Approved: March 7, 2003
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on February 19, 2003 in Room 519-S of the Capitol.

| | |
|---|---|
| All members were present except: | Representative Kirk<br>Representative Sawyer |
| Committee staff present: | Chris Courtwright, Legislative Research Department<br>Gordon Self, Office of the Revisor<br>Carol Doel, Committee Secretary |
| Conferees appearing before the committee: | Marlee Carpenter, Kansas Chamber of Commerce Industry<br>David Springe, Citizen's Utilities Rate Board<br>Tom Palace, Petroleum Marketers and Convenience Store Association of Kansas<br>Justin Holstin, Propane Marketers<br>Leslie Kaufman, Kansas Farm Bureau |
| Others attending: | See attached list |

Chairman Edmonds recognized Representative Larkin who wished to introduce a bill from the county treasurer. They are looking for some type of solution to be able to enforce the people who drive out-of-state tags in Kansas. They are looking at redistribution of the formula for the fines that would allow counties the keep a portion of the money.

Hearing no objections, Chairman Edmonds accepted the bill for introduction.

Chairman Edmonds called attention to the fiscal note on **HB 2110** in the amount of $254,744,000. He then opened the floor for hearing on that bill with the introduction of Marlee Carpenter, KCCI (Kansas Chamber of Commerce and Industry). Ms. Carpenter's testified in opposition to **HB 2110** stating that it was the feeling of KCCI that in order to keep Kansas competitive, the cost of doing business in the state cannot be increased. Her organization supports the preservation of a balanced, stable and competitive tax structure. They also suggest the legislature enact the streamlined sales tax project. (Attachment 1)

David Springe, Consumer Counsel for CURB (Citizen's Utility Ratepayer Board), appeared before the committee in opposition to **HB 2110**. It is their opinion that utility rates are already high for many consumers, and repealing the sales tax exemption for utility service will make it more difficult for Kansas consumers to maintain the water, heat and electricity they depend on every day. (Attachment 2)

Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA), Tom Palace was next to testify in opposition to **HB 2110**. PCMA said they are aware of the need to find revenue to fund the budget deficit, however, the Kansas motoring consumer is paying their fare share of the tax load to keep the highways in superior condition, and the addition of another tax on a tax would be excessive and unwarranted. (Attachment 3) Mr. Palace also provided a chart showing the current motor fuel taxes in Kansas compared to the surrounding states. (Attachment 4)

Testifying in opposition to **HB 2110**, was Tom Whitaker, Executive Director of the Kansas Motor Carriers Association. By removing the current sales tax exemption, on a $1.699 gallon of diesel fuel, the tax on fuel would increase by approximately 12.2 cents per gallon. National fuel prices are on the rise because of the oil strike in Venezuela and the troubles in Iraq. It is the feeling of their organization that now is not the time for the State of Kansas to eliminate the sales tax exemption. (Attachment 5)

The Propane Marketers Association of Kansas (PMAK) was represented by Justin Holstin who testified in opposition to **HB 2110**. In his testimony, Mr. Holstin voiced the opinion that repeal of the sales exemption on fuel would affect the agricultural area which mostly uses propane for heating their homes, dairy barns, fuel for crop dryers and other agriculture related equipment. Due to the drought and other harsh agricultural conditions many rural and agricultural users of propane are already facing hard times, therefore, they are requesting the sales tax exemptions be continued. (Attachment 6)

Leslie Kaufman, State Director, KFB (Kansas Farm Bureau) Governmental Regulations was next to appear before the committee in opposition to **HB 2110**. It the opinion of the KFB, the removal of sales tax exemptions would result in increased costs of production to farmers and ranchers who are not able to pass on those costs, but must absorb them. (Attachment 7)

Hearing no one else wishing to testify in opposition to **HB 2110**, Chairman Edmonds closed the hearing.

Chairman Edmonds called to the attention of the committee written testimony from Kansas Grain and Feed Association (Attachment 8); Tim Rush, Director, Regulatory Affairs, Kansas City Power & Light Company (Attachment 9); from Ken Peterson, Executive Director of the Kansas Petroleum Council (Attachment 10 ).

Also submitted for review by the committee and provided by Chris Courtwright, Legislative Research Department, was a document entitled *Kansas Taxes Hit Poor & Middle Class Much Harder than the Wealthy* from the Institute on Taxation and Economic Policy, Washington, D.C. This was in answer to a request by Representative Kirk. (Attachment 11)

With no further business before the committee, Chairman Edmonds adjourned the meeting at 10:08 a.m.

HOUSE TAXATION COMMITTEE



# GUEST LIST

DATE February 19, 2003

| NAME | REPRESENTING |
|---|---|
| Deann Williams | KS Motor Carriers Assn. |
| George Petersen | KTN |
| Tom Palace | PMCA of KS. |
| Diane Gruner | Kansas Co-op Council |
| [illegible] | Curb |
| Bill Henry | KCUA |
| Tom Whitaker | KMCA |
| Justin Holstin | Propane Marketers Assn |
| Kevin Barone | Hein Law firm |
| Stuart Little | Westar |
| Leslie Kaufman | Ks Farm Bureau |
| Bob Totten | Ks Contractors Association |
| [illegible] | OPE/KCPL |
| [illegible] | KCPL |
| Bruce Graham | KEPCo |
| Marcia Carpenter | KCCI |
| Michelle Peterson | Ks. Governmental Consulting |
| [illegible] | |
| Jim Siemens | Reno County |
| Bill Williams | City of [illegible] |
| Kristy Gaither | City of Inman |
| [illegible] | Inman KS |

# LEGISLATIVE TESTIMONY

the Kansas Chamber of Commerce and Industry

*The Unified Voice of Business*

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HB 2110

February 19, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the House Taxation Committee
By Marlee Carpenter, Director of Taxation and Small Business

Chairman Edmonds and members of the Committee:

I am Marlee Carpenter with the Kansas Chamber of Commerce and Industry testifying in opposition to HB 2110. We believe that in order to keep Kansas competitive, the cost of doing business in the state cannot be increased. KCCI opposes the blanket repeal of sales tax exemptions. Each exemption was justified at the time of enactment and voted on by legislators like you. Sales tax exemptions should be looked at as a whole, within the context of the entire tax structure. Sales tax exemptions make Kansas competitive with other states and/or avoid the double taxation of goods and services.

When addressing Kansas' competitive position in regards to sales tax exemption the question has been asked several times what are other states doing? Between 40 and 45 states are facing shortfalls next fiscal year. Only two other states are looking at sales tax exemptions as ways to balance their budgets, North Carolina and South Carolina. If Kansas repeals their sales tax exemptions as does North Carolina and South Carolina, other states will take advantage of this and businesses will look for opportunities elsewhere. This is not a threat, but a reality of the competitive environment we live in.

HB 2110 would remove the sales tax exemption for the sale of fuel. The removal of the sales tax exemption for motor fuel would increase the cost of a gallon of gasoline. This increase would be in addition to the increase in the motor fuels tax that the legislature increased last session. None of the states surrounding Kansas levy a sales tax on the sale of motor fuel.

Kansas businesses must compete not only within the state, but within the region. There are 40 border counties in Kansas and according to the US Census Bureau, 40.4% of the total Kansas population live in a county border another state. The County Economic Research Institute states that in 2000, 41.6% of the state's private sector business establishments were located in the state's border counties and accounted for a total payroll of $15,189,576,000, or 47.5%

House Taxation
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Date 2-19-03

c .sas's economy. If sales tax was charged on gasoline, the 40.4% of the population that can easily access oth states would seek those lower gas prices. This would hurt Kansas businesses and ultimately the Kansas budget. KCCI has several suggestions and supports several items if this committee determines that additional revenue is needed to balance the budget. First and foremost we support the preservation of a balanced, stable and competitive tax structure. We also suggest the legislature enacting the streamlined sales tax project; enacting workers compensation reforms; lifting the Internet Tax Freedom Moratorium; enacting dot-com nexus; supporting a tax amnesty; increasing audit staff and audits; allowing additional gaming in the state; implementing the governor's BEST recommendations which may lead to effectiveness and efficiency in government.

KCCI opposes the repeal of the sales tax exemption in HB 2110. KCCI believes that in order to keep Kansas competitive, the cost of doing business in the state cannot be increased. Thank you for your time and I will be happy to answer any questions.

**About the Kansas Chamber of Commerce and Industry**
The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

# Citizens' Utility Ratepayer Board



**State of Kansas**
*Kathleen Sebelius, Governor*

1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone: (785) 271-3200
Fax: (785) 271-3116

## HOUSE COMMITTEE ON TAXATION
## H.B. 2110

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 19, 2003

Chairman Edmonds and members of the committee:

Thank you for this opportunity to appear before you today an offer testimony on H.B. 2110. My testimony deals specifically with Old Section 1 (w), the removal of the sales tax exemption on sales of natural gas, electricity, heat and water delivered through mains, lines or pipes to residential premises for non-commercial use, or more simply, basic residential utility service.

The Citizens' Utility Ratepayer Board is the advocate for residential and small commercial utility customers in Kansas. CURB intervenes in public utility cases before the Kansas Corporation Commission and in the Kansas Courts and provides legal and technical representation on behalf Kansas utility ratepayers.

H.B 2110 will remove the sales tax exemption on utility service to residential customers. Since utilities will pass this sales tax directly through to consumers, H.B. 2110 will result in a direct increase to residential utility bills.

Utility service to residential consumers in Kansas is a basic necessity of life. Unlike many other products in the market, there are no good substitutes for the water, heat and electricity provided by Kansas utilities. By directly increasing utility bills, consumers may be faced with one of two choices; buy less utility service, or buy less of something else. The one choice residential customers do not have is to buy no water, buy no natural gas for heating, and buy no electricity. Utility service is unique in this respect.

I would note for the Committee that we are currently in a period where prices for natural gas are at historic highs. These high natural gas prices are projected to extend into next winter. Many Kansas residents are struggling during this current economic downturn. Utility bills are already high for many consumers, and repealing the sales tax exemption for utility service will make it more difficult for Kansas consumers to maintain the water, heat and electricity they depend on every day. CURB urges the Committee to not repeal the sales tax exemption for residential utility service.

Thank you.

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PMCA of Kansas

MEMO TO: House Taxation Committee
FROM: Thomas M. Palace, Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas
DATE: February 18, 2003
RE: HB 2110

Mr. Chairman and members of the House Taxation Committee:

My name is Tom Palace and I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA), a statewide trade association that represents over 360 independent petroleum marketers and convenience stores throughout Kansas.

When the Kansas Legislature gave exempt status to motor vehicle fuels from the state sales tax, the rationale was justified. The excise tax was deemed a sufficient method of providing the revenue necessary to maintain our highway system. A sales tax in addition to the excise tax was and is viewed as an excessive, unwarranted taxation of a single commodity.

Today the situation has changed, largely due to an economy that weakens daily. But, in spite of this, that earlier rationale remains the same. To remove the exemption on motor fuels must be viewed as levying a detrimental financial blow to segments of the Kansas society that can least afford it.

In 1999, the Comprehensive Transportation Program (CTP), initiated a new highway program that increased the motor fuel excise tax by 4 cents. It was recommended that the 4 cent increase become effective incrementally; 2 cent increase in July 1999, 1 cent increase in July 2001 and a 1 cent increase July 2003. In 2002, the Legislature passed HB 3011, which added another 2 cent tax increase to motor fuel to help offset the money the state did not pay to the CTP. In 1999, the motor fuel excise tax for gasoline was 18 cents per gallon. After July 1, 2003, motor fuel excise tax will be 24 cents per gallon, a 25% tax increase in 4 years. I should add that diesel fuel also had the same incremental increase; however, the price of diesel fuel in 1999 was 20 cents per gallon and has increased to 26 cents per gallon. Add another 1 cent environmental tax, and gasoline taxes in 2003 will be 25 cents per gallon and diesel fuel tax will be 27 cents per gallon (please see attachment).

When you compare the tax rates of the states contiguous to Kansas, you will note that in 2003, Kansas will have higher tax rates than three of the four surrounding states on gasoline, and a higher diesel tax than-all four surrounding states... double in one instance, Oklahoma.

Should the committee consider repealing the current sales tax exemption, adding Kansas sales tax and local taxes on top of the state motor fuel excise tax, the total tax of a gallon of gasoline

Petroleum Marketers and Convenience Store Association of Ka
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Date 2-19-03

purchased in the City of Topeka would be 35.5 cents per gallon (based on retail cost of $1.60 per gallon). This is more than double the tax of the states of Missouri and Oklahoma, two states that don't need another competitive advantage over Kansas petroleum marketers that compete on their borders.

It's no secret the price of gasoline is extremely volatile. In recent weeks we have seen gas prices increase, sometimes more than once during the day. The consumer has become more cognizant of the price at the pump. Few people realize that a major component in the price of fuel is the excise tax that is paid on a per gallon basis. When comparing the excise tax the Kansas motorist pays per gallon to that of all the other 49 states, Kansas ranks 11th as having the highest gasoline excise tax. Notwithstanding the fact that all states pay 18.4 cents per gallon federal tax (Congress is looking at this now), Kansas consumers pay a total of 42.4 cents per gallon in state and federal taxes (not including 1 cent for the environmental fee which is likely to become a more-or-less permanent tax when the UST storage tank trust funds are allocated to the general fund).

In closing, Mr. Chairman and Committee members, PMCA members are well aware of the need to find revenue to fund the budget deficit. However, using motor fuel, a necessary commodity and finite resource, to fill that need is not the answer. The Kansas motoring consumer is paying their fare share of the tax load to keep the highways in superior condition, and the addition of another tax on a tax, would be excessive and unwarranted. The logic in place many decades ago - to separately tax motor fuels to pay for highways, yet exclude them from double taxation via the sales tax - was then and is now a fair and sound practice. We urge this committee to leave the motor fuel sales tax exemption in place.

Thank you.

# Current Motor Fuel Taxes - Kansas and Surrounding States

(State tax rates from American Petroleum Institute, 1/7/03)

**Nebraska**
**Gasoline - 24.6 cpg**
**Diesel - 24.6 cpg**

**Kansas Motor Fuel Taxes***
**Gasoline - 24 cpg**
**Diesel - 26 cpg**
(*as of July 1, 2003)

**Kansas Environmental Assurance Fee - 1 cpg**

**Total:**
**Gasoline: 25 cpg**
**Diesel: 27 cpg**

**Colorado**
**Gasoline - 22 cpg**
**Diesel - 20.5 cpg**

**Missouri**
**Gasoline - 17 cpg**
**Diesel - 17 cpg**

**Oklahoma**
**Gasoline - 16 Cents**
**Diesel - 13 Cents**
**(Plus 1 cent UST fee)**

If Kansas sales tax and local taxes were assessed on top of the state motor fuels excise tax, the total tax on a gallon of gasoline purchased in the City of Topeka would be **35.5 cents per gallon** (based on a retail cost $1.60 per gallon). When the federal tax is added, the total tax per gallon is **53.9 cents.**

Topeka
35.5 cents

Oklahoma City
17 cents

Lincoln
24.6 cents

**Tax on a Gallon of Gasoline - Midwest State Capitals**
(without federal tax)

Jefferson City
17 cents

Denver
22 cents

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*The Federal tax on gasoline is 18.4 cpg; the federal tax on diesel is 24.[illegible] cpg.*

KANSAS MOTOR CARRIERS ASSOCIATION
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**Legislative Testimony**

Presented by the Kansas Motor Carriers Association
Before the House Taxation Committee    Representative John Edmonds, Chairman
**Wednesday, February 19, 2003**

**In Opposition to House Bill No. 2110**

**MR. CHAIRMAN AND MEMBERS OF THE HOUSE TAXATION COMMITTEE:**

I am Tom Whitaker, executive director of the Kansas Motor Carriers Association. I appear here this morning representing our 1,250 member firms in opposition to House Bill No. 2110. Specifically, lines 17 through 26 on page 1 of the bill.

The current statute provides that where an article is subject to another excise tax that it shall be exempt from sales tax. To remove this exemption on the sale of gasoline and diesel fuels will have a significant impact upon the Kansas trucking industry.

Motor fuel already carries a heavy tax responsibility in addition to the sharply accelerated cost of the product.

*State and Federal Current Fuel Tax Summary*

| Gasoline | | Diesel |
|---|---|---|
| State | 23 cents | 25 cents |
| Federal | 18.4 cents | 24.4 cents |
| **Total** | **41.4 cents** | **49.4 cents** |

By removing the current sales tax exemption, on a $1.699 gallon of diesel fuel, the tax on fuel would increase by approximately 12.2 cents per gallon. There is already a 1 cent increase set for July 1, 2003 to help fund the 1999 Comprehensive Transportation Program. An additional one cent, when activated, is used to fund the Underground Storage Tank Trust Fund.

At this time, Kansas fuel tax is substantially higher than the neighboring states of Missouri and Oklahoma. Today, Kansas diesel fuel cost eight cents more than Missouri and 11 cents more than Oklahoma. Eliminating the sales tax exemption would add that 12.2 cents to the fuel cost differential.

National fuel prices are on the rise because of the oil strike in Venezuela and the troubles in Iraq. This is not the time for the State of Kansas to eliminate the sales tax exemption on fuel. Kansas Motor Carriers Association strongly urges the committee to retain the sales tax exemption in 79-3606. We respectfully request that the members of this committee vote no on HB 2110.

Thank you for the opportunity to appear before you. I would be pleased to stand for any questions you may have.

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Date 2-19-03

Propane Marketers Association of Kansas
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Phone 785-354-1749
Fax 785-354-1740
e-mail: jkholstin@pmak.net

Justin K. Holstin
Executive Vice President



House Bill 2110
House Taxation Committee
February 19, 2003
Presented By Justin Holstin
Propane Marketers Association of Kansas

Thank you Mr. Chairman, members of the committee. My name is Justin Holstin and I am the Executive Vice President of the Propane Marketers Association of Kansas. PMAK represents about 200 members in all aspects of the propane industry including retail, wholesale, transportation, production, and manufacturing of propane and propane related equipment. The propane industry serves more than 98,000 households in Kansas, not including barbeque grills, heaters, agricultural implements and application, and motor vehicles. Each year over 192 million gallons of propane are consumed in Kansas.

Today I would like to address HB 2110 which in part would remove the sales tax exemption provided to propane users for residential and agricultural applications in Kansas. I will keep my comments short, because many others may be presenting very similar ideas. This exemption is very important for many Kansans who use propane in their houses and on their farms. In a residence the primary use of propane is for heating, but on the farm propane has a number of uses. Agricultural uses include as weed burners, crop dryers,

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and to heat dairy barns and other agriculture related buildings. Propane provides many of these families an economical and flexible source of energy for a variety of important uses in the house and around the farm. As I said, propane is used in approximately 98,000 households according to the latest U.S. Census figures, many of these, due to the nature of propane, are in rural Kansas and on farms or ranches.

Due to drought and other harsh agricultural conditions many rural and agricultural users of propane are facing hard times. We would request that the committee continue the sales tax exemptions on the use of propane for agricultural and non-commercial residential uses. Again, this is a very important sales tax exemption for residential and agricultural propane users in Kansas.

Thank you Mr. Chairman.

Farm Bureau
Helping Feed the World

# Kansas Farm Bureau

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## *PUBLIC POLICY STATEMENT*

## HOUSE COMMITTEE ON TAXATION

## Re: HB 2110-- repealing the sales tax exemptions on fuels, electricity and water.

**February 19, 2003**
**Topeka, Kansas**

**Leslie J. Kaufman, State Director**
**KFB Governmental Relations**

---

Mr. Chairman and members of the Committee, thank you for the opportunity to present comments in opposition to HB 2110. I am Leslie Kaufman, State Director of Governmental Relations for Kansas Farm Bureau (KFB). As I am sure you are aware, KFB is the state's largest general farm organization and represents more than 41,000 agricultural producers through the 105 county Farm Bureau Associations across our state.

Farm Bureau members have a vested interest in the state's tax structure and our members have enacted policy on a wide variety of tax issues, including the sales tax:

- **Kansas has appropriately created justifiable sales tax exemptions for agriculture, business, industry and many not-for-profit groups;**
- **This has been done to assist economic development and provide for competitiveness with our neighboring states. Existing exemptions should remain in place;**
- **The ingredient or component part exemption should be maintained for the sound practice of economic development and for the assistance of manufacturing, business, industry and agriculture in this state;**
- **The sales tax should be applied at the retail level; and**
- **Existing exemptions should remain in place.**

Removal of sales tax exemptions, as proposed in HB 2110, would result in increased costs of production to farmers and ranchers. As price takers in a global market, they are not able to pass on those costs. They must absorb them.

Agriculture producers do pay tax on fuels for their personal vehicle (on-road) use, like other consumers. The fuels, electricity and water exemptions proposed for repeal under HB 2110 relate to items that are, in all practical terms, used in the production of an agricultural product. In reality, they become part of the product much like ingredients, component parts and items consumed in production.

We appreciate this opportunity to briefly convey our opposition to HB 2110 and respectfully ask the committee to reject the proposed exemption repeals. Thank you.

Kansas Grain & Feed Association

KANSAS
Cooperative Council

# STATEMENT OF THE

# KANSAS GRAIN & FEED ASSOCIATION,

# KANSAS AGRIBUSINESS RETAILERS ASSOCIATION

AND THE

# KANSAS COOPERATIVE COUNCIL

SUBMITTED TO THE

HOUSE TAXATION COMMITTEE
REGARDING HOUSE BILL 2110

REPRESENTATIVE JOHN EDMONDS, CHAIR

FEBRUARY 19, 2003

**KGFA, KARA & KCC MEMBERS ADVOCATE PUBLIC POLICIES THAT ADVANCE A SOUND ECONOMIC CLIMATE FOR AGRIBUSINESS TO GROW AND PROSPER SO THEY MAY CONTINUE THEIR INTEGRAL ROLE IN PROVIDING KANSANS AND THE WORLD THE SAFEST, MOST ABUNDANT FOOD SUPPLY.**

816 SW Tyler, Topeka KS 66612 – 785-234-0461 - Fax: 7

House Taxation
Attachment 8
Date 2-19-03

The following statement is submitted on behalf of the Kansas Grain and Feed Association, Kansas Agribusiness Retailers Association and the Kansas Cooperative Council.

The aforesaid organizations are opposed to House Bill 2110, which would repeal the sales tax exemptions for motor vehicle fuel found at K.S.A. 79-3606 (a), for natural gas, electricity, heat and water found at K.S.A. 79-3606 (w) and for sales of propane, LP-gas, coal or other fuel sources found at K.S.A. 79-3606 (x). Imposing a sales tax on motor fuels and other fuel sources would increase the cost of services provided by agribusiness to Kansas farmers such as grain transportation, grain drying and blending and custom fertilizer and ag-chemical application.

The exemptions targeted in House Bill 2110 are necessary to ensure farmers & ranchers, farmer-owned cooperatives, independent grain elevators and agribusiness retailers in Kansas are competitive with surrounding states. The impact of losing these exemptions would mean added cost to virtually all segments of the agriculture industry at a time both production agriculture and agribusiness are suffering from a continuing drought that has hampered the profitability of Kansas agriculture.

KGFA, KARA and KCC encourage members of the House Taxation Committee to oppose House Bill 2110.

*For more information contact Doug Wareham at (785) 234-0461*

# Testimony before the House Committee on Taxation
# In Opposition to House Bill No. 2110


## Tim M. Rush
## Director, Regulatory Affairs
## Kansas City Power & Light Company

## February 19, 2003

Thank you Chairman and members of the Committee for this opportunity to offer testimony on HB 2110. Kansas City Power & Light ("KCPL") is in opposition to this bill.

HB 2110 amends KSA 79-3606 removing a sales tax exemption for electrical utilities.

KCPL is in opposition to the removal of the exemption from state sales tax on the sale of electricity to our residential and agriculture customers in KSA 79-3606(w).

During this current difficult economic environment, KCPL believes it is not the time to increase taxes on our residential customers. It has been estimated by KCPL that the cost of removing this sales tax exemption would cost our Kansas residential customers about $10 million dollars a year. Our customers would see no benefit in electrical service for this extra sales tax. This increase in tax income may assist in filling the current state budget shortfall but will likely be difficult to repeal once the current crises has passed.

In 2001, KCPL the utility had nearly $1.0 billion in revenue. In excess of $150 million was charged in 2001 for franchise, property, income and other taxes. This amounts to our ratepayers already being burdened with over 15% taxation. An electric utility should provide low-cost electrical service to our customers, not be a means for tax generation for government entities.

As of January 2003, KCPL decreased its rates paid by its Kansas electricity customers by $12.4 million dollars. The repeal of this sales tax exemption would nearly remove this entire rate decrease to our Kansas customers. KCPL believes in long-term rate stability for its customers and finds that this SB 2110 does not achieve that goal.

Thank you for the opportunity to present testimony on this important issue.

Kansas
Petroleum
Council

Statement Submitted to the House Taxation Committee
In Opposition to House Bill 2110
February 10, 2003
By Ken Peterson, Executive Director
Kansas Petroleum Council

Mr. Chairman and Members of the Committee, thank you for the opportunity to submit this statement in opposition to House Bill 2110. The Kansas Petroleum Council is a trade association that represents several refiners who distribute and sell gasoline and diesel fuel in the state. Our members include BP and ConocoPhillips.

We specifically question the heart of the bill's intent to repeal the current sales tax exemption on motor fuels in Section I (a). Kansas, like most other states, already imposes an excise tax on motor fuels – a hefty gasoline tax when compared to surrounding states.

The differential in the gasoline tax is especially egregious when compared to Kansas and Missouri, a highly competitive area for our companies and their marketing customers. Missouri's gasoline and diesel fuel tax rate is 17 cents per gallon; in Kansas, the gasoline tax rate is 23 cents a gallon and 25 cents a gallon for diesel.

The Energy Information Administration of the federal Department of Energy estimates that taxes comprise 30 percent of the price of gasoline that motorists pay at the pump. If the Legislature decides to impose a sales tax on gasoline, the price of fuel will rise even higher in Kansas, worsening the imbalance between us and surrounding states.

None of our neighbors levy a state sales tax on motor fuel. Kansas should not join the few states – generally more populous ones such as Georgia, Illinois, Indiana and Florida – that have decided to raise money in such a regressive fashion.

A key issue that the Committee should address as it considers the repeal of this exemption is economic development. Kansas does not operate in a vacuum. Our companies are in the business of selling product and make decisions based on where the greatest fuel volumes are sold. Imposing an excise tax on motor fuel will certainly push business to Missouri and other states where gasoline and diesel are less expensive. Kansas will lose jobs, investments and gasoline tax revenue if this legislation is approved. Motorists will simply leave to fill up somewhere else.

We respectfully submit that the Committee reject House Bill 2110. It is unwise tax policy that will harm consumers and fuel marketers and will greatly impair economic development. Thank you for your consideration.

I have attached to this statement a detailed look at state fuel tax rates and the most recent EIA data on gasoline and diesel fuel prices.

House Taxation
Attachment 10
Date 2-19-03

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# STATE MOTOR FUEL TAX RATES
## 1/1/03

Rates increased in Indiana, Nebraska and North Carolina effective 1/1/03. New York and Pennsylvania rates decreased.

| State | Gasoline (cpg) | Diesel (cpg) | Notes |
|---|---|---|---|
| Alabama | 18 | 19 | Includes 2-cpg inspection fee. Counties can levy up to 5 cpg with approval of the state legislature. Cities can levy additional tax with city council approval. Plus .3 cpg (approx.) UST/AST Trust Fund fee at the wholesale level. |
| Alaska | 8 | 8 | There is a .06 per gallon tax credit for gasohol used during a mandated control period in a CO non-attainment area. The motor fuel tax rate for marine use is 5 cents/gallon; aviation gas is 4.7 cents/gallon; and jet fuel is 3.2 cents/gallon. |
| Arizona | 18 | 18 | Plus 1 cpg UST tax. Use class vehicles pay an additional 9 cpg on diesel (with an exemption for vehicles under 26,000 gw). |
| Arkansas* | 21.5 | 22.5 | Plus .2-cpg environmental assurance fee assessed at the wholesale level for underground storage tank fund. |
| California | 18 | 18 | Plus 7 cpg for gasoline and 5.5 cpg for diesel sales tax and 1.2-cpg state UST fee, and local sales taxes. |
| Colorado | 22 | 20.5 | -- |
| Connecticut* | 25 | 26 | Plus 5% gross earnings tax collected at wholesale. Diesel tax increased 8 cents per gallon 8/1/02. |
| Delaware | 23 | 22 | -- |
| D.C. | 20 | 20 | -- |
| Florida* | 13.9 | 26.4 | Does not include 2.2-cpg tax/fee for environmental inspection purposes. (5 cents per barrel tax for the water quality fund, 80 cents per barrel for the inland protection trust fund, 2 cents per barrel for the coastal protection trust fund and 1/8 cpg for weights and measures inspection fee.) Does not include additional 1 to 17.5 cpg local option tax portion. Tax, which changes annually based on the consumer price index, increased by .3 cpg 1/1/2002 for gasoline and .5 cpg for diesel. Statewide sales and excise tax is 13.9 cents per gallon for gasoline and 26.4 cpg for diesel. |
| Georgia | 7.5 | 7.5 | Plus 4% sales tax. |
| Hawaii | 16 | 16 | Plus 4% sales tax and additional county taxes and 0.12-cpg environmental response tax. |
| Idaho | 25 | 25 | -- |
| Illinois | 19 | 21.5 | Plus 6.25% sales tax and .3 % tax for underground storage tank fund, and other local sales and gasoline taxes. Diesel fuel taxes are 27.5 cpg for commercial highway users. |
| Indiana | 18 | 19 | Plus 6% sales tax and 0.008 per gallon inspection fee. For diesel, there is an 11-cpg surcharge paid on a quarterly self-reporting basis. Legislation passed in 2002 special session provided for a 3 cent per gallon increase on gasoline effective 1/1/03. Sales tax increased from 5% to 6% on 12/1/2002. |
| Iowa | 20.1 | 22.5 | Plus 1 cpg UST fee. The gasoline tax for ethanol-blended gasoline is 19 cpg. Tax on gasoline increased .1 cents per gallon per 2001 legislation which bases tax rate on amount of ethanol sold in the state. |
| Kansas | 23 | 25 | Plus 1 cpg environmental fee. Gasoline tax increased 2 cents per gallon 7/1/02. |
| Kentucky* | 15 | 12 | Variable based on 9% of the average wholesale price of gasoline with minimum price of $1.11 or 10 cpg. In addition, there is a supplemental highway user tax of 5 cpg for gasoline and 2 cpg for special fuels plus a 1.4-cpg underground storage tank fee. Commercial carriers pay surtax via a quarterly report of 2.2 cpg on gasoline and 5.2 cpg on special fuels. |

| | | | |
|---|---|---|---|
| Louisiana | 20 | 20 | – |
| Maine | 22 | 23 | Plus for gasoline: .07 cpg for Coastal and Inland Water fund, 1.38 cpg for Groundwater Fund and 40 cpg/10,000 gallons for Petroleum Market Share Act Plus for diesel: .07 cpg for Coastal and Inland Water Fund and .6 cpg for Groundwater Fund. Governor signed legislation in 2002 to index gasoline tax beginning in 2003. |
| Maryland | 23.5 | 24.25 | – |
| Massachusetts | 21.5 | 21.5 | Includes 0.5 cpg UST fund tax. |
| Michigan | 19 | 15 | Plus 6% sales tax and 0.875 cpg for environmental regulation fee for UST fund. Diesel purchasers with IFTA stickers receive 6-cpg discount. |
| Minnesota | 20 | 20 | Plus periodic 2 cpg UST cleanup fee at wholesale level which fluctuates depending on the fund balance. The 2 cents per gallon Petrofund fee was reimposed beginning 11/1/02 and will continue through February 2003. |
| Mississippi | 18 | 18 | Plus 0.4 cpg Environmental Protection Fee. In Hancock, Harrison and Jackson counties there is an additional 3 cpg Seawall tax. |
| Missouri | 17 | 17 | Governor signed legislation in 2002 that included removal of the 2008 expiration date of the 6-cpg temporary gasoline tax increase adopted by voters in 1992. |
| Montana | 27.75 | 28.5 | Includes 0.75-cpg fee assessed at the pump to go toward the state cleanup fund. |
| Nebraska* | 24.6 | 24.6 | Variable -- 12.5-cent base plus 12.1 cpg variable rate. Does not include 0.9-cpg release prevention fee for gasoline and 0.3-cpg release prevention fee for diesel and other fuels. Tax rate increased from 24.5 cpg on 1/1/03. |
| Nevada | 23 | 27 | Plus up to 10-cpg county tax on gasoline, 0.75-cpg-cleanup fee, and .055 cpg inspection fee. |
| New Hampshire | 18 | 18 | Plus 0.1 cpg for oil pollution control fund, 1.5 cpg for UST cleanup fund, 1 cpg for AST and bulk storage fund. Also 2 cpg for fuel oil and bulk fuel oil storage. |
| New Jersey | 14.5 | 17.5 | Includes 10.5-cpg excise tax plus 4 cpg Petroleum Products Gross Receipts Tax. |
| New Mexico | 17 | 18 | Plus 1 cpg loading fee. Effective 7/1/2003 the tax drops to 16 cpg. |
| New York | 29.65 | 28.75 | Includes 8 cpg excise tax, Petroleum Business Tax (which decreased 1/1/03 to 14 cpg for gasoline and 12.25 cpg for diesel – formerly 14.6 cpg for gasoline and 12.85 cpg for diesel), 6.3 cpg prepaid sales tax on gasoline upstate and 7.9 cpg downstate for a statewide volume-weighted average of 7.3 cpg. The prepaid sales tax on diesel upstate is 7.4 cpg and 8.7 cpg downstate for a statewide volume-weighted average of 8.2 cpg for diesel. A spill tax of 0.3 cpg is collected on gasoline and diesel and a petroleum testing fee of 0.05 cpg also is levied on gasoline. |
| North Carolina* | 23.4 | 23.4 | Plus 0.25-cpg inspection tax plus flat rate tax. The rate increased from 22.1 to 23.4 cents per gallon for the period 1/1/03 to 6/30/03. It consists of a 17.5 cpg flat rate plus a variable rate of 5.9 cpg wholesale component based on 7% average wholesale price component based on prices during period 4/1/02 to 9/30/02 (the average price for that period was 84.62 cents per gallon). |
| North Dakota | 21 | 21 | – |
| Ohio | 22 | 22 | Diesel taxes are 22 cpg when paid at pump and 25 cpg when for commercial vehicles. For gas and diesel, there is a 3-cpg surcharge paid on a quarterly, self-reporting basis by commercial vehicles. |
| Oklahoma | 17 | 14 | Includes a 1 cpg per gallon UST fee. |
| Oregon | 24 | 24 | – |
| Pennsylvania | 25.9 | 30.8 | Plus 1 cpg fee on gasoline going into USTs. Includes 13.9 cent per gallon oil company franchise tax on liquid fuels (primarily gasoline) and 18.8-cpg oil company franchise tax on fuels (primarily diesel). (Oil company franchise tax rate decreased from 26.6 cpg for gasoline and 31.8 cpg for diesel on 1/1/03.) |

| | | | |
|---|---|---|---|
| Rhode Island | 30 | 30 | Variable. Includes 3-cpg wholesale distributor tax. Does not include 1 cent per gallon environmental protection regulatory fee for UST program. Tax increased 2 cpg on 7/1/02. |
| South Carolina | 16 | 16 | Plus a 0.25 cpg inspection fee for inspection program and 0.50-cpg environmental fee for UST cleanup. Assessed on all petroleum products at the wholesale level. |
| South Dakota | 22 | 22 | Plus a 2-cpg throughput tax on distributors. |
| Tennessee | 20 | 18 | Plus 1-cent special petroleum tax for gasoline and .4 cpg environmental assurance fee. |
| Texas | 20 | 20 | -- |
| Utah | 24.5 | 24.5 | -- |
| Vermont | 20 | 26 | Rate includes 1 cpg license fee for UST fund. |
| Virginia | 17.5 | 16 | Plus 0.6-cpg petroleum storage tank fee and 2% sales tax on motor fuels in localities that are part of the Northern Virginia Transportation District. |
| Washington | 23 | 23 | |
| West Virginia | 20.5 | 20.5 | Plus a 5% variable wholesale tax, presently 4.85 cpg, based on statewide average wholesale price of gasoline with a minimum price of $0.97 per gallon. |
| Wisconsin* | 31.1 | 31.1 | Variable -- adjusted annually on 4/1. Rate calculated by multiplying the current rate by an inflation factor (annual change in the consumer price index.) Includes 3-cpg oil inspection fee on gasoline and diesel. Gasoline and diesel tax increased 0.8 cpg on 4/1/02. |
| Wyoming | 14 | 14 | Includes base rate of 13 cpg plus 1 cpg to the environmental cleanup costs. |

* = Variable Tax
cpg = cents per gallon
The federal gasoline tax rate is 18.4 cpg for gasoline and 24.4 for diesel.

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# Gasoline and Diesel Fuel Update

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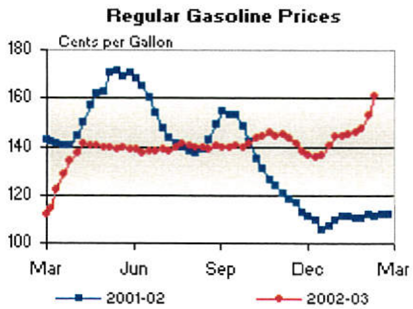
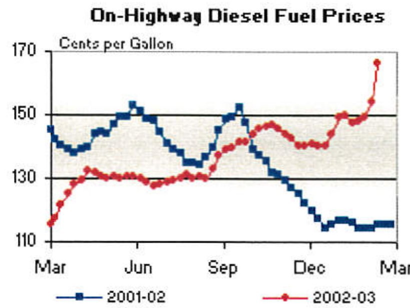
**Gasoline** | **Diesel** | **History**

## U.S. Gasoline and Diesel Fuel Prices, 02/10/03



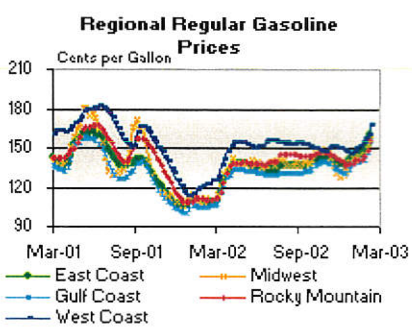



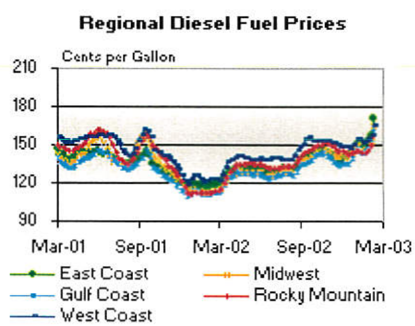

### Gasoline

| Cents per Gallon | Price | Change from Week Ago | Change from Year Ago |
|---|---|---|---|
| U.S. | 160.7 | 8.0 | 50.0 |
| East Coast | 159.7 | 8.1 | 50.4 |
| New England | 163.4 | 8.1 | 48.5 |
| Central Atlantic | 162.7 | 7.2 | 49.6 |
| Lower Atlantic | 156.3 | 8.7 | 51.5 |
| Midwest | 160.6 | 8.2 | 52.1 |
| Gulf Coast | 155.6 | 8.4 | 51.1 |
| Rocky Mountain | 155.9 | 7.6 | 45.5 |
| West Coast | 167.9 | 7.0 | 45.1 |
| California | 175.2 | 6.9 | 49.8 |

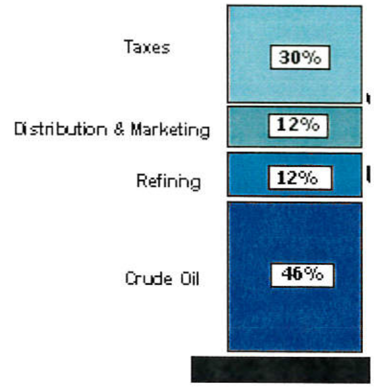
### Diesel Fuel

| Cents per Gallon | Price | Change from Week Ago | Change from Year Ago |
|---|---|---|---|
| U.S. | 166.2 | 12.0 | 50.9 |
| East Coast | 171.6 | 14.5 | 53.7 |
| New England | 183.4 | 19.1 | 54.9 |
| Central Atlantic | 180.1 | 14.1 | 53.4 |
| Lower Atlantic | 166.9 | 14.3 | 53.8 |
| Midwest | 165.2 | 12.0 | 52.4 |
| Gulf Coast | 163.2 | 12.2 | 51.0 |
| Rocky Mountain | 157.4 | 7.4 | 44.2 |
| West Coast | 165.3 | 7.7 | 42.1 |
| California | 170.0 | 6.5 | 40.6 |



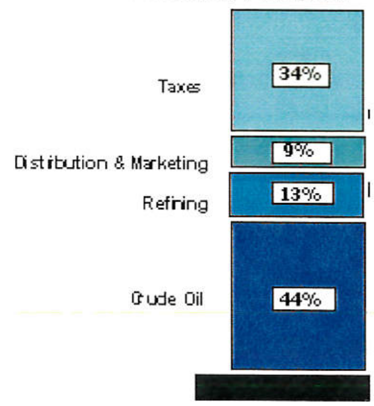

What We Pay For In a Gallon of Re Gasoline (December 2002) Retail Price: $1.39/gallon




Methodology

Previous Months' Gasoline P

What We Pay For In a Gallon of Di (December 2002) Retail Price: $1.43/gallon




Methodology

Previous Months' Diesel P

**Retail Gasoline Prices**

**On-Highway Diesel Prices**

**Diesel Prices for Last 53 Weeks**

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**This Week In Gasoline**

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**Diesel Fuel Price Pass-through**

**Summer 2002 Motor Gasoline Outlook**

**Factors Impacting Gasoline Prices and / for Further Study**

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**Release Schedule:** The data are published weekly and are updated every Monday by 5:00 p.m. (Eastern time). For weeks which include Monday ho publication is delayed by one day.

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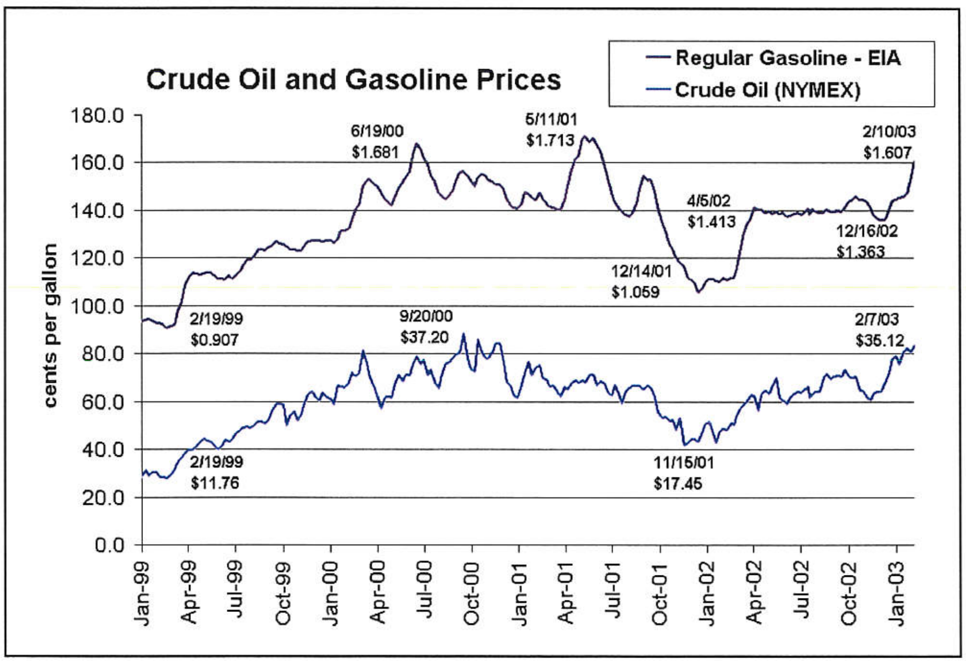
10-5

# Gasoline Situation – February 12, 2003

Gasoline prices rose sharply again last week, gaining 8 cents per gallon on average across the U.S. The increase was the ninth in a row and lifted the price of a gallon of regular grade gasoline (including taxes) to $1.607 as of February 10, according to data from the U.S. Energy Information Administration. Prices are up almost 25 cents since the beginning of December and are 50 cents higher than a year ago.

The recent runup has been fueled by rising crude oil prices. As the chart below shows, gasoline prices generally track those of crude oil, which are subject to worldwide supply and demand conditions. In 2002, the United States imported almost 60 percent of its petroleum needs and is dependent upon often turbulent world oil markets. Since crude oil costs represent the largest component of the price of gasoline, fluctuations in crude oil prices are the most important cause of gasoline price swings over the long term. Crude oil prices closed trading at $35.12 per barrel on February 7, some $9.61 per barrel (or 23 cents per gallon) higher than their most recent trough in November of last year.




In addition to the impact of the world crude oil market, gasoline prices are affected by other factors in the short term. These include: unplanned refinery and pipeline outages and the preponderance of "boutique" fuel specifications across the country that reduce the flexibility of refiners and distributors to respond to supply disruptions. These factors have led to price spikes in the past and remain relevant in 2003.

Gasoline demand continued to grow in 2002, rising nearly 2.7 percent on an annual basis. At the same time, refiners supplied significant volumes of fuel to U.S. consumers and gasoline production reached a record high. API's weekly statistics have shown somewhat slower rates of production on a year-over-year basis since mid-January of 2003. For the week ended February 7, gasoline output averaged nearly 8 million barrels per day, down about 3 percent. Meanwhile, total nationwide inventories of gasoline were about even with their year ago marks, as well as their average level for the time of year. Stocks of reformulated gasoline (RFG), though, lagged both last year's level and their time-of-year average.

Indeed, refinery activity in general has been somewhat lower relative to a year-ago in recent weeks. Total inputs into the nation's refineries were down about two percent during the week ended February 7, with refinery utilization running at 85.6 percent of capacity. Production of distillate fuel oil – used primarily as diesel fuel and heating oil – averaged 3.2 million barrels per day, down 8 percent on a year-over-year basis.

| **Total Gasoline Inventories** | | | | | | |
|---|---|---|---|---|---|---|
| | **Week ended Feb. 7 Million Barrels** | **Week ended Jan. 31 Million Barrels** | **Year Ago Million Barrels** | **% Change from Last Year** | **Average 1998-2002 Million Barrels** | **% Change from Average** |
| **National** | **212.5** | **208.8** | **217.6** | **-2** | **212.6** | **0** |
| **East Coast** | **59.7** | **58.0** | **58.3** | **2** | **59.2** | **1** |
| **New England** | **4.5** | **4.1** | **4.7** | **-5** | **4.8** | **-7** |
| **Mid-Atlantic** | **30.7** | **29.7** | **31.4** | **-2** | **30.9** | **-1** |
| **South Atlantic** | **24.5** | **24.1** | **22.2** | **10** | **23.4** | **5** |
| **Midwest** | **51.0** | **50.0** | **54.6** | **-7** | **54.9** | **-7** |
| **Gulf Coast** | **61.2** | **60.7** | **63.9** | **-4** | **60.9** | **1** |
| **Mountain** | **7.9** | **7.9** | **8.0** | **-1** | **7.7** | **3** |
| **West Coast** | **32.7** | **32.3** | **32.7** | **0** | **29.9** | **9** |
| **Reformulated Gasoline (RFG) Inventories** | | | | | | |
| | **Week ended Feb. 7 Million Barrels** | **Week ended Jan. 31 Million Barrels** | **Year Ago Million Barrels** | **% Change from Last Year** | **Average 1998-2002 Million Barrels** | **% Change from Average** |
| **National** | **37.2** | **35.8** | **44.9** | **-17** | **42.8** | **-13** |
| **East Coast** | **19.0** | **17.9** | **20.7** | **-8** | **20.1** | **-5** |
| **New England** | **3.5** | **3.0** | **3.8** | **-6** | **3.8** | **-6** |
| **Mid-Atlantic** | **10.5** | **11.0** | **12.2** | **-13** | **12.1** | **-13** |
| **South Atlantic** | **5.0** | **3.9** | **4.7** | **5** | **4.2** | **19** |
| **Midwest** | **0.7** | **0.7** | **2.2** | **-69** | **1.5** | **-54** |
| **Gulf Coast** | **9.7** | **9.1** | **10.6** | **-9** | **9.7** | **0** |
| **Mountain** | **-** | **-** | **-** | **-** | **-** | **-** |
| **West Coast** | **7.8** | **8.2** | **11.5** | **-32** | **11.6** | **-33** |

For more information contact: Timothy Gill, Senior Analyst, Policy Analysis and Statistics, American Petroleum Institute, (202) 682-8398, gillt@api.org.

ITEP Institute on Taxation and Economic Policy
1311 L Street, NW • Washington, D.C. 20005 • (202) 737-4315

**EMBARGOED FOR RELEASE ON**
**TUESDAY, JANUARY 7, 2003 AT 10:00 AM**
CONTACT: Bob McIntyre, 202/737-4315

# Kansas Taxes Hit Poor & Middle Class Much Harder than the Wealthy

Low- and middle-income families in Kansas pay a much higher share of their income in state and local taxes than do the richest Kansans, according to a new study by the Institute on Taxation & Economic Policy.

"State and local governments are being called upon to take on more and more responsibilities," said Robert S. McIntyre, ITEP's tax policy director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. "Unfortunately, when it comes to paying for services, Kansas has an unfair tax system."

## Kansas's Tax Code: Tax the Poor & Middle Class More Than the Wealthy

When all Kansas taxes are totaled up, the study found that:

- The state and local tax rate on the best off one percent of Kansas families—with average incomes of $781,000—is 8.0% before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate is only 5.7%.
- The average tax rate on families in the middle of the income distribution—those earning between $27,000 and $44,000—is 10.4% before the federal offset and about the same after, nearly double the effective rate on the best-off one percent.
- But the tax rate on the poorest Kansas families—those earning less than $14,000—is the highest of all. At 11.5% it is more than double the effective rate on the very wealthy.

"Kansas's income tax fails to offset the regressivity of its sales and excise taxes, giving the state a regressive tax system," McIntyre said. "Taxes ought to be based on people's ability to pay them, which means that the share of income paid in taxes should rise as income grows, not fall as is the case in Kansas."

MORE . . .

House Taxation
Attachment 11
Date 2-19-03

## Tax Regressivity Has Worsened Since 1989

The study also examined the impact of changes in the regressivity of Kansas taxes since 1989, when the last cycle of state government shortfalls began. The study's findings include:

- Effective tax burdens rose across the board, but they increased far more heavily on the low- and middle-incomes than on those with the highest incomes.
- Substantial increases in the state and local sales taxes and rises in excise taxes drove up tax burdens on the poor and middle class.
- The elimination of the deduction for federal income tax paid and higher tax rates overall raised income tax burdens on higher-earning Kansans.

"Low- and moderate-income Kansans were forced to take the money they saved from cuts in income taxes and pay it right back in higher sales and excise taxes," said McIntyre. "As lawmakers consider budget-balancing strategies in 2003, they should remember that their past actions have served to shift a greater share of the tax burden onto low-income taxpayers."

**Two pages of tables detailing the Kansas findings of the study follow**

The Institute on Taxation and Economic Policy is a nonpartisan Washington-based research group. The full *Who Pays?* report is available in PDF format at www.itepnet.org. Printed copies can be ordered by calling ITEP at 202-737-4315.

*Who Pays?* examines the tax systems of all 50 states and the District of Columbia, using the Institute on Taxation & Economic Policy Microsimulation Tax Model. The ITEP Model is similar in methodology and data sources to the elaborate computer models used by the U.S. Treasury and the congressional Joint Committee on Taxation, except that the ITEP Model adds state-by-state estimating capabilities.

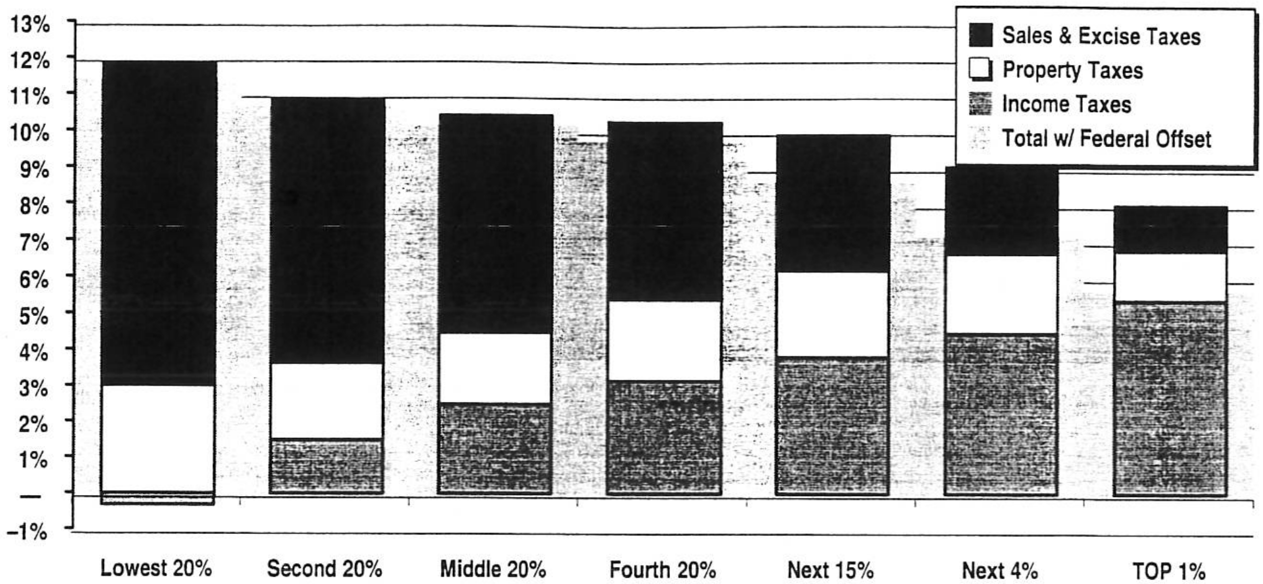
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

MORE . . .

# Kansas

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers




| Income Group | Lowest 20% | Second 20% | Middle 20% | Fourth 20% | Top 20%: Next 15% | Top 20%: Next 4% | Top 20%: TOP 1% |
|---|---|---|---|---|---|---|---|
| Income Range | Less than $14,000 | $14,000 – $27,000 | $27,000 – $44,000 | $44,000 – $69,000 | $69,000 – $126,000 | $126,000 – $292,000 | $292,000 or more |
| Average Income in Group | $8,600 | $20,200 | $34,900 | $55,400 | $89,300 | $174,700 | $780,500 |
| **Sales & Excise Taxes** | **8.8%** | **7.2%** | **5.9%** | **4.9%** | **3.7%** | **2.4%** | **1.2%** |
| General Sales—Individuals | 4.9% | 4.3% | 3.7% | 3.2% | 2.5% | 1.6% | 0.9% |
| Other Sales & Excise—Ind. | 1.9% | 1.3% | 0.9% | 0.6% | 0.4% | 0.2% | 0.1% |
| Sales & Excise on Business | 2.0% | 1.7% | 1.4% | 1.1% | 0.8% | 0.5% | 0.3% |
| **Property Taxes** | **3.0%** | **2.1%** | **2.0%** | **2.2%** | **2.4%** | **2.2%** | **1.4%** |
| Property Taxes on Families | 2.9% | 2.1% | 1.9% | 2.1% | 2.2% | 1.8% | 0.7% |
| Other Property Taxes | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 0.4% | 0.7% |
| **Income Taxes** | **–0.3%** | **1.5%** | **2.5%** | **3.1%** | **3.8%** | **4.5%** | **5.4%** |
| Personal Income Tax | –0.4% | 1.5% | 2.5% | 3.1% | 3.8% | 4.4% | 5.2% |
| Corporate Income Tax | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% |
| **TOTAL TAXES** | **11.5%** | **10.8%** | **10.4%** | **10.2%** | **9.9%** | **9.0%** | **8.0%** |
| **Federal Deduction Offset** | — | –0.1% | –0.1% | –0.4% | –1.2% | –1.8% | –2.2% |
| **TOTAL AFTER OFFSET** | **11.5%** | **10.8%** | **10.3%** | **9.8%** | **8.7%** | **7.2%** | **5.7%** |

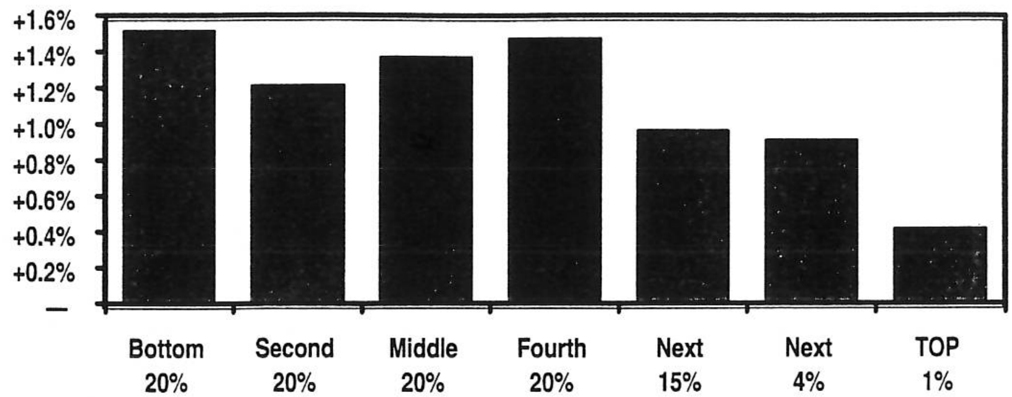
*Note: Table shows 2002 tax law at 2000 income levels.*

# Kansas Details

*Progressive Features*
- ✔ Refundable EITC
- ✔ Low income property tax circuit breaker

*Regressive Features*
- ✘ Food subject to tax

## Changes in Tax as Share of Income, 1989 - 2002

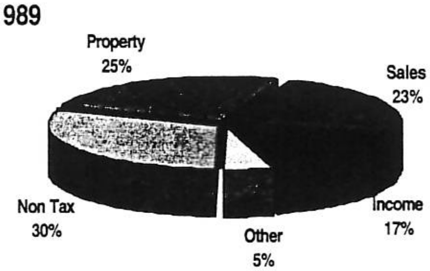



| | Bottom 20% | Second 20% | Middle 20% | Fourth 20% | Top 20% | | |
|---|---|---|---|---|---|---|---|
| | | | | | Next 15% | Next 4% | TOP 1% |
| Sales & Excise | +2.3% | +1.6% | +1.3% | +1.0% | +0.7% | +0.4% | +0.2% |
| Property | +0.3% | –0.1% | –0.3% | –0.3% | –0.6% | –0.4% | –0.2% |
| Income | –1.1% | –0.4% | +0.3% | +0.8% | +1.0% | +1.3% | +1.3% |
| Federal Offset | +0.0% | –0.0% | +0.0% | –0.0% | –0.2% | –0.5% | –0.9% |
| **Overall Change** | **+1.5%** | **+1.2%** | **+1.4%** | **+1.5%** | **+1.0%** | **+0.9%** | **+0.4%** |

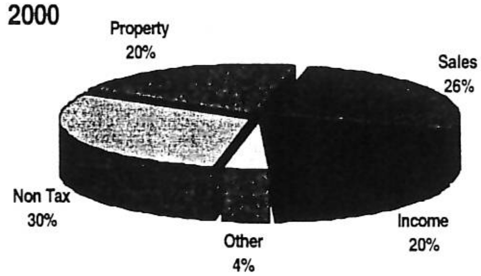
Kansas has moved toward a more progressive system by enacting a 15% refundable EITC, eliminating the federal tax deduction, and adopting a new low-income food sales tax credit. The flatter rate structure has mitigated the overall progressive changes but the income tax is more progressive in 2002 than it was in 1989. These changes and the scaling back of the car tax however were not enough to offset regressive hikes in the general sales tax and the cigarette tax.

## Composition of Revenues

**1989**




**2000**




Source: Government Finances, US Department of Census



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