

Approved: 1/25/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on January 18, 1994 in Room 519-S of the Capitol.

All members were present except: Representative Crowell, excused
Representative Wagle, excused

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Greg Packer
Chris McKenzie, League of Kansas Municipalities
Mayor Butch Felker, Topeka; Vice President, League of Kansas Municipalities
David Isabell, City Manager, City of Kansas City, Kansas
Blaine Hinds, City Manager, Junction City
Karen France, Kansas Association of Realtors
Karl Peterjohn, Kansas Taxpayers Network
Ellen Roth, Kansans for Fair Taxation
Bob Corkins, KCCI

Others attending: See attached list

Chairperson Roe opened the public hearing on HB 2642.

HB 2642 - City option earnings tax with mandatory referendum.

Chris McKenzie, League of Kansas Municipalities, testified in support of HB 2642, stating this legislation is a high priority of the 540 member cities of the League. He noted that this legislation would simply authorize city governing bodies to give the voters of the city the opportunity to decide whether to levy an earnings tax. Mr. McKenzie listed several policy issues, including whether the maximum rate be 2 percent or a lesser amount (Attachment 1).

Butch Felker, Mayor of Topeka and Vice President, League of Kansas Municipalities, testified that he supports HB 2642 as an option for cities in paying for needed services while easing the burden on property taxes. Mayor Felker said that with a mandatory referendum provision, neither he nor the city council would place before their voters any proposal that is not clear of their intent for the revenue, reflective of their needs or well debated (Attachment 2).

David Isabell, City Administrator, City of Kansas City, Kansas, testified in support of HB 2642 stating this bill would provide tax relief to the property owners. He said that the City of Kansas City, Kansas, believes that due to the fundamental change in the national economy as well as other factors, home ownership of property is no longer the single measure of the ability to pay taxes. A tax based directly on income of earnings is view as a much more fair tax. Mr. Isabell described the unique tax situation faced by the City where of those persons employed in Kansas City, Kansas, approximately 55 percent live outside Kansas City, Kansas (Attachment 3).

Blaine Hinds, City Manager, Junction City, testified in support of HB 2642, and said that Junction City has been capped by a property tax lid for the last six years. Geary County has one of the lowest per capita incomes in the state and the major employer has no property that is taxable. However, the demand for public services far exceed that for a typical community the size of Junction City, according to Mr. Hinds.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on January 18, 1994.

Representative Greg Packer testified in opposition to HB 2642. He said that his constituents in Shawnee and Pottawatomie Counties and those of other surrounding areas will be adversely and unfairly affected by an earnings tax. Representative Packer said that people working inside Topeka and living outside the city limits spend a large portion of their incomes in Topeka (Attachment 4).

Karen France, Kansas Association of Realtors, testified in opposition to HB 2642. The Association of Realtors has supported additional revenue sources for local units of government as long as the new revenue sources were used to reduce reliance on property taxes. Along with this, they believe the utilization of any new revenue source by a local unit should be approved by the electorate. They also believe that any new revenue authority given to local units contain provisions mandating that when a local unit utilizes the new revenue sources, they must reduce their property tax levy in an amount equal to the amount of revenue collected from the new revenue (Attachment 5).

Karl Peterjohn, Kansas Taxpayers Network, testified in opposition to HB 2642. He said that this tax will have a number of negative effects including reducing saving when saving should be encouraged. Also, it will add to Kansas' already dubious position as the high tax point on the prairie. Mr. Peterjohn said that voter approval is about the only portion of this proposal which KTN can find merit (Attachment 6).

Ellen Roth, Kansans for Fair Taxation, testified in opposition to HB 2642, stating this proposed tax would provide a reporting and record keeping nightmare due to the variables each city could legislate. She believes the proposed 2 percent rate to cities is extreme, unreasonable and unjustified (Attachment 7).

Bob Corkins, KCCI, testified in opposition to HB 2642 and said that one glaring provision of this bill would impose earnings tax upon the gross income of individuals, excluding just tangible income taxes. Mr. Corkins questioned that if this bill is passed how businesses could keep track of employees who move. Also, he said that there would be a large burden on small businesses who will suddenly be forced into coping with sophisticated tax accounting problems much like those of their large multi-state rivals.

Written information in opposition to HB 2642 was submitted by Dale Wilson (Attachment 8).

The Chair closed the hearing on HB 2642.

Staff was requested to provide information on the larger cities in Kansas regarding what mill levy is currently in place on city property taxpayers there and what portion of that total mill levy would be the city portion.

The minutes of January 12, 1994, were approved as read.

The meeting adjourned at 10:45 a.m.

The next meeting is scheduled for January 19, 1994.

HOUSE TAXATION COMMITTEE

DATE 1/18/94

NAME	ADDRESS	REPRESENTING
HARRY "BUCH" FECKEN	215 E 7TH TOPEKA	CITY OF TOPEKA
Don Schmeckle	Topeka	Topeka Kiowa
BRENT DOANE	WIENNA	KASS
Jim Lummis	Topeka	WESTERN RESOURCES
Patrick Hurley	Topeka	
Nancy Zielke	Kansas City	City of Kansas City
DAVID ISABELL	KANSAS CITY	CITY OF KANSAS CITY
Karl Peterjohn	Wichita	Kansas Express Networks
Dale Wilson	2407 BLAIR DR TOPEKA, KS 66605	Self-
Ellen Ross	2221 SW Fillmore Topeka, KS 66611	Kansans for Fair Taxation
Don Swadlow	Topeka &	KFDA
Harold Garland	Overland Park	O P Chamber of Commerce
DVD GRANT	TOPEKA	KCCI
Ken Gahr	"	Beech Aircraft
BILL JARRELL	WICHITA	BOEING
Julie Hein	Topeka	Hein, Ebert & Weir
Bill Anderson	Mission	Water Dist #1 of JoCo
Cedric Moege	Topeka	United We Stand America
Art Brown	- -	KS. LBR Dealers
BEV BRADLEY	Topeka	KS Assoc of Counties
Bob Corkins	Topeka	KCCI
Pete McGeel	Topeka	KC. KS.
Whitney Dameron	Topeka	McMillan Assoc / FGKS
Blaine R. Hinds	Junction City	Junction City
Ernie Fisher	Depew	City of Topeka

DATE 1/18/94

REPRESENTING

[illegible]



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 S.W. 7TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

TO: House Committee on Taxation

FROM: Chris McKenzie, Executive Director

Chris McKenzie

DATE: January 18, 1994

SUBJECT: City Option Earnings Tax

Thank you for the opportunity to participate in this hearing and present information on the League's proposal for legislative authorization for a local options earnings tax. Existing state law (K.S.A. 12-140) prohibits cities from levying and collecting taxes on incomes. This prohibition was enacted in 1961 at the time of the effective date of the municipal home rule amendment to the state constitution, and it was amended slightly in 1982 to reference the local intangible tax law.

1. The Opportunity to Hold Elections On A City Option Earnings Tax

Today you will likely hear some opposition to the idea of a city option earnings tax. It is critical from the start to note this legislation would simply authorize city governing bodies to give the voters of the city the opportunity to decide whether to levy an earnings tax. In other words, after all is said about the merits or demerits of the concept of an earnings tax, the narrow policy question raised by this bill is whether the electorate should vote on whether a city should have an earnings tax.

2. The Need for City Revenue Options

The expansion of local option tax authority for cities is a high legislative priority of the 540 member cities of the League of Kansas Municipalities. There has been no significant change in the revenue raising powers of cities since 1978 when the local option sales tax was enacted, and the revenue needs of cities have certainly changed since then. The major forces fueling the need for additional local option taxing sources have been:

(a) **Declining federal aid.** Since approximately 1980 there has been a continuing pattern of federal disinvestment in cities which resulted in the termination of many grant programs, including the highly popular and extremely flexible federal general revenue sharing program. This decline in federal aid is similar to the recent experience of the state of Kansas with declining Medicaid funding.

1/18/94

*House Taxation Cmte
Attachment 1*

(b) **Continuing federal and state mandates.** The growth ... mandates from other levels of government actually escalated in the 1980s while federal aid declined. The burden has been especially heavy as a result of federal mandates, requiring increases in local taxes and user fees on almost an annual basis. While state government has been more careful in imposing unfunded mandates on its cities, cities have seen cost increases in recent years resulting from legislation requiring the upgrading of animal shelters, improvements to criminal justice reporting, fingerprinting of municipal ordinance violations, underground facility marking, and other requirements.

(c) **Loss of Property Tax and Motor Vehicle Tax Base.** Changes in property tax assessment rates, increased property tax exemptions, and the loss of over \$65 million in motor vehicle tax revenue for all local units between 1991 and 1993 as a result of legislative and administrative actions have taken their toll on municipal budgets. The consequences of these actions has been less revenue, more limited services, and a public that wonders what happened.

(d) **Over-reliance on the property tax.** Although on the average cities in Kansas derive only approximately 24% of their total revenue from the property tax, the economic development strategic plan adopted for Kansas by Kansas, Inc. would suggest that property taxes on commercial properties is still too high.

(e) **Public safety service demands.** This session the legislature is looking carefully at increasing its own spending in order to address the growth in crime and violence across the state. Since cities field police, fire and emergency medical services units involved in addressing the same problems, the need for additional municipal revenues to fight crime and reduce injuries and property loss has never been greater.

(f) **Limits have been placed on the growth of state aid.** Since 1991 cities have not received general state aid payments without reduction in the formula for making such payments by the state. The cumulative effect of this loss along with the above revenue, mandate and service trends has been drastic for cities. While we urge the legislature to reinstate the traditional revenue sharing formulas with cities, our experiences over the past four fiscal years has told us not to hold out false hopes.

3. A Summary of the City Option Earnings Tax Bill

(a) **Scope.** The object of the proposed tax is the "earnings" of individuals, businesses and corporations. For individuals this includes wages, salaries, commissions, fees and compensation for labor or services rendered (i.e., that typically reported on line 7 of IRS Form 1040), but it does not include intangible income from investments. For unincorporated businesses, this means all business income reported on IRS Schedule C (reported on line 12 of IRS Form 1040). For corporations, this means federal taxable income derived from the operations of the business or corporation within the city.

Two types of individuals are included: (i) individuals employed within the city (including nonresidents); and (ii) residents of the city who are employed outside of the city. The earnings of both incorporated and unincorporated businesses would be taxed.

(b) **Maximum amount.** The bill provides for the imposition of an earnings tax at a rate not to exceed 2% of earnings, in increments of .25%.

(c) **Referendum required.** New Section 2 of the bill requires an election before an earnings tax could be imposed.

(d) **Purpose of tax.** In calling the election the governing body of the city is required to adopt an ordinance "pledging the general purposes proposed for the future use of the revenue to be received from such tax is the same as approved by the voters." In other words, the governing body is required to say how the tax revenues would be spent, e.g., property tax relief, additional police officers, etc. If the governing body desires to change the purpose at some future date, a new election would be required.

(e) **Allocation of earnings.** In the administration of the city option earnings tax questions will inevitably come up about the allocation of earnings by the same taxpayer operating in multiple locations. Such questions come up with the administration of the state income tax as well. The bill provides that the allocation of income provisions of K.S.A. 79-32,141 shall apply to a city earnings tax.

(f) **Exemptions.** New section 4 provides that any person or organization exempt from the state income tax shall be exempt from a city earnings tax. This should simplify administration as well as improve the fairness of the application of the tax.

(g) **Credits for payments to other cities.** We realize that an individual or business that pays an earnings tax in another city should not be required to pay an earnings tax on the same earnings in their city of residence. New section 5 provides that such taxpayers shall be given a credit against the earnings tax of the city of their residence for such amounts already paid other cities with earnings taxes.

(h) **Administration by state department of revenue.** Unlike the earnings tax in Kansas City, Missouri, the municipal earnings tax authorized in this measure would be collected through the already existing state income tax collection system administered by the Kansas Department of Revenue. Section 6 authorizes the Secretary of Revenue "...to adopt such rules and regulations as may be necessary for the efficient and effective administration and enforcement..." of the city option earnings tax. As in the case of the state and local sales tax, state administration of the local option earnings tax would make the wisest use of the taxpayers' dollars.

4. Policy Issues

As you evaluate the desirability of extending the opportunity to cities to levy a tax on earnings if approved by their voters, a number of related issues will inevitably arise:

- Should the maximum rate be 2% (as proposed) or a lesser amount?
- Should the earnings tax apply to the earnings of businesses and corporations?
- Should the procedure for repeal of the tax be identical to the one for adoption?
- Should the Department of Revenue play a role in the administration of the tax?

We respectfully submit that these and other policy issues should be discussed carefully in the near future if the Committee is open to debating the idea of authorizing the voters of a city to agree to levy an earnings tax.

5. Conclusion

In the final analysis, the major question raised by this bill is whether the legislature should expand the revenue options of cities by authorizing a city option earnings tax if voter approval is received. Representatives from some individual cities will now share with you their reasons for supporting this request for broader local option tax authority for cities. Thank you for your consideration of our recommendation.



CITY OF TOPEKA

Harry "Butch" Felker, Mayor
215 E. 7th Street Room 352
Topeka, Kansas 66603
Phone 913-295-3895
Fax Number 913-295-3850

Testimony before the House Taxation Committee

HB 2642 - Local Option Earnings Tax

Chairman Roe and members of the House Taxation Committee, I am Mayor Butch Felker of the city of Topeka. It is a pleasure to appear before you today.

As a mayor and board member of the League, I support this proposal as an option for cities in paying for needed services, while easing the burden on property taxes.

We have long advocated legislative authority for an earnings tax. Topeka is but one regional employment center in the state. We need the option of considering other revenue sources to finance governmental operations and less reliance on the property tax. Nearly ten thousand workers commute to this city each work day. Sales and gasoline taxes help, as do certain fees, however the amounts raised from these sources do not adequately cover the costs of public services and infrastructure that are used and traveled by regular visitors to the city.

Residents and visitors alike deserve well constructed and adequate streets, public protection and other necessary public services. Topeka is a regional growth area, like numerous other communities in Kansas. This proposal helps cities deal with the financial realities of regional growth. The dollars raised from this alternative revenue source could be used to decrease property taxes, fund additional police and crime reduction programs, or other voter approved uses.

This proposal lets each community vote on the issue and define the use of the dollars raised. Locally elected officials can be accountable to their constituents. The language in this bill provides flexibility so that each community can tailor the amount raised and the use of revenue to meet identified and approved local needs. With a mandatory referendum provision, neither myself or the city council would place before our voters any proposal that is not clear of our intent for the revenue, reflective of our needs or well debated.

I appreciate the opportunity to appear before you and thank you for considering this proposal. I will be happy to answer any questions.

1/18/94
House Taxation Cmte
Attachment 2



CITY OF KANSAS CITY, KANSAS

DAVID T. ISABELL
City Administrator

January 18, 1994



EXECUTIVE CHAMBER
ONE MCDOWELL PLAZA

KANSAS CITY, KANSAS 66101
PHONE (913) 573-5030

Representative Keith Roe
Chairman House Taxation Committee
Statehouse Capitol Room 519-South
Topeka, Kansas 66601

RE: Support for House Bill on Local Option Earnings Tax

Dear Representative Roe and Members of the House Committee:

The City of Kansas City, Kansas appreciates the opportunity to address the Committee regarding the proposed House Bill. This proposed House Bill, similar to Senate Bill 256 from the 1993 Legislative Session, addresses one of the City's main legislative initiatives for the past several years in allowing cities to impose a local option earnings tax. The City strongly supports legislation which would permit a local option earnings tax as a means *to provide tax relief to the property owners.*

Local option earnings tax is not a new idea. Several states allow it and, in fact, Kansas allowed cities to enact the tax between 1970 and 1972 due to the local option earnings tax being provided in the original Kansas tax lid legislation. During those rich economic years with ample federal grant and revenue programs being provided to local units of government, no city in the State elected the earnings tax option.

Kansas City, Kansas, and other Kansas cities in the greater metropolitan area have a unique tax situation. Based on the 1990 Census, 24 percent of our City's residents work outside of Kansas, primarily in Kansas City, Missouri where workers pay a 1 percent earnings tax. Kansas City, Missouri has had an earnings tax since 1964. Many residents in Kansas City, Kansas and other border cities if working in Missouri are currently paying the Kansas City, Missouri earnings tax. Most importantly, of those persons employed in Kansas City, Kansas approximately 55 percent live outside Kansas City, Kansas.

Most important, Kansas City, Kansas, provides a metropolitan employment base for other cities and counties in the two states, placing increased demands on critical municipal services. The City feels that a fairer tax situation would be created if a local option earnings tax be in place.

The City believes that an earnings tax would provide a more equitable tax mix for local units of government. The ongoing problems with reappraisal and classification, and the continued tax shifts only strengthen the City's belief that a more diversified revenue base and reduction of reliance on the property tax are goals that need to be actively pursued.

The local option earnings tax bill as proposed allows for the taxing of:

- Individuals employed within a City
- Residents employed outside a City
- The operations of businesses and corporations operating within a City

The City understands that the local option earnings tax bill as proposed would allow a rate on any earnings in increments of .25 percent up to and including a maximum of 2.0 percent. Additionally, the majority of the electors of a local city taxing jurisdiction would be required to approve such a proposition with indication of the proposed rate of tax, and purposes for which the proceeds will be expended. *The City of Kansas City, Kansas' City Council commitment to use the proceeds of the proposed earnings tax as one-for-one property tax relief for the residents of Kansas City, Kansas.*

1/18/94
House Taxation Cmte
Attachment 3

The City of Kansas City, Kansas strongly feels that an earnings tax provides a mechanism to tax non-residents, who receive the benefits of working in a community, without paying local taxes. Based on the 1990 Census, 52.7 percent of the workers employed in Wyandotte County reside outside the county (See Attachment A). Many of their jobs are higher paying employment opportunities. A 1993 report by the Wichita State University Center for Economic Development and Business Research indicated that in 1990 Wyandotte County had the fourth highest average income per job among all Kansas counties, while having the 75th highest per capita income among the 105 Kansas counties. (See Attachments B and C)

An earnings tax would generate significant revenues for the City of Kansas City, Kansas. A 1987 analysis completed by the City of Kansas City, Kansas and updated with 1992 wage data estimates that Wyandotte County gross wages in 1992 totaled approximately \$1.9 billion. Between 1987 and 1992, payroll earnings in Wyandotte County increased over 15 percent.

The estimated potential revenues from the potential 1.0 percent earnings tax for Kansas City, Kansas could be over \$15.0 from all wage earners in Kansas City, Kansas. This is slightly less than what the City annually receives from its city (\$.01) and county (\$.01) retailers sales tax receipts. The City's 1994 general fund totals \$ 84.0 million which is funded with \$ 24.6 million in general fund ad valorem property taxes. ***A local earnings tax is viewed as a way to assist in lessening the burden on the real estate property tax to the current real estate taxpayers of Wyandotte County.***

The proposed House Bill also addresses reciprocal tax credits. For example an individual working and paying an earnings tax in another community (i.e. Kansas City, Missouri) would still be liable for the local earnings tax. ***The City recommends that the Committee look at an amendment to the proposed Bill which the earnings tax would be based resident's place of employment only.*** Attachment D is an article that recently appeared in the Nation's Cities Weekly that addresses this reciprocal tax issue.

In closing, the City of Kansas City, Kansas strongly supports the initiative for a local earnings tax. The City has supported the local option earnings tax concept for several years as an alternative to an over-reliance on the property tax. A revenue alternative that is linked to a one-for-one reduction in other local taxing efforts such as the ad valorem property tax would be appropriate. The City of Kansas City, Kansas believes that due to the fundamental change in the national economy as well as other factors, home ownership of property is no longer the single measure of the ability to pay taxes. A tax based directly on income or earnings is viewed as a much more fairer tax because under such a tax, no payment is due unless the taxpayer actually received income during the fiscal year.

Your consideration of this measure would be appreciated.

Respectfully submitted,



David T. Isabell,
City Administrator

Attachments

cc: Members of the Wyandotte County Legislative Delegation
Mayor Joseph E. Steineger, Jr. and City Council Members
League of Kansas Municipalities

ATTACHMENT A

**JOURNEY TO WORK, (1) WYANDOTTE COUNTY RESIDENTS, AND
(2) WORKERS EMPLOYED IN WYANDOTTE COUNTY, 1990 CENSUS**

<u>County</u>	<u>Wyandotte County Working Residents, Place of Employment</u>		<u>Workers Employed in Wyandotte County, Place of Residence</u>	
	<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>
Cass, MO	60	0.1	771	1.0
Clay, MO	1,615	2.3	4,403	5.7
Jackson, MO	13,351	19.4	11,782	15.1
Lafayette, MO	8	0.0	177	0.2
Platte, MO	878	1.3	1,972	2.5
Ray, MO	15	0.0	415	0.5
Johnson, KS	14,791	21.4	14,835	19.0
Leavenworth, KS	503	0.7	2,750	3.5
Miami, KS	13	0.0	386	0.5
Wyandotte, KS	36,867	53.5	36,867	47.3
Outside KC MSA	865	1.3	3,553	4.6
Total	68,966	100.0	77,911	100.0

Source: U.S. Bureau of the Census, 1990 Census, STF-S-5

BUSINESS & ECONOMIC REPORT

CENTER FOR
Economic Development &
BUSINESS . RESEARCH

W. Frank Barton School of Business
THE WICHITA STATE UNIVERSITY

Volume XXIII, No. 3
Fall, 1993

Re-engineering
Shift-Share Analysis
Kansas Personal Income
Economic Analysis Panel Summary
Faculty Profile

Economic Indicators

TABLE 4. REAL PER CAPITA PERSONAL INCOME IN 1982-84 DOLLARS 1981-1991

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Average*	Rank**
Allen	9,804.1	9,644.1	9,424.2	9,630.7	10,186.4	9,881.3	10,182.2	9,709.3	10,043.5	10,329.8	9,933.9	0.2	50
Anderson	10,292.4	9,786.1	9,157.2	9,912.7	11,148.8	10,854.7	11,546.3	10,838.1	10,994.4	10,791.9	10,674.0	-0.3	68
Atchison	9,776.6	9,702.2	9,168.2	10,019.6	10,757.3	10,498.9	10,802.6	10,969.2	10,825.8	10,999.2	10,884.7	0.7	33
Barber	12,585.6	13,221.8	13,317.1	12,938.7	12,385.3	12,933.6	13,096.1	12,546.3	12,470.2	13,093.3	12,130.7	-1.2	93
Barton	13,313.7	13,081.9	12,994.9	12,981.1	12,388.1	11,925.6	12,455.4	12,439.7	12,240.3	12,609.0	12,511.7	1.0	25
Bourbon	10,979.8	10,985.9	10,874.8	11,436.8	12,071.1	11,613.6	11,801.5	11,820.7	11,550.8	11,239.5	11,146.1	-0.8	81
Brown	10,233.0	10,239.9	9,125.0	9,935.9	11,645.2	11,061.7	11,342.1	10,602.2	10,562.9	11,065.0	10,748.9	-0.5	74
Butler	12,812.2	11,919.4	12,430.7	12,537.3	12,596.4	13,078.7	13,100.5	12,809.2	12,785.5	12,947.2	12,795.9	-0.4	73
Chase	10,231.9	9,953.9	8,881.1	10,538.5	10,804.7	11,302.6	12,330.4	13,015.6	12,912.9	12,355.0	12,004.4	1.3	20
Chautauqua	9,058.4	9,053.5	8,242.6	9,378.4	9,743.9	9,654.2	9,491.4	9,087.7	9,836.3	9,544.0	10,046.3	0.9	27
Cherokee	8,719.6	9,229.7	9,058.8	9,318.7	10,204.1	9,619.5	9,615.5	10,120.2	9,951.6	10,021.4	9,942.7	0.7	34
Cheyenne	7,538.4	9,873.1	11,586.5	10,600.2	11,935.3	13,958.1	13,522.9	13,069.7	11,694.4	13,237.9	12,118.2	-2.5	100
Clark	12,653.8	12,954.5	14,578.0	13,736.9	13,163.5	12,617.1	13,371.5	14,219.7	14,512.9	16,057.4	14,280.5	2.8	8
Clay	10,175.8	10,449.2	11,011.3	11,294.3	11,159.9	11,818.0	11,865.7	11,854.6	10,982.3	12,441.5	11,529.4	-0.2	67
Cloud	9,433.4	10,582.8	11,992.0	11,252.0	11,013.9	11,454.0	11,300.8	10,916.8	10,492.7	11,768.9	10,820.9	-0.9	84
Coffey	11,842.1	11,746.4	12,289.2	13,433.6	12,329.5	11,060.8	11,538.4	11,508.7	11,779.0	12,078.0	12,178.4	2.0	12
Comanche	11,111.8	12,537.0	10,658.9	10,823.5	11,534.6	13,475.5	13,324.0	14,309.4	13,754.0	14,862.3	14,631.4	1.8	14
Cowley	10,978.7	11,049.1	10,968.1	11,145.1	11,130.2	11,506.9	11,720.5	11,646.5	11,793.5	11,355.0	11,403.1	-0.2	61
Crawford	10,297.9	10,211.9	10,234.3	10,617.5	11,136.7	11,033.5	11,089.5	11,145.1	11,284.7	11,704.7	11,736.4	1.3	22
Decatur	12,925.5	14,142.9	16,508.4	14,564.9	14,510.8	14,209.9	15,497.7	14,793.0	13,666.1	14,459.1	14,690.2	0.9	30
Dickinson	10,328.7	10,856.4	11,252.2	11,264.5	11,119.9	11,526.1	11,658.9	11,184.0	10,632.3	11,322.1	10,956.7	-0.9	85
Doniphan	9,303.7	9,714.6	8,832.9	9,258.1	11,373.8	10,965.0	10,954.0	10,564.2	10,408.1	10,938.0	11,359.8	0.8	32
Douglas	9,850.3	9,515.7	9,746.4	10,086.0	10,382.6	10,602.0	10,642.5	10,733.3	10,882.3	10,771.2	10,712.2	0.2	49
Edwards	12,547.1	11,757.8	11,928.8	13,604.0	13,881.3	14,325.7	15,320.0	15,794.2	12,778.2	14,410.9	14,126.3	0.3	45
Elk	8,850.5	10,159.1	9,672.1	10,814.9	10,923.7	11,683.0	11,049.1	11,122.3	11,883.1	10,868.4	10,913.4	-1.2	94
Ellis	10,914.9	11,098.8	11,469.0	11,669.8	11,639.7	11,316.3	11,236.5	11,282.1	11,498.4	12,077.3	12,048.5	1.3	21
Ellsworth	10,160.4	11,565.1	11,605.6	11,433.9	10,822.4	11,592.7	11,137.9	10,768.8	10,450.0	11,496.6	10,856.1	-1.2	92
Finney	12,326.1	12,349.4	11,220.1	11,208.6	11,288.2	11,066.3	11,983.7	12,151.4	11,677.4	11,431.5	11,806.9	1.4	19
Ford	11,911.4	11,617.9	12,554.2	13,821.6	13,034.3	13,248.4	12,805.6	13,162.7	12,312.1	12,802.6	12,393.5	-1.2	95
Franklin	10,832.5	10,731.0	10,456.1	10,812.0	11,216.6	11,454.0	11,306.9	11,129.9	11,103.2	11,332.8	11,135.1	-0.6	77
Geary	8,738.3	9,014.2	8,717.5	9,133.9	9,069.8	9,261.0	8,980.1	8,900.0	9,408.1	9,537.9	9,542.6	0.6	37
Gove	9,241.0	10,437.8	11,227.1	11,999.1	14,105.4	13,273.9	14,306.1	13,394.4	15,387.1	16,957.2	14,201.9	2.0	11
Graham	8,973.7	10,384.9	10,825.6	10,453.8	10,841.9	11,007.0	11,066.7	10,760.3	10,494.4	11,969.4	10,875.9	0.0	54
Grant	12,783.6	11,373.4	10,784.4	11,305.9	11,380.3	11,486.8	13,531.7	14,311.9	12,961.3	13,577.7	13,268.7	3.3	5
Gray	11,540.8	10,194.3	9,236.5	11,432.0	10,416.1	12,792.2	12,517.0	15,554.1	12,007.3	13,137.7	13,011.0	1.6	17
Greeley	11,845.4	12,052.1	12,533.1	18,117.5	20,148.8	17,291.4	14,091.4	16,392.9	20,338.7	21,503.4	22,047.0	6.0	1
Greenwood	10,888.6	10,437.8	9,700.2	10,565.5	9,981.9	10,479.7	10,497.3	11,047.8	10,969.4	11,246.4	11,009.5	1.0	24
Hamilton	11,483.6	12,441.6	12,984.9	16,438.4	15,146.7	18,759.2	19,083.9	20,595.6	14,833.1	17,028.3	20,400.9	3.3	6
Harper	11,959.8	13,991.7	12,746.9	12,531.5	11,631.3	12,808.7	12,157.0	12,813.5	12,361.3	13,009.2	12,124.8	-1.0	87
Harvey	11,418.7	11,499.8	11,414.8	11,505.2	11,468.6	11,910.1	11,739.9	11,830.0	11,575.0	11,553.2	11,803.2	-0.2	63
Haskell	14,479.6	12,689.3	8,598.0	15,659.6	15,142.1	14,992.6	14,646.7	17,997.0	14,291.1	15,533.3	14,201.9	0.0	56
Hodgeman	8,868.1	11,583.7	9,085.9	10,542.4	11,787.5	9,174.3	13,282.6	13,860.3	11,567.7	13,347.4	10,955.2	6.0	2
Jackson	9,646.8	9,517.7	9,214.4	10,068.7	11,038.1	10,953.2	10,932.9	11,302.4	11,079.8	11,427.7	11,294.4	0.6	38
Jefferson	10,310.0	10,437.8	10,010.4	10,792.7	11,966.0	11,850.8	12,091.0	11,689.7	11,623.4	11,889.1	11,613.1	-0.4	72
Jewell	8,600.9	10,056.5	11,865.6	10,087.0	11,020.4	12,307.9	10,759.5	10,289.3	9,713.7	12,507.3	10,102.1	-2.6	102
Johnson	17,031.2	17,037.8	17,343.6	17,788.3	18,593.3	19,251.8	19,522.2	19,820.2	19,908.9	20,260.9	19,895.0	0.7	35
Kearny	10,566.3	11,078.1	10,564.6	15,706.7	16,176.0	14,562.0	13,109.3	14,387.1	13,622.6	16,857.7	14,489.0	0.8	31
Kingman	9,054.0	11,075.0	10,870.7	10,114.0	10,386.3	11,621.9	11,284.0	11,546.8	10,300.8	11,748.3	11,320.9	-0.2	65
Kiowa	10,487.1	11,178.6	11,641.7	12,355.3	12,192.9	13,241.1	12,714.1	13,865.4	12,462.1	13,993.1	13,624.1	0.9	26
Labette	9,589.6	10,141.5	10,290.5	10,553.0	11,044.6	11,127.4	11,277.0	11,704.9	11,308.9	11,169.1	11,334.1	0.4	42
Lane	13,231.2	12,234.4	13,909.4	15,290.8	15,297.3	23,946.1	13,582.7	14,423.5	15,463.7	14,994.6	15,536.7	-5.9	105
Leavenworth	10,371.6	10,384.9	10,162.0	10,683.9	11,089.2	10,868.3	11,118.6	10,868.6	10,951.6	10,985.5	10,772.4	-0.2	62
Lincoln	9,957.0	11,130.9	11,861.5	12,004.9	11,032.5	12,131.8	11,627.3	11,835.1	10,300.8	12,811.0	11,430.2	-0.3	71
Linn	9,569.8	9,482.5	8,668.3	9,502.6	10,549.1	10,540.9	10,757.8	10,356.1	10,158.9	10,232.6	10,037.4	-1.0	86

(continued)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Average*	Rank**
Logan	10,344.1	11,443.9	13,857.2	12,946.5	12,392.8	10,976.9	11,600.8	11,792.8	11,716.1	12,057.4	12,170.3	2.1	9
Lyon	11,063.4	10,727.9	10,539.5	10,430.7	10,813.1	11,333.6	11,427.5	11,503.6	11,641.1	11,384.9	11,518.4	0.3	47
Marion	11,296.6	11,816.9	12,421.7	12,044.3	12,119.4	12,779.5	12,658.7	12,428.7	12,410.5	12,984.7	12,699.0	-0.1	59
Marshall	9,971.3	9,691.8	10,504.3	9,777.0	10,140.9	10,779.9	10,677.7	10,401.0	10,103.2	10,537.1	10,185.0	-1.1	89
McPherson	10,740.1	10,238.9	10,137.9	10,752.3	12,171.5	12,075.2	12,263.5	11,663.4	11,414.5	12,717.7	11,931.0	-0.0	57
Meade	13,344.5	11,808.6	13,613.3	15,122.3	13,574.5	14,148.7	14,125.7	13,826.5	12,725.0	14,258.6	14,179.9	0.3	48
Miami	10,849.0	10,238.9	10,370.8	10,996.8	11,915.8	12,014.1	12,176.4	11,691.4	11,555.6	11,336.6	11,052.9	-1.6	98
Mitchell	8,496.4	10,021.3	11,061.5	10,110.1	9,862.9	10,787.2	11,523.4	11,148.5	9,925.8	12,759.0	11,058.0	1.6	16
Montgomery	10,979.8	10,365.3	10,044.6	10,566.5	10,778.7	11,120.1	10,925.8	10,968.4	11,173.4	11,322.1	11,161.5	0.1	51
Morris	9,390.6	9,382.0	9,312.8	10,008.1	10,461.7	10,332.9	10,147.9	10,223.4	9,915.3	10,420.0	9,652.0	-1.3	96
Morton	11,398.9	11,953.6	13,780.9	14,423.4	13,666.5	13,327.7	12,770.4	13,140.7	12,337.1	13,222.6	13,474.3	0.3	46
Nemaha	9,907.5	10,412.9	9,655.1	10,131.3	11,387.7	12,317.0	12,701.8	12,682.4	12,408.9	13,672.5	13,285.6	1.6	15
Neosho	11,181.1	11,119.6	11,011.3	11,137.4	11,119.0	10,789.0	10,882.7	10,926.1	11,212.9	11,545.5	11,645.4	1.5	18
Ness	12,327.2	15,245.3	15,057.8	14,096.0	14,654.9	14,580.2	14,689.0	13,988.9	13,255.6	15,655.7	14,122.6	-0.2	64
Norton	10,425.5	11,609.6	12,899.5	12,226.3	11,109.7	11,583.5	11,949.3	11,805.5	11,127.4	12,370.3	11,828.2	0.6	39
Osage	10,253.9	9,923.9	9,554.7	10,441.3	11,410.0	11,294.4	11,636.1	11,292.2	11,079.8	11,211.9	10,955.2	-0.6	78
Osborne	9,708.4	11,210.7	11,933.8	10,850.5	11,170.1	12,554.2	12,571.5	12,308.6	10,991.1	13,372.6	11,408.2	-1.1	91
Ottawa	8,664.6	10,293.8	10,673.0	10,663.7	10,833.6	11,569.9	11,900.9	11,711.6	10,158.9	11,158.4	10,103.5	-2.3	99
Pawnee	11,068.9	11,671.8	11,411.8	12,119.4	12,096.2	12,877.1	13,598.6	13,811.3	12,911.3	13,511.1	13,092.5	0.4	41
Phillips	10,565.2	12,033.4	13,221.8	12,679.8	11,942.8	12,899.9	12,838.2	12,616.4	11,689.5	12,810.3	12,304.7	-0.8	80
Pottawatomie	10,413.4	10,464.4	10,170.0	10,795.6	11,537.4	11,414.8	11,423.1	11,227.1	10,891.1	10,993.9	10,794.4	-1.1	90
Pratt	10,752.2	11,778.5	11,925.8	12,587.3	12,602.9	12,708.3	12,183.4	13,647.2	11,792.7	12,907.4	13,000.0	0.9	28
Rawlins	8,883.5	10,400.5	12,753.0	10,846.6	12,593.6	12,720.2	12,564.5	12,201.3	11,306.5	13,334.4	11,596.2	-1.3	97
Reno	11,424.2	11,596.2	12,013.1	11,937.5	12,026.4	12,257.7	11,849.9	12,173.3	12,329.8	12,399.4	12,199.0	-0.1	58
Republic	9,157.4	9,836.8	9,616.9	10,062.0	11,336.6	12,207.5	12,571.5	12,108.2	11,175.0	11,299.2	10,722.5	-2.5	101
Rice	10,756.6	11,764.0	12,458.8	11,666.0	11,506.7	12,084.4	11,919.4	12,229.2	11,048.4	12,083.4	11,850.2	-0.2	66
Riley	9,304.8	9,450.4	9,228.4	9,519.0	9,696.5	10,173.2	10,020.3	10,009.4	9,987.1	10,108.6	10,368.6	0.4	44
Rooks	10,158.2	11,358.9	10,729.2	10,593.4	10,524.9	10,543.6	10,711.1	10,664.8	9,714.5	10,924.3	10,117.5	-0.5	76
Rush	11,365.9	13,218.7	12,266.1	12,328.3	11,928.8	11,762.3	11,937.9	11,258.4	10,037.1	12,942.6	11,837.0	1.1	23
Russell	12,909.0	14,702.4	13,918.4	13,679.1	13,602.4	13,478.2	13,219.3	12,678.2	12,458.1	13,666.4	12,717.3	-1.0	88
Saline	12,350.3	12,444.7	12,675.7	12,813.6	12,803.7	13,257.5	13,221.0	13,546.6	13,496.0	13,901.3	13,678.4	0.6	36
Scott	10,218.7	10,911.3	13,387.4	14,106.6	14,880.8	14,011.0	13,904.8	14,649.3	13,648.4	15,834.0	15,994.1	3.0	7
Sedgwick	13,932.9	13,700.5	13,578.1	14,016.1	14,084.9	14,542.8	14,314.1	14,344.0	14,456.5	14,488.9	14,439.1	-0.1	60
Seward	13,446.8	12,718.3	12,707.8	13,562.6	13,452.7	13,116.1	12,516.1	12,595.3	11,859.7	12,182.9	13,088.8	0.1	52
Shawnee	13,418.2	13,289.2	13,527.9	13,772.5	14,125.8	14,517.3	14,571.0	14,610.4	14,644.4	14,450.7	14,299.6	-0.3	70
Sheridan	10,237.4	10,491.7	9,575.8	10,637.7	11,543.9	10,552.7	11,693.3	12,198.7	11,341.1	12,682.5	12,789.3	4.2	4
Sherman	12,279.9	11,060.5	11,850.5	11,677.5	12,220.8	12,719.3	11,931.7	12,004.2	11,580.6	12,628.9	12,103.5	-0.8	83
Smith	9,590.7	10,216.1	12,035.2	11,037.3	10,474.7	11,728.6	12,366.5	12,174.2	10,942.7	11,917.4	11,836.3	0.4	43
Stafford	11,837.7	12,755.6	13,721.7	13,071.6	13,124.5	13,454.5	14,112.5	14,349.9	12,516.1	13,682.5	13,595.4	0.5	40
Stanton	9,678.7	10,511.4	12,920.6	16,034.1	14,665.1	15,110.2	16,298.6	21,099.6	19,021.0	19,508.0	18,103.5	4.6	3
Stevens	17,255.6	16,763.3	14,059.0	15,847.3	16,414.0	15,509.8	16,393.6	17,363.7	16,927.4	16,806.4	16,136.6	0.9	29
Sumner	11,309.8	11,923.6	11,478.1	11,899.9	11,598.8	12,566.0	12,170.2	12,321.3	12,136.3	12,521.0	12,096.2	-0.7	79
Thomas	11,084.3	11,967.1	14,546.9	13,444.2	13,358.8	13,033.1	12,382.3	12,307.0	12,381.5	12,801.1	12,489.7	-0.8	82
Trego	10,747.8	12,149.4	10,811.5	11,021.9	11,616.4	10,820.9	12,416.7	11,759.8	10,689.5	12,551.6	11,608.7	2.1	10
Wabaunsee	9,425.7	9,601.6	9,940.2	10,646.4	11,191.5	11,244.2	10,859.8	11,221.2	10,644.4	11,215.0	11,056.5	-0.3	69
Wallace	11,507.8	12,139.1	14,195.5	12,370.7	13,128.2	14,543.7	12,860.2	14,043.8	13,404.8	12,183.6	11,408.2	-4.5	104
Washington	9,159.6	8,994.5	9,529.6	9,537.3	10,312.0	10,537.2	11,076.3	9,902.1	9,421.8	10,938.8	10,323.1	0.0	55
Wichita	10,732.4	10,354.9	13,252.9	18,178.2	20,766.2	17,886.2	15,743.3	14,207.9	17,898.4	16,632.7	14,475.8	-3.2	103
Wilson	9,660.0	9,648.3	9,961.2	10,234.3	10,629.0	10,818.2	10,655.7	10,615.7	10,945.2	10,690.1	10,848.0	0.1	53
Woodson	9,495.0	9,003.8	8,478.6	9,284.1	9,026.1	9,502.7	9,615.5	9,989.1	10,666.9	10,354.2	10,410.4	1.9	13
Wyandotte	10,203.3	10,068.9	10,224.3	10,743.6	10,811.2	11,032.5	10,890.6	10,807.7	10,750.0	10,689.4	10,740.8	-0.5	75
Kansas	12,116.0	12,151.5	12,240.0	12,612.4	12,900.4	13,239.2	13,277.3	13,379.2	13,319.4	13,594.5	13,440.5	0.3	NA

*Average annual growth rate 1987-1991.

**Rank based on average annual growth rate 1987-1991.

3-6

**COVERED EMPLOYMENT AND WAGES BY COUNTY, ANNUAL AVERAGES 1991
SORTED BY AVERAGE WAGES**

<u>COUNTY</u>	<u>ESTABLISHMENTS</u>	<u>EMPLOYMENT</u>	<u>WAGES</u>
COFFEY	274	3,571	25,336
SEDGWICK	11,164	214,966	24,464
JOHNSON	13,769	190,024	24,313
WYANDOTTE	3,715	77,051	24,216
SHAWNEE	4,732	87,744	21,877
LINN	218	1,935	20,943
GRANT	262	2,979	20,828
STEVENS	193	1,624	20,396
LEAVENWORTH	1,050	17,609	20,355
SEWARD	741	10,464	19,929
RENO	1,717	25,982	19,356
MCPHERSON	877	11,205	19,252
SALINE	1,637	25,883	18,975
HASKELL	133	1,123	18,921
COWLEY	891	13,770	18,630
DOUGLAS	2,106	33,384	18,625
KEARNY	117	1,060	18,608
DONIPHAN	209	2,282	18,389
GRAY	203	1,623	18,242
HARVEY	796	11,638	18,237
MONTGOMERY	1,099	15,729	18,172
MORTON	128	1,184	18,086
FINNEY	1,090	16,948	18,061
LYON	877	15,502	17,904
BARTON	1,190	13,135	17,884
RILEY	1,355	19,979	17,690
LABETTE	601	10,272	17,644
ATCHILSON	405	5,968	17,616
FORD	928	13,471	17,614
STANTON	89	744	17,512
PAWNEE	252	2,915	17,461
SCOTT	246	1,938	17,407
GEARY	717	10,487	17,263
PHILLIPS	221	2,155	17,258
RUSH	142	1,104	17,207
CHEROKEE	384	5,472	17,178
ELLIS	1,026	11,303	17,169
WILSON	280	2,969	17,161
CRAWFORD	955	14,075	17,029
RICE	360	3,246	17,026
MIAMI	489	6,128	16,963
PRATT	406	3,783	16,919
BUTLER	1,070	12,023	16,896
POTTAWATOMIE	433	5,764	16,822
BOURBON	391	5,526	16,794
LANE	107	780	16,721
NESS	197	1,306	16,642
NEOSHO	594	7,326	16,509
ELLSWORTH	233	2,283	16,427

COVERED EMPLOYMENT AND WAGES BY COUNTY, ANNUAL AVERAGES 1991
SORTED BY AVERAGE WAGES

<u>COUNTY</u>	<u>ESTABLISHMENTS</u>	<u>EMPLOYMENT</u>	<u>WAGES</u>
SUMNER	535	5,694	16,372
ALLEN	434	5,322	16,354
KINGMAN	268	2,173	16,103
NORTON	218	2,078	16,082
FRANKLIN	533	6,839	15,950
RUSSELL	340	2,934	15,884
KIOWA	147	1,167	15,876
ROOKS	265	1,846	15,660
WICHITA	115	811	15,619
NEMAHA	404	3,929	15,471
EDWARDS	150	1,128	15,469
MEADE	159	1,303	15,444
BARBER	226	2,051	15,375
HARPER	267	2,212	15,361
JEFFERSON	318	2,758	15,332
MARSHALL	402	3,517	15,304
MICHELL	289	2,899	15,284
HAMILTON	100	782	15,239
CLARK	113	673	15,235
BROWN	337	3,830	15,088
DICKINSON	618	6,117	15,072
STAFFORD	201	1,403	15,038
GRAHAM	146	1,157	14,872
SHERIDAN	122	806	14,833
CLOUD	367	3,893	14,814
THOMAS	380	3,419	14,800
HODGEMAN	65	479	14,714
LOGAN	159	1,037	14,592
SHERMAN	286	2,495	14,531
JACKSON	273	2,325	14,348
ANDERSON	227	1,856	14,344
CHAUTAUQUA	125	1,001	14,147
OSAGE	343	2,966	14,136
GREENWOOD	291	2,012	14,006
GREELEY	92	605	13,978
GOVE	133	1,026	13,963
MORRIS	188	1,448	13,930
MARION	387	3,569	13,850
WOODSON	140	823	13,734
OTTAWA	158	1,234	13,661
DECATUR	166	1,299	13,645
REPUBLIC	245	2,211	13,609
WABAUNSEE	149	1,047	13,458
OSBORNE	202	1,597	13,416
JEWELL	137	893	13,394
RAWLINS	127	920	13,369
CHEYENE	140	880	13,346
CLAY	304	2,680	13,249
TREGO	138	1,038	13,156

COVERED EMPLOYMENT AND WAGES BY COUNTY, ANNUAL AVERAGES 1991
SORTED BY AVERAGE WAGES

<u>COUNTY</u>	<u>ESTABLISHMENTS</u>	<u>EMPLOYMENT</u>	<u>WAGES</u>
WALLACE	69	447	13,130
LINCOLN	120	990	12,928
CHASE	86	754	12,793
SMITH	188	1,389	12,770
COMANCHE	111	739	12,136
ELK	100	593	12,086
WASHINGTON	283	2,089	11,871

D. Handles Half Million Commuters Daily: Non-Resident Reciprocal Income Tax Could Bring in Windfall

by Jeff Fletcher

It's not surprising that city leaders in Washington, D.C. want to enact a non-resident reciprocal income tax.

Of the 730,448 people who work in the District of Columbia, nearly seven in ten—some 493,714—live somewhere else. Despite the continued decentralization nationally of work sites and places of residence, the 1990 figures represent "the greatest volume of in-commuting to the District of Columbia ever recorded in a census," according to Census Bureau analyst Phil Salopek.

The volume of daily non-resident worker commutes into D.C. was nearly twice as high as that recorded by the cities of San Francisco (260,000) and Philadelphia (248,000).

The D.C. commuting flow and similar data for other metropolitan areas is contained in a new Census Bureau computer file, "Census of Population 1990: Num-

ber of Workers by County of Residence by County of Work." The entire file (#STF-S-5), available on 9-track computer tape or tape cartridge, can be acquired by calling the Census Bureau's Data User Services Division at (301) 763-4100.

Most commuters to D.C. live in the neighboring Maryland counties of Prince George's (141,950) and Montgomery (103,320), followed by the Virginia counties of Fairfax (94,502) and Arlington (43,842).

D.C. residents work where they live. Of the 304,428 workers who lived in the city in 1990, about 78 percent also worked in the city. The 78 percent from D.C. who both lived and worked in the same jurisdiction was the highest percentage among all Washington area governments. Next in line were the city of Frederick, Md. and Montgomery County, Md., at 60 percent each, followed by Fair-

fax County, Va., at 50 percent.

Non-Resident Income Taxes

Non-resident income taxes compensate communities for the extra costs they incur in serving commuters who live in other jurisdictions. The taxes are used most commonly by cities in the states of Ohio, Pennsylvania, and Michigan. The income taxes apply to city residents as well, often at a higher rate.

Most non-resident city income tax rates fall in the 0.50-2.25 percent range, and are calculated on gross salaries, wages, and commissions earned in the taxing community.

Under non-resident reciprocal income tax systems, commuters are given a credit on their home jurisdiction taxes for taxes paid to the work jurisdiction. In this way, commuters who live in one place and work in another do not pay any more in total taxes.

The Philadelphia Story

At 4.3 percent, Philadelphia, Pa. reportedly has the highest non-resident income tax rate in the nation. Philadelphia provides a reciprocal tax credit for non-residents. The income tax rate for Philadelphia residents is 4.96 percent.

In addition to collecting taxes from traditional non-resident wage earners, Philadelphia is collecting wage taxes from doctors, lawyers, and other professionals who live outside the city but perform their services in the city.

In the fall of last year, following the lead of California and New York states, Philadelphia created a stir by sending tax collection notices to some 4,500 non-resident professional athletes who play sporting events in the city. At that time, city tax officials estimated that a professional baseball player who earned \$1 million a year and played nine games annually in Philadelphia would owe about \$2,400 in taxes to the city. Even more controversial was the city's request for six years of back taxes from the athletes.

Reciprocal arrangements are operating in both intrastate and interstate settings.

To punch up their copy, most journalists refer to non-resident reciprocal income taxes as "commuter" taxes. Calling a non-resident reciprocal income tax a "commuter" tax is accurate, but it also suggests that commuters will pay more in taxes. That is not true in systems that have full reciprocity. Only in non-reciprocal or partially reciprocal non-resident income tax systems do commuters actually pay more in taxes than they normally would.

Although non-resident reciprocal income taxes may be tax-neutral to individuals, such taxes do create state and local government tax winners and losers. Some observers contend that even reciprocal non-resident income tax schemes also cause businesses to flee the urban core and create the threat of needless taxing wars between central cities and their surrounding suburbs.

But for those communities who have or can get the authority to tax non-resident income, such taxes seem to many observers to be a sensible and fair way to finance the costs of services that non-residents receive from their workplace governments.

The Future

As cash-strapped city gov-

ernments search for new revenue sources, proposals for non-resident reciprocal income taxes will continue to surface, as they have in recent years in Hartford, Conn.; Charlotte, N.C.; and Providence, R.I. So will protests against such taxes.

According to a recent NLC study, "City Distress, Metropolitan Disparities and Economic Growth," economic disparities between central cities and their suburbs hurt the entire metropolitan region. The study found a direct relationship between city-suburban economic disparities and regional economic growth. Metropolitan areas with small disparities tend to be more prosperous. As disparities increase, overall regional employment growth declines.

Thus cities and suburbs form a single, interdependent economic unit whose economic welfare and futures are joined. The prosperity of the doughnut and the hole are inseparable.

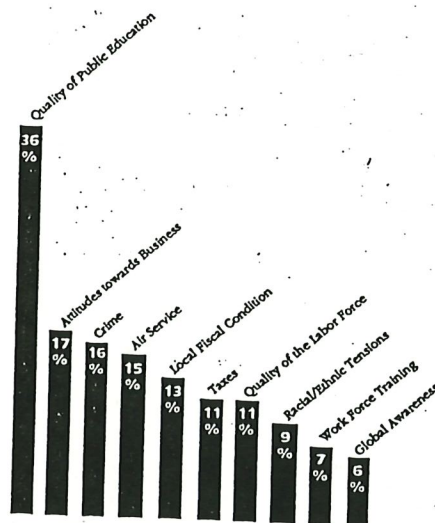
The NLC study concluded that "the capacity and willingness of cities and suburbs to work cooperatively to effectively address their common economic needs will be an important determinant of their mutual economic future. Where suburbs turn their backs on core cities, or cities refuse to cooperate with their suburbs, they are undermining their own economic prosperity."

DATAFILE

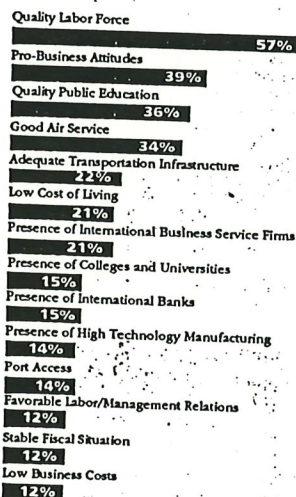
COMPETING IN A GLOBAL ECONOMY

What Corporate Leaders Want From Cities

In conjunction with *Fortune* magazine's annual "Best Cities for Business" survey, published in November, 1992, the management consulting firm of Moran, Stahl & Boyer asked business executives to list the five most significant factors that make cities competitive in a global economy and to list the top challenge cities must address to become competitive in an international economy. Responses from 900 corporate leaders in the nation's 60 largest metropolitan areas are summarized in the charts below.



ISSUES CITIES MUST ADDRESS TO MEET THE CHALLENGES OF GLOBAL COMPETITION
(Percent of Respondents)



CITY FACTORS CRITICAL TO GLOBAL COMPETITIVENESS
(Percent of Respondents)

Source: "The Best Cities to Meet the Challenges of Global Competition in the 21st Century," Moran, Stahl & Boyer, 355 Lexington Avenue, New York, NY 10017; (212) 661-4878.

GREG A. PACKER

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TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

MEMBER: ECONOMIC DEVELOPMENT
LABOR & INDUSTRY
LOCAL GOVERNMENT

January 18, 1994

TO: HOUSE TAXATION COMMITTEE
RE: EARNINGS TAX

Mr. Chairman and members of the committee. Thank you for the opportunity to speak today as an opponent to this bill.

My constituents, the people of Shawnee and Pottawatomie Counties and those of other surrounding areas will be adversely and unfairly affected by an EARNINGS TAX.

My constituents have made, for a number of reasons, a conscious decision to reside in the 51st District. Most however, have no discretion with regard to where they work and earn their income.

Don't believe for a minute, that these folks don't already pay their fair share in the form of other taxes. They spend a large portion of their income within the city limits of Topeka.

Please understand that among others, approximately 10,000 state employees could be affected in Topeka. This comes to over 22 million in wages to these state employees. This could cost these state employees over 1/2 million dollars (\$500,000.00) just in Topeka alone. Won't those employees want us to replace this in the future budget process ???

I find it hard to believe that cities would want to hinder economic development and growth by placing an onerous tax on the very businesses and corporations that create the jobs that employ our citizens.

In closing I ask you as a committee to KILL this TAXING MONSTER. I believe that it is time that all government, state and local, live within their present sources of revenue.

Representative Greg A. Packer
51st District

1/18/94

House Taxation Cmte
Attachment 4



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TO: THE HOUSE TAXATION COMMITTEE

FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS

DATE: JANUARY 18, 1994

SUBJECT: LOCAL OPTION EARNINGS TAX

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS® I appear today to oppose the measure before you.

In the past, we have supported additional revenue sources for local units of government, as long as the new revenue sources were used to reduce reliance on property taxes. However, we have also asked that, with each new revenue source granted by the legislature two key requirements also be put in place.

First, we believe the utilization of any new revenue source by a local unit of government should be approved by the electorate. We believe that the electorate ought to be made aware that their local government is assessing new taxes so that the taxpayers can know exactly where that new money is going. We do like the concept of mandatory referendum in this bill.

However, we believe that any new revenue authority given to local units of government should also contain provisions which mandate that when a local unit of government utilizes these new revenue sources, they must reduce their property tax levy in an amount equal to the amount of revenue collected from the new revenue. Without such a safeguard, the representation that the new revenues are being used to reduce or "contain" property taxes are empty promises. Without some sort of quid pro quo requirement, the local units can continue to increase property taxes at the same time they are collecting the new revenue.

We ask that you consider very closely the passage of HCR 5017, which this committee heard testimony on last session.

This constitutional amendment is a Government Cost Control Amendment which would constitutionally control spending growth for state and local government. Spending growth would be limited to increases in the cost of living for the state. There are allowances for emergency situations for the state and could be added for local government. But, outside of those emergency provisions, the only way this spending control can be exceeded is by a majority vote of the appropriate electorate. At the same time, the state is prohibited from requiring any new or expanded activities by taxing subdivisions or from shifting the tax burden to taxing subdivisions, without full state financing.

1/18/94

House Taxation Cmte

Attachment 5

The Kansas Association of REALTORS® feels that this Government Cost Control Amendment is an idea whose time has come. Such an amendment serves four purposes.

First, this Amendment eliminates the need for tax lids. It restricts spending by local units of government without the utilization of any "loopholes" or exemptions. It is a straightforward way of limiting spending which would be in place from year to year, without having the property tax lid discussions which have become an almost annual event. Such a spending limitation for all levels of government takes away the complaint made by local governments that the legislature is advocating spending limits for local units of government without limiting state budgets.

Second, this government cost control amendment brings both fiscal responsibility and flexibility to the government budget making process. Because the growth of government spending would be fairly predictable from year to year, governments could establish long term planning methods, within the parameters of the cost limitations.

Third, the logical fallout of this amendment would be that local units could be given legislative authority for alternative taxes such as the earnings tax authority requested in this bill. They could then alter their tax mix, as long as the total amount collected did not increase above the revenue limit provided by the amendment. By the same token, the state could change the current tax mix between income tax, sales tax, property tax etc., as long as the total amount collected did not increase above the revenue limit. Meanwhile, the tax base for all units of government could expand with new development plus increases in the cost of living and any federal revenues which may be given.

Fourth, this Government Cost Control Amendment would answer the demand of voters that government become more efficient and responsive. Taxpayers ask why government can't be run like a business. While we know it cannot be completely run like a business, a spending limitation would force the government to live within its means.

A business cannot continually raise its prices in order to cover increased costs. The market prevents it. Thus businesses must continually look to keeping their costs in line if they are to survive in the market place. A cost control amendment would be the equivalent of the "market place" competition for government. It would put a limit on the income side of the balance sheet, thus providing the "incentive" to keep costs in line. Government would have to prioritize its services in order to deliver the best product for the best prices.

In summary, we believe this amendment provides many answers to questions which plague the legislature on an annual basis. We believe such an amendment would help return confidence to government without placing unreasonable restrictions on the hands of government officials. We believe the people would strongly support such an amendment if given the chance to vote. We ask that you consider this alternative when it comes time to debate this bill

Thank you again for the opportunity to testify.

GOVERNMENT COST CONTROL AMENDMENT

GENERAL DESCRIPTION

The Government Cost Control Amendment would constitutionally control spending growth for state and local government. Spending growth would be limited to increases in the cost of living for the state. There are allowances for emergency situations for the state. But, outside of the emergency provisions, the only way this spending control can be exceeded is by a majority vote of the appropriate electorate. At the same time, the state is prohibited from requiring any new or expanded activities by taxing subdivisions or from shifting the tax burden to taxing subdivisions, without full state financing. Missouri, Oklahoma and Colorado each have similar constitutional provisions.

SPECIFIC PROVISIONS

A. STATE LEVEL

{Section 14 (c)(1)}

1. The state cannot collect more taxes in a given year than what was collected the previous year plus a cost of living increase allowance, plus any permissive "reserves", plus any federal funds. This limitation is referred to as the "revenue limit" in the amendment.
2. The revenue limit applies to all taxes collected. The state could change the current tax mix between income tax, sales tax etc., as long as the total amount collected did not increase above the revenue limit."
3. In the event revenues exceed the revenue limit by 1% or more, the excess must be refunded on a pro rata basis, using the state income tax liability as the process for rebating dollars back to the taxpayers. If the excess is less than 1%, the excess can be transferred to the state general fund and becomes part of the "acceptable" revenue limit for the next fiscal year.
4. If, by constitutional amendment, responsibility for funding programs is transferred between levels of government, i.e. from the school districts to the state, the state revenue and spending limits can be adjusted accordingly.

5. EMERGENCY PROCEDURE The amendment permits the state to exceed the revenue limits if and only if the following conditions are met:
- a. The Governor requests the legislature to declare an emergency.
 - b. The request is specific in the nature of the emergency, the dollar cost of the emergency, and the method of funding the emergency.
 - c. The Legislature declares an emergency by two-thirds vote.
 - d. The emergency must be declared before any expenditures are made to handle the emergency.
 - e. The increases in the revenue limit can only occur during the fiscal year when the emergency is declared.
 - f. An emergency request cannot be made which would include any part of a refund pursuant to the excess revenue provisions of the amendment.

B. LOCAL UNIT LIMITS
{Section 14 (g)}

1. Local units of government are permitted to collect the same amount of taxes that they collected in the previous year plus allowances for additional valuation due to new construction and improvements plus an allowance for increases in CPI (referred to as the general price level in the amendment.)
2. If the assessed valuation of property is greater than the base plus new construction and improvements plus CPI, then the levy must be reduced in each taxing subdivision in order to yield the same revenues as the previous year.
3. The state is prohibited from reducing state funding for any mandates to local governments. The state is also prohibited from mandating any additional responsibilities to local governments unless the state gives the local governments the money to carry it out.
4. Payments of principal and interest on bonded indebtedness or payments of assessments on contract obligations in anticipation of which bonds are issued which were in place prior to passage of the amendment are exempt.

KANSAS TAXPAYERS NETWORK
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18 January 1994

STATEMENT TO HOUSE TAXATION COMMITTEE
By Karl Peterjohn
Executive Director

Kansas already has two income taxes, don't add a third. I know the proponents will describe this as an "earnings tax". This is a distinction without a difference for the average Kansan.

This type of tax will have a number of negative effects.

- 1) This tax will reduce saving when saving should be encouraged.
- 2) This tax will reduce incentives for entrepreneurial and risk taking behavior. This will help stifle growth.
- 3) This would add to Kansas' already dubious position as the high tax point on the prairie. This will hurt economic development efforts in Kansas. Only Kansas City Missouri is the only nearby city with a local income tax in the major cities close to Kansas.

Kansas should not negate this advantage over our neighbors in western Missouri. Higher taxes will weaken rather than strengthen our economy.

- 4) If this committee feels compelled to approve this proposal I have a number of suggestions which would make this idea less odious. At this point I won't go into details beyond stating that any and all increases in local taxes should receive voter approval before any increases are implemented.
- 5) This proposal is a one way ratchet towards higher taxes. This proposal should have a sunset provision, repeal option or super majority approval like Proposition 13 in California or some Missouri tax/bond referendum issues currently require.

Equally important as the economic impact of this tax, I'd like to quote from a Louis Harris Poll published in the Nov. 1, 1993 Business Week on taxes. 67% of those polled with a 3 percent margin of error in this nationwide survey said that with current taxes they had, "reached the breaking point."

When asked about state and local property and income taxes 67% said they were either much too high or somewhat high.

When asked if a candidate for state office said they would lower taxes 28 percent said they were somewhat or much more likely to

House Taxation Cmte

1/18/94
Attachment 6

vote for that candidate, while 15 percent were somewhat or much more likely not to vote for that candidate.

Now the Mondale factor on taxes. If a candidate promised to raise taxes only 8 percent said they were much more likely or somewhat more likely to support that candidate. 54 percent were much less likely or somewhat less likely to support that candidate.

The League of Kansas Municipalities is funded with my local tax dollars which I must pay to the City of Wichita and which Wichita uses for their LKM membership. I deeply resent my municipal tax dollars being used to advocate higher local taxes. I believe, based on the results of the two sales tax referendum conducted in Wichita last year that a significant majority of Wichita's voters agree with me.

The voter approval provision is about the only portion of this proposal which KTN can find merit. KTN strongly supports voter participation through referendum and initiative. However, this referendum provision is not enough to rescue this seriously flawed legislation. The Kansas Taxpayers Network urges this committee to reject this tax increase proposal.

Kansans For Fair Taxation
1132 S.W. Wanamaker Road
Topeka, Kansas 66604

KANSANS FOR FAIR TAXATION is strongly opposed to the Earnings Tax proposed by the Kansas League of Municipalities based on its many characteristics.

ANTI-BUSINESS

This proposed tax would provide a reporting and record keeping nightmare due to the variables each city could legislate.

The proposed 2% maximum tax levied on corporate earnings will place a direct burden on and jeopardize the jobs and earnings that are being targetted as subject to this proposed tax.

DOUBLE TAXATION

For example, a person lives in Lawrence and works in Topeka. Both cities have adopted the Earnings Tax. The worker will pay the Earnings Tax in both cities. In effect, double taxation on the same earnings.

UNEVENLY APPLIED

Since this proposed tax would apply only to earned income, those profitting from interest and investment income would be exempt. Again, an unfair advantage is dealt to the working class.

UNREASONABLE RATE

Compared to the current Kansas Withholding Tax rate of 3.5 to 4.4%. a proposed 2% Earnings Tax rate to cities is extreme, unreasonable and unjustified.

CITY LOOPHOLE

If in fact the Earnings Tax prevails and is NOT uniform to all cities, the looks good, sounds good, mandatory, public vote and maximum tax rate limit can easily be eliminated by a simple charter ordinance at the city level to exempt themselves from any unfavorable provisions.

PERHAPS THE MOST IMPORTANT FACTOR ATTRIBUTING TO OUR OPPOSITION

TAXATION WITHOUT REPRESENTATION

Out of town workers directly effected by the proposed Earnings Tax are not allowed to vote on this issue in the city in which they work. The Lawrence resident working in Topeka can vote in Lawrence, but has no vote in Topeka, nor does he have any vote in the election process of the governing body in Topeka.

4/18/94
House Taxation Cmte
Attachment 7

Kansans For Fair Taxation
1132 S.W. Wanamaker Road
Topeka, Kansas 66604

City spending is at an all time high with no sign of future reasonability. Cities across this State should be placed in the same financial situation that the working class and private sector have endured for years. Budget your money wisely because when the money is gone, it's gone. Cities should be no exception. The solution to out of control spending is NOT throwing more tax money at it.

It seems to be a periodical requirement to remind our elected officials at all governing levels of the major rule of thumb of private industry. When expenses and taxes go higher, cutbacks are absolute. One of the first items subject to cutbacks is labor costs. It would seem to be a major concern and priority to preserve as many jobs in the State as possible. As people lose their jobs, the tax burden is shifted to those supposedly lucky enough to keep theirs. As with beauty, luck is in the eyes of the beholder.

KANSANS FOR FAIR TAXATION believes that consideration and passage of this proposed Earnings Tax will punish the working people for their effort to earn a living, force businesses into further cutbacks and take us yet one more step into economic depression.

On behalf of the Board of Directors and our members, KANSANS FOR FAIR TAXATION urge you to NOT support the proposed Earnings Tax.

Thank you for your time and consideration.

For more information, please contact :

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2221 SW Fillmore
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OR

Larry Fischer
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(913) 273-0400

Dale Wilson
2407 Blair Dr.
Topeka, Ks 66605

913-862-0084

1-7-94

Gentlemen,

I'm here to testify against any legislation that would allow cities in Kansas to impose their own income tax on personal earnings. First I'd like to give you a bit of personal background. I own my own business that provides material handling services throughout the nation. I have experience operating in many states and in many localities. In my experience as a businessman, I note that businesses tend to prefer areas that impose less overall taxation and regulations. All taxes reduce economic activity and transfer wealth from those who earn it to non-productive areas of the economy. In the Shawnee County area you will effectively be reducing the disposable income of its residents by 2% while enlarging the size of its city government. Have you calculated the effect on the local retailers and service industries that depend upon this income for their livelihood? I suspect not. This tax will also have the effect of reducing savings at the local banks and savings and loans thereby reducing the possibility of investment in the local community. There will be few incentives to live and work in cities that impose this tax.

Seventeen years ago I chose to live outside the city limits of Topeka because of the high property taxes imposed by the city. In this day of "lone eagle" entrepreneurs and home offices, you will see more flight to low tax low regulation areas, while areas where the cost of doing business is high will suffer. Kansas already has a reputation as a high tax state and this will reinforce that perception. While the legislature may enact or repeal various laws regulating the lives of its citizens, it can do nothing about the laws of economics. Adam Smith's "invisible hand" will continue to function, moving resources away from areas of less return and to areas that promise more return on investment. It doesn't take a Nobel winning economist to safely predict a decline in productive economic activity in the areas that impose this tax.

I am an active Libertarian and while my statement is not an official party position, I suspect that the adoption or endorsement of such a tax will provide

1/18/94
House Taxation Cmte
Attachment 8

great campaign material in this fall's elections. While I have the goal of establishing a third party in the state, one dedicated to the principles of free markets and individual liberty, my ultimate goal is to see our citizens live their lives without the burdens of government being imposed upon them. Therefore, while this tax would be of great help to Libertarians in the fall and future campaigns, I would gladly forego that advantage to allow the taxpayers of these cities to retain their earnings. If not, we Libertarians will be glad to make the point that we are the only political party in Kansas that is consistently anti-tax, while the other two parties simply discuss how much tax to impose.

As I close I'd like to add some observations that seem to apply to all levels of government. As I've studied history, economics, and government, it seems as if taxes always go up and governments always get larger until there is a final breaking point. We have taxes in all areas of economic activity. There are taxes on income, investment, property, sales, and even death to name a few. These taxes are rarely reduced and only then when some effort is made to impose the burden on some other area of economic activity. While I can't speak for every city, I've studied the city government here in Topeka for the 20 plus years I've been a resident of Shawnee County. What we need is less revenue and more restraint. Our local government has spent every dollar in the bank and issued bonds to the point of endangering its bond rating.

Topeka and other local government entities have funded for example an airport terminal in anticipation of regular air service, an Expocenter(e) built for a local basketball team that has since folded, and a performing arts center that came in millions over budget. These projects ill conceived in their beginnings and were certainly not prudent from a fiscal point of view. Now Topeka seeks, through this bill, to continue to avoid hard choices by taxing those who are most productive in the city. All areas of government, federal, state, and local, must make some difficult decisions about what services they can legitimately offer their citizens and what services are luxuries that we can no longer afford. I've already written the Shawnee County legislative delegation asking that they work to defeat this measure. I now urge the members of this committee to work for fiscal responsibility, for the taxpayer, and for the citizens of Kansas by defeating this bill as well.