

Approved February 12, 1991
Date

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Joan Wagnon

Chairperson

9:10 a.m./p.m. on Tuesday, February 5, 1991 in room 519-S of the Capito

All members were present except:

Committee staff present:

Tom Severn, Research; Chris Courtwright, Research;
Don Hayward, Revisor; Bill Edds, Revisor;

Conferees appearing before the committee:

Vice Chairman Bruce Larkin called the committee to order at 9:10 a.m. for hearings on HCR 5006 and HCR 5007.

Chris Courtwright from Legislative Research compared the current classification scheme to various versions of 1990 SCR 1648, HCR 5052 and 1991 subcommittee recommendations (attachment 1). He also handed out and discussed computer simulations on HCR 5006 (attachment 2, Assumptions -- Run 2-C). There was some discussion on HCR 5007 and a \$5,000 exemption for residential property.

Karen France, Director of Governmental Affairs for Kansas Association of Realtors, testified as a proponent of either HCR 5006 or HCR 5007, but not both (attachment 3). When questioned, France said it was necessary for the property tax rollback to be a greater dollar amount than the increase in property taxes resulting from budgetary pressures for FY92.

Kevin Robertson, Executive Director of the Kansas Lodging Association, testified as a proponent of both HCR 5006 and HCR 5007 (attachment 4). During questioning Robertson stated some hotels/motels were hurting even after significant reappraisal appeals and that many hotels/motels have not raised prices as a result of reappraisal/reclassifications. He also said most hotel/motel appraisals were done using the income approach to assessed value. The chairman requested additional information regarding 1990 taxes on the motels listed in the attachment (4).

Paul Fleener, Director Public Affairs Division of Kansas Farm Bureau, testified in support of a limited classification amendment addressing fraternal organizations and commercial real property (Attachment 5). Fleener said his organization could not support either HCR 5006 or HCR 5007 in their current form, but noted that the Farm Bureau no longer opposed any change in classification.

Committee members received a publication, "Recent Changes in State, Local, and State-Local Tax Levels" (attachment 6).

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation
room 519-S, Statehouse, at 9:10 a.m.~~p.m.~~ on Tuesday, February 5

There was lengthy discussion on whether to utilize the November, 1990 assessed valuation data from the statistical abstract or whether to adjust the data to reflect the subsequent reductions attributable to recent court cases on public utility inventories and assessment rates for railroads.

The chair requested and received unanimous consent to use 1990 adjusted values as a base of statistical information (attachment 7) for future computer simulations on the effects of proposed classification change .

Committee adjourned at 10:16 a.m.

GUEST LIST

COMMITTEE: Separation

DATE: 2/5/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
George Barber	Topeka	Ks Consulting Engne
Judy Cron	"	Am Inst of Architects
Mike Beam	Topeka	Ks Public Assn.
Vig Huseman	Ellsworth,	
Doc Liben	Topeka	KLA
Jim Conrad	Lawrence	KGE
MIKE REECHT	TOPEKA	AT&T
Denny Koch	"	S W Bell
David Hanson	Topeka	KS INSUR. ASSOCS.
Mark Tallman	"	KASB
LISA Getz	WICHITA	KANSAS ASSOCIATION FOR SMALL BUSINESS
Jim Mann	Topeka	KBA
Steve Ireland	Overland Park	Yellow FREIGHT SYS.
ART BROWN	K.C. MO	KS CBR. Dealers Assn
Julie Hein	Topeka	Hein + Ebert
Janessa Jones	Lawrence	KS Public Service
TREVA POTTER	TOPEKA	PEOPLES NAT. GAS
Jacque Oakes	Topeka	Ks. Ind. Auto Dealers Assn
Bob Stehman	Wichita	Rep. Glenn Wehner
Lori Rowe	Topeka	Intern - Rep. Wehner
Alan Steppat	Topeka	Pete McDill + ASSOCIATES
Paul E. Fleener	Manhattan	Kansas Farm Bureau
Bob Corkins	Topeka	KCCI
Jeff Chaney	Topeka	KIOGA

GUEST LIST

COMMITTEE: Separation

DATE: 2/5/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Patrick Whorley	Topeka	Cessna
James G. Flaherty	OTTAWA	Mid West Oil & Gas Ass'n
Robert C. Anderson	Ottawa	''
Curt Carpenter	Great Bend	Centel
Steve Jones	Boeing Wichita	Boeing
Dan Haas	Overland Park	KCPH
KEVIN FORESTSON	TOPEKA	John Deere
Jim McBride	Topeka	Observed
Mike Gorman	Wichita	The Boeing Company
ARMIN SAMUELSON	HESSTON	SELF
Robert Kirkwood	Topeka	AARP
Wendell Strom	TOPEKA	CCTF-AARP
Jim Young	Topeka	CCTF-AARP
FRANCES KASTNER	Topeka	Ks Food Dealers-
Don Snodgrass	'' ''	Clun
Chris Wilson	Topeka	Ks Grain & Feed Ass'n
Pat Hubbell	Topeka	Ks. Railroad Ass'n
John Petersen	Tyler	Beech
Rod Payne	Topeka	KMNA
Tom Burgess	Topeka	KsBA
Ran Somerville Taylor	Topeka	KMCDA
Janet Stubb	Topeka	HBAK
Jim Wetz	Houston	Enron
Carol Mason	Topeka	KPL
KAREN FRANCE	Topeka	KAR

COMPARISON OF CURRENT CLASSIFICATION

With Various Versions of 1990 S.C.R. 1648, 1990 H.C.R. 5052 and 1991 Subcommittee Recommendations

Current Classification		S.C.R. 1648	S.C.R. 1648	H.C.R. 5052	1991 Subcommittee	
		House Version	Senate Version	As Amended by House COW	Recommendations	
					1-E	2-C
					HCR 5007	HCR 5006
Residential Real						
Single	12%	10%	11.5%	10%	12% (\$5,000 exempt)	11%
Multi	12%	12%	15%	10%	15%	15%
Ag Land	30% of use-value	Same	Same	Same	Same	Same
Vacant Lots	12%	Same	Same	10%	12%	11%
Commercial and Industrial	30%	21% in 1990 23% in 1991 25% in 1992 and thereafter	First \$50,000 - 20% Excess over \$50,000 - 25%	20%	20%	20%
Mobile Home Parks	12%	10%	11.5%	10%	20%	20%
Improvements on land devoted to agric. uses	30%	same as C&I, above	same as C&I, above	30%	30%	30%
Fraternal Benefit Societies	30%	12%	12%	12%	15%	15%
Utility Real	30%	33%	33%	35%	35%	35%
Railroad Real	30%	Average of All Comm'l. and Ind.	Average of all Comm'l. and Ind.	Average of all Comm'l. and Ind.	Avg. C&I	Avg. C&I
Other Real	30%	25%	25%	25%	30%	30%
Mobile Homes Used as Residences	12%	10%	11.5%	10%	12% (\$5,000 exempt)	11%
Mineral Leaseholds	30%	Same	Same	Same	Same	Same
Utility Personal	30%	33%	33%	35%	35%	35%
Railroad Personal	30%	Average of all C&I	Average of all C&I	Average of all C&I	Avg. C&I	Avg. C&I
Motor Vehicles	30%	Same	Same	Same	Same	Same

HOUSE TAXATION
 Attachment #1
 02/05/91

<u>Current Classification</u>		<u>S.C.R. 1648 House Version</u>	<u>S.C.R. 1648 Senate Version</u>	<u>H.C.R. 5052 As Amended by House COW</u>	<u>1991 Subcommittee Recommendations</u>	
					<u>1-E</u>	<u>2-C</u>
Comm'l. and Ind. Mach. & Equip.	20% of retail cost when new, depreciated	30% of retail cost when new, depreciated	30% of retail cost when new, depreciated	30% of retail cost when new, depreciated	30% 7-year deprec.	30% 15-year deprec.
Inventories Merchants'	exempt	to extent of 60% of value in excess of \$100,000: 18% in 1990 12% in 1991 6% in 1992 exempt in 1993 and thereafter	exempt	to extent of 40% of value in excess of \$100,000: 25% ^(a)	all value in excess of \$150,000: ^(b,c) 25%	exempt
Farm Implement Dealers'	exempt	exempt	exempt	exempt	exempt	exempt
Manufacturers'	exempt	in excess of \$100,000: 18% in 1990 12% in 1991 6% in 1992 exempt in 1993 and thereafter	exempt	to extent of value in excess of \$100,000: 25% ^(a)	all value in excess of \$150,000: ^(b) 25%	exempt
Utility	exempt	?	?	?	35%	35%
Livestock	exempt	same	same	same	exempt	exempt
Other Personal Property	30%	same	same	same	same	same
Tax Year Effective	1989	1990	1990	1990	1991	1991
Date of Election	Nov. 4, 1986	June 12, 1990 Special Election	August 7, 1990 Primary Election	June 12, 1990 Special Election	April 2, 1991	April 2, 1991

a) Legislature would have authority to subclassify inventories and to exempt all or any portion of this value.

b) Legislature could by 2/3 majority vote change the dollar amount of the \$150,000 exemption.

c) Legislature could exempt or impose an in-lieu-of tax on motor vehicle dealers' inventories and inventories moving in interstate commerce (freeport).

Agricultural Improvements

Data have not been broken off separately to analyze the impact of assessing ag improvements at 30 percent while reducing the "all other" assessment level to 20 percent. To the extent that these data are currently within the "other commercial" subclass data, the run shows the impact of reducing these ag improvements to 20 percent, as well.

Machinery and Equipment

The amendment would decelerate depreciation to a 15-year straight-line depreciation schedule with an assessment level of 30 percent. This table assumes that such a provision would be the same as increasing the tax base on machinery and equipment by 20 percent with an assessment level of 30 percent.

	88 ASSESSED ACTUAL	% OF TOTAL		90 ASSESSED ACTUAL (a	% OF TOTAL	PROP RATIO	90 ASSESSED PROPOSED	% OF TOTAL
URBAN REAL ESTATE			URBAN REAL ESTATE					
ALL OTHER	2,491,767,058	21.94%	RESID MULTI-FAM	266,211,556 e	1.88%	15.00%	332,764,445 e	2.41%
VACANT LOTS	55,585,441	0.49%	RESID OTHER	3,768,212,847 e	26.55%	11.00%	3,454,195,110 e	24.97%
COMMERCIAL AND INDUSTRIAL	1,123,448,429	9.89%	VACANT LOTS	122,918,921	0.87%	11.00%	112,675,678	0.81%
TOTAL URBAN REAL ESTATE	3,670,800,928	32.32%	FRATERNAL BENEFIT	8,343,202 e	0.06%	15.00%	4,171,601 e	0.03%
			OTHER COMM'L	2,632,268,596 e	18.54%	20.00%	1,754,845,731 e	12.68%
			AGRICULTURAL	6,086,423	0.04%	30.00%	6,086,423	0.04%
			TOTAL URBAN REAL ESTATE	6,804,041,545	47.93%		5,664,738,987	40.94%
RURAL REAL ESTATE			RURAL REAL ESTATE					
HOME SITES/PLANNED SUB DIV	338,344,275	2.98%	RESID MULTI-FAM	3,788,394 e	0.03%	15.00%	4,735,493 e	0.03%
AG LAND	1,373,221,632	12.09%	RESID OTHER	781,942,607 e	5.51%	11.00%	716,780,723 e	5.18%
AG IMPROVEMENTS	285,964,795	2.52%	VACANT LOTS	21,729,961	0.15%	11.00%	19,919,131	0.14%
SPOT COMMERCIAL	156,387,083	1.38%	FRATERNAL BENEFIT	619,362 e	0.00%	15.00%	309,681 e	0.00%
TOTAL RURAL REAL ESTATE	2,153,917,785	18.97%	OTHER COMM'L	468,308,415 e	3.30%	20.00%	312,205,610 e	2.26%
			AGRICULTURAL	1,416,202,028	9.98%	30.00%	1,416,202,028	10.24%
			TOTAL RURAL REAL ESTATE	2,692,590,768	18.97%		2,470,152,666	17.85%
TANGIBLE PERSONAL PROPERTY			TANGIBLE PERSONAL PROPERTY					
			URBAN					
GAS AND OIL	1,132,435,207	9.97%	GAS AND OIL	3,354,180	0.02%	30.00%	3,354,180	0.02%
BUSINESS MACHINERY & EQUIP	873,729,421	7.69%	BUS MACH & EQ	540,554,964	3.81%	30.00%	972,998,935 n	7.03%
			ALL OTHER PERSONAL	60,626,519	0.43%	30.00%	60,626,519	0.44%
			MOBILE HOMES	31,304,145	0.22%	11.00%	28,695,466	0.21%
			MOTOR VEHICLES	49,943,291	0.35%	30.00%	49,943,291	0.36%
			TOTAL URBAN PERSONAL	685,783,099	4.83%		1,115,618,391	8.06%
			RURAL					
			GAS AND OIL	1,363,463,016	9.61%	30.00%	1,363,463,016	9.85%
			BUS MACH & EQ	217,701,586	1.53%	30.00%	391,862,855 n	2.83%
			ALL OTHER PERSONAL	40,925,565	0.29%	30.00%	40,925,565	0.30%
			MOBILE HOMES	17,284,849	0.12%	11.00%	15,844,445	0.11%
			MOTOR VEHICLES	66,767,651	0.47%	30.00%	66,767,651	0.48%
			TOTAL RURAL PERSONAL	1,706,142,667	12.02%		1,878,863,532	13.58%
			EXEMPT PROPERTY					
MERCHANTS' INVENTORY	371,149,155	3.27%	MERCHANTS INVENTORY	0	0.00%	0.00%	0	0.00%
MANUFACTURERS' INVENTORY	382,172,899	3.37%	MANUFACTURERS INV	0	0.00%	0.00%	0	0.00%
LIVESTOCK	115,669,322	1.02%	LIVESTOCK	0	0.00%	0.00%	0	0.00%
			MOTOR VEH DEALERS INV	0	0.00%	0.00%	0	0.00%
			FEEDLOTS	0	0.00%	0.00%	0	0.00%
ALL OTHER PERSONAL	322,915,490	2.84%	FARM MACHINERY	0	0.00%	0.00%	0	0.00%
			BUSINESS AIRCRAFT	0	0.00%	0.00%	0	0.00%
			TOTAL EXEMPT PERSONAL	0	0.00%		0	0.00%
TOTAL PERSONAL	3,198,071,494	28.16%	TOTAL PERSONAL	2,391,925,766	16.85%		2,994,481,923	21.64%
STATE ASSESSED			STATE ASSESSED					
PUBLIC SERVICE CORP	2,333,823,827	20.55%	PUBLIC SERVICE CORP (a	2,305,886,647	16.24%	35.00%	2,660,237,620	19.23%
			UTILITY INVENTORY (a	0	0.00%	35.00%	45,953,334	0.33%
			TOTAL STATE-ASSESSED (a	2,305,886,647	16.24%		2,706,190,954	19.56%
TOTAL ASSESSED VALUATION	11,356,614,034	100.00%	TOTAL ASSESSED VALUATION (a	14,194,444,726	100.00%		13,835,564,529	100.00%

a) Adjusted to reflect utility inventories and railroads.

e) Estimated, based on 1989 percentages.

n) 30 percent at 15-year depreciation.

STATE WIDE

PROVIDED BY CNTY FROM PAPER ABSTRACT

91/01/31

ASSESSMENT RATES	1A	11X 1B	30X 1C	11X 1D	20X 2A	11X 2B	30X 2C	35X 2D	30X 2E	30X 2F	30X ST APP.	35X 1E	15 1F	25X 1G	15X 1H	30X 1I	X 2G	X 2H	X 2I	X 2J	X 2K	X
VER. 2C	6:00 PM	ASSESSG VALUATION NOV 90	X OF TOTAL NOV 90	TAX DOLLARS NOV 90	X OF TOTAL NOV 90	* ASSESSED VALUATION *****	X OF TOTAL SIMULATION	TAX DOLLARS DATA	X OF TOTAL *****	TOTAL VALUATION	X OF TOTAL	TAX DOLLAR DIFFERENCE										
URBAN 1A RESIDENTIAL																						
1B AGRICULTURE																						
1C VACANT LOTS																						
1D COM, IND, MOB PRKS																						
1E FRATERNAL ORG.																						
1F RAILROADS																						
1G MULTI-FAMILY																						
1H FARM IMPRHNTS																						
TOTAL URBAN																						
RURAL 1A RESIDENTIAL																						
1B AGRICULTURE																						
1C VACANT LOTS																						
1D COM, IND, MOB PRKS																						
1E FRATERNAL ORG.																						
1F RAILROADS																						
1G MULTI-FAMILY																						
1H FARM IMPRHNTS																						
TOTAL RURAL																						
TOTAL U AND R IN RES.																						
1B AGRICULTURE																						
1C VACANT LOTS																						
1D COM, IND, MOB PRKS																						
1E FRATERNAL ORG.																						
1F RAILROADS																						
1G MULTI-FAMILY																						
1H FARM IMPRHNTS																						
TOTAL COUNTY REAL ESTATE																						
URBAN PERS. 2A MOBILE HOMES																						
2B MNRL LEASEHOLD INT.																						
2C PUBLIC UTILITIES																						
2D MOTOR VEHICLES																						
2E C & I MACH & EQUIP																						
2F ALL OTHER																						
2G PUBLIC UTIL. INV.																						
TOTAL URBAN PRSNL PROP.																						
RURAL PERS. 2A MOBILE HOMES																						
2B MNRL LEASEHOLD INT.																						
2C PUBLIC UTILITIES																						
2D MOTOR VEHICLES																						
2E C & I MACH & EQUIP																						
2F ALL OTHER																						
2G PUBLIC UTIL. INV.																						
TOTAL RURAL PRSNL PROP.																						
U & R PERS. 2A MOBILE HOMES																						
2B MNRL LEASEHOLD INT.																						
2C PUBLIC UTILITIES																						
2D MOTOR VEHICLES																						
2E C & I MACH & EQUIP																						
2F ALL OTHER																						
2G PUBLIC UTIL. INV.																						
TOTAL COUNTY PRSNL PROP.																						
URBAN STATE APPRAISED																						
RURAL STATE APPRAISED																						
TOTAL STATE APPRAISED																						
TOTALS FOR URBAN																						
TOTALS FOR RURAL																						
TOTALS FOR COUNTY																						
AVERAGE 1990 LEVY																						
URBAN .133668610																						
RURAL .093385009																						
CNTY .116088851																						
AVERAGE PERPOSED																						
URBAN .145288495																						
RURAL .089829573																						
CNTY .119408772																						

Attachment 2-3

ATTACHED IS SUBCOMMITTEE VERSION 2 (C)

RESIDENTIAL REAL	
SINGLE	11%
MULTI	15%
MOBILE HOME PARKS	Included with C&I property
AG LAND	No Change
VACANT LOTS	11%
COMMERCIAL & INDUSTRIAL	20%
FRATERNAL	15%
PUBLIC UTILITY	35%
RAILROAD	Average of C&I
OTHER REAL	No Change
MOBILE HOMES USED AS RESIDENCE	11%
MINERAL LEASEHOLDS	No Change
UTILITY PERSONAL	35%
RAILROAD	Average of C&I
C&I MACHINERY AND EQUIPMENT	30% (Economic life 15 years)
INVENTORIES	
MERCHANTS	Exempt
MANUFACTURERS	Exempt
FARM IMPLEMENT DEALERS	Exempt
UTILITY	35%



Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611
Telephone 913/267-3610

TO: THE HOUSE TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS
DATE: FEBRUARY 5, 1991
SUBJECT: HCR 5006, HCR 5007

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today to support the concepts which HCR 5006 and HCR 5007 propose.

We believe that there are two parts to solving this property tax problem: first, correcting the tax shifts caused by the Classification Amendment, and second, reducing the overall reliance on property taxes.

These two amendments address the first problem of correcting the shifts which were caused by the Classification Amendment. One of the major problems of the existing amendment was that it was written and voted upon before reappraisal was completed and the facts were available to the legislature and the voters, so that they could make an informed decision.

Now that we know the value of property in the state and we know the cost of the changes which were made by the 1986 amendment, we can all sit down and decide whether we can afford the changes. These amendments offer the opportunity to make whole many of the taxpayers who have been hit with such

HOUSE TAXATION
Attachment #3
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devastating increase in property taxes, not just because they were undervalued for many years, but because of the major tax policy changes which the Classification Amendment made.

Both of these proposed amendments would give Kansans the opportunity to do something we do not get to do very often in this life--a chance to go back and correct a serious mistake we have made. The exemption of merchants and manufacturer's inventory, together with accelerated depreciation and assessment reductions for machinery and equipment dramatically shifted taxes onto small and non-inventoried business and homeowners. These two constitutional amendments address both of these problems.

It is impossible here to recommend one of these proposals over the other. Both go far towards achieving the objective of restoring each class of property to paying the same percentage of taxes paid prior to classification and reappraisal, with the exception of the railroads. Politics is the art of the possible and you will have to decide what is "possible".

We recommend that whatever form of amendment you would choose to pass out of this committee contain the 20% assessment rate for commercial real estate, which took the hardest hit in this problem and which needs the most assistance. Any higher assessment ratio would be an empty gesture in trying to make them whole.

We also point out that the next constitutional amendment which goes on the ballot will need to be as simple and straightforward as possible in terms of the impact it will have on homeowners. Homeowners are going to need to look at the amendment, understand it and reasonably know how much their property taxes will change.

Given the climate concerning property taxes in this state, unless homeowners feel like they are getting something substantial out of this amendment, they are

not going to pass . We recommend that you provide any reduction and relief for homeowners in the new classification amendment that you can, so that they will have an incentive to vote for it. This can be done either in the form of a lower assessment rate or by exempting some of the appraised value, or perhaps by some limitation on future property tax increases.

As I said at the beginning of my testimony, the concepts embodied in these two constitutional amendments address the first problem of correcting the shifts which were caused by the Classification Amendment. Once the shifts have been corrected, then the second problem of reducing our reliance on property taxes can be addressed through the means of property tax rollbacks. But that discussion will be had another day.

Thank you for the opportunity to testify.



KANSAS
LODGING
ASSOCIATION

Date: February 5, 1991
To: House Committee on Taxation
From: Kevin Robertson, Executive Director
Re: HCR 5006 and HCR 5007

Madam Chairperson and members of the committee, my name is Kevin Robertson. I am Executive Director of both the Kansas Lodging and Kansas Hotel Associations which combined represent 140 hotel and motel properties statewide.

The Kansas lodging industry **supports both HCR 5006 and 5007** as they have been recommended to you by your classification subcommittee. This support is based on the reduction of the assessment rate of the **commercial class to 20 percent** in both resolutions.

Over the past year, hotel owners and operators have shared with you the many horror stories of their 1989 property tax increases. Our members have most often cited 1989 property tax figures two or three times higher than those of 1988. This is after a majority of property owners had battled reappraisal, many by hiring outside experts, through the appeals process and had their property values reduced.

The Kansas lodging industry believes the current 30-12 classification, with its several tax exemptions, passed by the voters in 1986 is unfair to service related businesses such as hotels and motels. The combination of hotels and motels having virtually no inventory and remaining classified at 30 percent has resulted in a tremendous shift of taxes onto the lodging industry. The Kansas lodging industry strongly supports the reopening of the Kansas Constitution for the purpose of lowering the assessment rate for commercial property to 18-20 percent.

It is likely through the course of your deliberations on this important issue that varying assessment rates will be plugged into differing classification schemes to evaluate the losses in the tax base and possible tax shifts. Through this procedure, I urge the committee to maintain the assessment rate on the commercial class at 20% and work to adjust the assessment rates on other classifications to make up for losses in the property tax base.

I will attempt to answer any questions you may have.

HOUSE TAXATION
Attachment #4
02/05/91

KANSAS HOTEL PROPERTY TAX - 1988 VERSUS 1989

LOCATION (ROOMS)	1989 TAX	1988 TAX	DOLLAR INCREASE	PERCENT INCREASE
Abilene (65)	\$38,045	\$14,500	\$23,545	162%
Clay Center (40)	11,528	7,715	3,813	49%
El Dorado (73)	48,504	19,976	32,528	203%
Emporia (55)	25,920	22,349	3,571	15%
Emporia (39)	25,692	7,487	8,204	109%
Lawrence (60)	23,946	13,966	9,979	76%
Leavenworth (52)	33,699	13,903	19,795	142%
McPherson (90)	58,500	36,000	22,500	75%
Newton (82)	54,439	27,878	26,564	95%
Olathe (85)	44,504	18,949	25,554	135%
Ottawa (60)	39,891	14,076	25,814	183%
Overland Park (183)	104,425	42,697	61,728	145%
Salina (112)	66,810	42,000	24,810	53%
Topeka (82)	52,281	24,536	27,745	113%
Wichita (100)	99,000	45,000	54,000	120%



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON TAXATION

RE: Classification proposals recommended by Subcommittee I

February 5, 1991
Topeka, Kansas

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Madam Chair, and Members of the House Taxation Committee:

Thank you very much for the opportunity to make brief comments on the proposals developed by Subcommittee I concerning amendments to the Kansas Constitution in classification of property for taxation purposes.

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau.

For those of you who were on this committee last year you will remember that our position was one of opposition to resubmitting an amendment to the Constitution. Many of our members have reflected on that for a year's time and have reached a **modestly different** position. They did support ... **they still support** ... the intent of the limited classification amendment which is now a part of the Kansas Constitution. They do recognize there are some "hot spots" which, with modest adjustment can be accommodated.

We are thinking about those areas that had an impact greater than was anticipated in 1985 when the classification amendment was drafted and the reappraisal law was written. You all know what those were ... commercial real property, the not-for-profit entities (fraternal

HOUSE TAXATION
Attachment #5
02/05/91

organizations). Much beyond that and there is not the need to change and assessment rate or a class. There is always the need to see that the appraisal procedures in our Kansas statutes are followed. Not that they may be. Not that they perhaps should be. They must be followed if we're to have balance and equity in the appraisal of real and personal property. Those factors are spelled out for everyone in KSA 79-503a.

Our policy position on this issue is attached. If there are questions, we would be pleased to respond.

ASSESSMENT AND TAXATION

Property Classification and Reappraisal AT-1

The Kansas Legislature in 1985 adopted, by the required two-thirds majority, and voters in Kansas approved by an over whelming majority, a proposal to amend the Finance and Taxation Article (Art. 11) of the Kansas Constitution to provide limited classification of real and personal property for assessment and taxation purposes. The amendment was designed to ensure against an unfair shift of taxes, and was intended to provide for equitable taxation within and among the various classes of property. We support the intent of the limited classification amendment which is now part of the Kansas Constitution.

The anticipated equity did not occur, largely because appropriate appraisal procedures in existing law were not used. In many cases undocumented and unsubstantiated county index and depreciation schedules used in valuation were allowed by the Property Valuation Department (PVD), without regard for the inequities that this procedure would cause between counties. Quality control of each county's appraisal procedures should be required.

The appraisal process should be the focus of legislation and directives to the PVD, county appraisers, and firms contracted to conduct appraisals. In order to achieve a valid state appraisal, the indexes used by counties in Computer Assisted Mass Appraisal (CAMA) should be uniform statewide, with allowance for any slight deviations. Further, the depreciation schedules should also be uniform county-to-county within acceptable deviations.

Appeals, tax payment under protest and new valuation notices under the annual maintenance reappraisal which do use all appropriate factors in K.S.A. 79-503a, will also help bring about equity.

County Boards of Equalization should be given the right to protest to the Board of Tax Appeals on behalf of their counties any valuation of state assessed property.

We urge Farm Bureau members in all counties to work with their county appraiser to determine the fairness and equity of their appraisal with the county and between counties.

Reappraisal legislation and the classification amendment to the Kansas Constitution have provided for appraisal of agricultural land on the basis of its income producing capability. The legislation set forth an equitable procedure for determination of net income and an appropriate capitalization rate for agricultural land. These factors and procedures must be retained to assure equity and stability in valuation of agricultural land.

The reappraisal statutes require annual updating of the appraisal and valuation of taxable property. The cost associated with this annual updating should not be borne entirely by the counties. We suggest that 50 percent of this additional expense be paid by the state.

**Recent Changes in
State, Local, and State-Local
Tax Levels**

Legislative Finance Paper #75

January, 1991

by
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This draft report has been prepared for release to legislators and legislative staff attending NCSL's Fiscal Chairs' Seminar, January 3-5, 1991, in Denver, Colorado.
Final copies of the report should be available later in January, 1991.

HOUSE TAXATION
Attachment #6
02/05/91

The National Conference of State Legislatures serves the legislators and staffs of the nation's 50 states, its commonwealths and territories. NCSL was created in January, 1975, from the merger of three organizations that served or represented state legislatures. NCSL is a nonpartisan organization with three objectives:

- o To improve the quality and effectiveness of state legislatures;
- o To foster interstate communication and cooperation;
- o To ensure states a strong, cohesive voice in the federal system.

The Conference has offices in Denver, Colorado, and Washington, D.C.

President: Representative John L. Martin, Speaker of the House, Maine
Staff Chair: William P. Russell, Chief Counsel, Vermont
Executive Director: William T. Pound

EXECUTIVE SUMMARY

This report examines the most recent data available on the level and composition of state and local government tax revenue. It presents fiscal year 1990 data on the composition of state taxes and provides preliminary estimates of combined state-local tax levels. For fiscal year 1989, a more detailed comparison of the composition of state and local tax revenue is provided, including an examination of property tax levels in the 50 states.

State legislatures in 24 states raised taxes by over \$8.6 billion during the 1990 legislative sessions. These and other tax changes enacted in 1990 are generally not reflected in the statistics presented in this report because, in most cases, these changes had no effect on tax collections in fiscal year 1990, which ended June 1990 in 46 states.

This report is intended to provide state lawmakers and other officials with the earliest information available on how their state tax systems compare to other states in fiscal year 1990. Major findings are as follows:

State-local tax revenue averaged \$11.37 per \$100 of personal income in fiscal year 1990. State-local tax levels ranged from \$18.30 per \$100 of personal income in Alaska to \$8.22 per \$100 of personal income in New Hampshire. State and local taxes grew more slowly than personal income for the second consecutive year.

After holding steady near \$7.00 per \$100 personal income for three years, state tax levels fell significantly in fiscal year 1990, to \$6.84 per \$100 personal income. This is the lowest level since 1983.

In the 46 states reporting data for fiscal year 1990, state-local tax levels per \$100 personal income dropped below 1989 levels in 35 states, increased in 10, and remained constant in one. Only two states had changes of more than 10 percent: tax levels per \$100 of personal income dropped by 10.6 percent in Alaska and increased 11.3 percent in Nebraska.

The weakening national economy suggests a comparison between fiscal year 1984 and fiscal year 1991. In the fiscal year preceding both of these years, states held down taxes in the face of mounting fiscal problems. As the country entered a recession, personal income growth and state tax revenues fell and large tax increases were enacted in 1983 and 1990 to keep state budgets in balance. Fiscal year 1984 tax levels increased by \$0.50 per \$100 of personal income, an eight percent increase over fiscal year 1983. It is too early to tell whether the record tax increases enacted in 1990 will increase fiscal year 1991 tax levels by a similar magnitude.

This report also examines several aspects of local finance, including property tax levels, nonproperty tax levels, and trends in local government reliance on charges and other miscellaneous revenues. The section on local finance is based on fiscal year 1989 revenue.

In the aftermath of the tax revolt of the late 1970s, property tax levels remained remarkably stable in the 1980s, growing at about the same rate as personal income. Property taxes increased more slowly than personal income in the first half of the 1980s, but rebounded in the second half of the decade. Property taxes averaged \$3.38 per \$100 personal income in fiscal year 1989, up from \$3.27 in 1984 but still below the \$3.46 level of 1979.

In an attempt to reduce local reliance on the property tax, some state legislatures broadened local tax bases to include sales and income taxes. Over the last decade, however, national figures indicate that local government reliance on nonproperty taxes has not grown significantly. Property tax revenues as a percentage of all local tax revenues decreased by just 3.2 percentage points, from 77.5 percent in 1979 to 74.3 percent in 1989.

While local tax levels were relatively steady in the 1980s, local governments increased reliance on user charges and other miscellaneous nontax revenue sources. User charges and miscellaneous own-source revenues increased from \$2.03 per \$100 personal income in 1979 to \$2.68 per \$100 of personal income in 1989. During that same period, local taxes increased only slightly faster than personal income, from \$4.46 to \$4.55 per \$100 of personal income. The net result of this shift was a decline in the percentage of local own-source revenue coming from taxes, from 68.8 percent in 1979 to 62.9 percent in 1989.

Fiscal year 1990 is likely to be a low water mark for state-local tax levels, for two reasons. First, the record state tax increase combined with slower personal income will boost state tax levels substantially in fiscal year 1991. Second, preliminary data point to higher property tax levels.

INTRODUCTION

Comparisons of state-local tax levels are useful for state lawmakers and other officials. Unfortunately, official Census Bureau publications are often issued 12 to 18 months after the end of the state fiscal year. With this report, the Fiscal Affairs Program at the National Conference of State Legislatures presents preliminary estimates of state-local tax levels in a more timely manner.

This report presents the earliest available estimates of state-local tax levels per \$100 of personal income for the 12-month period ending on June 30, 1990. It also presents official figures for both state and local tax collections in fiscal year 1989. Data reported corresponds to the state fiscal year in 46 of the 50 states. In the four states with fiscal years ending on a different date--Alabama, Michigan, New York, and Texas--actual figures will be different. Data is also provided for the District of Columbia. Unfortunately, the Census Bureau does not provide comparative data for Puerto Rico in its *Government Finance* series, so Puerto Rico is not included in this report.

Two caveats should be emphasized. First, the figures reported for state-local tax levels do not necessarily reflect resident tax burdens. Several states with high tax levels have the ability to export tax burdens to nonresidents. For example, even though it has no income or sales taxes, Alaska has the highest state-local tax level because of energy taxes paid by oil companies. In addition, statewide averages hide considerable variations in tax burdens among locations within a state due to variations in property taxes and other local taxes.

Second, the figures presented in this report for fiscal year 1990 are preliminary. The Census Bureau will not publish a state by state breakdown of local tax collections until later in 1991. Therefore, local tax levels used in this report are from fiscal year 1989. Nationally, preliminary data indicate an increase in property tax collections of 12.9 percent in fiscal 1990.¹ Since 1989 personal income grew by 7.6 percent, it is likely that this report understates the property tax component of local tax revenues for fiscal year 1990.

STATE-LOCAL TAX LEVELS

Fiscal Year 1990

Fiscal year 1990 state and local tax revenue averaged \$11.37 per \$100 of personal income, a decrease of 1.5 percent from the 1989 level of \$11.55 per \$100 of personal income. As shown in Table 1, of the 46 states reporting data, tax levels decreased in 35, increased in 10, and remained constant in one.

Data reveal wide variations in tax levels in the states. Once again, New Hampshire had the lowest state-local tax level at \$8.22 per \$100 of personal income, 28 percent below the national average. At the other end of the spectrum is Alaska, with a state-local tax level of \$18.30, 61 percent above the national average.

There were few major tax actions in the 1989 legislative sessions, a fact reflected in 1990 data showing small changes in tax levels in the overwhelming majority of states.² Only seven states saw tax levels change by more than five percent. Nebraska had an 11.3 percent rise because tax cuts in both 1988 and 1989 were followed by a tax increase effective January 1, 1990. The tax cuts reduced the 1989 base, while increased corporate and personal income tax withholding in the last two quarters of fiscal 1990 boosted the 1990 figure. Alaska had the largest reduction in tax levels, a 10.6 percent drop, because the 1989 figure was inflated by a favorable court decision that resulted in the state collecting a \$256 million corporate tax windfall.

Other states with increases above five percent include West Virginia (major 1989 tax increase) and Utah. States with decreases of more than five percent include Maine, Delaware, and Wisconsin. None of these three states enacted major tax changes in the 1989 legislative sessions. However, all three states saw declining revenues due to slower economic growth.

The 1.5 percent decline in state-local tax levels between fiscal years 1989 and 1990 may be partially explained by the interactions of general economic conditions and the available economic data. Economic growth began to slow in the last two quarters of fiscal year 1990 (January to June, 1990), with growth in gross national product falling from 6.7 percent in calendar year 1989 to a seasonally adjusted 5.1 percent in the last quarter of fiscal year 1990.³ However, this economic slowdown is not reflected in personal income figures used in this report, which lag two quarters behind the revenue figures. Personal income in the last two quarters of fiscal year 1990 probably grew more slowly than 1989 and may have even dropped. If it did so, the decline in state tax collections as a percentage of personal income would be smaller than the 1.5 percent reported.

Fiscal Year 1989

Table 2 shows state-local tax levels in fiscal year 1989, based upon official Census Bureau data. This table reflects the latest official data available on local tax collections.

State-local tax levels in fiscal year 1989 were \$11.55 per \$100 of personal income, a slight decline from 1988. Both state and local tax collections grew at nearly the same rate as personal income.

Table 1.
State-Local Tax Revenue per \$100 of Personal Income,
Fiscal Year 1990 Preliminary Estimates

State	Combined		State		Local		Percentage Change Combined, 1989-90
	Level	Rank	Level	Rank	Level	Rank	
NEW ENGLAND							
Connecticut	\$10.91	32	\$6.50	35	\$4.41	23	0.8%
Maine	12.19	14	7.82	15	4.37	25	-7.2
Massachusetts	10.65	38	6.97	29	3.68	33	-3.6
New Hampshire	8.22	51	2.67	50	5.55	7	-2.9
Rhode Island	11.29	24	6.88	31	4.40	24	-0.3
Vermont	11.97	17	7.09	27	4.88	13	-2.9
MIDDLE ATLANTIC							
Delaware	11.03	29	9.08	5	1.95	51	-6.6
District of Columbia	16.33	2	.	.	16.33	1	-1.4
Maryland	11.13	26	6.54	34	4.60	18	-2.5
New Jersey	10.50	42	5.66	46	4.84	15	-4.1
New York	15.40	3	7.39	24	8.01	2	-1.0
Pennsylvania	10.59	39	6.33	38	4.26	29	-1.8
GREAT LAKES							
Illinois	10.67	36	5.75	44	4.92	12	-0.1
Indiana	10.69	35	7.08	28	3.62	35	-1.3
Michigan	11.79	19	6.95	30	4.85	14	-3.3
Ohio	10.97	31	6.40	36	4.57	20	-0.4
Wisconsin	12.42	10	7.84	14	4.58	19	-6.0
PLAINS							
Iowa (1)	12.31	11	7.80	17	4.51	21	NA
Kansas (1)	11.02	30	6.37	37	4.65	17	NA
Minnesota	13.06	6	8.82	6	4.24	30	-1.5
Missouri	9.49	48	5.88	42	3.61	36	-0.7
Nebraska	11.48	21	6.09	40	5.39	8	11.3
North Dakota	11.64	20	7.89	13	3.74	32	-1.5
South Dakota	10.19	44	4.88	49	5.32	9	-3.1
SOUTHEAST							
Alabama	9.41	49	6.67	33	2.74	44	-3.1
Arkansas	9.62	47	7.23	25	2.39	49	-2.4
Florida	10.02	46	5.95	41	4.06	31	-1.6
Georgia	11.13	27	6.85	32	4.28	28	2.7
Kentucky	10.65	37	8.27	10	2.38	50	-1.9
Louisiana	11.81	18	7.53	21	4.29	27	1.4
Mississippi	10.41	43	7.68	19	2.74	45	-2.8
North Carolina	11.24	25	8.04	12	3.20	41	0.6
South Carolina (1)	11.32	23	8.31	9	3.01	43	NA
Tennessee	9.40	50	5.84	43	3.56	37	-1.5
Virginia	10.03	45	5.71	45	4.32	26	-4.8
West Virginia	12.04	16	9.52	4	2.52	48	6.3
SOUTHWEST							
Arizona	12.53	8	7.77	18	4.75	16	0.0
New Mexico	12.47	9	9.89	3	2.58	46	-1.6
Oklahoma	10.81	33	7.47	23	3.34	40	-2.1
Texas	10.50	41	5.44	47	5.07	11	-1.8
ROCKY MOUNTAIN							
Colorado	10.76	34	5.18	48	5.58	6	-1.5
Idaho	11.41	22	8.21	11	3.19	42	2.2
Montana	12.68	7	7.58	20	5.10	10	4.5
Utah	12.25	13	7.82	16	4.43	22	8.4
Wyoming	14.20	4	8.49	8	5.71	5	-2.4
FAR WEST							
Alaska	18.30	1	11.79	1	6.51	3	-10.6
California	11.12	28	7.49	22	3.63	34	-1.8
Hawaii	13.91	5	11.37	2	2.55	47	-4.4
Nevada (1)	10.58	40	7.12	26	3.46	38	NA
Oregon	12.30	12	6.21	39	6.10	4	-0.8
Washington	12.19	15	8.79	7	3.39	39	2.0
U.S. TOTAL	\$11.37		\$6.84		\$4.55		-1.5%

(1) 1990 data not available; 1989 data used for comparison.

* Not applicable.

NA: Not available.

Notes: State taxes for 12 months ending June, 1990. Local taxes per \$100 assumed to be the same as in 1989. Figures for Alabama, Michigan, New York, and Texas are approximations because their fiscal years do not end on June 30.

Sources: U.S. Census Bureau, *Quarterly Summary of Federal, State and Local Tax Revenue: April-June 1990* (Washington, D.C.: Government Printing Office, November 1990).
U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

Table 2.
State-Local Tax Revenue per \$100 of Personal Income,
Fiscal Year 1989

State	Combined		State		Local		State as Percent of Combined
	Level	Rank	Level	Rank	Level	Rank	
NEW ENGLAND							
Connecticut	\$10.82	37	\$6.42	37	\$4.41	23	59.3%
Maine	13.14	8	8.77	8	4.37	25	66.7
Massachusetts	11.05	28	7.37	24	3.68	33	66.7
New Hampshire	8.46	51	2.91	50	5.55	7	34.4
Rhode Island	11.32	23	6.92	31	4.40	24	61.1
Vermont	12.33	12	7.45	23	4.88	13	60.4
MIDDLE ATLANTIC							
Delaware	11.82	17	9.86	4	1.95	51	83.5
District of Columbia	16.57	2	*	*	16.57	1	*
Maryland	11.42	20	6.82	33	4.60	18	59.7
New Jersey	10.95	32	6.11	42	4.84	15	55.8
New York	15.56	3	7.55	21	8.01	2	48.5
Pennsylvania	10.78	38	6.52	35	4.26	29	60.5
GREAT LAKES							
Illinois	10.68	41	5.76	45	4.92	12	54.0
Indiana	10.83	36	7.21	27	3.62	35	66.6
Michigan	12.19	14	7.35	26	4.85	14	60.2
Ohio	11.02	30	6.45	36	4.57	20	58.5
Wisconsin	13.21	7	8.62	9	4.58	19	65.3
PLAINS							
Iowa	12.31	13	7.80	17	4.51	21	63.3
Kansas	11.02	31	6.37	38	4.65	17	57.8
Minnesota	13.26	6	9.02	5	4.24	30	68.0
Missouri	9.56	49	5.95	44	3.61	36	62.2
Nebraska	10.31	45	4.92	49	5.39	8	47.7
North Dakota	11.81	18	8.07	13	3.74	32	68.3
South Dakota	10.52	44	5.21	48	5.32	9	49.5
SOUTHEAST							
Alabama	9.70	48	6.97	30	2.74	44	71.8
Arkansas	9.85	47	7.47	22	2.39	49	75.8
Florida	10.17	46	6.11	41	4.06	31	60.1
Georgia	10.83	35	6.55	34	4.28	28	60.5
Kentucky	10.86	34	8.47	11	2.38	50	78.0
Louisiana	11.65	19	7.36	25	4.29	27	63.2
Mississippi	10.72	39	7.98	14	2.74	45	74.5
North Carolina	11.18	26	7.97	15	3.20	41	71.3
South Carolina	11.32	24	8.31	12	3.01	43	73.4
Tennessee	9.54	50	5.98	43	3.56	37	62.7
Virginia	10.54	43	6.22	40	4.32	26	59.0
West Virginia	11.33	21	8.81	7	2.52	48	77.8
SOUTHWEST							
Arizona	12.53	10	7.77	18	4.75	16	62.1
New Mexico	12.67	9	10.10	3	2.58	46	79.7
Oklahoma	11.04	29	7.70	19	3.34	40	69.7
Texas	10.69	40	5.63	46	5.07	11	52.6
ROCKY MOUNTAIN							
Colorado	10.93	33	5.34	47	5.58	6	48.9
Idaho	11.16	27	7.97	16	3.19	42	71.4
Montana	12.13	15	7.03	29	5.10	10	57.9
Utah	11.30	25	6.87	32	4.43	22	60.8
Wyoming	14.55	5	8.85	6	5.71	5	60.8
FAR WEST							
Alaska	20.48	1	13.97	1	6.51	3	68.2
California	11.32	22	7.69	20	3.63	34	67.9
Hawaii	14.56	4	12.01	2	2.55	47	82.5
Nevada	10.58	42	7.12	28	3.46	38	67.3
Oregon	12.40	11	6.31	39	6.10	4	50.9
Washington	11.94	16	8.55	10	3.39	39	71.6
U.S. TOTAL	\$11.55		\$7.02		\$4.55		60.6%

* Not applicable.

Sources: U.S. Census Bureau, *Government Finances in 1988-89 (Preliminary Report)*, (Washington, D.C.: Government Printing Office, September 1990).
U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

Table 3.
State and Local Tax Revenue per \$100 of Personal Income, 1970 to 1990

Fiscal Year	Total	Local	State	State				
				General Sales	Personal Income	Corporation Income	Severance	Other
1990	\$11.37	\$4.55	\$6.84	\$2.28	\$2.18	\$0.50	NA	NA
1989	11.55	4.55	7.02	2.31	2.19	0.59	\$0.10	\$1.83
1988	11.60	4.57	7.06	2.33	2.14	0.58	0.12	1.88
1987	11.51	4.50	7.04	2.27	2.17	0.59	0.12	1.89
1986	11.24	4.37	6.90	2.26	2.04	0.56	0.19	1.85
1985	11.28	4.34	6.97	2.25	2.06	0.57	0.23	1.86
1984	11.30	4.35	6.96	2.21	2.09	0.55	0.26	1.85
1983	10.68	4.25	6.46	2.02	1.88	0.50	0.28	1.78
1982	10.59	4.12	6.49	2.01	1.82	0.56	0.31	1.79
1981	10.85	4.20	6.67	2.07	1.82	0.63	0.28	1.87
1980	11.02	4.26	6.78	2.14	1.84	0.66	0.21	1.93
1979	11.37	4.46	6.94	2.19	1.81	0.67	0.16	2.11
1978	12.08	5.01	7.10	2.21	1.82	0.67	0.16	2.23
1977	12.15	5.17	7.02	2.14	1.77	0.64	0.15	2.32
1976	11.98	5.17	6.85	2.10	1.65	0.56	0.16	2.38
1975	11.74	5.09	6.68	2.07	1.57	0.55	0.15	2.34
1974	11.93	5.16	6.81	2.07	1.57	0.55	0.11	2.51
1973	12.41	5.43	7.01	2.04	1.60	0.56	0.09	2.72
1972	12.24	5.51	6.77	1.99	1.47	0.50	0.09	2.72
1971	11.50	5.26	6.27	1.88	1.24	0.42	0.09	2.64
1970	11.32	5.07	6.29	1.86	1.20	0.49	0.09	2.65

NA: Not available.

Notes: Fiscal year 1990 state tax data are preliminary. Local tax levels are assumed to be the same as fiscal year 1989.

Revenue for each fiscal year is divided by personal income in the calendar year that ended during it. District of Columbia taxes are included with those for local governments. Calculations involving state taxes exclude personal income in the District of Columbia. Calculations involving state-local and local taxes include personal income in the District of Columbia.

Sources: For tax revenue, U.S. Census Bureau, *Government Finances in (year)*, (Washington, D.C.: U.S. Government Printing Office); U.S. Census Bureau, *State Government Finances in (year)*, (Washington, D.C.: U.S. Government Printing Office).
For personal income, U.S. Department of Commerce, *Survey of Current Business* (August 1990).

State and local tax levels from 1970 to 1989 are presented in Table 3. Important developments through the period are the increasing importance of state taxes as opposed to local taxes, the growing reliance of states on sales and personal income taxes, and the emergence of the personal income tax as the fastest growing source of state revenues.

Fiscal Centralization

Fiscal centralization is a measure of how much of total state-local revenue is collected by the state. In fiscal year 1989, an average of 60.6 percent of state-local tax revenue was collected by state governments. As shown in column 7 of Table 2, however, significant differences exist among the states. The five most centralized states are:

<u>State</u>	<u>Percent Revenue Collected at State Level</u>
Delaware	83.5%
Hawaii	82.5
New Mexico	79.7
Kentucky	78.0
West Virginia	77.8

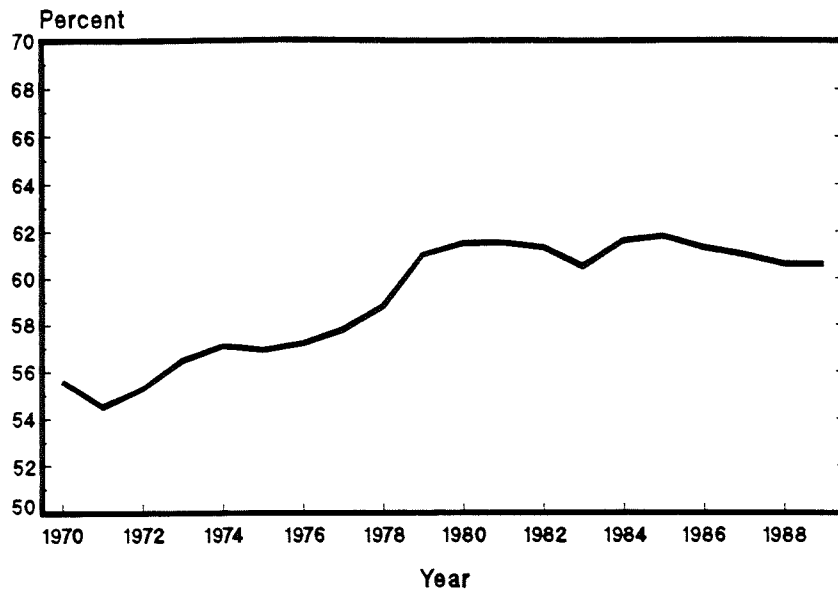
On the other extreme are those states that rely on local governments to collect the majority of state-local revenue. New Hampshire has long been the most decentralized state. In the following states, local governments collect more revenue than state governments:

<u>State</u>	<u>Percent Revenue Collected at State Level</u>
New Hampshire	34.4%
Nebraska	47.7
New York	48.5
Colorado	48.9
South Dakota	49.5

These 10 states best illustrate the tradeoff between state and local tax revenue, and why any valid comparisons of state tax levels must include both state and local taxes. Local tax levels in each of the five most centralized states rank in the bottom 15 percent. Local tax levels in the five most decentralized states rank in the top 20 percent.

The tax revolt of the late 1970s and early 1980s accelerated the trend toward fiscal centralization, as illustrated in Figure 1. The percent of state-local revenue collected by the state jumped from 57.7 percent in 1977 to 61.5 percent in 1980 and peaked at 61.8 percent in 1985. A rebound in property tax levels in the last half of the 1980s helped reverse this trend, with the state share falling to 60.6 percent in fiscal year 1989.

Figure 1.
Percent of State-Local Tax Revenue
Raised by States, 1970-89



Sources: For tax revenue, U.S. Census Bureau, *Government Finances in (year)*, (Washington, D.C.: U.S. Government Printing Office); U.S. Census Bureau, *State Government Finances in (year)*, (Washington, D.C.: U.S. Government Printing Office). For personal income, U.S. Department of Commerce, *Survey of Current Business (August 1990)*, U.S. Department of Commerce, *State Personal Income, 1929-1987 (July 1989)*.

State Tax Collections by Source

Table 4 provides a breakdown of state tax collections by source in fiscal year 1990. In each of the eight categories, state tax levels per \$100 of personal income are provided. States with high tax levels in the "Other" category are those with the greatest ability to export taxes to nonresidents. Most of the collections in this category are from severance taxes on oil and gas producers. Both Alaska and Wyoming derive a substantial portion of total state revenues from "Other" taxes.

The three major revenue producers for most states are the general sales, personal income, and corporate income taxes. In fiscal year 1990, both general sales and personal income tax collections grew at about the same rate as personal income; sales taxes as a proportion of personal income declined by 1.3 percent compared to 1989 levels, while income taxes as a proportion of personal income remained flat. However, corporate income tax collections showed considerable weakness, dropping from \$0.59 per \$100 of personal income in 1989 to \$0.50 in 1990, a 15.3 percent decline.

Table 4.
State Tax Revenue per \$100 of Personal Income,
Fiscal Year 1990

State	Total	Sales	Motor Fuel	Tobacco	Alcohol	Personal Income	Corporate Income	Motor Vehicle	Other
NEW ENGLAND									
Connecticut	\$6.50	\$3.06	\$0.39	\$0.15	\$0.06	\$0.77	\$0.85	\$0.20	\$1.02
Maine	7.82	2.56	0.69	0.22	0.17	2.92	0.29	0.28	0.69
Massachusetts	6.97	0.37	0.23	0.11	0.05	3.62	0.67	NA	NA
New Hampshire	2.67	0.00	0.36	0.17	0.05	0.18	0.56	0.26	1.08
Rhode Island	6.88	2.20	0.41	0.21	0.06	2.37	0.44	0.21	0.98
Vermont	7.09	1.47	0.58	0.13	0.15	2.70	0.29	0.31	1.46
MIDDLE ATLANTIC									
Delaware	9.08	0.00	0.51	0.09	0.04	3.67	0.95	0.20	3.62
Maryland	6.54	1.59	0.46	0.06	0.03	2.90	0.28	0.16	1.05
New Jersey	5.66	1.79	0.22	0.11	0.03	1.60	0.61	0.19	1.10
New York	7.39	1.59	0.14	0.15	0.05	3.87	0.47	0.15	0.97
Pennsylvania	6.33	2.03	0.36	0.10	0.07	1.55	0.54	0.23	1.44
GREAT LAKES									
Illinois	5.75	1.75	0.42	0.15	0.03	1.95	0.43	0.30	0.74
Indiana	7.08	2.89	0.64	0.13	0.04	2.37	NA	0.20	NA
Michigan	6.95	2.00	0.45	0.16	0.07	2.37	1.11	0.31	0.47
Ohio	6.40	2.01	0.54	0.12	0.04	2.31	0.36	0.23	0.79
Wisconsin	7.84	2.27	0.60	0.18	0.05	3.20	0.54	0.22	0.77
PLAINS									
Iowa	NA	NA	NA	NA	NA	NA	NA	NA	NA
Kansas	NA	NA	NA	NA	NA	NA	NA	NA	NA
Minnesota	8.82	2.43	0.60	0.20	0.07	3.74	0.63	0.44	0.71
Missouri	5.88	2.26	0.42	0.09	0.03	2.13	0.26	0.25	0.43
Nebraska	6.09	2.04	0.84	0.15	0.06	1.99	0.29	0.24	0.47
North Dakota	7.89	2.96	0.81	0.18	0.06	1.24	0.48	0.42	1.73
South Dakota	4.88	2.43	0.71	0.14	0.10	0.00	0.31	0.26	0.93
SOUTHEAST									
Alabama	6.67	1.82	0.52	0.12	0.19	1.96	0.35	0.23	1.49
Arkansas	7.23	2.73	0.70	0.20	0.06	2.38	0.41	0.25	0.51
Florida	5.95	3.66	0.35	0.15	0.21	0.00	0.31	0.24	1.03
Georgia	6.85	2.56	0.43	0.08	0.11	2.78	0.47	0.10	0.33
Kentucky	8.27	2.20	0.70	0.03	0.10	2.36	0.55	0.29	2.04
Louisiana	7.53	2.52	0.69	0.12	0.08	1.31	0.59	0.14	2.08
Mississippi	7.68	3.54	0.99	0.17	0.11	1.40	0.39	0.29	0.79
North Carolina	8.04	1.77	0.79	0.02	0.15	3.40	0.59	0.45	0.87
South Carolina	NA	NA	NA	NA	NA	NA	NA	NA	NA
Tennessee	5.84	3.23	0.87	0.11	0.09	0.14	0.46	0.23	0.72
Virginia	5.71	1.17	0.54	0.01	0.07	2.66	0.27	0.23	0.76
West Virginia	9.48	3.15	0.91	0.14	0.04	2.25	0.97	0.33	1.70
SOUTHWEST									
Arizona	7.77	3.41	0.60	0.08	0.07	1.89	0.32	0.40	0.99
New Mexico	9.89	4.14	0.82	0.09	0.08	1.80	0.32	0.52	2.12
Oklahoma	7.47	1.85	0.69	0.16	0.12	2.19	0.21	0.54	1.71
Texas	5.44	2.80	0.56	0.15	0.12	0.00	0.00	0.28	1.51
ROCKY MOUNTAIN									
Colorado	5.18	1.42	0.55	0.10	0.04	2.32	0.20	0.18	0.36
Idaho	8.21	2.76	0.77	0.10	0.09	2.90	0.52	0.51	0.55
Montana	7.55	0.00	0.99	0.11	0.12	2.47	0.71	0.34	2.82
Utah	7.82	3.06	0.69	0.10	0.07	2.79	0.43	0.15	0.53
Wyoming	8.49	2.32	0.52	0.08	0.02	0.00	0.00	0.50	5.05
FAR WEST									
Alaska	13.33	0.00	0.41	0.13	0.12	0.00	1.83	0.17	10.66
California	7.49	2.34	0.23	0.13	0.02	2.90	0.85	0.20	0.80
Hawaii	11.37	5.73	0.26	0.11	0.20	3.38	0.46	0.10	1.13
Nevada	NA	NA	NA	NA	NA	NA	NA	NA	NA
Oregon	6.21	0.00	0.53	0.17	0.02	4.07	0.33	0.52	0.57
Washington	8.79	5.32	0.58	0.17	0.13	0.00	0.00	0.23	2.37
U.S. TOTAL	\$6.84	\$2.28	\$0.44	\$0.13	\$0.07	\$2.18	\$0.50	\$0.24	\$1.00

NA: Not available.

Notes: State taxes for 12 months ending June, 1990. Local taxes per \$100 assumed to be the same as in 1989. Figures for Alabama, Michigan, New York, and Texas are approximations because their fiscal years do not end on June 30.

Sources: U.S. Census Bureau, *Quarterly Summary of Federal, State and Local Tax Revenue: April-June 1990* (Washington, D.C.: Government Printing Office, November 1990).
U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

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LOCAL TAX LEVELS

Local government tax revenues are dominated by the property tax. Property taxes accounted for 74.3% of all local government revenues in 1989.⁴

A 1990 survey by the U.S. Advisory Commission on Intergovernmental Relations revealed a taxpayer perception that the property tax is the least fair tax of any federal, state, or local tax.⁵ The property tax spawned tax revolts in a number of states, most notably California in 1978 and Massachusetts in 1979. Many states adopted or expanded property tax relief mechanisms in the 1980s to head off property tax revolts.

State property tax relief mechanisms can distort data on property tax levels. In states with circuitbreaker programs, property tax levels per \$100 of personal income will be overstated because of the way programs are administered. Circuitbreakers in most states provide property tax relief through the income tax system, either by reducing state income tax owed or providing a state financed refundable credit against property tax paid. As a result, local government collections reflect the full amount of property tax paid without reflecting the state funded credit. Thirty-one states now have circuitbreaker programs. States with the most generous circuitbreaker programs include Illinois, Michigan, Minnesota, Oregon, and Wisconsin. Property tax levels in these and other states with circuitbreaker programs are likely to be overstated in data included in this report.

Another type of property tax relief, the homestead exemption, does not distort property tax levels as discussed in this report. Homestead exemptions reduce the assessed value of certain property, typically the residence of elderly homeowners. Since the revenue loss is absorbed by local governments, not the state, property tax relief is reflected in local tax collections. In Louisiana, for example, the first \$75,000 in market value of residential homesteads is exempt from local tax. Louisiana property tax levels ranked 46th in 1989.

Property tax levels have rebounded somewhat in the 1980s, although as mentioned above, property tax relief mechanisms overstate property tax levels in some states. As shown in Table 5, the trend of declining property tax levels was reversed in 1983. Property tax levels in 1989 stood at \$3.38 per \$100 personal income, with preliminary figures for 1990 showing a national increase of 12.9 percent. If these preliminary figures hold up, 1990 property tax levels could surpass 1979 levels. However, they would still be well below the level of \$4.00 per \$100 of personal income which preceded the property tax revolt in California and other states.

Table 6 provides state by state data on property tax levels in 1989, 1984, and 1979. The state by state data indicate that most states fall into the general pattern described above: falling property tax levels in the early 1980s followed by gradual increases in the late 1980s.

The rankings of the states remained relatively constant between 1979 and 1989. Only Alaska, the District of Columbia, Massachusetts, and Nevada moved more than 10 places in the rankings. Massachusetts' ranking dropped from one to 24 due to the passage of a constitutional amendment that rolled back property taxes to 2.5 percent of valuation and limited annual increases to 2.5 percent. Nevada fell from 38 to 27 in the rankings due to a 31 percent reduction in property tax levels. Large increases in property tax levels were recorded in the District of Columbia and Alaska. The District saw property values skyrocket during the 1980s. Alaska exports much of its property tax burden to nonresidents because of property taxes paid by energy companies.

Table 5.
Property Tax Collections and Levels per \$100 of Personal Income,
Fiscal Years 1977-89

<u>Fiscal Year</u>	<u>Property Tax Collections (millions)</u>	<u>Level per \$100 of Personal Income</u>
1977	\$60,275	\$4.17
1978	64,058	4.00
1979	62,453	3.46
1980	65,607	3.23
1981	72,020	3.20
1982	78,805	3.13
1983	85,973	3.23
1984	92,595	3.27
1985	99,772	3.22
1986	107,356	3.24
1987	116,618	3.31
1988	127,191	3.39
1989	137,109	3.38

Sources: U.S. Census Bureau, *Government Finances in (year)*, (Washington, D.C.: Government Printing Office).
U.S. Department of Commerce, *Survey of Current Business* (August, 1990).
U.S. Department of Commerce, *State Personal Income, 1929-87* (July, 1989).

In the following states, property tax levels dropped by more than 10 percent between 1979 and 1989:

<u>State</u>	<u>Percent Decrease</u>
Massachusetts	44.9%
Nevada	30.5
Missouri	21.7
Delaware	15.3
New York	13.6
Rhode Island	13.4
New Mexico	13.1
New Jersey	11.1
South Dakota	11.0
Kansas	10.9
Arkansas	10.2
Connecticut	10.1

Table 6.
Local Property Tax Revenue per \$100 of Personal Income,
Fiscal Years 1989, 1984, and 1979

State	1989		1984		1979		Percent Change		
	Level	Rank	Level	Rank	Level	Rank	1979 to 1989	1984 to 1989	1979 to 1984
NEW ENGLAND									
Connecticut	\$4.33	15	\$4.33	12	\$4.82	11	-10.1%	0.1%	-10.1%
Maine	4.32	17	4.21	14	4.31	14	0.1	2.5	-2.3
Massachusetts	3.57	24	3.89	17	6.48	1	-44.9	-8.3	-40.0
New Hampshire	5.51	2	5.18	3	5.35	4	3.0	6.5	-3.2
Rhode Island	4.34	14	4.66	7	5.01	8	-13.4	-6.9	-7.0
Vermont	4.85	7	4.63	8	5.09	6	-4.7	4.7	-8.9
MIDDLE ATLANTIC									
Delaware	1.62	48	1.57	48	1.92	47	-15.3	3.7	-18.3
District of Columbia	5.25	4	4.14	15	3.03	30	73.5	26.9	36.8
Maryland	2.64	35	2.61	34	2.91	33	-9.2	1.2	-10.3
New Jersey	4.74	9	4.50	11	5.33	5	-11.1	5.3	-15.6
New York	4.74	10	4.80	6	5.48	2	-13.6	-1.3	-12.5
Pennsylvania	2.83	33	2.76	30	2.75	34	2.8	2.7	0.2
GREAT LAKES									
Illinois	3.64	23	3.88	18	3.74	21	-2.6	-6.0	3.6
Indiana	3.28	28	3.15	25	3.05	28	7.5	4.1	3.3
Michigan	4.46	12	4.92	5	4.15	15	7.5	-9.3	18.6
Ohio	3.10	29	3.13	26	3.04	29	1.9	-1.0	2.9
Wisconsin	4.46	11	4.11	16	4.10	16	8.8	8.7	0.2
PLAINS									
Iowa	4.37	13	4.51	10	4.06	17	7.6	-3.0	11.0
Kansas	3.88	20	3.79	20	4.36	13	-10.9	2.4	-13.0
Minnesota	4.03	19	3.87	19	3.82	20	5.6	4.2	1.4
Missouri	2.07	42	2.04	43	2.64	36	-21.7	1.3	-22.6
Nebraska	4.79	8	4.51	9	4.90	9	-2.1	6.3	-7.9
North Dakota	3.52	25	3.02	27	3.32	26	5.9	16.5	-9.1
South Dakota	4.32	16	4.24	13	4.86	10	-11.0	1.9	-12.6
SOUTHEAST									
Alabama	1.00	51	1.04	51	0.94	51	5.8	-4.5	10.8
Arkansas	1.72	47	1.87	45	1.92	46	-10.2	-8.0	-2.4
Florida	3.29	27	2.83	29	2.96	31	11.1	16.3	-4.4
Georgia	2.92	32	2.70	32	2.92	32	0.2	8.4	-7.6
Kentucky	1.19	50	1.18	50	1.25	50	-4.2	1.4	-5.5
Louisiana	1.91	46	1.59	47	1.46	49	31.0	20.7	8.5
Mississippi	2.57	37	2.29	37	2.31	39	11.2	12.1	-0.8
North Carolina	2.19	39	2.20	39	2.28	41	-4.0	-0.5	-3.5
South Carolina	2.75	34	2.58	35	2.31	38	19.1	6.6	11.7
Tennessee	2.15	40	2.19	40	2.28	42	-5.5	-1.9	-3.7
Virginia	3.07	31	2.75	31	2.75	35	11.8	11.8	0.0
West Virginia	2.02	43	2.08	41	1.95	45	3.5	-2.8	6.5
SOUTHWEST									
Arizona	3.72	22	2.87	28	4.04	18	-8.0	29.3	-28.9
New Mexico	1.46	49	1.42	49	1.68	48	-13.1	2.9	-15.5
Oklahoma	2.00	45	1.78	46	2.03	44	-1.1	12.4	-12.1
Texas	4.19	18	3.54	21	3.40	24	23.4	18.5	4.1
ROCKY MOUNTAIN									
Colorado	3.86	21	3.39	24	3.87	19	-0.2	13.7	-12.3
Idaho	3.08	30	2.62	33	3.37	25	-8.4	17.8	-22.3
Montana	4.93	6	5.25	2	5.05	7	-2.4	-6.0	3.9
Utah	3.46	26	3.48	23	3.41	23	1.5	-0.5	2.1
Wyoming	5.06	5	7.18	1	5.38	3	-5.9	-29.5	33.5
FAR WEST									
Alaska	5.67	1	3.49	22	3.62	22	56.9	62.6	-3.5
California	2.57	36	2.51	36	2.53	37	1.9	2.7	-0.8
Hawaii	2.02	44	2.25	38	2.17	43	-6.8	-10.1	3.6
Nevada	2.20	38	2.06	42	3.16	27	-30.5	6.4	-34.7
Oregon	5.44	3	5.08	4	4.44	12	22.8	7.1	14.7
Washington	2.07	41	1.88	44	2.29	40	-9.9	10.0	-18.0
U.S. TOTAL	\$3.38		\$3.27		\$3.46		-2.3%	3.4%	-5.5%

Sources: U.S. Census Bureau, *Government Finances in (year)*, (Washington, D.C.: Government Printing Office).

U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

U.S. Department of Commerce, *State Personal Income, 1929-87* (July, 1989).

In the following states, property tax levels per \$100 of personal income increased by more than 10 percent:

<u>State</u>	<u>Percent Increase</u>
District of Columbia	73.5%
Alaska	56.9
Louisiana	31.0
Oregon	22.8
South Carolina	19.1
Virginia	11.8
Mississippi	11.2

In an attempt to reduce local government reliance on the property tax and help forestall tax revolts, some local governments have pushed state legislatures for authority to impose local option sales and income taxes. State legislatures have acted in some states, but national data indicate that the local government shift to nonproperty taxes has not been significant. As shown in Table 7, local nonproperty tax levels have increased from \$1.00 per \$100 personal income in 1979 to \$1.17 in 1989. At the same time, property tax levels declined slightly, from \$3.46 to \$3.38 per \$100 personal income. The net effect is a 2 percent increase in local tax levels, from \$4.46 per \$100 of personal income in 1979 to \$4.55 in 1989.

Table 8 provides state by state information on local sales and gross receipts tax revenues in fiscal year 1989. Figures include general sales taxes and selective sales taxes on gasoline, cigarettes, tobacco, and other items. In 26 states, local governments rely on sales taxes for more than 10 percent of their tax revenues. Southeastern and Southwestern states are particularly reliant on local sales taxes, while the New England, Middle Atlantic, and Great Lake states generally rely very little on local sales taxes.

Table 9 provides information on local income tax revenue. Only ten states and the District of Columbia reported local income tax collections of more than \$1 million in fiscal year 1989. Although income taxes are a significant revenue source for local governments in a few key states, they are a much less important local revenue source than the sales tax. Local income taxes raised less than one-third of the revenue that local income taxes raised in fiscal year 1989.

Data indicate that local tax levels have not increased significantly in the last decade. However, local governments have significantly increased reliance on user charges and other nontax revenue sources. As shown in Table 10, local tax revenue per \$100 personal income increased by only 2 percent, from \$4.46 in 1979 to \$4.55 in 1989. However, nontax revenues from own sources increased from \$2.03 to \$2.68 per \$100 of personal income between 1979 and 1989, a 32 percent increase. Total own-source revenues, which include both tax and nontax sources, jumped from \$6.49 per \$100 of personal income in 1979 to \$7.23 in 1989, an 11.4 percent increase. Local taxes as a percentage of own-source revenue fell from 68.8 percent to 62.9 percent during this period.

Table 7.
Local Tax Revenues per \$100 of Personal Income,
Fiscal Years 1989 and 1979

State	1989				1979			
	All Tax	Property Tax	Non-Property Tax	Property Percent of All Tax	All Tax	Property Tax	Non-Property Tax	Property Percent of All Tax
NEW ENGLAND								
Connecticut	\$4.41	\$4.33	\$0.07	98.4%	\$4.87	\$4.82	\$0.05	98.9%
Maine	4.37	4.32	0.05	98.8	4.34	4.31	0.03	99.3
Massachusetts	3.68	3.57	0.11	97.1	6.53	6.48	0.04	99.3
New Hampshire	5.55	5.51	0.04	99.2	5.44	5.35	0.09	98.3
Rhode Island	4.40	4.34	0.07	98.4	5.06	5.01	0.05	99.0
Vermont	4.88	4.85	0.03	99.3	5.12	5.09	0.03	99.4
MIDDLE ATLANTIC								
Delaware	1.95	1.62	0.33	83.2	2.21	1.92	0.29	86.8
District of Columbia	16.57	5.25	11.32	31.7	12.50	3.03	9.48	24.2
Maryland	4.60	2.64	1.95	57.5	4.68	2.91	1.77	62.2
New Jersey	4.84	4.74	0.10	97.9	6.02	5.33	0.69	88.5
New York	8.01	4.74	3.27	59.2	8.10	5.48	2.61	67.7
Pennsylvania	4.26	2.83	1.43	66.5	4.19	2.75	1.43	65.8
GREAT LAKES								
Illinois	4.92	3.64	1.28	74.1	4.67	3.74	0.92	80.2
Indiana	3.62	3.28	0.34	90.6	3.20	3.05	0.15	95.3
Michigan	4.85	4.46	0.39	92.0	4.53	4.15	0.39	91.5
Ohio	4.57	3.10	1.47	67.7	4.14	3.04	1.10	73.4
Wisconsin	4.58	4.46	0.12	97.4	4.17	4.10	0.06	98.4
PLAINS								
Iowa	4.51	4.37	0.14	97.0	4.23	4.06	0.17	96.0
Kansas	4.65	3.88	0.77	83.5	4.69	4.36	0.33	92.9
Minnesota	4.24	4.03	0.21	95.0	3.99	3.82	0.17	95.6
Missouri	3.61	2.07	1.55	57.2	4.03	2.64	1.39	65.4
Nebraska	5.39	4.79	0.59	89.0	5.37	4.90	0.47	91.2
North Dakota	3.74	3.52	0.22	94.1	3.45	3.32	0.13	96.4
South Dakota	5.32	4.32	0.99	81.3	5.44	4.86	0.58	89.3
SOUTHEAST								
Alabama	2.74	1.00	1.74	36.4	2.46	0.94	1.52	38.2
Arkansas	2.39	1.72	0.66	72.1	2.13	1.92	0.22	89.8
Florida	4.06	3.29	0.78	80.9	3.56	2.96	0.60	83.0
Georgia	4.28	2.92	1.36	68.3	3.83	2.92	0.91	76.2
Kentucky	2.38	1.19	1.19	50.0	2.19	1.25	0.94	56.9
Louisiana	4.29	1.91	2.37	44.6	3.58	1.46	2.12	40.8
Mississippi	2.74	2.57	0.17	94.0	2.45	2.31	0.14	94.3
North Carolina	3.20	2.19	1.01	68.4	2.82	2.28	0.53	81.1
South Carolina	3.01	2.75	0.25	91.6	2.48	2.31	0.17	93.1
Tennessee	3.56	2.15	1.41	60.4	3.55	2.28	1.27	64.2
Virginia	4.32	3.07	1.25	71.1	4.05	2.75	1.30	68.0
West Virginia	2.52	2.02	0.50	80.2	2.42	1.95	0.47	80.7
SOUTHWEST								
Arizona	4.75	3.72	1.04	78.2	5.08	4.04	1.04	79.5
New Mexico	2.58	1.46	1.11	56.8	2.19	1.68	0.50	77.1
Oklahoma	3.34	2.00	1.34	59.9	3.11	2.03	1.08	65.3
Texas	5.07	4.19	0.88	82.7	4.03	3.40	0.64	84.3
ROCKY MOUNTAIN								
Colorado	5.58	3.86	1.72	69.1	5.39	3.87	1.52	71.8
Idaho	3.19	3.08	0.11	96.5	3.47	3.37	0.10	97.1
Montana	5.10	4.93	0.17	96.6	5.24	5.05	0.19	96.4
Utah	4.43	3.46	0.96	78.2	4.39	3.41	0.98	77.7
Wyoming	5.71	5.06	0.65	88.7	6.09	5.38	0.71	88.4
FAR WEST								
Alaska	6.51	5.67	0.84	87.2	4.53	3.62	0.91	79.9
California	3.63	2.57	1.06	70.9	3.56	2.53	1.04	70.9
Hawaii	2.55	2.02	0.53	79.3	2.70	2.17	0.53	80.3
Nevada	3.46	2.20	1.26	63.4	4.76	3.16	1.60	66.4
Oregon	6.10	5.44	0.65	89.3	4.95	4.44	0.51	89.6
Washington	3.39	2.07	1.32	61.0	3.43	2.29	1.14	66.9
U.S. TOTAL	\$4.55	\$3.38	\$1.17	74.3%	\$4.46	\$3.46	\$1.00	77.5%

Sources: U.S. Census Bureau, *Government Finances in (year)*, (Washington, D.C.: Government Printing Office).

U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

U.S. Department of Commerce, *State Personal Income, 1929-87* (July, 1989).

Attachment 6-18

Table 8.
Local Sales Tax Revenue, Selected Data,
Fiscal Year 1989

State	1989 Revenue (000s)	1989 Revenue per \$100 of Personal Income		Sales Tax as Percent of Local Tax	
		Level	Rank	Percent	Rank
NEW ENGLAND					
Connecticut	\$ 114	\$0.00	47	0.0%	47
Maine	5	0.00	48	0.0	48
Massachusetts	45,409	0.04	40	1.0	40
New Hampshire	0	0.00	49	0.0	49
Rhode Island	483	0.00	46	0.1	46
Vermont	0	0.00	50	0.0	50
MIDDLE ATLANTIC					
Delaware	1,531	0.01	44	0.7	44
District of Columbia	643,849	4.76	1	28.7	8
Maryland	159,195	0.18	31	3.8	32
New Jersey	8,012	0.00	45	0.1	45
New York	5,992,462	1.70	3	21.2	14
Pennsylvania	59,215	0.03	42	0.7	43
GREAT LAKES					
Illinois	2,320,049	1.14	10	23.1	13
Indiana	24,337	0.03	43	0.8	41
Michigan	53,167	0.04	41	0.7	42
Ohio	539,860	0.32	27	7.0	29
Wisconsin	35,304	0.05	38	1.0	39
PLAINS					
Iowa	32,378	0.08	36	1.8	37
Kansas	266,522	0.68	21	14.6	23
Minnesota	80,469	0.11	33	2.7	35
Missouri	909,528	1.15	9	31.9	6
Nebraska	102,703	0.44	26	8.2	28
North Dakota	12,158	0.15	32	3.9	30
South Dakota	70,118	0.78	17	14.7	22
SOUTHEAST					
Alabama	663,662	1.26	6	46.1	2
Arkansas	179,203	0.62	24	25.8	12
Florida	1,276,576	0.63	22	15.4	20
Georgia	1,162,018	1.20	8	28.0	11
Kentucky	140,789	0.30	29	12.4	24
Louisiana	1,175,449	2.18	2	50.8	1
Mississippi	29,982	0.10	34	3.8	33
North Carolina	847,903	0.92	14	28.6	9
South Carolina	30,203	0.07	37	2.2	36
Tennessee	834,084	1.23	7	34.4	5
Virginia	848,030	0.80	16	18.4	18
West Virginia	19,687	0.09	35	3.6	34
SOUTHWEST					
Arizona	484,845	0.93	13	19.5	17
New Mexico	190,087	1.02	11	39.4	3
Oklahoma	557,433	1.30	5	38.7	4
Texas	1,912,867	0.77	18	15.2	21
ROCKY MOUNTAIN					
Colorado	852,270	1.57	4	28.1	10
Idaho	5,047	0.04	39	1.2	38
Montana	0	0.00	51	0.0	51
Utah	178,788	0.86	15	19.5	16
Wyoming	37,608	0.57	25	10.0	27
FAR WEST					
Alaska	76,707	0.76	19	11.7	26
California	3,954,809	0.74	20	20.3	15
Hawaii	55,684	0.30	28	11.9	25
Nevada	117,765	0.63	23	18.1	19
Oregon	98,533	0.24	30	3.9	31
Washington	743,461	0.98	12	28.8	7
U.S. TOTAL	\$27,830,358	\$0.69		15.1%	

Sources: U.S. Census Bureau, *Government Finances in 1988-89 (Preliminary Report)*, (Washington, D.C.: Government Printing Office, September 1990).
U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

Table 9.
Local Government Reliance on Income Tax,
Fiscal Year 1989

<u>State</u>	1989 Local Income Tax Collections (000s)	1989 Local Income Tax Per \$100 of <u>Personal Income</u>	1989 Local Income Tax as Percent of Local <u>Tax Collections</u>
Maryland	\$1,227,781	\$1.35	29.4%
District of Columbia	603,469	4.46	26.9
Kentucky	301,077	0.63	26.5
Ohio	1,695,096	1.01	22.1
Pennsylvania	1,792,589	0.93	21.7
Delaware	22,638	0.20	10.1
New York	2,481,249	0.70	8.8
Indiana	213,200	0.26	7.2
Missouri	199,603	0.25	7.0
Michigan	400,524	0.26	5.5
Alabama	50,140	0.10	3.5
U.S. TOTAL	\$8,988,320	\$0.22	4.9%

Note: Arkansas, Colorado, Illinois, Iowa, Louisiana, South Dakota, Texas, Tennessee, and Virginia reported collections of less than \$1 million.

Sources: U.S. Census Bureau, *Government Finances in 1988-89 (Preliminary Report)*, (Washington, D.C.: Government Printing Office, September 1990).
U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

Table 10.
Amount and Composition of Local Own-Source Revenue,
Fiscal Years 1989 and 1979

State	1989				1979			
	Per \$100 of Personal Income Total Own Source Revenue	Local Tax Revenue	Local Charges & Misc.	Tax as Percent of Own Source Rev.	Per \$100 of Personal Income Total Own Source Revenue	Local Tax Revenue	Local Charges & Misc.	Tax as Percent of Own Source Rev.
NEW ENGLAND								
Connecticut	\$5.33	\$4.41	\$0.93	82.6%	\$5.69	\$4.87	\$0.82	85.6%
Maine	5.77	4.37	1.40	75.7	5.23	4.34	0.89	83.0
Massachusetts	4.91	3.68	1.24	74.9	7.69	6.53	1.16	84.9
New Hampshire	6.56	5.55	1.01	84.6	6.43	5.44	0.98	84.7
Rhode Island	5.12	4.40	0.72	86.0	5.57	5.06	0.52	90.8
Vermont	5.83	4.88	0.95	83.7	5.90	5.12	0.79	86.7
MIDDLE ATLANTIC								
Delaware	3.99	1.95	2.04	48.9	3.72	2.21	1.51	59.4
District of Columbia	20.22	16.57	3.64	82.0	14.13	12.50	1.63	88.5
Maryland	6.23	4.60	1.63	73.8	6.35	4.68	1.67	73.8
New Jersey	6.23	4.84	1.39	77.7	7.25	6.02	1.23	83.1
New York	10.68	8.01	2.68	75.0	10.36	8.10	2.27	78.1
Pennsylvania	6.38	4.26	2.12	66.8	5.82	4.19	1.64	71.9
GREAT LAKES								
Illinois	6.72	4.92	1.80	73.2	6.11	4.67	1.45	76.3
Indiana	6.43	3.62	2.81	56.3	4.87	3.20	1.67	65.7
Michigan	7.24	4.85	2.39	67.0	6.73	4.53	2.19	67.4
Ohio	6.71	4.57	2.14	68.1	5.97	4.14	1.82	69.5
Wisconsin	6.94	4.58	2.35	66.1	6.56	4.17	2.40	63.5
PLAINS								
Iowa	7.41	4.51	2.89	60.9	6.28	4.23	2.04	67.5
Kansas	7.75	4.65	3.11	59.9	7.00	4.69	2.31	67.0
Minnesota	8.26	4.24	4.01	51.4	6.64	3.99	2.65	60.1
Missouri	5.76	3.61	2.15	62.7	5.79	4.03	1.76	69.7
Nebraska	8.83	5.39	3.44	61.0	8.45	5.37	3.08	63.6
North Dakota	6.52	3.74	2.78	57.4	5.53	3.45	2.09	62.3
South Dakota	7.06	5.32	1.75	75.3	6.89	5.44	1.45	79.0
SOUTHEAST								
Alabama	5.71	2.74	2.97	47.9	5.16	2.46	2.70	47.7
Arkansas	4.55	2.39	2.16	52.4	4.37	2.13	2.24	48.8
Florida	8.06	4.06	4.00	50.4	6.35	3.56	2.79	56.1
Georgia	8.08	4.28	3.80	53.0	7.26	3.83	3.43	52.7
Kentucky	5.38	2.38	2.99	44.4	3.75	2.19	1.57	58.3
Louisiana	7.50	4.29	3.21	57.2	5.73	3.58	2.14	62.6
Mississippi	7.06	2.74	4.32	38.8	5.43	2.45	2.98	45.1
North Carolina	5.70	3.20	2.50	56.2	4.45	2.82	1.63	63.3
South Carolina	5.93	3.01	2.92	50.7	4.60	2.48	2.11	54.0
Tennessee	6.56	3.56	3.00	54.3	5.89	3.55	2.34	60.3
Virginia	6.07	4.32	1.74	71.2	5.43	4.05	1.38	74.5
West Virginia	5.02	2.52	2.50	50.2	4.24	2.42	1.82	57.1
SOUTHWEST								
Arizona	8.08	4.75	3.33	58.8	7.56	5.08	2.47	67.3
New Mexico	5.54	2.58	2.97	46.5	4.40	2.19	2.22	49.7
Oklahoma	6.18	3.34	2.83	54.2	5.00	3.11	1.89	62.2
Texas	8.24	5.07	3.18	61.5	6.21	4.03	2.17	65.0
ROCKY MOUNTAIN								
Colorado	8.59	5.58	3.00	65.0	7.81	5.39	2.42	69.0
Idaho	5.95	3.19	2.76	53.7	5.56	3.47	2.09	62.4
Montana	7.93	5.10	2.82	64.4	7.40	5.24	2.16	70.8
Utah	7.39	4.43	2.96	59.9	6.18	4.39	1.79	71.1
Wyoming	11.73	5.71	6.02	48.7	9.52	6.09	3.43	63.9
FAR WEST								
Alaska	12.15	6.51	5.64	53.6	9.14	4.53	4.61	49.6
California	7.10	3.63	3.47	51.1	5.79	3.56	2.23	61.5
Hawaii	3.33	2.55	0.78	76.4	3.27	2.70	0.57	82.4
Nevada	7.22	3.46	3.76	48.0	7.75	4.76	2.99	61.4
Oregon	8.97	6.10	2.87	68.0	7.29	4.95	2.35	67.8
Washington	6.56	3.39	3.16	51.7	6.20	3.43	2.77	55.4
U.S. TOTAL	\$7.23	\$4.55	\$2.68	62.9%	\$6.49	\$4.46	\$2.03	68.8%

Sources: U.S. Census Bureau, *Government Finances in 1988-89 (Preliminary Report)*, (Washington, D.C.: Government Printing Office, September 1990).
U.S. Census Bureau, *Government Finances in 1979* (Washington, D.C.: Government Printing Office, 1980).
U.S. Department of Commerce, *Survey of Current Business* (August, 1990).

Attachment 6-21

CONCLUSION

Preliminary figures indicate that state-local tax levels fell to \$11.37 per \$100 of personal income in fiscal year 1990, their lowest level in four years. However, the record state tax increases that will take effect in 1991 and rising property tax levels are likely to make 1990 a low water mark for state-local tax levels. State-local tax levels are still well below the highs of the 1970s, but indicators point to renewed growth in the early 1990s.

The weakening national economy suggests a comparison between fiscal year 1991 and fiscal year 1984. In the fiscal year preceding both these years, states held down taxes in the face of mounting fiscal problems. As the country entered a recession, personal income growth and state revenues fell and large tax increases were enacted to keep budgets in balance. From 1983 to 1984, state taxes increased by \$0.50 per \$100 of personal income. It is too early to tell whether the tax increases effective in fiscal year 1991 will be of this magnitude.

As many states face fiscal problems, constraints on state aid may force local governments to finance more programs themselves.⁷ Although this would tend to push property tax levels higher, statutory and constitutional property tax limitations in many large states may limit increases in property tax levels nationally. Local governments are likely to continue pressing state legislatures for local option sales and income taxes, and continue to increase reliance on nontax revenue sources such as user fees.

Attachment 6-23

METHODOLOGY

In calculating tax revenue per \$100 personal income, this report follows the practice of the U.S. Census Bureau in dividing tax revenue in the fiscal year by personal income for the calendar year ending during the fiscal year. For example, fiscal year 1990 tax levels are calculated by dividing fiscal year 1990 tax collections by calendar year 1989 state personal income.

State fiscal year tax collection figures are from the U.S. Census Bureau's *Quarterly Summary of Federal, State, and Local Tax Revenue: April-June 1990*. This report provides figures for the 12 months ending on June 30, 1990. Since 46 of the 50 states have fiscal years ending on June 30, the state tax revenue the Census Bureau report should correspond to fiscal year tax revenue for those states. In the four states with fiscal years that end on different dates--Alabama (September 30), Michigan (September 30), New York (March 31), and Texas (August 31)--fiscal year revenue will be different than what is reported here.

The Census Bureau does not provide state by state data on local tax collections in its quarterly reports. Therefore, this report assumes that fiscal year 1990 local tax revenue per \$100 personal income was the same as fiscal year 1989. It is likely that the assumed fiscal year 1990 state-local tax levels will understate local tax levels in many states. The Census Bureau estimates that nationwide property tax collections grew by 12.9 percent in fiscal year 1990.

This report used personal income data from the Commerce Department's *Survey of Current Business* (August 1990). The August 1990 *Survey* also contained revised estimates for personal income in calendar years 1986, 1987, and 1988. Revised figures were used in all tables reporting data for those years.

The official Census Bureau figures for state tax revenue per \$1,000 personal income will differ from those presented here by one decimal point. Figures will also differ from those presented in this report as revisions are made in preliminary figures for state tax revenues and personal income. As mentioned above, local revenues are also likely to be different from those reported here as final figures for state by state local tax collections are used.

For further discussion of these data and why tax revenue is a better measure of state-local tax levels than general revenue from own sources, see NCSL's *State and Local Systems in the Mid-1980s* (LFP #52), published February, 1986.

This report borrows heavily from the structure and methodology used by Steven D. Gold in Legislative Finance Paper #62, *Recent Changes in State-Local Tax Levels*, first published in January, 1988.

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NOTES

1. U.S. Census Bureau, *Quarterly Summary of Federal, State, and Local Tax Collections: April-June, 1990* (Washington, D.C.: November, 1990).
2. See Martha Fabricius, Steven Gold, and Corina Eckl, "State Budget Actions in 1989," *Legislative Finance Paper no. 69* (Denver: National Conference of State Legislatures, 1989).
3. U.S. Department of Commerce, *Survey of Current Business 10* (October, 1990).
4. U.S. Census Bureau, *Government Finances in 1988-89 (Preliminary Report)* (Washington, D.C.: Government Printing Office, September, 1990).
5. U.S. Advisory Commission on Intergovernmental Relations, *Changing Public Attitudes on Governments and Taxes* (Washington, D.C.: September, 1990).
6. U.S. Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism, Volume I: 1990* (Washington, D.C.: January, 1990).
7. See Ron Snell, "State Fiscal Outlook in 1991," *Legislative Finance Paper* (Denver: National Conference of State Legislatures, forthcoming).

COUNTY NAME	1990 ASSESSED VALUE OF COUNTY	1990 RAILROAD REDUCTION	1990 UTILITY INVENTORY	1990 TOTAL UTIL ADJ	1990 ADJUSTED VALUES (ESTIMATE)
ALLEN	\$54,549,482	\$180,577	\$29,897	\$210,474	\$54,339,008
ANDERSON	38,138,197	215,176	243,964	459,140	37,679,057
ATCHISON	55,349,108	194,433	0	194,433	55,154,675
BARBER	58,200,130	133,039	0	133,039	58,067,091
BARTON	154,141,113	197,345	177,913	375,258	153,765,855
BOURBON	52,111,135	170,538	0	170,538	51,940,597
BROWN	49,758,791	230,095	0	230,095	49,528,696
BUTLER	212,436,656	575,433	46,323	621,756	211,814,900
CHASE	22,654,162	249,687	0	249,687	22,404,475
CHAUTAUQU	21,833,725	0	1,376	1,376	21,832,349
CHEROKEE	73,657,727	349,235	312,753	661,988	72,995,739
CHEYENNE	28,178,096	65,352	1,228	66,580	28,111,516
CLARK	31,393,519	52,608	550	53,158	31,340,361
CLAY	39,920,556	6,129	0	6,129	39,914,427
CLOUD	45,021,756	160,386	0	160,386	44,861,370
COFFEY	534,844,960	88,321	3,257,328	3,345,649	531,499,311
COMANCHE	27,178,292	17,210	0	17,210	27,161,082
COWLEY	142,341,511	219,305	592,741	812,046	141,529,465
CRAWFORD	102,651,595	290,448	13,746	304,194	102,347,401
DECATUR	27,078,401	99,982	4,370	104,352	26,974,049
DICKINSON	81,142,011	364,464	53,400	417,864	80,724,147
DONIPHAN	33,898,806	69,822	0	69,822	33,828,984
DOUGLAS	341,197,128	146,299	460,469	606,768	340,590,360
EDWARDS	35,826,140	67,391	0	67,391	35,758,749
ELK	17,577,183	74,950	27,770	102,720	17,474,463
ELLIS	147,582,083	130,103	53,960	184,063	147,398,020
ELLSWORTH	41,837,032	180,629	150,745	331,374	41,505,658
FINNEY	288,647,218	55,903	192,525	248,428	288,398,790
FORD	150,528,734	191,871	114,355	306,226	150,222,508
FRANKLIN	76,592,162	306,685	0	306,685	76,285,477
GEARY	86,150,161	101,438	0	101,438	86,048,723
GOVE	34,339,257	146,589	0	146,589	34,192,668
GRAHAM	37,724,255	75,611	43,463	119,074	37,605,181
GRANT	235,692,610	18,043	0	18,043	235,674,567
GRAY	44,765,518	66,716	0	66,716	44,698,802
GREELEY	25,934,441	114,392	0	114,392	25,820,049
GREENWOOD	43,513,439	240,487	0	240,487	43,272,952
HAMILTON	41,938,298	57,453	0	57,453	41,880,845
HARPER	54,541,327	245,039	0	245,039	54,296,288
HARVEY	117,900,500	270,609	2,702	273,311	117,627,189
HASKELL	117,042,506	21,009	224	21,233	117,021,273
HODGEMAN	25,218,137	11,334	0	11,334	25,206,803
JACKSON	36,424,979	27,369	0	27,369	36,397,610
JEFFERSON	58,024,134	183,485	150,697	334,182	57,690,952
JEWELL	27,099,838	67,979	0	67,979	27,031,859
JOHNSON	2,564,309,568	376,791	190,614	567,405	2,563,742,163
KEARNY	197,602,283	52,322	0	52,322	197,549,961
KINGMAN	75,417,113	143,140	2,615,909	2,759,049	72,658,064
KIOWA	47,513,927	123,167	1,439	124,606	47,389,321
LABETTE	72,556,038	361,742	517	362,259	72,193,779
LANE	26,430,489	116,923	0	116,923	26,313,566
LEAVENWORTH	193,222,314	262,541	135,949	398,490	192,823,824
LINCOLN	23,084,283	113,687	0	113,687	22,970,596
LINN	128,832,199	168,203	2,774,574	2,942,777	125,889,422
LOGAN	25,759,042	158,916	0	158,916	25,600,126

LYON	121,314,934	263,178	0	263,178	121,051,756
MARION	58,596,203	237,803	2,884	240,687	58,355,516
MARSHALL	52,105,365	366,067	0	366,067	51,739,298
McPHERSON	153,327,515	308,304	0	308,304	153,019,211
MEADE	80,749,270	130,486	10,382,459	10,512,945	70,236,325
MIAMI	95,223,285	363,225	0	363,225	94,860,060
MITCHELL	34,409,628	151,932	0	151,932	34,257,696
MONTGOME	141,970,667	317,062	1,218,672	1,535,734	140,434,933
MORRIS	33,151,721	270,877	0	270,877	32,880,844
MORTON	115,164,810	13,515	1,812,476	1,825,991	113,338,819
NEMAHA	49,989,818	62,157	0	62,157	49,927,661
NEOSHO	54,333,975	187,518	0	187,518	54,146,457
NESS	48,929,352	184,031	19,925	203,956	48,725,396
NORTON	27,717,220	119,512	4,101	123,613	27,593,607
OSAGE	53,531,869	343,881	0	343,881	53,187,988
OSBORNE	27,246,787	140,167	4,249	144,416	27,102,371
OTTAWA	32,217,062	127,066	0	127,066	32,089,996
PAWNEE	48,262,882	30,306	0	30,306	48,232,576
PHILLIPS	41,815,569	126,150	0	126,150	41,689,419
POTTAWATO	262,252,981	276,863	6,561,816	6,838,679	255,414,302
PRATT	76,399,291	194,355	3,962,339	4,156,694	72,242,597
RAWLINS	29,961,204	113,740	35	113,775	29,847,429
RENO	292,452,361	477,534	210,736	688,270	291,764,091
REPUBLIC	35,307,811	42,982	0	42,982	35,264,829
RICE	72,647,112	251,242	2,258,081	2,509,323	70,137,789
RILEY	166,887,301	93,485	0	93,485	166,793,816
ROOKS	53,436,317	127,244	21,689	148,933	53,287,384
RUSH	33,402,252	152,998	0	152,998	33,249,254
RUSSELL	63,968,767	212,153	4,021	216,174	63,752,593
SALINE	210,016,155	510,050	0	510,050	209,506,105
SCOTT	39,964,246	118,592	0	118,592	39,845,654
BEDGWICK	1,912,253,139	569,639	619,359	1,188,998	1,911,064,141
BEWARD	153,891,628	123,447	0	123,447	153,768,181
BHAWNEE	774,790,235	854,418	350,935	1,205,353	773,584,882
BHERIDAN	28,484,497	76,347	5,690	82,037	28,402,460
BHERMAN	48,309,032	0	0	0	48,309,032
BSMITH	28,489,039	67,003	0	67,003	28,422,036
BSTAFFORD	59,823,344	140,233	2,673	142,906	59,680,438
BSTANTON	75,147,241	17,450	0	17,450	75,129,791
BSTEVENS	281,621,765	18,482	0	18,482	281,603,283
BUMNER	109,499,380	416,774	301	417,075	109,082,305
BTHOMAS	60,274,756	95,822	19,421	115,243	60,159,513
BREGO	31,001,133	129,908	8,101	138,009	30,863,124
BABAUNSEE	32,577,628	156,705	0	156,705	32,420,923
BVALLACE	22,680,881	127,137	0	127,137	22,553,744
BWASHINGTON	42,154,676	158,054	18,038	176,092	41,978,584
BVICHITA	25,834,496	100,274	0	100,274	25,734,222
BVILSON	42,642,831	262,446	224,052	486,498	42,156,333
BWOODSON	23,204,444	201,215	25,018	226,233	22,978,211
BVYANDOTTE	566,743,496	1,309,909	0	1,309,909	565,433,587
TOTAL	\$14,253,481,436	\$19,748,139	\$39,388,572	\$59,136,711	\$14,194,344,725

SOURCE: DIVISION OF PROPERTY VALUATION