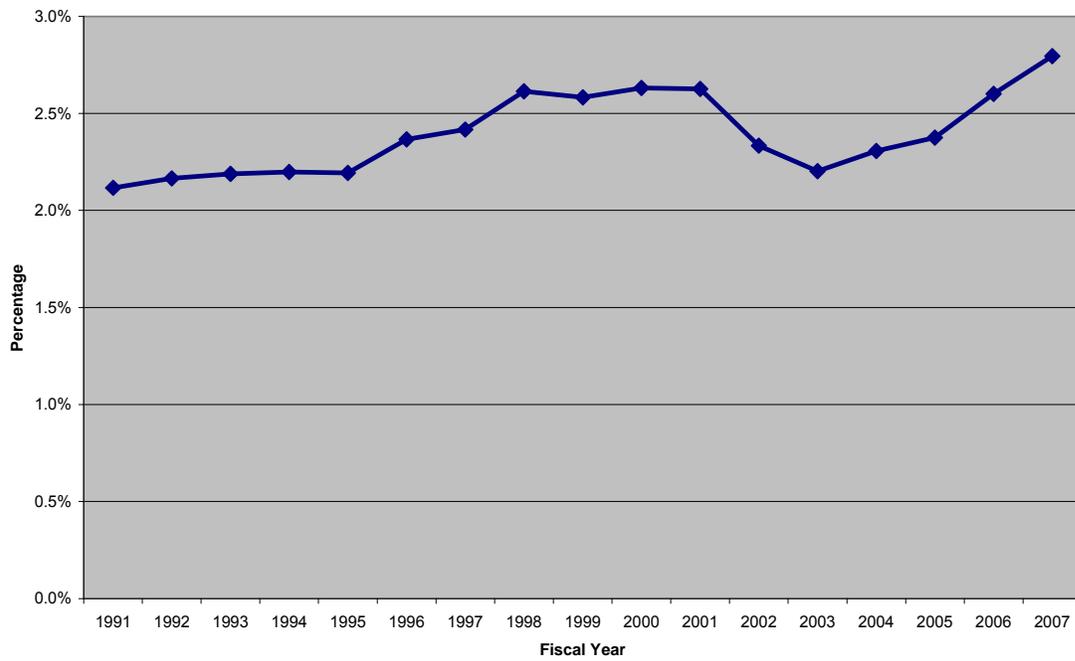
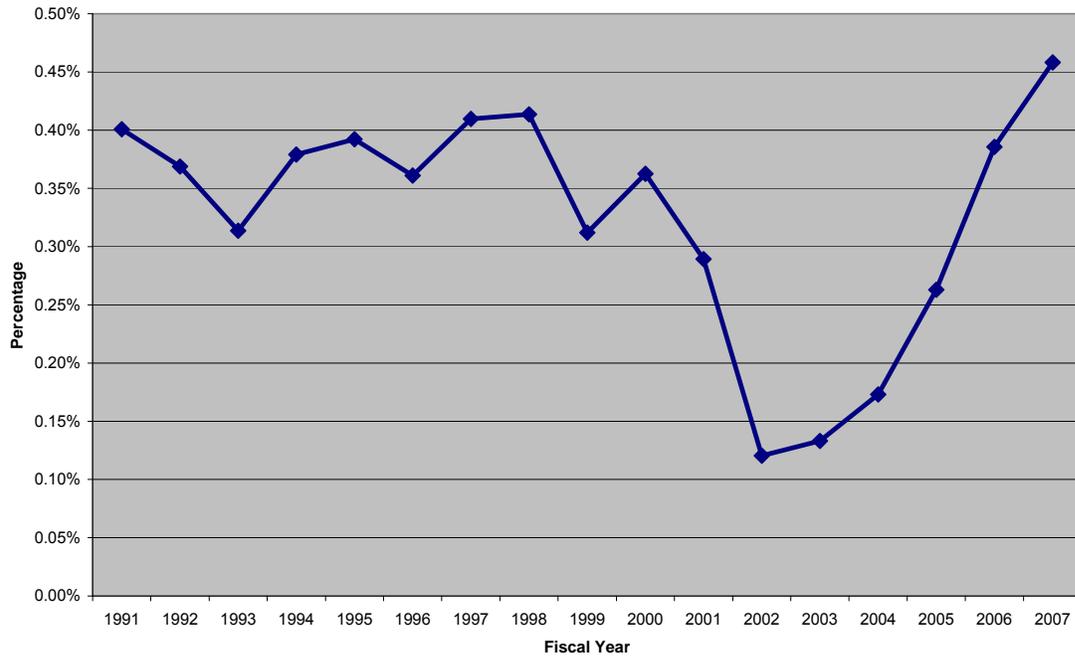


Chart 23: Effective Adjusted Individual Income Tax Rate



**Chart 24: Effective Adjusted Corporation Income Tax Rate**



**Chart 25: Effective Adjusted Retail Sales Tax Rate**

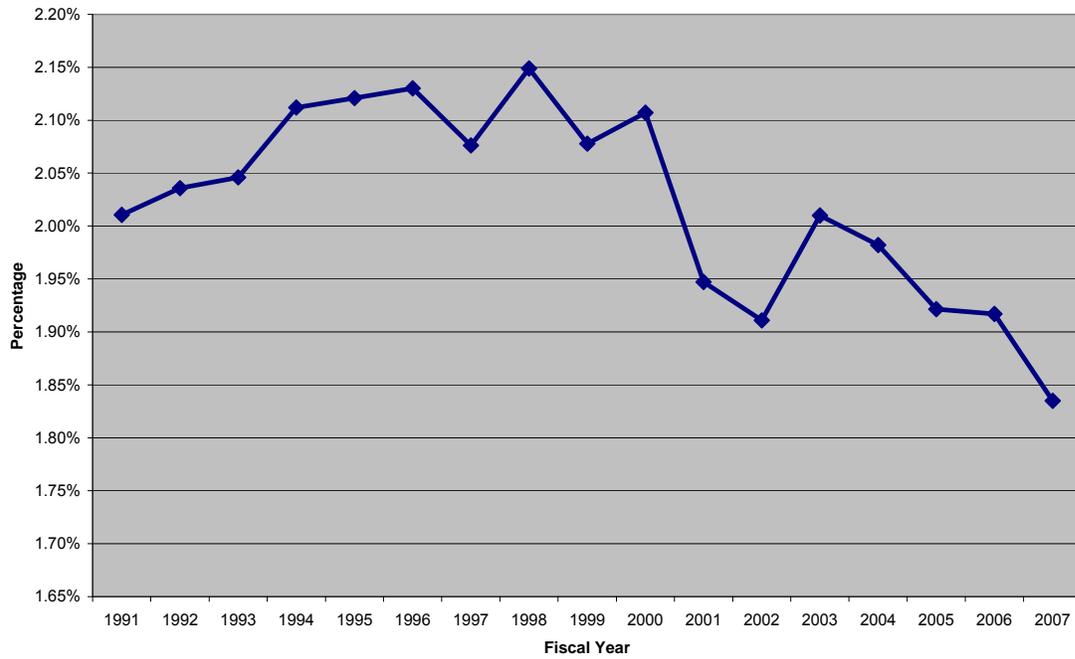


Chart 26: Effective Adjusted Compensating Use Tax Rate

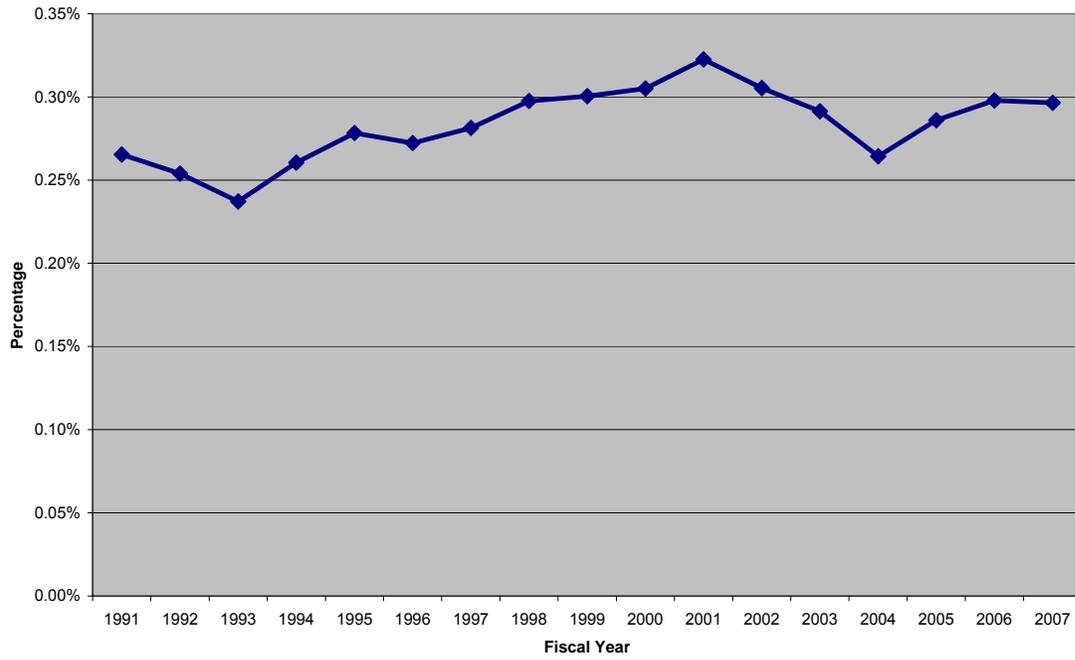


Chart 27: Effective Adjusted Cigarette Tax Rate

