

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:36 p.m. on January 18, 2011, in Room 783 of the Docking State Office Building.

All members were present except:  
Representative Jack—excused

Committee staff present:  
Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Chris Courtwright, Kansas Legislative Research Department  
Michael Wales, Kansas Legislative Research Department  
Marla Morris, Committee Assistant  
Allen Jeffus, Office Assistant

Conferees:  
Dave Trabert, President, Kansas Policy Institute

Others attending:  
See attached list.

Bill Introductions:

Representative Schwab moved introduction of a Bill to ban implementation by the leaders of government of the driveway fee/tax. The motion was seconded by Representative Kleeb. The motion carried.

Representative Schwartz moved to introduce a House Concurrent Resolution dealing with a property tax on boats. Representative Powell seconded the motion. The motion carried.

Dave Trabert, President of the Kansas Policy Institute, presented statistics on the economic impact of tax policy as it pertains to the State of Kansas (Attachment 1). The Kansas Policy Institute concludes that lower taxes and a reduction in government spending will benefit the State of Kansas. Mr. Trabert stood for questions.

The next meeting is scheduled for January 19, 2011, in Room 783 of the Docking State Office Building.

The meeting adjourned at 4:18 p.m.

# HOUSE TAXATION COMMITTEE

DATE: January 18, 2011

NAME	REPRESENTING
TED HEWEL	CAPITOR STRATEGIES.
Bob Vancrum	Greater KC Chamber.
Nicole Bright	KSCPA
DEREK HEIN	HEIN LAW FIRM
Jane Carter	KOSE
Jonathan Krueger	KBOR
Peter Northcott	Office of the Governor
Bernie Koch	KEPCO
Dave Traben	KPI
Larry R Bazz	LKM
Jeff Ekles	KS Chamber
Larry Ball	CITY OF HAYS
Joe Mosimann	FWCA of KS
Mark Desrosier	KNLTA
Leslie Kaufman	Ks Coop Council

## Economic Impact of Tax Policy

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## Basic Economic Facts

- Taxpayers have finite resources.
- More money spent on taxes = less money spent on something else.
- Uncertainty of further change in taxes and regulation slows economic activity and job creation.

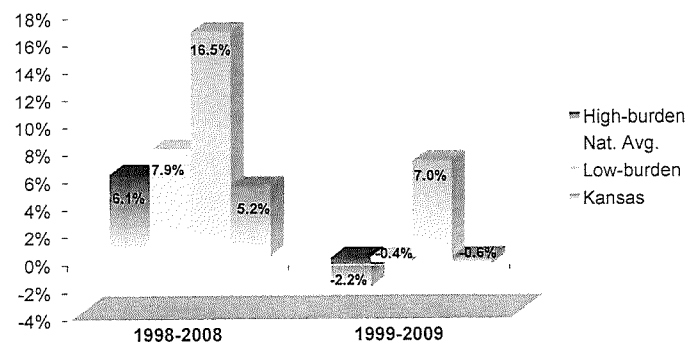
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## Economic Impact of Tax Policy

- KPI compared performance of 10 lowest-burden states with 10 highest-burden.
  - Tax Foundation, combined state & local burden
  - FY 2008 rankings
- Private sector job creation (1998-2008 and '99-'09)
- Domestic migration (2000 – 2009)
  - Broad and expanding tax base critical to keeping tax burden low

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## Private Sector Job Growth

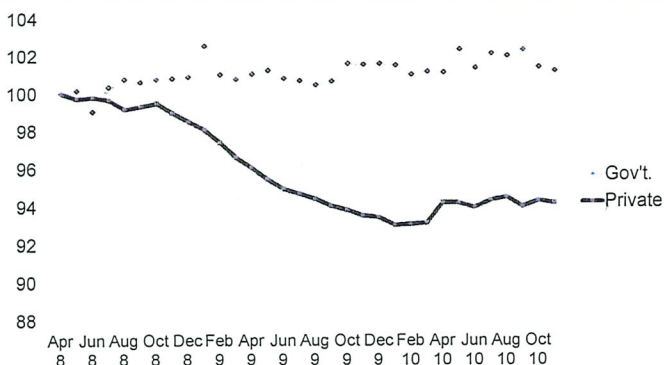


Source: Tax Foundation; Bureau of Labor Statistics

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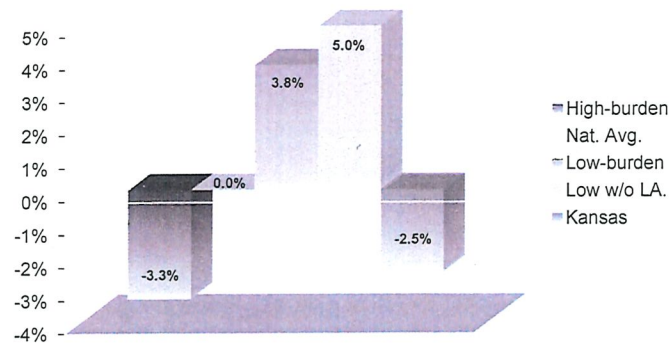
## KS Job Trend (April '08 Peak = 100)



Source: Bureau of Labor Statistics; seasonally adjusted data. Gov't. includes Local, State and Federal

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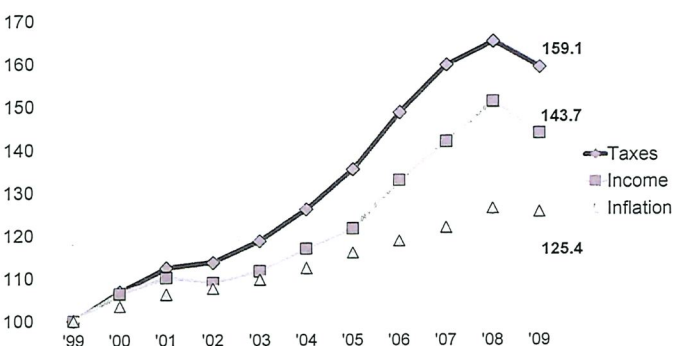
## Domestic Migration



Source: U.S. Census Bureau; 2000 - 2009

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## KS Taxes Outpace Ability to Pay



Source: Kansas Legislative Research, State and Local taxes; Bureau of Economic Analysis, income available to pay taxes; U.S. Dept. of Labor, Midwest Urban Cities. Growth rate index; 1999 = 100

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## Low Taxes Attract Jobs & People

- ...and uncompetitive tax burdens chase them away.
- "People vote with their feet." – Ronald Reagan.
- It's simply human nature; we all tend to gravitate toward what we perceive to be the best 'deal'.
- Policy lesson: adapt to this basic principle or suffer the consequences.

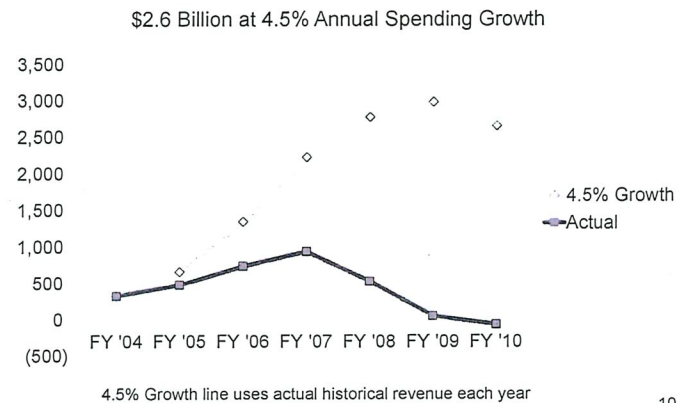
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## Pro-Growth Tax Plan Components

- No income tax seems to be the key to the low-burden states' pro-growth tax plan.
  - 6 of the 10 lowest-burden states have no income tax.
  - 2 others only tax dividends and interest.
  - Washington only no-income tax state not among 10 lowest-burden states, ranked #15.
- Of course, must control spending so taxes can be kept low.

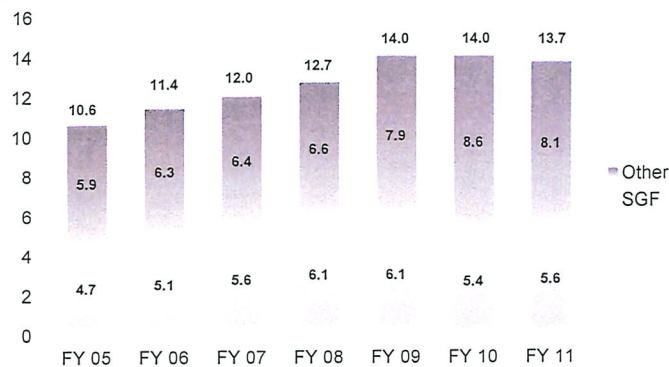
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## SGF Ending Balance



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## State Spending (billions)



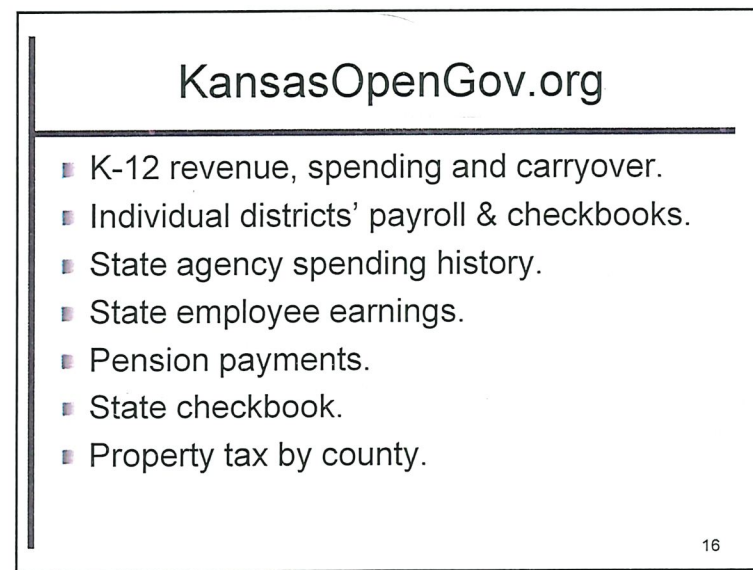
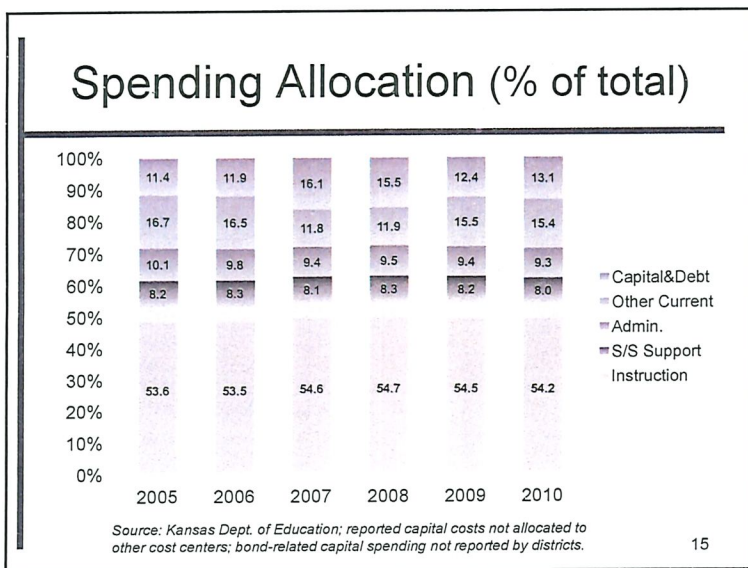
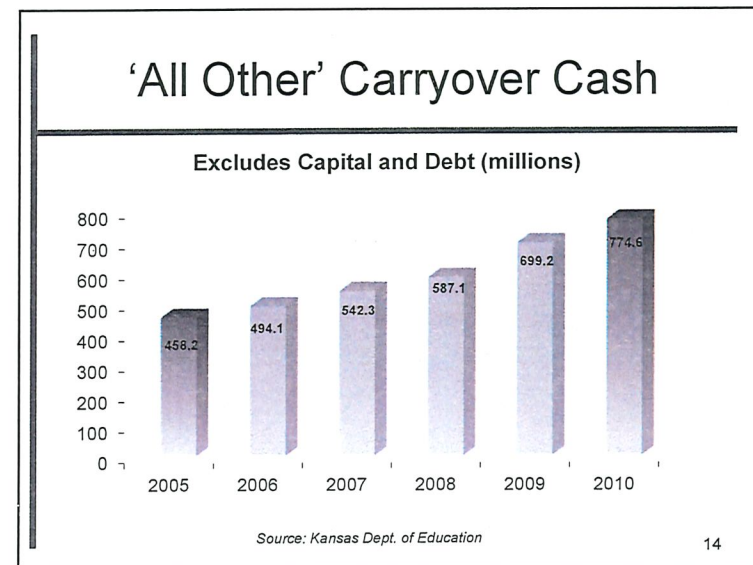
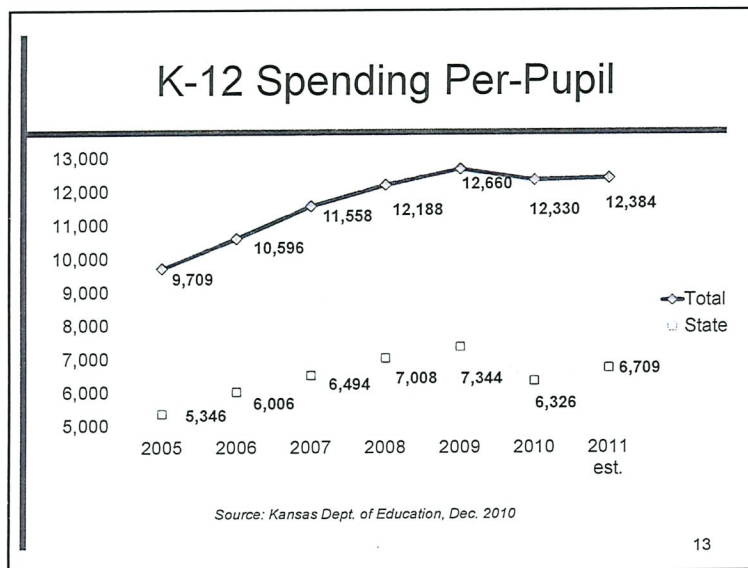
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## Kansas: Last Place in the Region

	Overall Rank	Corporate Income	Individual Income	Sales Tax	Unemp.	Property Tax
Kansas	35	35	21	32	7	41
Colorado	15	12	16	29	17	15
Oklahoma	30	7	24	42	1	27
Missouri	16	5	25	15	9	11
Nebraska	29	34	31	17	13	24
Texas	13	46	7	37	15	29

Source: Tax Foundation, FY 2011 rankings based on taxes in effect July 1, 2010.

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## Low Tax Burdens Attract Jobs and People

(Rank 1 = highest burden, 50 = lowest burden)

State & Local Tax Burden (Rank)	Private Sector Job Growth		Domestic Migration <sup>3</sup>
	1998-2008	1999-2009	2000-2009
10 lowest burden states (41-50) <sup>1</sup>	16.5%	7.0%	3.8%
10 highest burden states (1-10) <sup>2</sup>	6.1%	-2.2%	-3.3%
National average	7.9%	-0.4%	0.0%
Kansas (21)	5.2%	-0.6%	-2.5%
Missouri (32) <sup>4</sup>	3.2%	-3.1%	0.7%
Colorado (34)	13.3%	2.7%	4.2%
Oklahoma (19)	9.6%	2.6%	1.1%
Nebraska (17)	10.2%	4.5%	-2.3%
Texas (43)	18.7%	11.4%	3.4%

<sup>1</sup>Alaska, Nevada, Wyoming, Florida, New Hampshire, South Dakota, Tennessee, Texas, Louisiana, Arizona

<sup>2</sup>New Jersey, New York, Connecticut, Maryland, Hawaii, California, Ohio, Vermont, Wisconsin, Rhode Island

<sup>3</sup>Net U.S. residents moving into or out of the state, expressed as % of 2009 population.

<sup>4</sup>Missouri's job numbers were significantly impacted by declining industries (auto production, airlines, shoe manufacturing)

Source: Tax Foundation, *State and Local Tax Burden as a Percentage of State Income for FY 2008*; U.S. Dept. of Labor, *Bureau of Labor Statistics*; U.S. Census Bureau.



## State and Local Tax Burden Continues to Rise

### Kansas State and Local Tax Revenue (in thousands)

	FY 1999	FY 2009	% Change
Counties	721,936	1,695,437	134.8%
Cities	476,521	1,171,894	145.9%
Townships	39,785	66,424	67.0%
Schools	1,013,147	1,902,438	87.8%
Special Districts	118,027	290,383	146.0%
Not allocated	475,120	0	-100.0%
Total Local government	2,844,536	5,126,576	80.2%
State government	4,555,513	6,640,963	45.8%
<b>Total State and Local taxes</b>	<b>7,400,049</b>	<b>11,767,539</b>	<b>59.0%</b>

Source: Kansas Legislative Research Dept, Kansas Tax Facts

### Income Available to Pay Taxes (in thousands)

	1999	2009	% Change
Wages and salaries	39,441,538	55,862,270	41.6%
Proprietors' income	6,916,893	10,324,540	49.3%
Dividends, Interest and Rent	13,547,971	20,022,571	47.8%
Contributions for gov't. social insurance	(3,249,213)	(4,776,364)	47.0%
<b>Total Income</b>	<b>56,657,189</b>	<b>81,433,017</b>	<b>43.7%</b>

<b>State / Local Tax Burden (taxes ÷ income)</b>	<b>13.1%</b>	<b>14.5%</b>
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Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, SA05N Personal Income by major source accessed Nov. 10, 2010. Federal calculation of Personal Income includes employer contributions for health care and pension, current transfer receipts and adjustment for residence but all or most of those amounts are not available to pay taxes and are therefore excluded from this calculation.





## State Business Tax Climate Rankings

(1 = Best, 50 = Worst)

	Overall	Income Tax				
	<u>Ranking</u>	<u>Corporate</u>	<u>Individual</u>	<u>Sales Tax</u>	<u>Unemp.</u>	<u>Property</u>
Kansas	35	35	21	32	7	41
Colorado	15	12	16	29	17	15
Oklahoma	30	7	24	42	1	27
Missouri	16	5	25	15	9	11
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*Source: The Tax Foundation, 2011 Rankings; includes taxes in effect as of July 1, 2010*



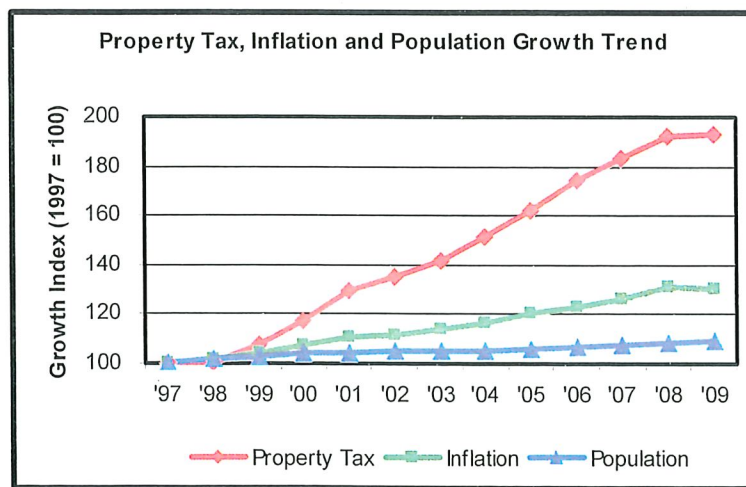
# KANSAS POLICY INSTITUTE

ADVOCATING FOR FREE MARKETS AND THE PROTECTION OF PERSONAL LIBERTY

## Statewide Property Tax Summary

Excludes Penalty Valuation and Tax (*Millions of Dollars*)

	Assessed Value			Tax Dollars			% of Total Taxes	
	1997	2009	% Chg.	1997	2009	% Chg.	1997	2009
<b>Class 1</b>								
Residential	6,863.8	14,516.0	111.5%	772.8	1,833.8	137.3%	39.3%	48.3%
Comm. & Indust.	3,311.5	7,009.9	111.7%	400.6	908.8	126.9%	20.4%	24.0%
Ag Land	1,302.5	1,197.6	-8.1%	136.2	156.7	15.1%	6.9%	4.1%
Ag Improvement	131.1	229.7	75.2%	13.6	31.0	127.9%	0.7%	0.8%
Vacant Lots	124.9	250.4	100.5%	15.1	32.9	117.9%	0.8%	0.9%
Not-for-Profit	34.7	20.9	-39.8%	4.2	2.7	-35.7%	0.2%	0.1%
Other	28.5	23.4	-17.9%	3.0	1.3	-56.7%	0.2%	0.0%
	11,797.0	23,247.9	97.1%	1,345.5	2,967.2	120.5%	68.5%	78.2%
<b>Class 2</b>								
Res. Mobile Home	53.9	61.1	13.4%	5.0	7.3	46.0%	0.3%	0.2%
Mineral Leasehold	1,622.8	2,391.1	47.3%	122.4	246.8	101.6%	6.2%	6.5%
Motor Vehicles	186.3	172.0	-7.7%	21.4	23.4	9.3%	1.1%	0.6%
M & E	1,468.3	1,177.9	-19.8%	174.4	155.0	-11.1%	8.9%	4.1%
State Assessed	2,897.8	3,126.7	7.9%	284.4	375.7	32.1%	14.5%	9.9%
Other	99.2	135.4	36.5%	11.7	17.9	53.0%	0.6%	0.5%
	6,328.3	7,064.2	11.6%	619.3	826.1	33.4%	31.5%	21.8%
<b>Total - All Property</b>	<b>18,125.3</b>	<b>30,312.1</b>	<b>67.2%</b>	<b>1,964.8</b>	<b>3,793.3</b>	<b>93.1%</b>	<b>100.0%</b>	<b>100.0%</b>



Source: Kansas Department of Revenue, Division of Property Valuation; U.S. Census Bureau; U.S. Bureau of Labor Statistics



## Existing Information

- All School Districts 2005 - 2010
  - Revenue per-pupil by district
  - Spending per-pupil by district
  - District comparison tool
  - Carryover cash reserves by district
- State of Kansas 2007 - 2010
  - Check register by agency
  - Earnings by employee
  - \$100,000+ earners
  - Overtime payments by employee
  - Agency spending since 2005
- Select\* School Districts 2008 - 2010
  - Pay listings
  - Checkbooks
  - Union and Superintendent contracts
- Property Taxes 1997 - 2009
  - Tax collections by county
  - Average mill rates by county
  - Residential value changes by county
  - Population change by county
- Pension Payments 2007 - 2009
  - Annual payments by recipient
  - Lump-sum payments by recipient

\*Currently: Garden City, Emporia, Hutchinson, Olathe and Shawnee Mission  
Coming soon: Colby, Great Bend, Pittsburg, Topeka and Wichita

## Key Features

- ✓ All data obtained from government agencies
- ✓ Existing data will be updated as it becomes available
- ✓ Data sets easily downloaded to spreadsheets
- ✓ Charts build dynamically from underlying data
- ✓ Interactive county property tax map
- ✓ Fully annotated Data Notes section