

Bad Chemistry: The Failed Kansas Experiment



Responsible Policy. Real Prosperity.

Bad Chemistry: The Failed Kansas Experiment

KANSAS BUDGET BASICS

Kansas Budget

Sales and Use Tax
Individual Income Tax
Corporate Income Tax
Severance Tax
All Other



General Fund



K-12 Education
Higher Education
Medicaid (Kansas Share)
Other Human Services
Public Safety
General Government

Fuel Tax
Registration Fees
Sales Tax
Federal Funds
Bond Proceeds



Highway Fund



Highway Maintenance
Highway Construction

All Other Funds

Sales and Use Tax
45.7%

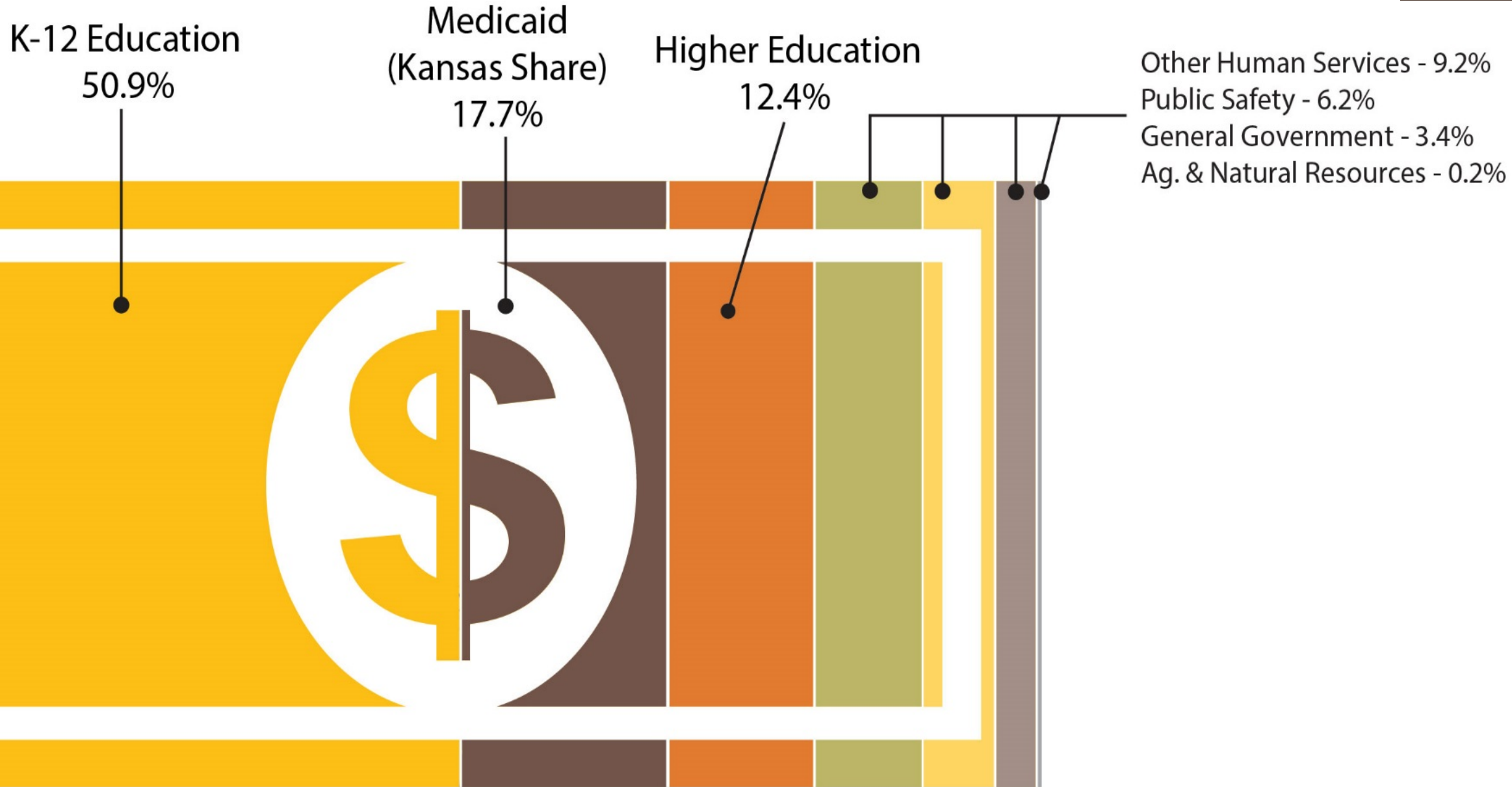
Individual Income Tax
40.3%

Corporate
Income Tax
7.2%

Tobacco Taxes - 2.2%
Liquor Taxes - 1.6%
Severance Taxes - 1.2%
All Other Revenue - 1.8%



**FY 2016 State General Fund
Revenue by Source**



FY 2016 State General Fund Expenditures

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UNPRECEDENTED TAX CHANGES

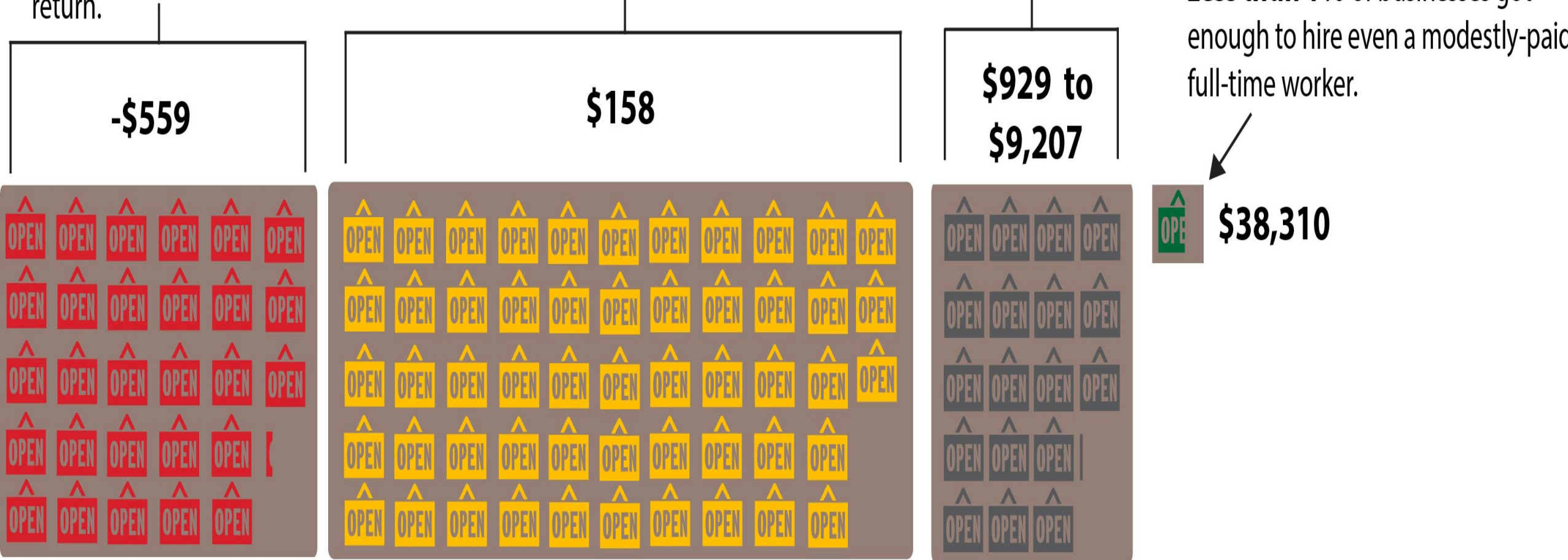
Small Business Tax Exemption is Uneven with less than 1% of Businesses Getting Enough to Hire a Worker at \$12.80 an hour

28.2% of businesses *lost* income and were unable to deduct it from their tax return.

53% of businesses with earnings between \$0 and \$25,000 got a small reduction in taxes.

The next 18.1% of businesses with earnings ranging from \$25,000 to \$500,000 didn't get near enough back to hire anyone.

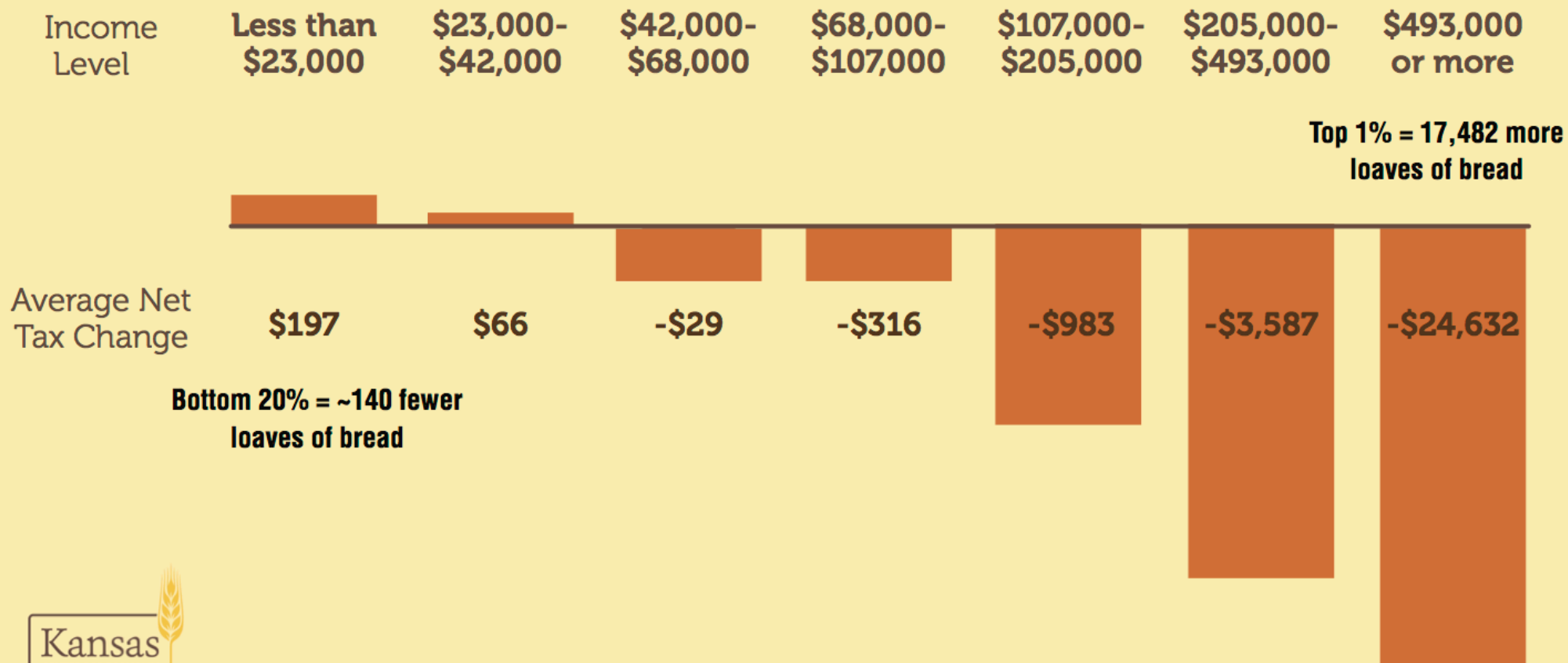
Less than 1% of businesses got enough to hire even a modestly-paid full-time worker.



Source: Kansas Department of Revenue Business Income Profile, Tax Year 2013

Kansas Taxes in 2016—Who Pays?

The tax cuts enacted in Kansas disproportionately affect the state's poorest residents.
 The bottom 40% of Kansas earners see a tax increase, even with the 2012 tax cuts.



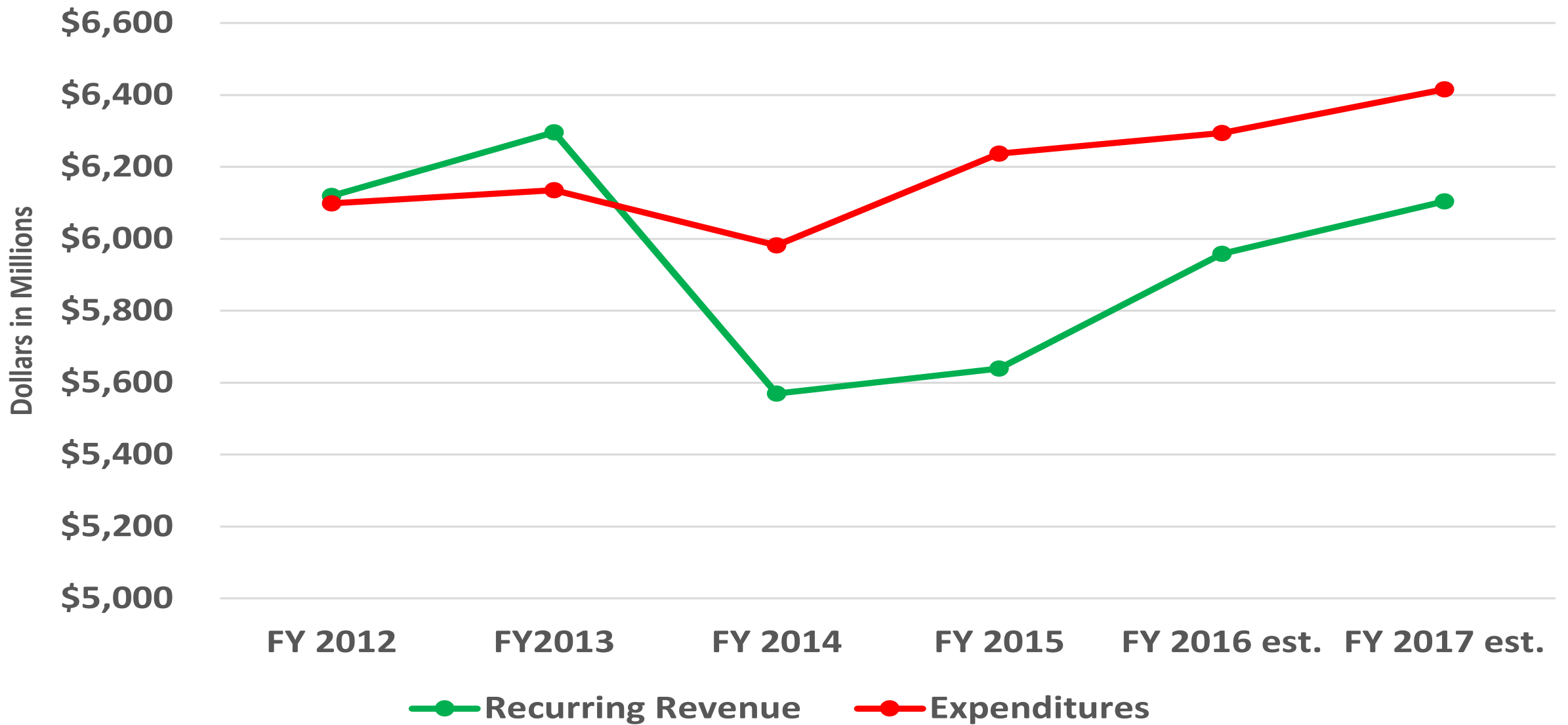
Institute for Taxation and Economic Policy analysis, tax changes between 2012 and 2015.

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THREE KEY TAKEAWAYS

1. Kansas is Broke

State General Fund Recurring Revenue and Expenditures



Kansas is still living paycheck to paycheck.

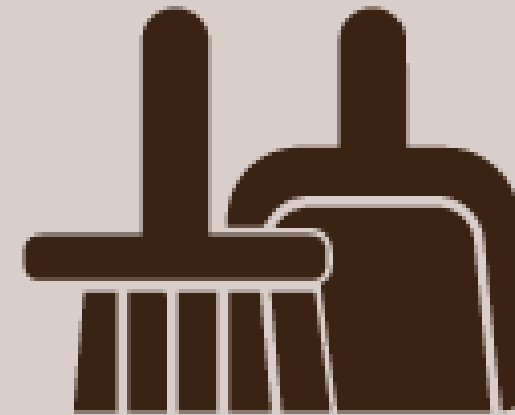
\$63 million in extra budget cuts and transfers



\$430 million tax increase - the largest in Kansas history



Approximately \$300 million in sweeps from Kansas programs



Even after all of this.

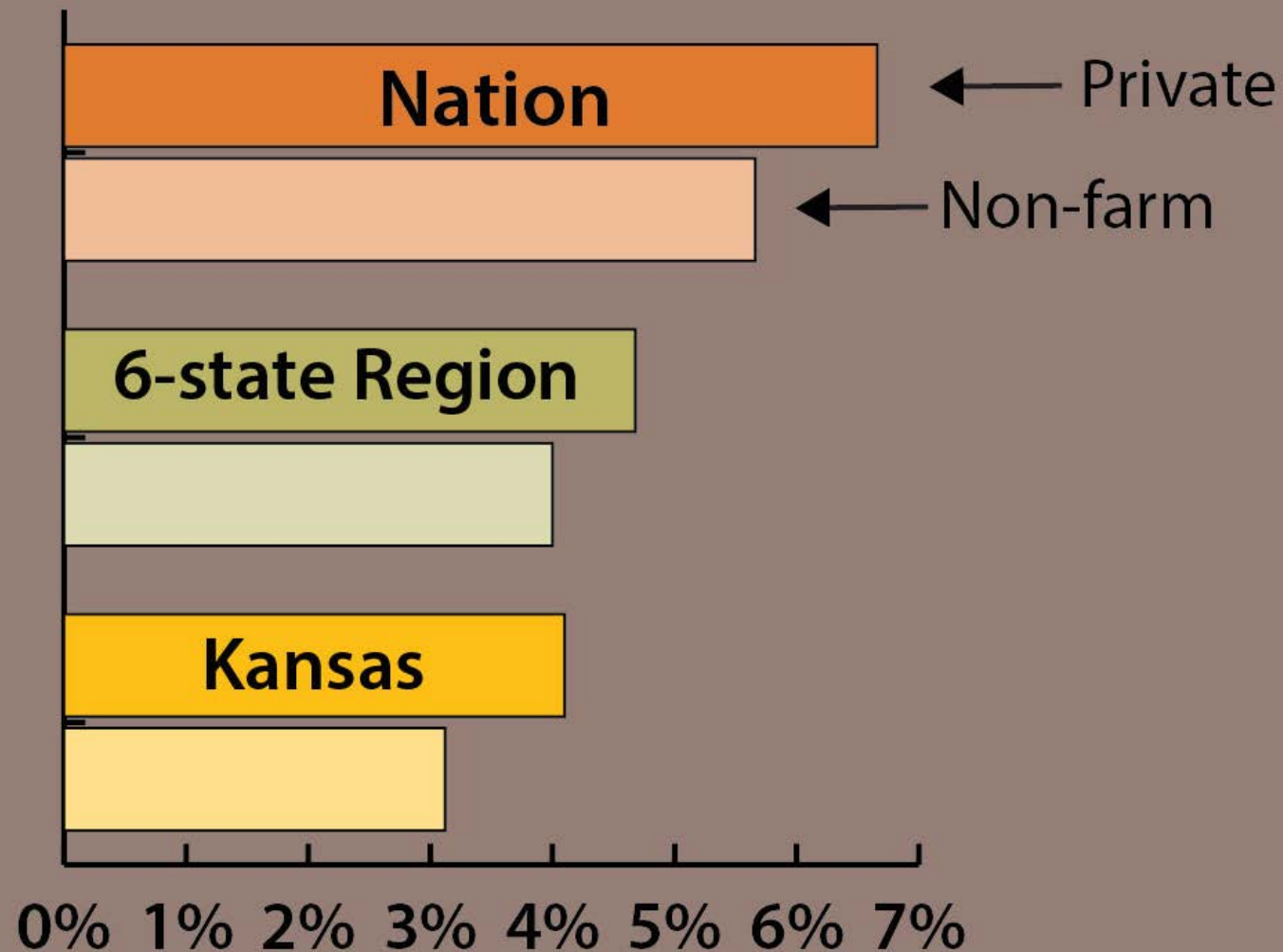
Source: Kansas Legislative Research Department budget documents

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2. Kansas' Economy Sputtering

Kansas Lags Region, Nation on Job Growth Since Tax Cuts



Source: Bureau of Labor Statistics, Cumulative Private and Non-farm Job Growth, January 2013 to November 2015

	'09 to '10	'10 to '11	'11 to '12	'12 to '13	'13 to '14
Population Growth 	✓	✗	✗	✗	N/A
Gross State Product Growth 	✓	✓	✗	✗	N/A
Private Employment Growth 	✗	✓	✗	✗	✗
Private Industry Wage Growth 	✓	✗	✗	✗	N/A
Unemployment Rate 	✓	✓	✓	✓	✓
Building Permit Growth Rate 	✗	✓	✗	✗	✓

Key



= Kansas **ahead** of six-state region*



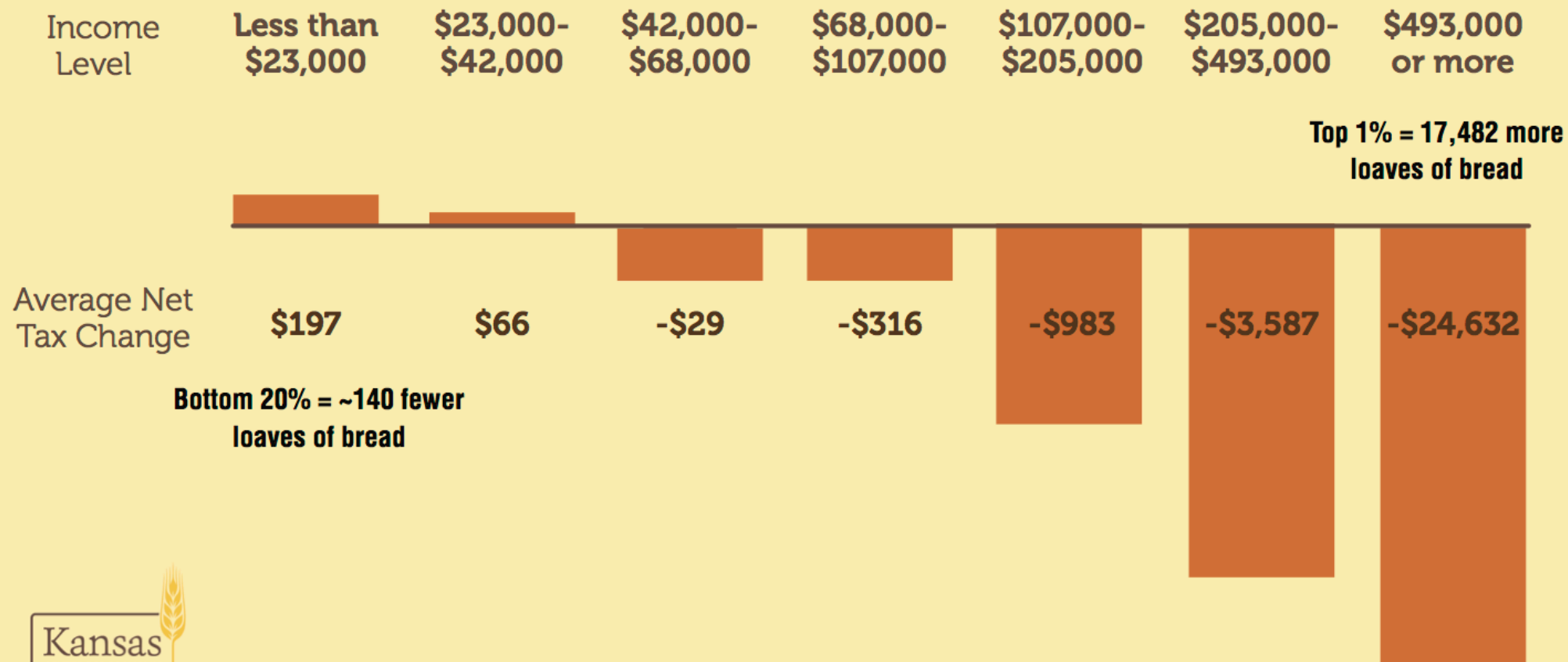
= Kansas **behind** six-state region

*States include: Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma

3. Income Tax Cuts for Some = Other Tax Hikes for All

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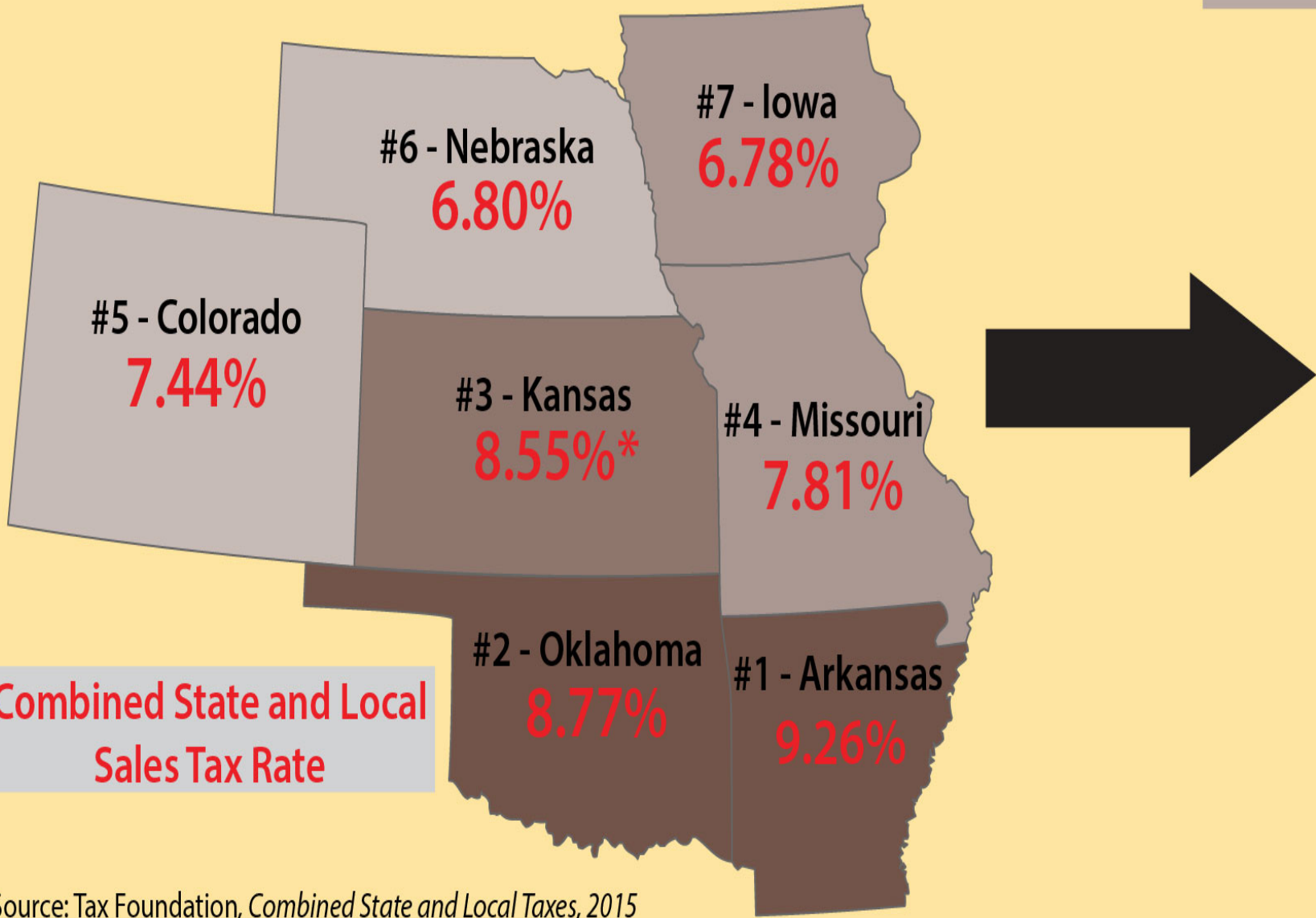
Institute for Taxation and Economic Policy analysis, tax changes between 2012 and 2015.

Raising the Sales Tax Makes it Harder for Kansas Businesses to Compete with Neighbors

Raising the sales tax impacts a business' bottom line. Current proposals would increase taxes on businesses by over \$130 million, giving Kansas one of the highest sales tax rates in the region and country.

Businesses in States with a Higher Sales Tax Generally Pay more in Sales Taxes as a Part of their Total Tax Bill

Sales Tax as a % of All Business Taxes



- 1. AR 34%
- 2. OK 30%
- 3. KS 28%
- 4. MO 25%
- 5. IA 24%
- 6. NE 22%
- 7. CO 20%

Combined State and Local Sales Tax Rate

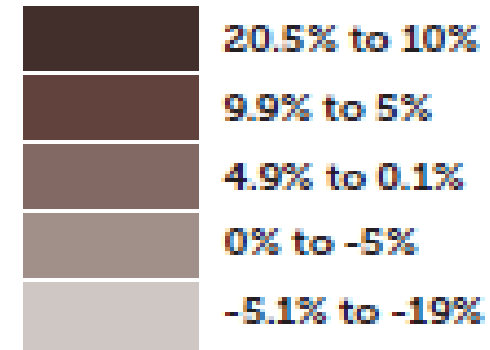
Source: Tax Foundation, *Combined State and Local Taxes, 2015*
*Based on 0.35% rate increase included in Kansas combined sales tax rate

FIGURE 3

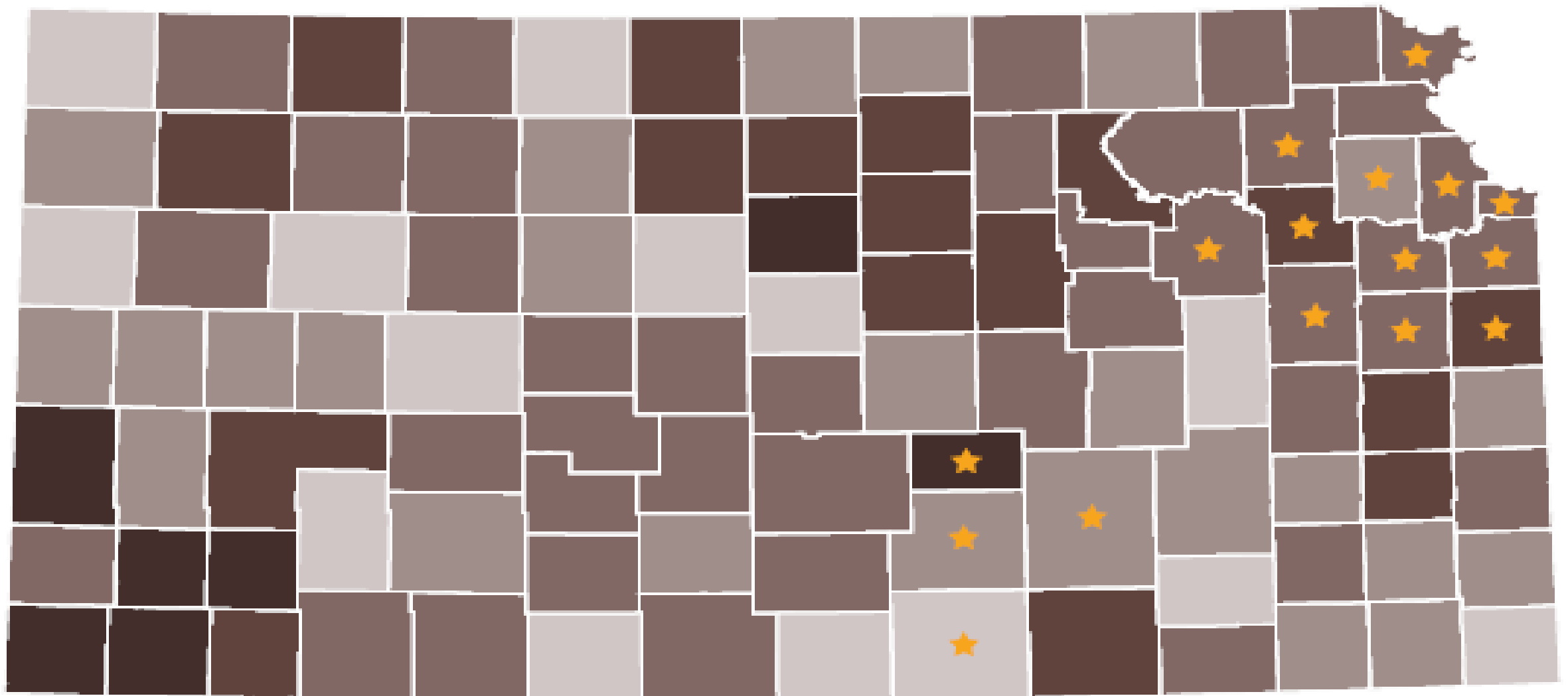
Property Tax Increases Hit Rural Kansas Counties Hard

To offset increasing demand and costs, Kansas counties are raising property taxes just to maintain basic levels of services. Between the year before (2012) and after (2013) the tax cuts went into effect, 67 counties raised property taxes. Rural counties are being hit the hardest as 17 of the 20 counties with the highest increases are rural.

% Property Tax Increase/Decrease



★ Indicates Urban County, as designated by the Economic Research Service, USDA



Source: Analysis of data from Kansas Association of Counties Research Report, 2012 and 2013

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