

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on January 26, 2005 in Room 519-S of the Capitol.

Committee members absent:

Committee staff present: Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee: Steve Stotts, Director of Taxation,
Richard Cram, Kansas Department of Revenue (KDOR)
Gary Centlivre, Kansas Department of Revenue (KDOR)
April Holman, Kansas Action for Children

Others attending: See attached list

Introduction of Bills

April Holman, Kansas Action for Children, appeared before the Committee asking for three bill introductions. She stated all three bills are designed for more transparency in the tax system. The three bills would:

- 1) Require the Department of Revenue to publish each year a tax expenditure report listing each of the tax credits, and exemptions, as well as the cost of all credits and exemptions as a group;
- 2) Require the Department of Revenue to do a tax incident analysis every three years that would include a breakdown of where the burden of paying Kansas taxes lies;
- 3) Require information to be released to the public, if a taxpayer falls under the special circumstances where a taxpayer has received \$20m or more in one year in tax incentives.

Senator Lee made a motion to introduce the three pieces of legislation. Senator Jordan seconded the motion and the motion carried.

Chairperson Allen recognized Steve Stotts, Director of Taxation, to give the Committee a presentation on individual income tax structure in Kansas. Mr. Stotts explained to the Committee he would give brief comments, take the Committee through some charts and tables, and give a demonstration of the web file application. Steve introduced Gary Centlivre, of KDOR's electronic filing department, to give the demonstration.

Mr. Stotts stated individual income tax in Kansas conforms to the federal government on the definition of federal adjusted gross income. The other major area of conformity is itemized deductions, which conform to the federal definition of itemized deductions, except for state income taxes. Kansas also piggyback's the federal earned income tax credit, which is 15% of the amount claimed on the federal return, and the child care credit and adoption expense credit, which are equal to 25% of the amount claimed on the federal return (Attachment 1).

The Chair asked the Director of Taxation to provide to the Committee a comparison chart of various tax deduction rates for Kansas, and other states, so the Committee can interpret how Kansas compares to other states..

Mr. Stotts introduced Gary Centlivre, in charge of electronic filing in the Department, to give the Committee a brief demonstration of the web file application, and how it works for those who file their individual income taxes for free through the State Web File system. The web file in partnership with Access Kansas, was implemented last year, and 34,000 Kansans used the system. The Department expects a 20% increase this season.

Overview of the Kansas Sales Tax

Richard Cram, KDOR, gave the Committee an overview of the state sales tax in Kansas. Handouts and brief explanations from KDOR included: Publication 17: the Sales and Use Tax Jurisdiction Code Booklet, which gives the current local sales tax rate, and jurisdiction codes for every local tax and

jurisdiction that has a local sales tax (available from KDOR); Publication 1510: Sales Tax and Compensating Use Tax, which is a primer on sales tax. This document is provided to new businesses that have registered as retailers in Kansas. It is a primer on sales tax laws, and describes the sales tax imposition, what is subject to sales tax, and a brief explanation on sales tax exemptions. It shows how to fill out a return and the use of exemption certificates. An exemption certificate is a document a buyer presents to a retailer when the claim the sales transaction is exempt from tax. The retailer needs to retain this for audit purposes, because the certificate would verify why the retailer did not collect tax on the transaction (available on line from KDOR or the Department will mail a hard copy at request).

Mr. Cram handed out an excerpt from the KDOR's annual report, dealing with sales tax. The first page is a graph showing a total of state sales and use tax receipts for the last five years. Page 34 is a breakdown of state sales tax collected by county. Page 36 is a percentage change for sales tax collection by county. Page 37 is the per capita sales tax by county. Page 38, NAICS (North American Industry Classification System), is a coding system the industry and the federal government developed that identifies a precise numerical code for a particular line of business (i.e. agricultural, aircraft manufacturing, food manufacturing, retail, etc). KDOR provided sales tax collections by the major NAICS classifications. Page 41 is a chart of local sales tax rates and their history, when the rates went into effect, as well as local sales tax receipts by county (Attachment 2). Next, the Department showed tax revenue due to various exemptions, credits, and deductions for income, sales tax, and other excise tax (Attachment 3). The spreadsheet, State Sales Tax Exemptions Summary, lists the fiscal estimate of the value of the foregone revenue equatable to each of the sales tax exemptions (Attachment 4). Another sheet of the annual report on page 20, provides a general breakdown of the various sources of the tax revenue of the State General Fund (SGF). The individual income tax and sales tax are the major sources of SGF revenue. (Attachment 5). (Attachment 6), handout is an analysis of corporate income tax 2000-2002.

Mr. Cram gave a quick briefing on the sales tax laws. Sales tax has been in Kansas since 1937, initially at a rate of 2%, currently, it is 5.3%. It has become a popular revenue-raising tool for the state, and currently 45 other states and the District of Columbia have enacted a sales tax (Attachment 7).

PVD, at the request of Senator Donovan, furnished the Committee with a copy of the 2003 Real and Personal Property Value and Tax summary for Sedgwick County (Attachment 8).

The meeting adjourned at 12:00 p.m.

The next meeting is scheduled for Thursday, January 27, 2005.

**SENATE
ASSESSMENT & TAXATION COMMITTEE**

GUEST LIST

DATE: Wednesday, Jan 26, 2005

NAME	REPRESENTING
April Holman	Kansas Action for Children

Kansas Department of Revenue

Individual Income Tax Structure

January 26, 2005

Kansas conforms to the federal definition of adjusted gross income and the federal definition of itemized deductions. Kansas also piggyback's the federal earned income credit, which is 15% of the amount claimed on the federal return, child care credit and adoption expense credit, which are equal to 25% of the amount claimed on the federal return. Kansas does not conform to federal standard deduction or personal exemption amounts or any other federal income tax credits. Kansas does not allow federal income tax liability to be deducted, so any increase or decrease in federal income tax liability will have no impact on Kansas income tax revenues.

Any changes made by the federal government which modify adjusted gross income or itemized deductions will cause either a positive or negative impact to the state. Any changes in the federal earned income credit, child care credit and the adoption expense credit will flow through to Kansas with either a positive or negative impact.

Federal Adjusted Gross Income

Wages
Interest
Dividends
Taxable Refunds
Alimony
Business Income
Capital Gains
Other Gains
IRA Distributions
Pensions and Annuities
Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, etc.
Farm Income
Unemployment Compensation
Social Security Benefits
Other Income

Less:

Educator Expenses
IRA Deduction
Student Loan Interest deduction
Tuition and Fees Deduction
Moving Expenses
One-Half of Self-Employment Tax
Self-Employed Health Insurance Deduction
Self-Employed SEP, SIMPLE, and Qualified Plans
Penalty on early withdrawal of Savings
Alimony Paid

Assessment & Taxation
Date 01-26-05
Attachment # 1

Federal Itemized Deductions

- Medical and Dental Expenses (to the extent they exceed 7.5% of FAGI)
- State and Local Taxes Paid
- Interest Paid
- Gifts to Charity
- Casualty and Theft Losses
- Job Expenses and Miscellaneous Deductions (to the extent they exceed 2% of FAGI)
- Other Miscellaneous Deductions

Kansas Adjusted Gross Income

Federal Adjusted Gross Income

Plus:

- State and Municipal Bond Interest (Kansas State and Municipal bonds issued after December 31, 1987 are exempt)
- Contributions to KPERs
- Federal Net Operation Loss Carry Forward
- Other Additions

Less:

- Interest on U.S. Obligations
- Kansas Net Operating Loss Carry Forward
- Exempt Retirement Benefits
- Military Compensation of a Nonresident Servicemember
- Learning Quest Education Saving Program
- Other Subtractions

Kansas Deductions

Itemized Deductions – Federal Itemized Deductions less State Income Taxes

Or

Standard Deductions

Married Filing Joint	\$6,000
Single/Married Filing Separate	\$3,000
Head of Household	\$4,500

Exemption Allowance	\$2,250
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Kansas Tax Rates and Brackets

Tax Year 1998 to Present

Taxable income Brackets

Single				Married			
\$ -	-	\$ 15,000	3.50%	\$ -	-	\$ 30,000	3.50%
\$ 15,000	-	\$ 30,000	6.25%	\$ 30,000	-	\$ 60,000	6.25%
\$ 30,000	-	Over	6.45%	\$ 60,000	-	Over	6.45%

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Kansas Credits

Non-Refundable:

- Credit for Taxes Paid to Other States
- Child and Dependent Care Credit
- Adoption Credit
- Agricultural Loan Interest Reduction Credit
- Alternative Fuel Credit
- Assistive Technology Contribution Credit
- Business and Job Development Credit
- High Performance Incentive Program Credit
- Historic Preservation Credit
- Plugging an Abandoned Gas or Oil Well Credit
- Research and Development Credit
- Swine Facility Improvement Credit
- Temporary Assistance to Families Contribution Credit
- Venture and Local Seed Capital Credit

Refundable:

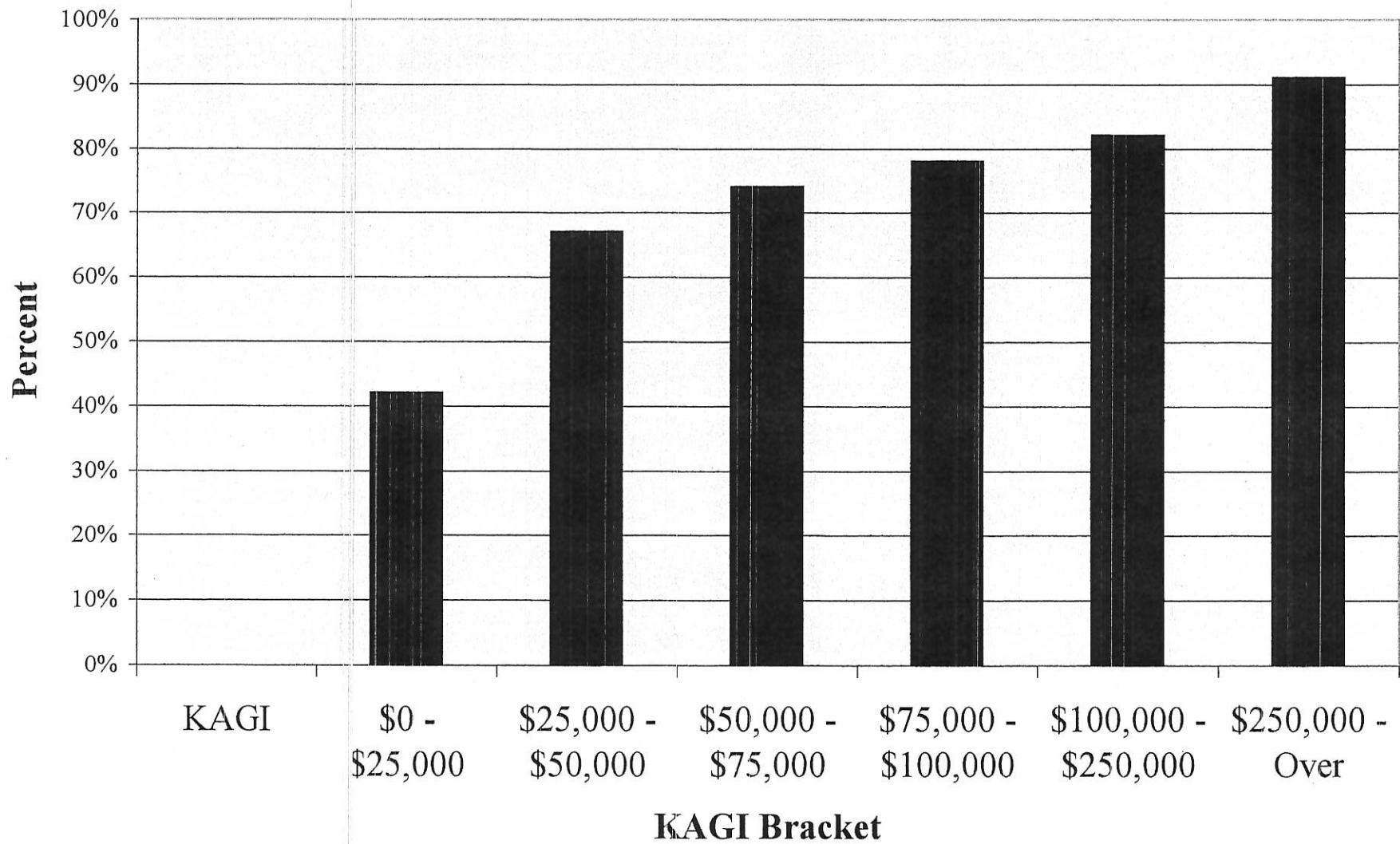
- Earned Income Credit
- Food Sales Tax Refund
- Business Machinery and Equipment Credit
- Child Day Care Assistance Credit
- Community Service Contribution Credit
- Disabled Access Credit
- Habitat Management Credit
- Single City Port Authority Credit
- Small Employer Health Insurance Contribution Credit
- Telecommunications Property/Income Tax Credit

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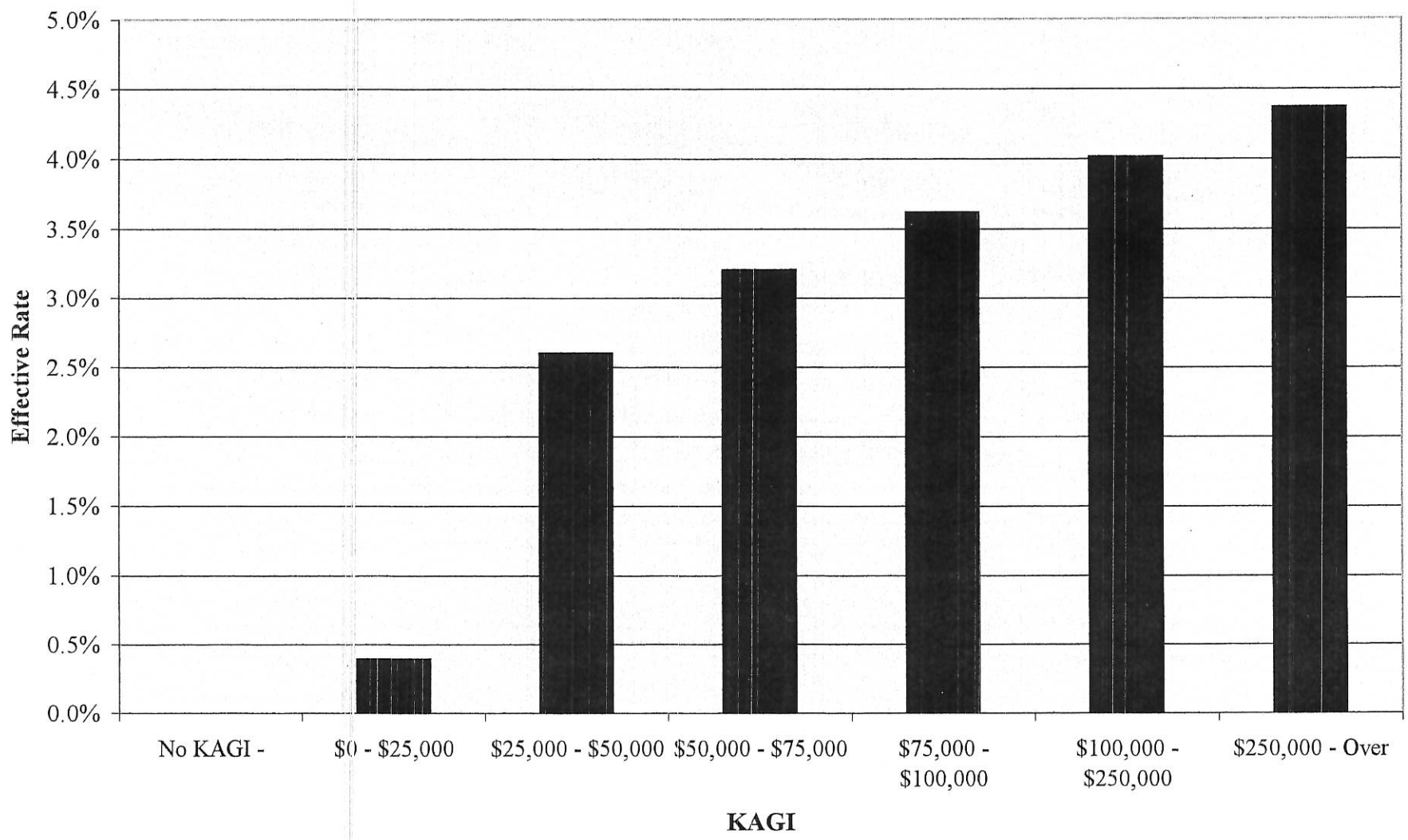
**Kansas Individual Income Tax by Adjusted Gross Income Bracket
Residents Taxpayers, Processed in CY 2003**

KAGI	Number of Returns	Kansas Adjusted Gross Income	Tax Liability After All Credits	Effective Tax Rate
No KAGI -	51,016	\$ (696,700,000)	\$ (6,100,868)	N/A
\$0 - \$25,000	552,487	\$ 6,230,300,000	\$ 24,238,650	0.39%
\$25,000 - \$50,000	291,824	\$ 10,560,000,000	\$ 274,439,240	2.60%
\$50,000 - \$75,000	166,577	\$ 10,210,000,000	\$ 326,943,535	3.20%
\$75,000 - \$100,000	81,009	\$ 6,943,900,000	\$ 250,966,871	3.61%
\$100,000 - \$250,000	68,098	\$ 9,370,100,000	\$ 375,925,594	4.01%
\$250,000 - Over	10,888	\$ 6,412,900,000	\$ 280,010,132	4.37%
All	1,221,899	49,030,500,000	1,526,423,154	3.11%
Non-Residents	204,922	\$ 23,414,168,794	\$ 191,244,892	0.82%
All Taxpayers	1,426,821	\$ 72,444,668,794	\$ 1,717,668,046	2.37%

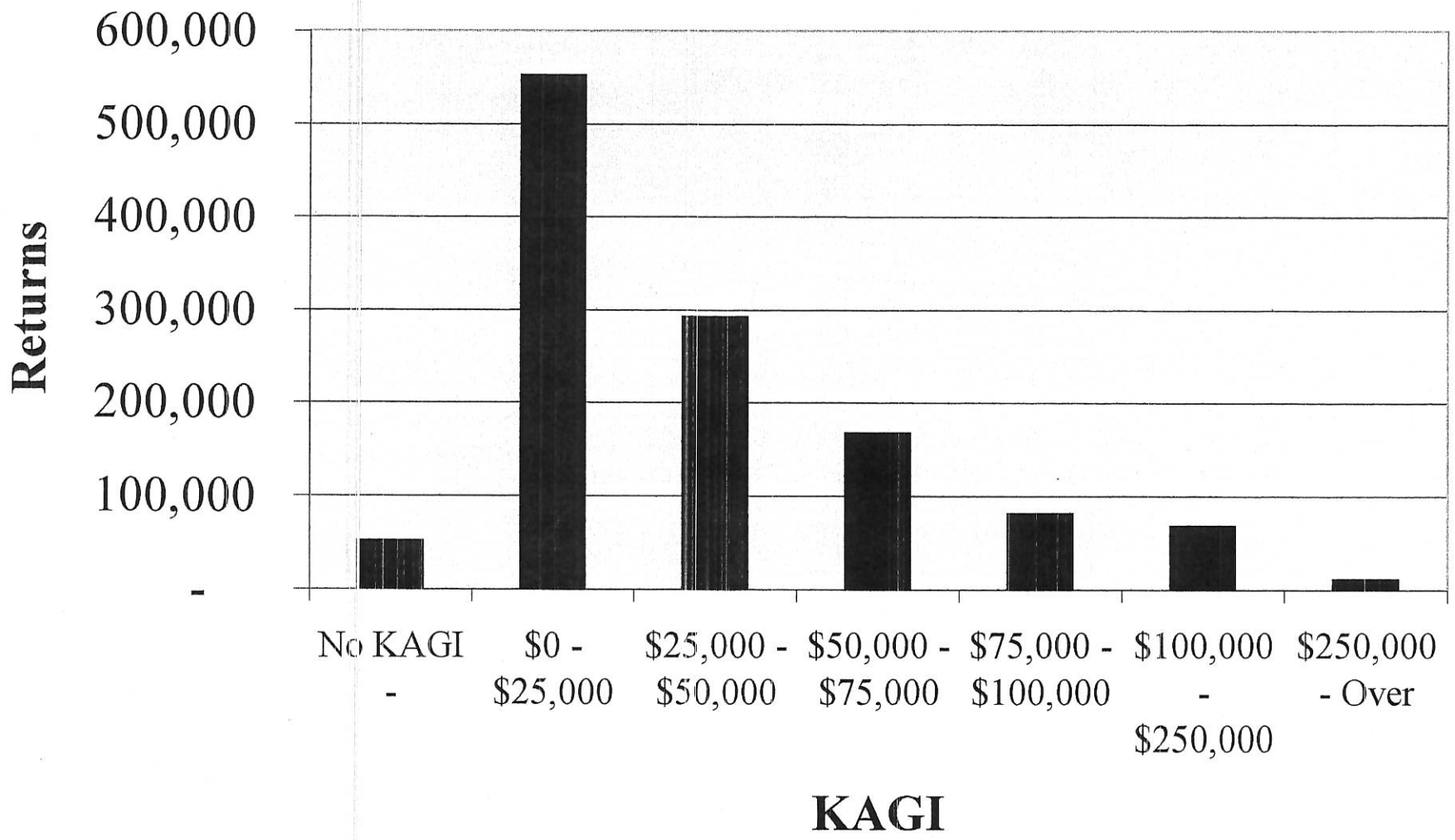
Kansas Department of Revenue - Taxable Income as a Percent of KAGI



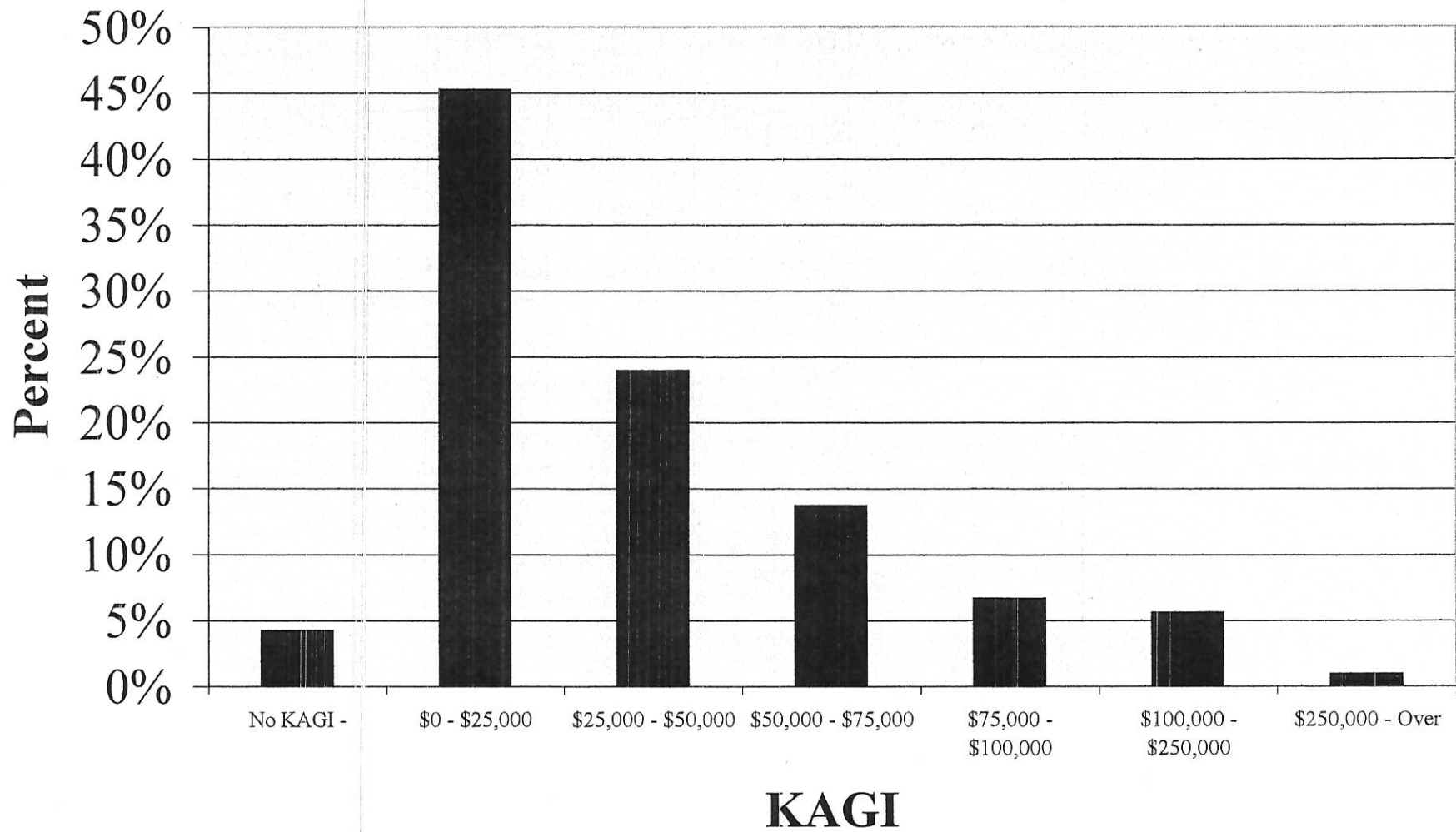
Effective Tax Rate by KAGI Bracket



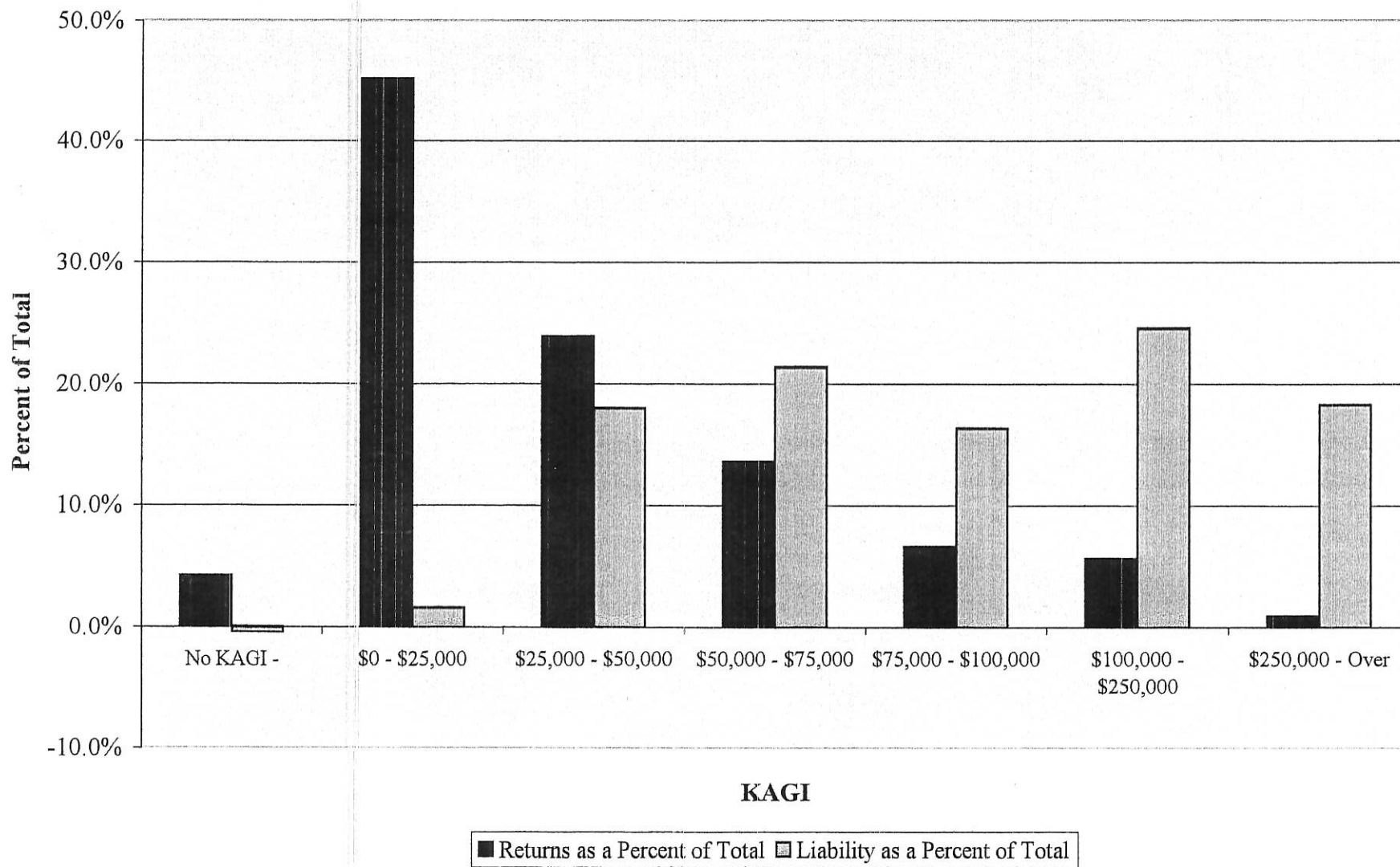
Resident Returns by KAGI Bracket



Resident Returns as a Percent of Total



Returns and Liability as a Percent of Total



Individual Income Tax for Tax Year 2002 by County

Resident Taxpayers Only

County	Number Returns	Kansas Adjusted Gross Income	Tax Year Liability	Percent of Total Liability	Per Return Average	
					Tax Liability	Rank
Allen	6,560	\$172,310,000	\$4,484,074	0.3%	\$684	79
Anderson	3,739	\$99,123,684	\$2,515,184	0.2%	\$673	85
Atchison	7,076	\$206,290,000	\$5,385,135	0.4%	\$761	58
Barber	2,318	\$58,392,892	\$1,642,090	0.1%	\$708	73
Barton	12,335	\$359,820,000	\$10,263,755	0.7%	\$832	45
Bourbon	6,424	\$171,170,000	\$4,374,373	0.3%	\$681	82
Brown	4,690	\$117,810,000	\$2,864,371	0.2%	\$611	93
Butler	24,667	\$993,970,000	\$33,725,615	2.4%	\$1,367	4
Chase	1,171	\$30,330,443	\$855,012	0.1%	\$730	63
Chautauqua	1,555	\$40,410,056	\$1,051,299	0.1%	\$676	84
Cherokee	8,582	\$222,890,000	\$3,894,112	0.3%	\$454	105
Cheyenne	1,309	\$27,789,622	\$710,904	0.1%	\$543	100
Clark	1,009	\$27,177,812	\$789,574	0.1%	\$783	53
Clay	3,896	\$105,070,000	\$2,850,783	0.2%	\$732	62
Cloud	4,479	\$115,190,000	\$3,098,200	0.2%	\$692	76
Coffey	3,814	\$131,740,000	\$4,138,828	0.3%	\$1,085	10
Comanche	929	\$25,070,001	\$721,197	0.1%	\$776	56
Cowley	15,097	\$466,490,000	\$13,621,535	1.0%	\$902	32
Crawford	16,186	\$468,900,000	\$12,709,066	0.9%	\$785	52
Decatur	1,537	\$33,716,903	\$978,865	0.1%	\$637	90
Dickinson	8,734	\$252,320,000	\$7,312,566	0.5%	\$837	43
Doniphan	3,229	\$91,061,264	\$1,536,724	0.1%	\$476	104
Douglas	39,892	\$1,577,000,000	\$52,087,450	3.7%	\$1,306	5
Edwards	1,444	\$35,966,273	\$984,092	0.1%	\$682	80
Elk	1,363	\$29,048,087	\$670,908	0.0%	\$492	103
Ellis	12,406	\$403,730,000	\$12,909,170	0.9%	\$1,041	16
Ellsworth	2,753	\$80,362,611	\$2,365,641	0.2%	\$859	40
Finney	14,762	\$471,330,000	\$12,912,674	0.9%	\$875	37
Ford	12,091	\$412,700,000	\$12,326,775	0.9%	\$1,020	19
Franklin	11,037	\$360,180,000	\$10,372,207	0.7%	\$940	30
Geary	8,733	\$235,010,000	\$6,207,566	0.4%	\$711	70
Gove	1,476	\$32,773,129	\$1,070,082	0.1%	\$725	64
Graham	1,245	\$29,057,657	\$795,544	0.1%	\$639	89
Grant	3,015	\$106,910,000	\$3,364,649	0.2%	\$1,116	9
Gray	2,674	\$84,154,294	\$2,536,783	0.2%	\$949	28
Greeley	631	\$17,876,547	\$580,962	0.0%	\$921	31
Greenwood	3,209	\$77,586,463	\$2,186,231	0.2%	\$681	81
Hamilton	1,032	\$27,456,266	\$973,668	0.1%	\$943	29
Harper	2,843	\$76,196,973	\$2,016,176	0.1%	\$709	71
Harvey	14,736	\$507,660,000	\$15,528,091	1.1%	\$1,054	15
Haskell	1,644	\$52,461,551	\$1,662,148	0.1%	\$1,011	22
Hodgeman	883	\$22,426,938	\$611,065	0.0%	\$692	75
Jackson	5,964	\$173,200,000	\$5,194,381	0.4%	\$871	39
Jefferson	8,122	\$286,610,000	\$8,655,080	0.6%	\$1,066	12
Jewell	1,636	\$36,117,546	\$865,320	0.1%	\$529	102
Johnson	208,005	\$13,060,000,000	\$408,661,277	29.2%	\$1,965	1
Kearny	1,590	\$51,361,092	\$1,563,925	0.1%	\$984	25
Kingman	3,596	\$109,430,000	\$3,230,622	0.2%	\$898	33
Kiowa	1,440	\$38,745,414	\$1,060,937	0.1%	\$737	61
Labette	9,925	\$252,240,000	\$6,622,219	0.5%	\$667	86
Lane	962	\$27,021,784	\$761,164	0.1%	\$791	50
Leavenworth	24,022	\$889,930,000	\$25,541,471	1.8%	\$1,063	14
Lincoln	1,539	\$36,780,951	\$906,873	0.1%	\$589	96
Linn	3,884	\$113,270,000	\$2,940,396	0.2%	\$757	59
Logan	1,403	\$33,332,648	\$998,957	0.1%	\$712	69
Lyon	15,139	\$463,260,000	\$13,465,996	1.0%	\$889	35
Marion	5,654	\$159,750,000	\$4,463,138	0.3%	\$789	51
Marshall	5,194	\$144,500,000	\$4,177,394	0.3%	\$804	49
McPherson	12,890	\$538,890,000	\$18,377,022	1.3%	\$1,426	3
Meade	1,785	\$47,707,599	\$1,395,908	0.1%	\$782	54
Miami	11,527	\$464,000,000	\$14,276,160	1.0%	\$1,238	7

Individual Income Tax for Tax Year 2002 by County

Resident Taxpayers Only

County	Number Returns	Kansas Adjusted Gross Income	Tax Year Liability	Percent of Total Liability	Per Return Average	
					Tax Liability	Rank
Mitchell	3,301	\$91,617,152	\$2,674,412	0.2%	\$810	46
Montgomery	15,367	\$423,540,000	\$10,891,542	0.8%	\$709	72
Morris	2,483	\$70,602,886	\$2,092,941	0.1%	\$843	41
Morton	1,377	\$43,862,997	\$1,419,005	0.1%	\$1,031	17
Nemaha	4,733	\$138,210,000	\$3,952,110	0.3%	\$835	44
Neosho	7,558	\$202,760,000	\$5,434,667	0.4%	\$719	67
Ness	1,625	\$41,872,448	\$1,163,314	0.1%	\$716	68
Norton	2,458	\$63,609,422	\$1,770,342	0.1%	\$720	65
Osage	7,195	\$224,240,000	\$6,441,109	0.5%	\$895	34
Osborne	1,896	\$45,484,868	\$1,146,394	0.1%	\$605	94
Ottawa	2,752	\$84,648,619	\$2,424,498	0.2%	\$881	36
Pawnee	3,014	\$78,260,044	\$2,253,316	0.2%	\$748	60
Phillips	2,688	\$65,080,065	\$1,847,963	0.1%	\$687	78
Pottawatomie	7,647	\$254,990,000	\$7,794,610	0.6%	\$1,019	20
Pratt	4,266	\$132,150,000	\$4,075,977	0.3%	\$955	26
Rawlins	1,311	\$33,450,973	\$1,023,305	0.1%	\$781	55
Reno	28,051	\$910,500,000	\$27,918,347	2.0%	\$995	23
Republic	2,519	\$60,057,159	\$1,514,986	0.1%	\$601	95
Rice	4,351	\$121,010,000	\$3,323,263	0.2%	\$764	57
Riley	19,128	\$666,190,000	\$22,191,836	1.6%	\$1,160	8
Rooks	2,498	\$61,526,335	\$1,627,191	0.1%	\$651	88
Rush	1,677	\$40,931,794	\$1,092,746	0.1%	\$652	87
Russell	3,440	\$86,445,914	\$2,335,482	0.2%	\$679	83
Saline	24,978	\$857,270,000	\$26,565,495	1.9%	\$1,064	13
Scott	2,223	\$65,407,151	\$2,205,870	0.2%	\$992	24
Sedgwick	197,607	\$8,260,700,000	\$286,976,431	20.5%	\$1,452	2
Seward	8,614	\$266,540,000	\$6,935,265	0.5%	\$805	48
Shawnee	79,682	\$2,950,900,000	\$98,882,957	7.1%	\$1,241	6
Sheridan	1,218	\$30,963,743	\$1,063,162	0.1%	\$873	38
Sherman	3,050	\$75,943,843	\$2,194,129	0.2%	\$719	66
Smith	2,110	\$47,001,323	\$1,194,821	0.1%	\$566	99
Stafford	2,042	\$49,673,630	\$1,287,184	0.1%	\$630	91
Stanton	928	\$28,475,443	\$885,383	0.1%	\$954	27
Stevens	2,071	\$68,453,200	\$2,227,451	0.2%	\$1,076	11
Sumner	9,743	\$326,560,000	\$9,968,598	0.7%	\$1,023	18
Thomas	3,607	\$101,760,000	\$3,038,001	0.2%	\$842	42
Trego	1,510	\$35,209,647	\$936,606	0.1%	\$620	92
Wabaunsee	2,876	\$93,946,376	\$2,921,439	0.2%	\$1,016	21
Wallace	794	\$16,169,719	\$460,724	0.0%	\$580	97
Washington	3,031	\$70,832,836	\$1,757,005	0.1%	\$580	98
Wichita	1,213	\$33,939,989	\$979,521	0.1%	\$808	47
Wilson	4,473	\$121,870,000	\$3,087,148	0.2%	\$690	77
Woodson	1,622	\$33,343,340	\$858,990	0.1%	\$530	101
Wyandotte	63,643	\$1,977,400,000	\$44,658,155	3.2%	\$702	74
KS Residents with county indicator	1,149,852	\$45,242,477,416	\$1,400,337,075		\$1,218	
KS Residents with no county indicator	<u>72,047</u>	<u>\$3,788,022,584</u>	<u>\$126,086,079</u>		<u>\$1,750</u>	
Total Residents	1,221,899	\$49,030,500,000	\$1,526,423,154	88.9%	\$1,249	
Non-Residents	<u>204,922</u>	<u>\$23,414,168,794</u>	<u>\$191,244,892</u>	<u>11.1%</u>	<u>\$933</u>	
All Taxpayers	1,426,821	\$72,444,668,794	\$1,717,668,046	100.0%	\$1,204	

Kansas Department of Revenue

Fiscal Impact of The Economic Growth and Tax Relief Reconciliation Act of 2001

01/18/2005

1-12

Assumptions: Federal average tax rate of 28%
 Kansas is equal to 1% of the Federal amount
 Kansas marginal rate of 6.25%
 Source: Joint Committee on Taxation - 5/26/01

	Effective Date	Fiscal Years				
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Marginal Rate Reduction Provisions:						
Repeal of Itemized Deduction Phase-out	TY 2006	\$ -	\$ -	\$ -	\$ -	\$ (1,518,527)
Marriage Penalty Relief Provisions:						
EIC is broadened by increasing the income level and changing the definition to FAGI	TY 2002	\$ (5,360)	\$ (847,000)	\$ (1,277,000)	\$ (1,243,000)	\$ (1,817,000)
Education Provisions:						
Education IRA's contribution level is increased to \$2,000	TY 2002	\$ (303,594)	\$ (814,732)	\$ (1,029,018)	\$ (1,252,232)	\$ (1,488,839)
Qualified Tuition Plans are allowed tax free distributions and allows tax free distributions for living expenses	TY 2002	\$ (35,893)	\$ (118,304)	\$ (180,804)	\$ (247,768)	\$ (314,732)
Employer Provided Assistance - permanently extends the exclusion	TY 2002	\$ (776,183)	\$ (1,607,143)	\$ (1,696,429)	\$ (1,794,643)	\$ (1,901,786)
Student Loan Interest	TY 2002	\$ (254,241)	\$ (546,875)	\$ (584,821)	\$ (618,304)	\$ (645,089)
Qualified Higher Education expense deduction	TY 2002	\$ (2,295,647)	\$ (4,604,911)	\$ (5,988,839)	\$ (6,497,768)	\$ (1,629,464)
Pension and IRA Provisions:						
Pension and IRA provisions	TY 2002	\$ (2,829,554)	\$ (9,125,000)	\$ (10,111,607)	\$ (11,796,875)	\$ (12,982,143)
Miscellaneous Provisions:						
Adoption Credit	TY 2002	\$ (85,425)	\$ (477,500)	\$ (630,000)	\$ (732,500)	\$ (812,500)
Dependent Care Tax Credit	TY 2003	\$ -	\$ (562,800)	\$ (1,080,000)	\$ (1,032,500)	\$ (982,500)
Individual Income Tax Impact		\$ (6,585,897)	\$ (18,704,264)	\$ (22,578,518)	\$ (25,215,589)	\$ (24,092,581)

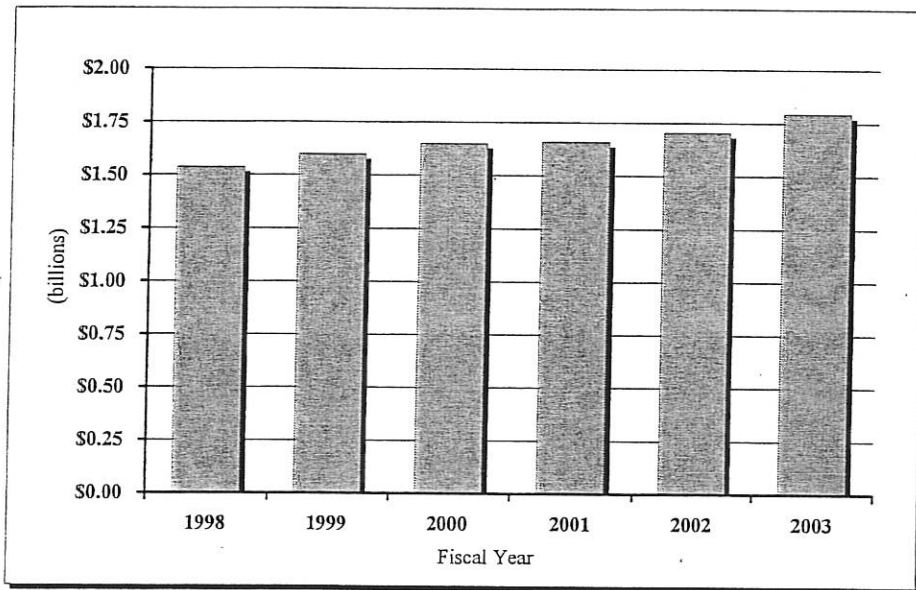
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Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	2002 - 2011	01/18/2005
Marginal Rate Reduction Provisions:							
Repeal of Itemized Deduction Phase-out	\$ (4,597,417)	\$ (7,172,042)	\$ (9,700,083)	\$ (12,837,292)	\$ (7,983,667)	\$ (1,518,527)	
Marriage Penalty Relief Provisions:							
EIC is broadened by increasing the income level and changing the definition to FAGI	\$ (1,819,000)	\$ (1,787,000)	\$ (2,258,000)	\$ (2,240,000)	\$ (2,348,000)	\$ (5,189,360)	
Education Provisions:							
Education IRA's contribution level is increased to \$2,000	\$ (1,736,607)	\$ (1,991,071)	\$ (2,261,161)	\$ (2,535,714)	\$ (658,482)	\$ (4,888,415)	
Qualified Tuition Plans are allowed tax free distributions and allows tax free distributions for living expenses	\$ (379,464)	\$ (446,429)	\$ (522,321)	\$ (571,429)	\$ (142,857)	\$ (897,500)	
Employer Provided Assistance - permanently extends the exclusion	\$ (2,017,857)	\$ (2,138,393)	\$ (2,258,929)	\$ (2,383,929)	\$ (595,982)	\$ (7,776,183)	
Student Loan Interest	\$ (680,804)	\$ (716,518)	\$ (754,464)	\$ (794,643)	\$ (198,661)	\$ (2,649,330)	
Qualified Higher Education expense deduction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Pension and IRA Provisions:							
Pension and IRA provisions	\$ (11,962,054)	\$ (11,622,768)	\$ (13,379,464)	\$ (14,877,232)	\$ (10,709,821)	\$ (46,845,179)	
Miscellaneous Provisions:							
Adoption Credit	\$ (872,500)	\$ (937,500)	\$ (1,007,500)	\$ (1,080,000)	\$ (1,160,000)	\$ (2,737,925)	
Dependent Care Tax Credit	\$ (950,000)	\$ (880,000)	\$ (792,500)	\$ (740,000)	\$ (182,500)	\$ (3,657,800)	
Individual Income Tax Impact	\$ (25,015,702)	\$ (27,691,720)	\$ (32,934,423)	\$ (38,060,238)	\$ (23,979,970)	\$ (244,858,902)	

State Retailers' Sales and Compensating Use Taxes Amount to State General Fund

Statewide retailers' sales and compensating use taxes are applied to the sale of tangible personal property, and to specified services at retail. The compensating use tax includes consumers' use, retailers' use, and auto lease tax. The present state retailers' sales and compensating tax rate is 5.3%, effective July 1, 2002.



<u>Fiscal Year</u>	<u>State Sales</u>	<u>State Use</u>	<u>State Total</u>	<u>Percent Change</u>
1998	\$1,351,590,569	\$185,088,031	\$1,536,678,600	5.3%
1999	\$1,398,527,376	\$200,015,052	\$1,598,542,428	9.7%
2000	\$1,440,295,399	\$209,966,001	\$1,650,261,400	4.0%
2001	\$1,423,059,270	\$235,893,258	\$1,658,952,528	3.2%
2002	\$1,470,606,510	\$233,603,728	\$1,704,210,238	0.5%
2003	\$1,567,721,762	\$225,923,323	\$1,793,645,085	5.2%

Total Amount State Sales Tax Collections by County

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

County	FY2002	FY2003	Percent Change	FY2002 Per Capita*	FY2002 PC Rank*	FY2003 Per Capita*	FY2003 PC Rank*
Allen	\$4,901,650	\$5,376,251	9.7%	\$345.36	42	\$377.70	35
Anderson	\$2,557,894	\$2,571,791	0.5%	\$312.32	57	\$315.67	57
Atchison	\$5,215,769	\$5,951,927	14.1%	\$312.56	56	\$356.77	43
Barber	\$2,091,968	\$2,158,438	3.2%	\$405.18	28	\$424.47	31
Barton	\$16,291,656	\$16,797,835	3.1%	\$585.82	10	\$605.48	11
Bourbon	\$5,396,181	\$5,429,598	0.6%	\$351.06	40	\$357.89	42
Brown	\$3,139,797	\$3,186,706	1.5%	\$295.37	61	\$303.47	61
Butler	\$20,904,179	\$21,381,421	2.3%	\$347.28	41	\$353.21	44
Chase	\$517,353	\$544,568	5.3%	\$170.57	97	\$185.86	94
Chautauqua	\$617,839	\$674,145	9.1%	\$144.69	103	\$160.13	102
Cherokee	\$4,513,626	\$4,744,948	5.1%	\$202.11	89	\$216.14	87
Cheyenne	\$830,040	\$791,933	-4.6%	\$266.55	69	\$253.58	74
Clark	\$397,371	\$381,450	-4.0%	\$167.60	98	\$160.14	101
Clay	\$2,859,256	\$2,949,413	3.2%	\$325.99	47	\$338.86	49
Cloud	\$4,545,170	\$4,759,960	4.7%	\$455.20	22	\$479.25	22
Coffey	\$2,829,939	\$2,838,651	0.3%	\$321.04	52	\$318.88	56
Comanche	\$544,846	\$579,588	6.4%	\$277.84	64	\$291.98	63
Cowley	\$13,014,777	\$13,297,113	2.2%	\$362.24	35	\$365.03	40
Crawford	\$15,928,459	\$16,658,799	4.6%	\$419.98	26	\$437.79	26
Decatur	\$735,203	\$678,284	-7.7%	\$214.22	84	\$199.09	92
Dickinson	\$7,113,202	\$7,250,631	1.9%	\$371.35	34	\$378.74	34
Doniphan	\$1,232,269	\$1,237,307	0.4%	\$148.41	102	\$150.62	104
Douglas	\$50,948,959	\$54,880,054	7.7%	\$509.46	16	\$536.38	16
Edwards	\$654,453	\$673,344	2.9%	\$196.83	91	\$201.78	91
Elk	\$651,640	\$613,102	-5.9%	\$204.34	88	\$195.38	93
Ellis	\$19,364,439	\$21,147,518	9.2%	\$710.70	4	\$775.37	4
Ellsworth	\$1,644,009	\$1,581,470	-3.8%	\$253.39	74	\$246.41	77
Finney	\$22,513,269	\$22,967,195	2.0%	\$561.68	13	\$578.05	13
Ford	\$17,593,102	\$18,127,157	3.0%	\$544.44	15	\$554.99	14
Franklin	\$9,988,178	\$10,797,923	8.1%	\$400.44	30	\$426.42	29
Geary	\$10,802,194	\$11,459,724	6.1%	\$403.08	29	\$433.92	28
Gove	\$1,074,282	\$1,056,792	-1.6%	\$357.14	37	\$353.21	45
Graham	\$1,185,880	\$1,209,354	2.0%	\$416.83	27	\$424.78	30
Grant	\$4,406,452	\$4,340,538	-1.5%	\$565.65	12	\$549.78	15
Gray	\$1,642,216	\$1,565,269	-4.7%	\$276.19	66	\$258.94	71
Greeley	\$411,717	\$390,589	-5.1%	\$273.93	67	\$265.35	70
Greenwood	\$1,692,531	\$1,873,445	10.7%	\$217.80	83	\$244.80	78
Hamilton	\$788,299	\$769,871	-2.3%	\$295.13	62	\$289.64	64
Harper	\$2,047,851	\$2,327,983	13.7%	\$323.26	49	\$370.82	38
Harvey	\$14,489,792	\$15,118,016	4.3%	\$438.67	25	\$452.97	23
Haskell	\$1,036,732	\$1,167,270	12.6%	\$241.94	77	\$272.03	68
Hodgeman	\$308,050	\$359,989	16.9%	\$143.01	104	\$167.51	99
Jackson	\$4,140,746	\$4,381,734	5.8%	\$324.97	48	\$343.91	48
Jefferson	\$2,859,184	\$2,968,902	3.8%	\$153.64	100	\$159.07	103
Jewell	\$580,404	\$587,948	1.3%	\$161.63	99	\$168.23	98
Johnson	\$390,944,173	\$415,348,019	6.2%	\$840.64	1	\$871.60	1
Kearny	\$786,369	\$783,548	-0.4%	\$172.37	96	\$172.47	97
Kingman	\$2,284,723	\$2,275,989	-0.4%	\$268.41	68	\$270.11	69
Kiowa	\$935,683	\$1,020,265	9.0%	\$298.75	60	\$328.38	52
Labette	\$7,637,662	\$7,767,141	1.7%	\$339.71	43	\$348.60	47
Lane	\$430,326	\$443,204	3.0%	\$205.80	86	\$221.60	83
Leavenworth	\$19,476,820	\$21,594,278	10.9%	\$277.21	65	\$305.05	59
Lincoln	\$687,020	\$655,858	-4.5%	\$193.69	93	\$185.17	95
Linn	\$1,890,438	\$2,154,990	14.0%	\$195.19	92	\$222.76	82
Logan	\$1,136,240	\$1,086,291	-4.4%	\$384.25	32	\$362.34	41
Lyon	\$17,015,008	\$17,947,186	5.5%	\$478.49	17	\$499.87	18
Marion	\$3,311,351	\$3,371,021	1.8%	\$246.69	75	\$254.46	73
Marshall	\$3,833,784	\$4,027,728	5.1%	\$355.90	38	\$380.58	33
McPherson	\$13,649,339	\$13,128,569	-3.8%	\$460.85	20	\$446.35	24
Meade	\$1,085,574	\$1,101,971	1.5%	\$233.61	79	\$238.52	80
Miami	\$9,690,342	\$10,738,313	10.8%	\$336.70	44	\$371.52	36
Mitchell	\$3,024,846	\$3,216,781	6.3%	\$446.27	23	\$480.62	21
Montgomery	\$16,270,291	\$16,977,260	4.3%	\$458.06	21	\$480.85	20

Total Amount State Sales Tax Collections by County

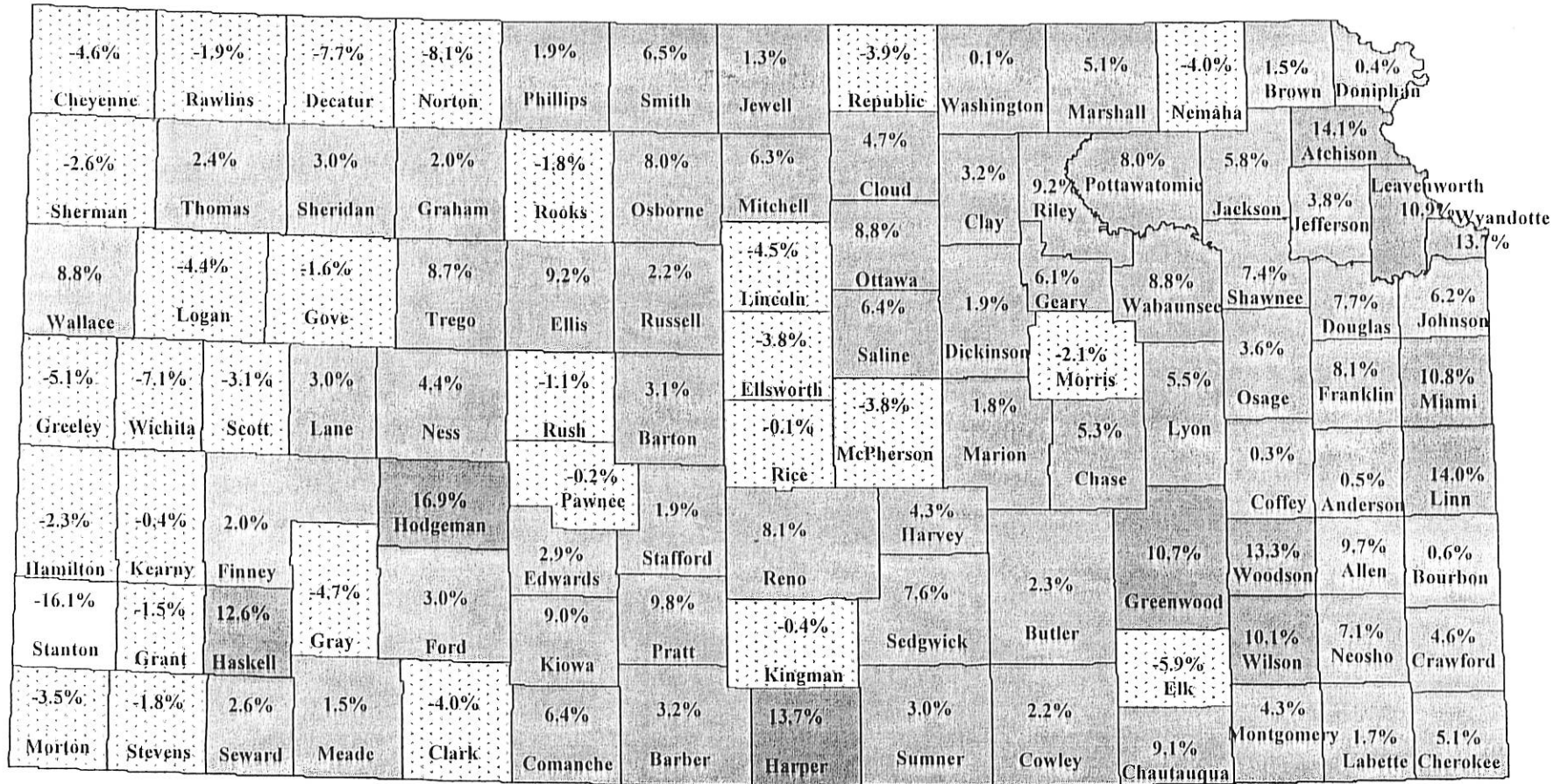
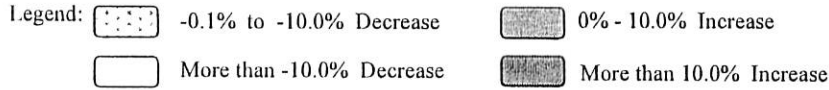
Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

County	FY2002	FY2003	Percent Change	FY2002 Per Capita*	FY2002 PC Rank*	FY2003 Per Capita*	FY2003 PC Rank*
Morris	\$1,893,929	\$1,854,901	-2.1%	\$309.87	58	\$304.98	60
Morton	\$1,291,379	\$1,246,539	-3.5%	\$381.50	33	\$370.99	37
Nemaha	\$3,326,946	\$3,192,811	-4.0%	\$316.37	55	\$305.15	58
Neosho	\$7,815,943	\$8,374,779	7.1%	\$466.37	18	\$503.35	17
Ness	\$1,550,348	\$1,619,061	4.4%	\$464.18	19	\$488.26	19
Norton	\$1,938,925	\$1,781,183	-8.1%	\$331.95	45	\$302.97	62
Osage	\$3,390,178	\$3,511,653	3.6%	\$200.57	90	\$207.45	90
Osborne	\$1,376,627	\$1,486,724	8.0%	\$316.83	54	\$350.97	46
Ottawa	\$944,509	\$1,027,961	8.8%	\$152.59	101	\$163.45	100
Pawnee	\$2,234,406	\$2,229,616	-0.2%	\$320.16	53	\$320.99	54
Phillips	\$1,943,783	\$1,980,629	1.9%	\$330.97	46	\$337.36	50
Pottawatomie	\$14,328,379	\$15,474,580	8.0%	\$781.43	2	\$836.96	2
Pratt	\$5,497,185	\$6,033,671	9.8%	\$575.98	11	\$632.39	8
Rawlins	\$647,832	\$635,740	-1.9%	\$222.01	81	\$220.21	85
Reno	\$35,341,929	\$38,215,242	8.1%	\$550.18	14	\$599.08	12
Republic	\$1,626,475	\$1,562,807	-3.9%	\$288.08	63	\$285.81	66
Rice	\$2,695,086	\$2,691,219	-0.1%	\$254.54	73	\$256.28	72
Riley	\$21,765,297	\$23,766,831	9.2%	\$360.54	36	\$386.58	32
Rooks	\$1,806,161	\$1,772,834	-1.8%	\$321.72	51	\$322.80	53
Rush	\$628,262	\$621,296	-1.1%	\$180.12	95	\$177.92	96
Russell	\$2,528,890	\$2,583,563	2.2%	\$352.90	39	\$366.20	39
Saline	\$39,592,803	\$42,144,743	6.4%	\$738.04	3	\$781.76	3
Scott	\$2,213,304	\$2,144,845	-3.1%	\$442.48	24	\$435.68	27
Sedgwick	\$294,887,778	\$317,343,644	7.6%	\$647.37	5	\$686.98	5
Seward	\$14,343,241	\$14,711,735	2.6%	\$639.35	6	\$637.64	7
Shawnee	\$108,453,734	\$116,448,491	7.4%	\$637.66	7	\$681.99	6
Sheridan	\$705,368	\$726,201	3.0%	\$258.76	72	\$274.97	67
Sherman	\$4,010,640	\$3,905,012	-2.6%	\$614.38	8	\$610.35	10
Smith	\$1,179,767	\$1,256,633	6.5%	\$265.95	70	\$287.89	65
Stafford	\$972,211	\$990,815	1.9%	\$204.46	87	\$212.53	89
Stanton	\$624,761	\$523,882	-16.1%	\$259.45	71	\$217.38	86
Stevens	\$1,733,150	\$1,702,769	-1.8%	\$322.21	50	\$319.35	55
Sumner	\$6,128,490	\$6,309,739	3.0%	\$238.01	78	\$247.12	76
Thomas	\$4,922,651	\$5,041,628	2.4%	\$609.24	9	\$623.04	9
Trego	\$965,455	\$1,048,988	8.7%	\$302.18	59	\$334.07	51
Wabaunsee	\$906,947	\$986,385	8.8%	\$132.54	105	\$146.89	105
Wallace	\$391,623	\$426,229	8.8%	\$229.56	80	\$251.91	75
Washington	\$1,351,169	\$1,352,698	0.1%	\$213.76	85	\$215.71	88
Wichita	\$625,193	\$580,587	-7.1%	\$246.33	76	\$232.05	81
Wilson	\$2,249,721	\$2,477,293	10.1%	\$219.81	82	\$244.24	79
Woodson	\$713,819	\$808,470	13.3%	\$189.95	94	\$220.41	84
Wyandotte	\$61,783,709	\$70,258,336	13.7%	\$392.37	31	\$443.74	25
Total Counties	\$1,444,420,816	\$1,537,097,119		\$536.03		\$565.97	
Miscellaneous	\$7,881,062	\$8,476,588					
Grand Total	\$1,452,301,878	\$1,545,573,707	6.4%				

*Population based upon figures certified to the Secretary of State by the Division of the Budget on July 1, 2003. Figures might not add from rounding.

State Sales Tax Collection, Percent Change by County

This map shows the Fiscal Year 2003 state sales tax collection percentage change over Fiscal Year 2002, by county. Total statewide percent change was 6.4%. Effective July 1, 2002, Fiscal Year 2003, the state sales tax rate increased from 4.9% to 5.3%.



Revised historical data is available upon request.

State Sales Tax Per Capita, with Rank by County

This map shows the Fiscal Year 2003 state sales tax paid per person, by county. The per capita figures are computed by dividing the sales tax collections for each county by its population. A high per capita figure may indicate either a high level of spending by each resident, or a high level of spending in the county by nonresidents or tourists. The shaded areas represent the ten highest per capita counties in the state. Major metropolitan areas such as Johnson, Sedgwick, and Shawnee counties have high ratios because of their many large shopping centers and high level of tourism.

Legend:  Top 10 Counties

74 \$253.58 Cheyenne	85 \$220.21 Rawlins	92 \$199.09 Decatur	62 \$302.97 Norton	50 \$337.36 Phillips	65 \$287.89 Smith	98 \$168.23 Jewell	66 \$285.81 Republic	88 \$215.71 Washington	33 \$380.58 Marshall	58 \$305.15 Nemaha	61 \$303.47 Brown	104 \$150.62 Doniphan
10 \$610.35 Sherman	9 \$623.04 Thomas	67 \$274.97 Sheridan	30 \$424.78 Graham	53 \$322.80 Rooks	46 \$350.97 Osborne	21 \$480.62 Mitchell	22 \$479.25 Cloud	49 \$338.86 Clay	32 \$386.58 Riley	2 \$836.96 Pottawatomie	48 \$343.91 Jackson	43 \$356.77 Atchison
75 \$251.91 Wallace	41 \$362.34 Logan	45 \$353.21 Gove	51 \$334.07 Trego	4 \$775.37 Ellis	39 \$366.20 Russell	95 \$185.17 Lincoln	100 \$163.45 Ottawa	28 \$433.92 Geary	105 \$146.89 Wabaunsee	6 \$681.99 Shawnee	103 \$159.07 Jefferson	25 \$443.74 Wyandotte
70 \$265.35 Greeley	81 \$232.05 Wichita	27 \$435.68 Scott	83 \$221.60 Lane	19 \$488.26 Ness	96 \$177.92 Rush	11 \$605.48 Barton	77 \$246.41 Ellsworth	34 \$378.74 Dickinson	60 \$304.98 Morris	18 \$499.87 Lyon	90 \$207.45 Osage	16 \$536.38 Douglas
64 \$289.64 Hamilton	97 \$172.47 Kearny	13 \$578.05 Finney	99 \$167.51 Hodgeman	54 \$320.99 Pawnee	89 \$212.53 Stafford	12 \$599.08 Reno	72 \$256.28 Rice	24 \$446.35 McPherson	73 \$254.46 Marion	94 \$185.86 Chase	56 \$318.88 Coffey	29 \$426.42 Franklin
86 \$217.38 Stanton	15 \$549.78 Grant	68 \$272.03 Haskell	71 \$258.94 Gray	14 \$554.99 Ford	91 \$201.78 Edwards	8 \$632.39 Pratt	52 \$328.38 Kiowa	69 \$270.11 Kingman	23 \$452.97 Harvey	44 \$353.21 Butler	78 \$244.80 Greenwood	36 \$371.52 Miami
37 \$370.99 Morton	55 \$319.35 Stevens	7 \$637.64 Seward	80 \$238.52 Meade	101 \$160.14 Clark	63 \$291.98 Comanche	31 \$424.47 Barber	38 \$370.82 Harper	76 \$247.12 Sumner	40 \$365.03 Cowley	93 \$195.38 Elk	84 \$220.41 Woodson	82 \$222.76 Linn
											79 \$244.24 Wilson	42 \$357.89 Bourbon
											20 \$480.85 Montgomery	26 \$437.79 Crawford
											102 \$160.13 Chautauqua	35 \$377.70 Allen
											47 \$348.60 Labette	87 \$216.14 Cherokee

Revised historical data is available upon request.

Total State Sales Tax Collection by Standard Industrial Classification

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

In 2002, the Department converted from the Standard Industrial Classification System (SIC) to the North American Industry Classification System (NAICS). Some of the sizable percent changes are due to the conversion to NAICS.

<u>North American Industry Classification</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Percent Change</u>
11 Agriculture, Forestry, Fishing and Hunting			
111 Crop Production	\$ 766,980	\$ 809,055	5.5%
112 Animal Production	\$ 55,231	\$ 94,715	71.5%
114 Fishing, Hunting and Trapping	\$ 236,992	\$ 245,842	3.7%
115 Agriculture and Forestry Support Activities	\$ 163,743	\$ 210,282	28.4%
2-digit Total	\$ 1,222,946	\$ 1,359,894	11.2%
21 Mining			
211 Oil and Gas Extraction	\$ 149,509	\$ 290,741	94.5%
212 Mining (except Oil and Gas)	\$ 1,552,662	\$ 1,566,661	0.9%
213 Support Activities for Mining	\$ 4,281,323	\$ 4,611,567	7.7%
2-digit Total	\$ 5,983,493	\$ 6,468,969	8.1%
22 Utilities			
221 Utilities	\$ 35,446,731	\$ 41,090,299	15.9%
2-digit Total	\$ 35,446,731	\$ 41,090,299	15.9%
23 Construction			
236 Construction of Buildings	\$ 4,267,647	\$ 4,496,662	5.4%
237 Heavy and Civil Engineering Construction	\$ 8,893,482	\$ 7,948,433	-10.6%
238 Specialty Trade Contractors	\$ 27,901,028	\$ 30,591,972	9.6%
2-digit Total	\$ 41,062,157	\$ 43,037,067	4.8%
31-33 Manufacturing			
311 Food Mfg	\$ 1,787,742	\$ 2,242,825	25.5%
312 Beverage and Tobacco Product Mfg	\$ 178,954	\$ 732,196	309.2%
313 Textile Mills	\$ 50,243	\$ 84,847	68.9%
314 Textile Product Mills	\$ 318,422	\$ 280,863	-11.8%
315 Apparel Mfg	\$ 222,307	\$ 164,415	-26.0%
316 Leather and Allied Product Mfg	\$ 10,671	\$ 13,968	30.9%
321 Wood Product Mfg	\$ 2,218,740	\$ 2,264,085	2.0%
322 Paper Mfg	\$ 903,562	\$ 807,131	-10.7%
323 Printing and Related Support Activities	\$ 5,946,169	\$ 5,967,150	0.4%
324 Petroleum and Coal Products Mfg	\$ 2,803,083	\$ 2,198,185	-21.6%
325 Chemical Mfg	\$ 2,319,994	\$ 3,109,098	34.0%
326 Plastics and Rubber Products Mfg	\$ 294,001	\$ 489,620	66.5%
327 Nonmetallic Mineral Product Mfg	\$ 10,835,448	\$ 10,992,373	1.4%
331 Primary Metal Mfg	\$ 241,841	\$ 383,860	58.7%
332 Fabricated Metal Product Mfg	\$ 2,793,353	\$ 2,329,433	-16.6%
333 Machinery Mfg	\$ 1,341,403	\$ 1,858,964	38.6%
334 Computer and Electronic Product Mfg	\$ 810,563	\$ 1,069,552	32.0%
335 Electrical Equipment & Appliance Mfg	\$ 270,809	\$ 280,482	3.6%
336 Transportation Equipment Mfg	\$ 5,292,459	\$ 5,356,765	1.2%
337 Furniture and Related Product Mfg	\$ 1,817,138	\$ 1,894,696	4.3%
339 Miscellaneous Mfg	\$ 1,206,647	\$ 1,522,680	26.2%
2-digit Total	\$ 41,663,547	\$ 44,043,187	5.7%
42 Wholesale Trade			
423 Merchant Wholesalers, Durable Goods	\$ 58,978,815	\$ 60,828,576	3.1%
424 Merchant Wholesalers, Nondurable Goods	\$ 17,234,730	\$ 19,386,101	12.5%
425 Electronic Markets and Agents and Brokers	\$ 6,838,967	\$ 4,853,864	-29.0%
2-digit Total	\$ 83,052,512	\$ 85,068,542	2.4%

Total State Sales Tax Collection by Standard Industrial Classification

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

In 2002, the Department converted from the Standard Industrial Classification System (SIC) to the North American Industry Classification System (NAICS). Some of the sizable percent changes are due to the conversion to NAICS.

<u>North American Industry Classification</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Percent Change</u>
44-45 Retail Trade			
441 Motor Vehicle and Parts Dealers	\$ 206,558,533	\$ 220,861,941	6.9%
442 Furniture and Home Furnishings Stores	\$ 30,401,182	\$ 31,454,300	3.5%
443 Electronics and Appliance Stores	\$ 31,897,334	\$ 33,647,697	5.5%
444 Building Material and Garden Supply Stores	\$ 77,830,620	\$ 83,990,297	7.9%
445 Food and Beverage Stores	\$ 129,155,170	\$ 143,855,721	11.4%
446 Health and Personal Care Stores	\$ 12,852,556	\$ 12,042,665	-6.3%
447 Gasoline Stations	\$ 35,053,067	\$ 29,345,344	-16.3%
448 Clothing and Clothing Accessories Stores	\$ 40,812,546	\$ 43,619,555	6.9%
451 Sporting Goods, Hobby, Book, & Music Stores	\$ 27,557,160	\$ 32,653,124	18.5%
452 General Merchandise Stores	\$ 235,373,601	\$ 253,220,633	7.6%
453 Miscellaneous Store Retailers	\$ 38,232,675	\$ 42,721,214	11.7%
454 Nonstore Retailers	\$ 8,584,714	\$ 12,725,922	48.2%
2-digit Total	\$ 874,309,158	\$ 940,138,412	7.5%
48-49 Transportation and Warehousing			
481 Air Transportation	\$ 115,711	\$ 91,065	-21.3%
482 Rail Transportation	Confidential	Confidential	
483 Water Transportation	Confidential	Confidential	
484 Truck Transportation	\$ 961,823	\$ 1,184,065	23.1%
485 Transit and Ground Passenger Transportation	\$ 7,225	\$ 8,143	12.7%
486 Pipeline Transportation	Confidential	\$ 159,570	
487 Scenic and Sightseeing Transportation	Confidential	Confidential	
488 Support Activities for Transportation	\$ 1,121,416	\$ 1,041,328	-7.1%
491 Postal Service	Confidential	Confidential	
492 Couriers and Messengers	\$ 54,893	\$ 43,946	-19.9%
493 Warehousing and Storage	\$ 513,978	\$ 642,635	25.0%
2-digit Total	\$ 2,813,229	\$ 3,177,961	13.0%
51 Information			
511 Publishing Industries (except Internet)	\$ 4,242,577	\$ 5,052,801	19.1%
512 Motion Picture & Sound Recording Industries	\$ 4,314,415	\$ 4,880,166	13.1%
515 Broadcasting (except Internet)	\$ 8,048,354	\$ 11,486,641	42.7%
516 Internet Publishing and Broadcasting	Confidential	\$ 2,281	
517 Telecommunications	\$ 98,431,549	\$ 99,691,361	1.3%
518 ISPs, Search Portals, and Data Processing	\$ 386,669	\$ 587,375	51.9%
519 Other Information Services	Confidential	\$ 41,921	
2-digit Total	\$ 115,461,542	\$ 121,742,546	5.4%
52 Finance and Insurance			
521 Monetary Authorities - Central Bank	Confidential	Confidential	
522 Credit Intermediation and Related Activities	\$ 5,122,916	\$ 2,974,011	-41.9%
523 Securities and Commodity Contract Brokerage	\$ 308,339	\$ 519,975	68.6%
524 Insurance Carriers and Related Activities	\$ 64,951	\$ 322,382	396.3%
525 Funds, Trusts, and Other Financial Vehicles	Confidential	Confidential	
2-digit Total	\$ 5,496,205	\$ 3,825,302	-30.4%
53 Real Estate and Rental and Leasing			
531 Real Estate	\$ 517,709	\$ 631,480	22.0%
532 Rental and Leasing Services	\$ 20,283,386	\$ 22,466,952	10.8%
2-digit Total	\$ 20,801,095	\$ 23,098,433	11.0%

Total State Sales Tax Collection by Standard Industrial Classification

Fiscal Year 2002 - 4.9% state sales tax rate; Fiscal Year 2003 - 5.3% state sales tax rate.

In 2002, the Department converted from the Standard Industrial Classification System (SIC) to the North American Industry Classification System (NAICS). Some of the sizable percent changes are due to the conversion to NAICS.

<u>North American Industry Classification</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Percent Change</u>
54 Professional and Technical Services			
541 Professional and Technical Services	\$ 9,835,692	\$ 9,766,911	-0.7%
2-digit Total	\$ 9,835,692	\$ 9,766,911	-0.7%
55 Management of Companies and Enterprises			
551 Management of Companies and Enterprises	\$ 297,921	\$ 1,034,366	247.2%
2-digit Total	\$ 297,921	\$ 1,034,366	247.2%
56 Administrative and Waste Services			
561 Administrative and Support Services	\$ 15,763,110	\$ 15,548,814	-1.4%
562 Waste Management and Remediation Services	\$ 469,627	\$ 309,587	-34.1%
2-digit Total	\$ 16,232,737	\$ 15,858,401	-2.3%
61 Educational Services			
611 Educational Services	\$ 3,411,965	\$ 3,758,415	10.2%
2-digit Total	\$ 3,411,965	\$ 3,758,415	10.2%
62 Health Care and Social Assistance			
621 Ambulatory Health Care Services	\$ 1,192,193	\$ 829,067	-30.5%
622 Hospitals	\$ 1,159,663	\$ 1,161,930	0.2%
623 Nursing and Residential Care Facilities	\$ 67,305	\$ 70,493	4.7%
624 Social Assistance	\$ 467,735	\$ 501,109	7.1%
2-digit Total	\$ 2,886,896	\$ 2,562,599	-11.2%
71 Arts, Entertainment, and Recreation			
711 Performing Arts and Spectator Sports	\$ 2,230,839	\$ 1,979,210	-11.3%
712 Museums, Historical Sites, Zoos, and Parks	\$ 381,038	\$ 387,769	1.8%
713 Amusement, Gambling, and Recreation	\$ 11,134,530	\$ 13,312,771	19.6%
2-digit Total	\$ 13,746,407	\$ 15,679,749	14.1%
72 Accommodation and Food Services			
721 Accommodation	\$ 16,601,284	\$ 17,093,226	3.0%
722 Food Services and Drinking Places	\$ 106,127,216	\$ 113,474,714	6.9%
2-digit Total	\$ 122,728,500	\$ 130,567,940	6.4%
81 Other Services (except Public Administration)			
811 Repair and Maintenance	\$ 30,903,447	\$ 33,535,493	8.5%
812 Personal and Laundry Services	\$ 9,800,797	\$ 10,489,846	7.0%
813 Membership Associations and Organizations	\$ 3,635,607	\$ 2,726,117	-25.0%
814 Private Households	\$ 213,194	\$ 26,202	-87.7%
2-digit Total	\$ 44,553,045	\$ 46,777,657	5.0%
92 Public Administration			
921 Executive, Legislative, & General Government	\$ 6,195,900	\$ 1,572,660	-74.6%
922 Justice, Public Order, and Safety Activities	\$ 2,855,795	\$ 578,471	-79.7%
923 Administration of Human Resource Programs	Confidential	Confidential	
924 Administration of Environmental Programs	\$ 36,156	\$ 39,407	9.0%
926 Administration of Economic Programs	\$ 165,431	\$ 235,979	42.6%
928 National Security and International Affairs	Confidential	Confidential	
2-digit Total	\$ 9,253,281	\$ 2,427,053	-73.8%
99 Unclassified Establishments			
999 Unclassified Establishments	\$ 2,043,472	\$ 4,090,003	100.1%
2-digit Total	\$ 2,043,472	\$ 4,090,003	100.1%
Grand Total	\$ 1,452,302,533	\$ 1,545,573,707	6.4%

Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

Beginning in FY 1999, the revised reports reflect the amount that was issued to the taxing entity during the fiscal year versus the amount distributed based on receipt month.

County/City	Tax	Effective Date	Fiscal Year		Percent Change
	Rate		2002	2003	
Allen County	1.00%	10/01/94	\$1,185,928	\$1,226,446	3.4%
Gas	1.00%	01/01/91	\$43,258	\$50,643	17.1%
Humboldt	0.50%	01/01/82	\$51,483	\$49,478	-3.9%
Iola	1.00%	01/01/90	\$841,535	\$859,422	2.1%
Moran	0.50%	07/01/84	\$17,288	\$17,458	1.0%
Anderson County	1.00%	01/01/83	\$617,079	\$598,033	-3.1%
Garnett	0.50%	01/01/99	\$241,644	\$230,726	-4.5%
Kincaid	1.00%	07/01/99	\$4,512	\$4,274	-5.3%
Atchison County	1.50%	07/01/98	\$1,867,867	\$1,926,651	3.1%
Atchison	1.00%	08/01/83	\$1,067,561	\$1,115,895	4.5%
Effingham	1.00%	11/01/83	\$30,497	\$27,964	-8.3%
Barber County	1.00%	02/01/83	\$518,632	\$472,780	-8.8%
Hardtner	0.00%	01/01/02	\$7,584	\$0	N/A
Kiowa	1.00%	01/01/01	\$90,952	\$80,939	-11.0%
Medicine Lodge	0.50%	07/01/91	\$159,463	\$153,627	-3.7%
Barton County	1.25%	04/01/03	\$3,886,931	\$3,697,523	N/A
Great Bend	0.50%	04/01/00	\$1,417,499	\$1,322,093	-6.7%
Bourbon County	1.00%	07/01/01	\$1,092,630	\$1,251,576	14.5%
Bronson	1.00%	01/01/97	\$15,158	\$11,920	-21.4%
Fort Scott	1.00%	01/01/84	\$1,132,536	\$1,082,635	-4.4%
Brown County	1.00%	11/01/82	\$775,122	\$763,220	-1.5%
Hiawatha	0.50%	04/01/03	\$441,772	\$433,312	-1.9%
Horton	1.00%	07/01/87	\$105,511	\$104,015	-1.4%
Butler County					
Andover	1.00%	01/01/01	\$820,280	\$862,257	5.1%
Augusta	0.50%	10/01/91	\$438,690	\$412,323	-6.0%
Benton	1.00%	10/01/99	\$32,154	\$35,696	11.0%
Douglass	1.00%	01/01/95	\$87,693	\$84,886	-3.2%
El Dorado	1.00%	10/01/89	\$1,728,171	\$1,672,212	-3.2%
Rose Hill	1.00%	10/01/00	\$132,257	\$123,139	-6.9%
Towanda	1.00%	07/01/95	\$61,330	\$67,954	10.8%
Chase County	1.00%	01/01/99	\$179,080	\$147,180	-17.8%
Cottonwood Falls	1.00%	01/01/91	\$52,525	\$52,216	-0.6%
Strong City	1.50%	01/01/99	\$115,845	\$50,021	-56.8%
Chautauqua County	1.00%	02/01/83	\$178,720	\$182,107	1.9%
Cedar Vale	1.00%	10/01/97	\$22,598	\$20,073	-11.2%
Sedan	0.50%	11/01/81	\$43,516	\$43,823	0.7%
Cherokee County	1.50%	01/01/03	\$1,139,775	\$1,272,916	NA
Baxter Springs	1.00%	07/01/85	\$307,397	\$317,242	3.2%
Columbus	1.00%	07/01/97	\$407,695	\$401,579	-1.5%
Galena	1.00%	07/01/84	\$128,852	\$128,487	-0.3%
Scammon	1.00%	04/01/88	\$15,800	\$15,748	-0.3%
Weir	1.00%	11/01/84	\$27,194	\$28,915	6.3%
Cheyenne County	2.00%	07/01/96	\$468,942	\$436,916	-6.8%
Clark County					
Minneola	1.00%	07/01/99	\$28,804	\$27,643	-4.0%
Clay County	1.00%	01/01/01	\$689,413	\$692,541	0.5%
Clay Center	1.00%	11/01/84	\$568,043	\$566,810	-0.2%
Longford	1.00%	01/01/89	\$6,035	\$6,218	3.0%
Wakefield	1.00%	11/01/82	\$23,037	\$25,314	9.9%
Cloud County	1.00%	01/01/01	\$1,063,847	\$1,036,835	-2.5%
Concordia	1.00%	02/01/83	\$877,823	\$870,561	-0.8%
Glasco	1.00%	07/01/83	\$18,417	\$19,620	6.5%
Miltonvale	1.00%	07/01/87	\$31,447	\$27,066	-13.9%
Comanche County					
Coldwater	1.00%	07/01/98	\$84,760	\$79,675	-6.0%
Protection	1.00%	01/01/99	\$36,897	\$36,516	-1.0%
Cowley County					
Arkansas City	1.00%	04/01/85	\$1,386,817	\$1,300,839	-6.2%
Burden	1.00%	01/01/96	\$18,767	\$23,274	24.0%
Winfield	1.00%	11/01/84	\$1,390,388	\$1,336,772	-3.9%

Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

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County/City	Tax	Effective	Fiscal Year	Fiscal Year	Percent
	Rate	Date	2002	2003	Change
Crawford County	1.00%	07/01/01	\$4,196,630	\$3,734,430	-11.0%
Arma	0.50%	11/01/82	\$44,376	\$43,678	-1.6%
Frontenac	1.00%	01/01/95	\$382,892	\$350,883	-8.4%
Girard	1.00%	01/01/01	\$261,327	\$215,744	-17.4%
Pittsburg	0.50%	10/01/99	\$1,314,996	\$1,307,060	-0.6%
Decatur County	1.00%	11/01/84	\$216,614	\$189,763	-12.4%
Dickinson County	1.00%	07/01/97	\$1,704,944	\$1,604,371	-5.9%
Abilene	0.75%	10/01/00	\$780,401	\$726,513	-6.9%
Herington	1.00%	10/01/00	\$176,596	\$169,279	-4.1%
Doniphan County	1.00%	10/01/94	\$367,807	\$358,704	-2.5%
Elwood	1.00%	11/01/84	\$98,658	\$93,167	-5.6%
Douglas County	1.00%	01/01/95	\$11,714,705	\$11,886,158	1.5%
Baldwin City	1.00%	07/01/91	\$234,825	\$250,805	6.8%
Eudora	0.50%	11/01/82	\$84,827	\$87,067	2.6%
Lawrence	1.00%	10/01/90	\$10,730,359	\$10,876,300	1.4%
Edwards County	1.00%	11/01/83	\$178,249	\$171,900	-3.6%
Elk County	1.00%	11/01/82	\$187,150	\$165,656	-11.5%
Ellis County					
Ellis	1.00%	11/01/83	\$103,088	\$109,350	6.1%
Hays	1.00%	04/01/03	\$5,900,749	\$5,875,624	NA
Ellsworth County	0.50%	01/01/97	\$212,232	\$199,836	-5.8%
Ellsworth	1.25%	07/01/00	\$336,645	\$312,293	-7.2%
Kanopolis	1.00%	07/01/85	\$23,415	\$19,506	-16.7%
Wilson	1.00%	09/01/83	\$44,430	\$43,132	-2.9%
Finney County	0.75%	07/01/95	\$3,922,807	\$3,711,413	-5.4%
Garden City	1.00%	07/01/94	\$4,233,509	\$4,130,921	-2.4%
Ford County	1.00%	10/01/97	\$4,062,366	\$4,054,800	-0.2%
Dodge City	1.00%	10/01/97	\$3,727,106	\$3,695,598	-0.8%
Franklin County	1.50%	01/01/93	\$3,547,347	\$3,553,543	0.2%
Ottawa	0.60%	07/01/01	\$1,054,502	\$1,098,783	4.2%
Pomona	1.00%	07/01/99	\$35,651	\$37,547	5.3%
Princeton	0.50%	07/01/95	\$5,034	\$5,556	10.4%
Wellsville	0.50%	01/01/93	\$51,019	\$50,132	-1.7%
Williamsburg	1.00%	10/01/96	\$13,139	\$15,227	15.9%
Geary County	1.25%	04/01/93	\$3,063,242	\$3,078,964	0.5%
Grandview Plaza	1.00%	04/01/99	\$42,635	\$40,104	-5.9%
Junction City	1.00%	11/01/82	\$2,229,249	\$2,239,717	0.5%
Gove County	1.00%	11/01/84	\$296,792	\$273,622	-7.8%
Grinnell	0.50%	01/01/03		\$2,769	NA
Graham County					
Hill City	1.00%	07/01/85	\$188,700	\$187,036	-0.9%
Morland	1.00%	10/01/96	\$9,452	\$10,068	6.5%
Grant County					
Ulysses	1.00%	11/01/83	\$716,541	\$666,200	-7.0%
Gray County	1.00%	02/01/83	\$472,788	\$422,841	-10.6%
Greeley County	1.00%	11/01/82	\$117,854	\$101,871	-13.6%
Greenwood County	1.00%	07/01/95	\$451,549	\$447,833	-0.8%
Eureka	0.00%	07/01/95	\$40	\$0	NA
Hamilton County	0.50%	01/01/93	\$101,687	\$94,472	-7.1%
Syracuse	1.00%	06/01/84	\$148,419	\$141,967	-4.3%
Harper County					
Harper	1.00%	01/01/01	\$165,818	\$221,439	33.5%
Anthony	1.50%	01/01/01	\$342,334	\$335,810	-1.9%
Harvey County	1.00%	07/01/86	\$3,421,663	\$3,300,208	-3.5%
Haskell County	0.50%	01/01/83	\$142,313	\$143,158	0.6%
Satanta	0.50%	01/01/87	\$39,642	\$46,816	18.1%
Sublette	0.50%	01/01/83	\$53,905	\$55,959	3.8%
Jackson County	1.00%	07/01/94	\$1,022,836	\$1,011,506	-1.1%
Holton	0.25%	01/01/95	\$196,701	\$191,662	-2.6%

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<u>County/City</u>	<u>Tax Rate</u>	<u>Effective Date</u>	<u>Fiscal Year</u>		<u>Percent Change</u>
			<u>2002</u>	<u>2003</u>	
Jefferson County	2.00%	01/01/94	\$783,694	\$801,130	2.2%
Perry	0.50%	07/01/81	\$40,419	\$38,077	-5.8%
Jewell County	1.00%	02/01/83	\$163,150	\$157,354	-3.6%
Johnson County	1.100%	01/01/03	\$83,389,916	\$80,722,922	NA
De Soto	1.75%	07/01/02	\$239,210	\$407,823	NA
Edgerton	1.00%	07/01/85	\$35,696	\$38,117	6.8%
Fairway	1.00%	07/01/86	\$319,957	\$292,685	-8.5%
Gardner	1.00%	01/01/89	\$793,516	\$851,542	7.3%
Leawood	1.125%	07/01/00	\$4,427,724	\$4,399,142	-0.6%
Lenexa	1.125%	10/01/00	\$11,720,434	\$11,106,968	-5.2%
Merriam	1.25%	01/01/01	\$6,199,947	\$5,827,251	-6.0%
Mission	1.25%	10/01/02	\$2,121,564	\$2,615,704	NA
Olathe	1.125%	04/01/00	\$20,637,277	\$21,094,858	2.2%
Overland Park	1.125%	04/01/99	\$35,879,471	\$36,875,784	2.8%
Prairie Village	1.00%	02/01/84	\$1,922,305	\$1,833,595	-4.6%
Roeland Park	1.25%	04/01/03	\$1,083,293	\$1,022,365	NA
Shawnee	1.125%	07/01/85	\$8,108,671	\$8,222,260	1.4%
Spring Hill	1.00%	02/01/84	\$290,725	\$288,616	-0.7%
Westwood	1.00%	02/01/84	\$223,377	\$196,040	-12.2%
Westwood Hills	1.00%	02/01/84	\$15,135	\$17,913	18.4%
Kearny County					
Deerfield	1.00%	10/01/94	\$21,824	\$20,179	-7.5%
Lakin	1.00%	07/01/83	\$134,211	\$130,126	-3.0%
Kingman County					
Spivey	0.50%	01/01/79	\$28,676	\$22,197	-22.6%
Kiowa County	1.00%	11/01/82	\$240,952	\$244,587	1.5%
Labette County	1.25%	07/01/01	\$2,155,140	\$2,255,728	4.7%
Altamont	1.00%	07/01/99	\$53,658	\$45,503	-15.2%
Chetopa	1.50%	01/01/02	\$93,092	\$119,162	28.0%
Edna	1.00%	01/01/89	\$25,498	\$27,211	6.7%
Oswego	1.00%	07/01/95	\$116,079	\$118,728	2.3%
Parsons	1.00%	01/01/97	\$1,394,984	\$1,316,807	-5.6%
Lane County					
Dighton	1.00%	07/01/83	\$88,414	\$90,627	2.5%
Leavenworth County	1.00%	01/01/97	\$4,636,090	\$4,835,236	4.3%
Basehor	1.00%	10/01/95	\$77,440	\$91,946	18.7%
Easton	1.00%	07/01/85	\$12,903	\$10,722	-16.9%
Lansing	1.00%	01/01/89	\$598,060	\$620,584	3.8%
Leavenworth	1.00%	03/01/85	\$3,209,170	\$3,341,271	4.1%
Linwood	1.00%	04/01/03		\$494	NA
Tonganoxie	1.00%	07/01/89	\$321,497	\$311,800	-3.0%
Lincoln County	1.00%	02/01/83	\$190,108	\$172,410	-9.3%
Linn County					
La Cygne	1.00%	10/01/88	\$86,200	\$104,837	21.6%
Mound City	1.00%	07/01/93	\$95,526	\$92,642	-3.0%
Pleasanton	1.00%	10/01/95	\$145,037	\$133,427	-8.0%
Logan County	1.00%	11/01/82	\$289,760	\$255,658	-11.8%
Lyon County	0.50%	07/01/99	\$1,972,149	\$1,927,945	-2.2%
Americus	0.50%	04/01/87	\$13,477	\$12,921	-4.1%
Emporia	1.00%	01/01/95	\$3,716,665	\$3,635,602	-2.2%
McPherson County	1.00%	07/01/82	\$3,224,123	\$2,957,139	-8.3%
Lindsborg	1.00%	07/01/00	\$214,200	\$218,709	2.1%
McPherson	0.50%	10/01/02		\$500,828	NA
Marion County	1.00%	07/01/87	\$819,585	\$796,761	-2.8%
Hillsboro	0.50%	05/01/85	\$173,945	\$164,120	-5.6%
Marion	0.75%	07/01/01	\$107,169	\$130,442	21.7%
Marshall County					
Frankfort	1.00%	04/01/03		\$5,085	NA
Marysville	1.00%	10/01/99	\$576,352	\$576,881	0.1%
Meade County	1.00%	11/01/84	\$288,810	\$285,063	-1.3%
Miami County	1.25%	01/01/01	\$2,903,603	\$3,010,015	3.7%
Fontana	0.50%	07/01/97	\$2,049	\$2,104	2.7%
Louisburg	1.00%	01/01/97	\$453,585	\$476,144	5.0%
Osawatomie	0.50%	07/01/81	\$126,951	\$118,203	-6.9%
Paola	1.00%	10/01/96	\$993,777	\$1,042,270	4.9%
Mitchell County	1.00%	11/01/82	\$724,263	\$731,500	1.0%
Beloit	0.50%	07/01/01	\$216,304	\$270,952	25.3%
Montgomery County	0.00%	10/01/02	\$3,754,916	\$1,595,094	NA

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County/City	Tax Rate	Effective Date	Fiscal Year		Percent Change
			2002	2003	
Caney	2.75%	04/01/03	\$219,189	\$225,939	NA
Cherryvale	1.75%	07/01/01	\$226,898	\$243,841	7.5%
Coffeyville	2.50%	10/01/02	\$1,994,068	\$2,702,008	NA
Dearing	1.00%	04/01/03		\$2,041	NA
Independence	2.25%	10/01/02	\$2,574,350	\$3,313,595	N/A
Morris County	1.00%	11/01/82	\$459,779	\$438,455	-4.6%
Morton County					
Elkhart	1.00%	01/01/95	\$253,529	\$213,846	-15.7%
Rolla	1.00%	01/01/97	\$22,958	\$23,842	3.9%
Nemaha County	1.00%	11/01/82	\$828,493	\$816,886	-1.4%
Sabetha	0.50%	07/01/91	\$171,220	\$164,230	-4.1%
Neosho County	1.00%	10/01/00	\$1,844,416	\$1,896,041	2.8%
Chanute	1.00%	11/01/87	\$1,506,461	\$1,555,209	3.2%
Erie	1.00%	01/01/88	\$97,091	\$104,126	7.2%
Saint Paul	1.00%	04/01/98	\$38,165	\$34,268	-10.2%
Thayer	1.00%	07/01/95	\$30,607	\$29,502	-3.6%
Ness County					
Ness City	1.00%	10/01/02		\$85,436	NA
Ransom	0.50%	10/01/93	\$13,749	\$14,023	2.0%
Norton County					
Almena	0.50%	04/01/03		\$698	NA
Norton	0.50%	04/01/93	\$197,261	\$178,003	-9.8%
Osage County	1.00%	11/01/82	\$890,879	\$861,572	-3.3%
Lyndon	1.00%	01/01/99	\$91,432	\$78,690	-13.9%
Overbrook	1.00%	01/01/99	\$79,488	\$77,575	-2.4%
Osborne County	0.50%	01/01/83	\$172,200	\$172,406	0.1%
Ottawa County	1.00%	06/01/01	\$310,304	\$284,393	-8.4%
Delphos	1.00%	11/01/84	\$14,584	\$15,187	4.1%
Minneapolis	0.50%	07/01/01	\$66,883	\$82,893	23.9%
Pawnee County	1.00%	07/01/83	\$562,050	\$512,642	-8.8%
Phillips County					
Glade	1.00%	01/01/01	\$10,996	\$9,645	-12.3%
Phillipsburg	1.00%	07/01/01	\$321,112	\$335,904	4.6%
Pottawatomie County					
Onaga	1.00%	11/01/82	\$45,693	\$44,847	-1.9%
Saint Marys	1.00%	11/01/84	\$238,081	\$247,168	3.8%
Wamego	1.75%	01/01/93	\$700,275	\$724,177	3.4%
Westmoreland	1.00%	01/01/93	\$28,837	\$28,535	-1.0%
Pratt County	1.00%	07/01/82	\$1,270,890	\$1,311,386	3.2%
Pratt	0.50%	10/01/02	\$260,628	\$431,942	N/A
Rawlins County	1.00%	02/01/83	\$173,705	\$165,311	-4.8%
Reno County	1.00%	07/01/86	\$8,139,302	\$8,219,242	1.0%
Hutchinson	0.75%	04/01/94	\$5,041,578	\$5,120,937	1.6%
South Hutchinson	0.50%	01/01/93	\$179,363	\$171,014	-4.7%
Republic County	1.00%	11/01/82	\$423,066	\$404,557	-4.4%
Rice County	1.00%	11/01/82	\$705,125	\$665,121	-5.7%
Lyons	0.50%	07/01/01	\$90,825	\$158,458	NA
Riley County	1.00%	01/01/99	\$5,290,847	\$5,282,782	-0.2%
Manhattan	1.00%	01/01/99	\$6,425,893	\$6,341,630	-1.3%
Ogden	1.00%	11/01/82	\$45,542	\$45,774	0.5%
Riley	1.00%	07/01/92	\$46,390	\$46,310	-0.2%
Plainville	1.00%	04/01/97	\$233,744	\$223,117	-4.5%
Stockton	1.50%	01/01/99	\$208,986	\$187,522	-10.3%
Rooks County	0.00%	10/01/00	\$3,124	\$1,917	NA
Rush County					
La Crosse	1.00%	01/01/96	\$91,397	\$88,119	-3.6%
Russell County	1.00%	04/01/88	\$957,314	\$932,171	-2.6%
Saline County	1.00%	06/01/95	\$8,869,556	\$8,874,035	0.1%
Salina	0.75%	01/01/99	\$6,227,232	\$6,278,944	0.8%
Scott County	1.00%	05/01/82	\$578,823	\$509,477	-12.0%
Sedgwick County	1.00%	10/01/85	\$66,975,030	\$67,731,322	1.1%
Derby	0.50%	04/01/03		\$91,986	NA
Seward County	1.00%	11/01/00	\$3,398,935	\$3,257,731	-4.2%
Liberal	1.00%	10/01/94	\$3,172,578	\$3,074,004	-3.1%
Shawnee County	0.90%	07/01/99	\$24,292,547	\$22,899,469	-5.7%
Auburn	1.00%	07/01/84	\$75,190	\$72,287	-3.9%
Rossville	1.00%	10/01/86	\$77,469	\$81,444	5.1%
Topeka	1.00%	11/01/82	\$23,093,299	\$23,263,248	0.7%

Local Sales Tax Rates, Effective Dates and Collections Issued for FY 2002 and FY 2003

Beginning in FY 1999, the revised reports reflect the amount that was issued to the taxing entity during the fiscal year versus the amount distributed based on receipt month.

<u>County/City</u>	<u>Tax Rate</u>	<u>Effective Date</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2003</u>	<u>Percent Change</u>
Sheridan County	1.00%	01/01/99	\$203,100	\$190,626	-6.1%
Sherman County	1.50%	10/01/98	\$1,424,914	\$1,108,980	-22.2%
Smith County					
Smith Center	0.50%	01/01/01	\$94,306	\$95,546	1.3%
Stafford County	1.00%	11/01/84	\$260,713	\$244,632	-6.2%
Stanton County	1.00%	11/01/84	\$139,339	\$123,623	-11.3%
Stevens County					
Hugoton	1.00%	01/01/94	\$336,241	\$302,600	-10.0%
Sumner County					
Argonia	1.00%	01/01/91	\$18,033	\$20,886	15.8%
Belle Plaine	1.00%	10/01/89	\$95,839	\$84,356	-12.0%
Caldwell	1.00%	11/01/82	\$84,944	\$78,213	-7.9%
Conway Springs	1.00%	10/01/89	\$52,004	\$51,217	-1.5%
Mayfield	0.50%	11/01/82	\$3,251	\$3,416	5.1%
Oxford	1.00%	11/01/84	\$71,171	\$58,026	-18.5%
Wellington	1.25%	01/01/94	\$1,178,315	\$1,125,701	-4.5%
Thomas County	1.00%	11/01/82	\$1,166,599	\$1,127,937	-3.3%
Colby	0.00%	01/01/99	\$1,852	\$2,929	NA
Trego County					
Collyer	1.00%	01/01/01	\$3,509	\$3,495	-0.4%
Wakeeney	1.00%	02/01/83	\$222,503	\$234,696	5.5%
Wabaunsee County	1.25%	01/01/01	\$332,107	\$338,722	2.0%
Maple Hill	0.75%	01/01/03		\$324,904	NA
Paxico	1.00%	10/01/96	\$7,849	\$9,717	23.8%
Washington County	1.00%	02/01/83	\$356,514	\$355,964	-0.2%
Wichita County	2.00%	01/01/96	\$360,151	\$286,372	-20.5%
Wilson County	1.00%	10/01/00	\$578,977	\$593,394	2.5%
Fredonia	1.00%	01/01/86	\$250,297	\$259,590	3.7%
Neodesha	2.00%	10/01/92	\$343,340	\$337,017	-1.8%
Woodson County					
Yates Center	1.75%	01/01/02	\$150,874	\$207,459	37.5%
Toronto	0.50%	11/01/82	\$7,448	\$6,939	-6.8%
Wyandotte County	1.00%	01/01/84	\$14,614,727	\$15,514,829	6.2%
Bonner Springs	1.00%	01/01/86	\$1,305,289	\$1,506,539	15.4%
Edwardsville	1.00%	01/01/86	\$152,758	\$133,772	-12.4%
Kansas City	1.00%	01/01/84	\$13,097,495	\$13,733,107	4.9%
		Grand Total	\$524,792,979	\$529,588,661	0.9%
		<u>Amounts Co/Cty</u>			
		All Counties	\$304,185,323	\$298,080,310	-2.0%
		All Cities	<u>\$227,178,289</u>	<u>\$231,508,351</u>	<u>1.9%</u>
		Total Locals	\$531,363,612	\$529,588,661	-0.3%
		<u>Numbers Co/Cty</u>			
		All Counties	78	76	-2.6%
		All Cities	<u>179</u>	<u>187</u>	<u>4.5%</u>
		Total Locals	257	263	2.3%

• ALL cities within counties with a local tax are subject to the countywide tax as well as to any city tax
 • NC indicates Not Comparable because of a new, increased, decreased or repealed tax rate.
 • Totals may not add due to rounding

TAX EXPENDITURE REPORT

Calendar Year 2003

Prepared by
Kansas Department of Revenue
Joan Wagnon, Secretary of Revenue

Assessment & Taxation
Date 01-26-05
Attachment # 3

Introduction

The Kansas Department of Revenue has compiled this report to indicate the fiscal impact of exemptions, credits, deductions, modifications, and exclusions relating to the following taxes and programs:

- Individual, Fiduciary and Corporate Income, Privilege Taxes;
- Retailers' Sales Tax Exemptions;
- Mineral Taxes;
- Motor Fuel Taxes;
- Homestead;
- Food Sales Tax Refund; and
- Kansas IMPACT.

This report shall be a working document. It is our hope and intention that this report will continue to develop and provide information to the Governor, Kansas Legislature and the citizens of the state of Kansas to allow for the making of informative analysis and decisions.

This report covers expenditures for the calendar year of 2003.

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Modifications and deductions have been separately stated according to resident filers and nonresident filers. Nonresident filers of Kansas in many cases have a small percentage of income from Kansas sources. As a nonresident, a taxpayer must apply a nonresident percentage to come up with an actual Kansas tax liability. The tax expenditures presented for nonresident filers apply this percentage in order to provide the reader with truer cost of expenditures associated with these filers.

FIDUCIARY INCOME TAX

The fiduciary of a resident estate or trust must file a Kansas fiduciary income tax return if the estate or trust had any taxable income and/or there is withholding tax due for the nonresident beneficiaries. The fiduciary of a nonresident estate must file a Kansas fiduciary income tax return if the estate or trust had taxable income or gain derived from Kansas source.

Kansas begins its fiduciary income tax calculation with federal taxable income and allows for several addition/subtraction modifications.

For process year 2003, tax year 2002, Kansas fiduciary income tax was imposed as follows:

If Kansas taxable income is:

Over	But Not Over	The Tax is:
\$0	\$15,000	3.50% of Kansas taxable income
\$15,000	\$30,000	\$525 + 6.25% of excess over \$15,000
\$30,000		\$1,462.50 + 6.45% of excess over \$30,000

**INDIVIDUAL AND FIDUCIARY INCOME TAX
RESIDENT TAX FILERS
PROCESS YEAR 2003**

ADDITION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	24,166	\$6,142,000
K.S.A. 79-32,117(b)(iv)	Contributions to all Kansas public employee's retirement systems	116,937	\$8,834,000
K.S.A. 79-32,143	Federal net operating loss carry forward	7,585	\$18,385,000
Various	Other additions to federal adjusted gross income	7,151	\$1,465,000

*Tax expenditure computed using average tax rate of .05

SUBTRACTION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	69,606	(\$8,625,000)
K.S.A. 79-32,117(c)(v)	State income tax refund	202,911	(\$8,852,000)
K.S.A. 79-32,143	Kansas net operating loss carry forward	5,558	(\$18,978,000)
Various	Retirement benefits specifically exempt from Kansas income tax	80,098	(\$66,469,000)
Various	Other subtractions from federal adjusted gross income	14,478	(\$11,334,000)

*Tax expenditure computed using average tax rate of .05

DEDUCTIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,119; K.S.A. 79-32,120	Standard deduction or Itemized deductions	1,206,776	(\$449,870,000)
K.S.A. 79-32,121	Exemption allowance	1,124,173	(\$294,205,000)

*Tax expenditure computed using average tax rate of .05

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**INDIVIDUAL AND FIDUCIARY INCOME TAX
NONRESIDENT TAX FILERS
PROCESS YEAR 2003**

ADDITION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	6,109	\$2,434,000
K.S.A. 79-32,117(b)(iv)	Contributions to all Kansas public employee's retirement systems	5,088	\$62,000
K.S.A. 79-32,143	Federal net operating loss carry forward	1,000	\$2,140,000
Various	Other additions to federal adjusted gross income	2,480	\$475,000

*Tax expenditure computed using average tax rate of .05

SUBTRACTION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	12,309	(\$1,496,000)
K.S.A. 79-32,117(c)(v)	State income tax refund	64,667	(\$1,629,000)
K.S.A. 79-32,143	Kansas net operating loss carry forward	705	(\$1,209,000)
Various	Retirement benefits specifically exempt from Kansas income tax	3,350	(\$523,000)
Various	Other subtractions from federal adjusted gross income	1,728	(\$706,000)

*Tax expenditure computed using average tax rate of .05

DEDUCTIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,119; K.S.A. 79-32,120	Standard deduction or Itemized deductions	208,870	(\$24,736,000)
K.S.A. 79-32,121	Exemption allowance	200,692	(\$8,544,000)

*Tax expenditure computed using average tax rate of .05

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**INDIVIDUAL AND FIDUCIARY INCOME TAX
RESIDENT AND NONRESIDENT TAX FILERS
PROCESS YEAR 2003**

TAX CREDITS

Statutory Reference	Description	Number of Filers	Expenditure
K.S.A. 79-32,111	Credit for taxes paid to other states	116,639	(\$211,688,000)
K.S.A. 79-32,111a	Credit for child and dependent care expenses	63,617	(\$ 7,136,000)
K.S.A. 79-32,202	Adoption credit	283	(\$304,000)
K.S.A. 79-32,181a	Agricultural loan interest reduction credit	0	(\$0)
K.S.A. 79-32,201	Alternative-fuel tax credit	10	(\$9,000)
K.S.A. 79-32,153	Business and job development tax credit	124	(\$110,000)
K.S.A. 79-32,160a	Business and job development tax credit	221	(\$2,005,000)
K.S.A. 79-32,206	Business machinery and equipment tax credit	9,525	(\$3,274,000)
K.S.A. 79-32,190	Child day care assistance credit	8	(\$14,000)
K.S.A. 79-32,197	Community service contribution credit	931	(\$2,422,000)
K.S.A. 79-32,176	Disabled access credit	115	(\$208,000)
K.S.A. 79-32,205	Earned income credit	163,711	(\$40,813,000)
K.S.A. 79-32,203	Habitat management credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,160a(e); K.S.A. 74-50,132	High performance incentive program credit	118	(\$4,020,000)
K.S.A. 79-32,211	Historic preservation tax credit	32	(\$588,000)
K.S.A. 79-32,207	Plugging an abandoned oil or gas well credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,182b	Research and development credit	67	(\$58,000)
K.S.A. 79-32,212	Single city port authority credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 40-2246	Small employer health insurance contribution credit	58	(\$71,000)
K.S.A. 79-32,204	Swine facility improvement credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,210	Telecommunications credit	64	(\$21,000)
K.S.A. 79-32,200	Temporary assistance to families contribution credit	0	(\$0)
K.S.A. 74-8205; 74-8206; 74-8304; 74-8316	Venture and local seed capital credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,143	Farm Net Operating Loss	50	(\$75,000)

*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

CORPORATE INCOME TAX

Year Enacted: 1933
Statutory Citation: K.S.A. Chapter 79, Article 32

All corporations doing business within or deriving income from sources within Kansas that are required to file a federal income tax return, shall also be required to file a Kansas corporate income tax return

Kansas begins its corporate income tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

Corporations not based in Kansas in many cases have a small percentage of income from Kansas sources and use a three factor formula of payroll, sales and property to determine the amount of income apportioned to Kansas. The tax expenditures presented for corporations not based in Kansas have had the apportionment percentage applied in order to provide the reader with truer cost of expenditures associated with these filers.

For process year 2003, tax year 2002, the normal tax for Kansas corporate income tax is imposed at the rate of 4% and a surtax at the rate of 3.35% is imposed on those corporations where the Kansas taxable income is in excess of \$50,000

**CORPORATE INCOME TAX
RESIDENT TAX FILERS
PROCESS YEAR 2003**

ADDITION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,138(b)(i) K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	250	\$4,821,000
K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	4,001	\$31,125,000
K.S.A. 79-32,117(b)(ii)	Taxes on or measured by income or fees or payments in lieu of income taxes	6,061	\$8,412,000
Various	Other additions to federal adjusted gross income	202	\$1,338,000

*Tax expenditure computed using average tax rate of .065

SUBTRACTION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,138(c)(i) K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	323	(\$321,000)
Various	Other subtractions from federal adjusted gross income	1,539	(\$4,739,000)

*Tax expenditure computed using average tax rate of .065

DEDUCTIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,143	Kansas Net Operating Loss	6,879	(\$71,585,000)

*Tax expenditure computed using average tax rate of .065

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**CORPORATE INCOME TAX
NONRESIDENT TAX FILERS
PROCESS YEAR 2003**

ADDITION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,138(b)(i) K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	341	\$263,000
K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	1,125	\$11,714,000
K.S.A. 79-32,117(b)(ii)	Taxes on or measured by income or fees or payments in lieu of income taxes	4,432	\$2,174,000
Various	Other additions to federal adjusted gross income	209	\$550,000

*Tax expenditure computed using average tax rate of .065

SUBTRACTION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,138(c)(i) K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	368	(\$585,000)
Various	Other subtractions from federal adjusted gross income	725	(\$3,161,000)

*Tax expenditure computed using average tax rate of .065

DEDUCTIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,143	Kansas Net Operating Loss	1,973	(\$538,000)

*Tax expenditure computed using average tax rate of .065

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**CORPORATE INCOME TAX
RESIDENT AND NONRESIDENT TAX FILERS
PROCESS YEAR 2003**

TAX CREDITS

Statutory Reference	Description	Number of Filers	Tax Expenditure
K.S.A. 79-32,181a	Agricultural loan interest reduction credit	0	(\$0)
K.S.A. 79-32,201	Alternative-fuel tax credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,153	Business and job development tax credit	69	(\$1,322,000)
K.S.A. 79-32,160a	Business and job development tax credit	125	(\$3,068,000)
K.S.A. 79-32,206	Business machinery and equipment tax credit	4,638	(\$16,663,000)
K.S.A. 79-32,190	Child day care assistance credit	10	(\$126,000)
K.S.A. 79-32,197	Community service contribution credit	63	(\$319,000)
K.S.A. 79-32,177	Disabled access credit	17	(\$16,000)
K.S.A. 79-32,203	Habitat management credit	0	(\$0)
K.S.A. 79-32,160a(e); K.S.A. 74-50,132	High performance incentive program credit	28	(\$6,462,000)
K.S.A. 79-32,211	Historic preservation tax credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,207	Plugging an abandoned oil or gas well credit	0	0
K.S.A. 79-32,182b	Research and development credit	47	(\$564,000)
K.S.A. 79-32,212	Single city port authority credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 40-2246	Small employer health insurance contribution credit	11	(\$37,000)
K.S.A. 79-32,204	Swine facility improvement credit	0	(\$0)
K.S.A. 79-32,210	Telecommunications credit	23	(\$178,000)
K.S.A. 79-32,200	Temporary assistance to families contribution credit	0	(\$0)
K.S.A. 74-8205; 74-8206; 74-8304; 74-8316	Venture and local seed capital credit	0	(\$0)
K.S.A. 79-32,143	Farm Net Operating Loss	16	(\$67,000)

*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

PRIVILEGE TAX

Year Enacted: 1963
Statutory Citation: K.S.A. Chapter 79, Article 11

Every national banking association, bank, trust company, federally chartered savings bank, and savings and loan association located or doing business within the state shall be required to file a privilege tax return and pay a tax according to or measured by its net income for the next preceding taxable year.

Kansas begins its privilege tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

For process year 2003, tax year 2002, a tax consisting of a normal tax and a surtax shall be imposed for privilege tax filers. The normal tax shall be an amount equal to 2.25% of Kansas taxable income and a surtax in an amount equal to 2.125% of Kansas taxable income that is in excess of \$25,000 for banks and 2.25% of Kansas taxable income that is in excess of \$25,000 for savings & loans and trust companies.

**PRIVILEGE TAX
PROCESS YEAR 2003
(418 PRIVILEGE TAX FILERS)**

ADDITION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-1109	State and municipal bond interest not specifically exempt from Kansas income tax.	331	\$17,395,000
K.S.A. 79-1109 K.S.A. 79-32,138(b) K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	31	\$8,705,000
K.S.A. 79-1109	Savings & Loan Bad Debt Deduction included in federal deductions	14	\$9,282,000
Various	Other additions to federal taxable income	90	\$1,398,000

*Tax expenditure computed using average rate of 4%

SUBTRACTION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
Various	Subtractions from federal taxable income	261	(\$2,178,000)

*Tax expenditure computed using average rate of 4%

DEDUCTIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
K.S.A. 79-32,143	Kansas Net Operating Loss	41	(\$25,174,000)
K.S.A. 79-1109	Savings and Loan Bad Debt Deduction	21	(\$720,000)

*Tax expenditure computed using average rate of 4%

TAX CREDITS

Statutory Reference	Description	Number of Filers	Tax Expenditure
K.S.A. 79-1126a	Agricultural loan interest reduction credit	0	(\$0)
K.S.A. 79-32,153	Business and job development tax credit	41	(\$148,000)
K.S.A. 79-32,160a	Business and job development tax credit	0	(\$0)
K.S.A. 79-32,206	Business machinery and equipment tax credit	371	(\$776,000)
K.S.A. 79-32,190	Child day care assistance credit	0	(\$0)
K.S.A. 79-32,197	Community service contribution credit	32	(\$262,000)
K.S.A. 79-1117	Disabled access credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,160a(e); K.S.A. 74-50,132	High performance incentive program credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,211	Historic preservation tax credit	0	(\$0)
K.S.A. 74-8205; 74-8206; 74-8304; 74-8316	Venture and local seed capital credit	0	(\$0)

*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

KANSAS RETAILERS' SALES TAX

Year Enacted: 1937

Statutory Citation: K.S.A. Chapter 79, Article 36

Kansas imposes a state retailers' sales tax of 5.3%, plus local sales taxes on the following:

- Retail sale, rental or lease of tangible personal property;
- Labor services to install, apply, repair, service, alter, or maintain tangible personal property; and
- Admissions to places providing entertainment, amusement, or recreation in Kansas.

Kansas law allows many exemptions from the imposition of sales tax.

State Sales Tax Exemptions Summary

Statute	Description of Exemption or Exclusion	Recent Revision	FY200 (\$ in Millions)
Tax Rate			5.3%
Annual Rate of Increase			
3602 (e)	Definition of retail sales, exempting wholesale sales and sales for resale		\$ -
3603 (b)	Taxes telephone and telegraph services except creation WATS and private data lines. Bundling of services added in 2001. Modified pre-paid calling cards - revolved phrase dealing with sold in minutes (no fiscal impact).	Rev 2001 SB 1 Rev 2002 SB 39	\$ 1.217
3603 (e)	Admission to any cultural and historical event which occurs triennially	Revised 1994	Minimal
3603 (f)	Coin operated Laundry Services		\$ 0.309
3603 (g)	Service of renting of rooms by holds or accommodation brokers to federal government or any federal employee in performance of official government duties.	2002 SB39	\$ 0.100
3603 (h)	Service of leasing or renting machinery and equipment owned by city purchased with industrial revenue bonds prior to July 1, 1973		\$ -
3603 (m)	Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation.	Revised 1994 1998 SB493	\$ 0.762
3603 (n)	Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and zoos	1998 SB493	\$ 0.281
3603 (n)	Attributable to veterans	1998 SB493	\$ 0.104
3603 (n)	Attributable to humanitarians	1998 SB493	\$ 0.050
3603 (n)	Attributable to nonprofit zoo.	1998 SB493	\$ 0.127
3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.		\$ 0.176
3603 (o)	In 2004, changed the way sales tax computed on isolated and occasional sales of vehicles. Estimated to generate \$2 million annually	2004 SB 147	
3603 (p)	Labor services of installing or applying property in original construction of a building or facility or the construction reconstruction, restoration, replacement or repair of a residence, bridge or highway	1998 SB493	\$ 76.539
3603 (q)	Exemption for Service of repairing, servicing, maintaining custom computer software as described in section 3603 (s)	1988 Amended 2002 SB39	\$ -
3603 (s)	Customized computer software and services for modifying software for single end use and billed as a separate invoiced item. In 2004, amended to tax only prewritten software. Custom software is exempt	1988 Amended 2002 SB39, 2004SB 147	\$ 19.229
3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002	2000 HB 2013	\$ 2.301
3606 (a)	Motor fuels and items taxed by sales or excise tax	1999	\$ 195.777
3606 (b)	Property or services purchases by State of Kansas, political subdivision, nonprofit hospital or blood /donor bank. In 2001, deleted sales of water to make purchases for water suppliers exempt. (Neutral FN due to Clean Water Fee)	2001 SB 332	\$ 278.597
3606 (c)	Property or services purchased and leasing by elementary or secondary schools and educational institutions		\$ 49.232
3606 (d)	Property or services purchased by contractor for building or repair of buildings for nonprofit hospital, elementary or secondary schools or nonprofit educational institutions		\$ 100.155
3606 (e)	Property or services purchases by federal government, its agencies or instrumentality's		\$ 4.661
3606 (f)	Property purchased by railroad or public utility for use in the movement of interstate commerce		\$ 13.078
3606 (g)	Sales, repair or modification of aircraft sold for interstate commerce directly through an authorized agent. IN 2004, expanded aircraft exemption for repair, modification plus parts and labor	1998 SB493, 2004 SB 147	\$ 5.467
3606 (h)	Rental of nonsectarian textbooks by elementary or secondary schools		\$ 0.805
3606 (i)	Lease or rental of films, records, tapes, etc. by motion picture exhibitors		\$ 1.438
3606 (j)	Meals served without charge to employees if duties include furnishing or sale of such meals or drinks		\$ 3.186
3606 (k)	Vehicles, trailers or aircraft purchased and delivered out of state to a nonresident		\$ 12.998
3606 (l)	Isolated or occasional sales, except motor vehicles		\$ -
3606 (m)	Property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail		\$ 1,892.846
3606 (n)	Property consumed in the production, manufacturing, processing, mining, drilling, refining or compounding of property; or irrigation of crops for ultimate sale at retail. In 2000, added provision to eliminate refunds from the Johnson County Water case sav		\$ 248.350
3606 (o)	Sales of animals, fowl, aquatic plants, and animals used in agriculture or aquaculture, for production of food for human consumption, the production of animal, dairy, poultry, or aquatic products, fiber or fur or the production of offspring.		\$ 139.782
3606 (p)	Sales for prescription drugs	1999 SB 45	\$ 59.239
3606 (q)	Sales of insulin dispensed by pharmacist for treatment of diabetes		\$ 0.457
3606 (r)	Sales of prosthetic or orthopedic appliances prescribed by a doctor. IN 2004, exempted all hearing aids, prats and batteries by licensed providers	Amended 1997, 2004 SB 147	\$ 6.890
3606 (s)	Sales of property or services purchased by a groundwater management district		\$ 0.035
3606 (t)	Sales of farm or aquaculture machinery and equipment, parts and services for repair and replacement		\$ 40.300
3606 (u)	Leases or rentals of property used as a dwelling for more than 28 consecutive days.		\$ 0.614
3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons. In 2004, expanded exemption to all personal property purchased by contractor and sales of food products by or on behalf of contractor or organization	2004 SB 147	\$ 0.699
3606 (w)	Sales of natural gas, electricity, heat, & water delivered through mains, lines or pipes to residential premises for noncommercial use, for agricultural use (to include propane gas),for use in severing oil and any property exempt from property taxation		\$ 72.178
3606 (x)	Sales of propane, gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise		\$ 13.748
3606 (y)	Sales of materials and services used in repairing, maintaining, etc., of railroad rolling stock used in interstate commerce		\$ 0.788
3606 (z)	Property and services purchased directly by a port authority or a contractor therefor.		Minimal

State Sales Tax Exemptions Summary

Statute	Description of Exemption or Exclusion	Recent Revision	FY2005 (\$ in Millions)
Tax Rate			5.3%
Annual Rate of Increase			
3606 (aa)	Materials and services brought into Kansas for usage outside of Kansas for repair, services, alteration, maintenance, etc. used for the transmission of liquids or national gas by a pipeline in interstate commerce		Minimal
3606 (bb)	Used mobile and manufactured homes		\$ 3.733
3606 (cc)	Property or services purchased for constructing, reconstructing, enlarging or remodeling a business; sale and installation of machinery and equipment purchased for installation in such business. (Enterprise Zone Exemption)		\$ 55.213
3606 (dd)	Property purchased with food stamps issued by US Department of Agriculture		\$ 6.384
3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the State of Kansas		\$ 10.495
3606 (ff)	New mobile or manufactured homes to the extent of 40% of the gross receipts		\$ 2.737
3606 (gg)	Property purchased with vouchers issued pursuant to the federal special supplemental food program for women, infants and children		n/a
3606 (hh)	Medical supplies and equipment purchased by nonprofit skilled nursing home or intermediate nursing care home for providing medical services to residents		\$ 0.877
3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization	1998 SB493	\$ 2.212
3606 (jj)	Property and services, includes leasing of property, purchased for community-based mental retardation facility or mental health center.	2004 SB 147	\$ 2.031
3606(kk)	Machinery and equipment used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of property for resale by the plant or facility. In 2004, added exemption for building new facility in Riverton Ks (minimal impact)	1998 HB2584	\$ 97.508
3606(kk)	This is the impact from the changes made in 1998		\$ 2.031
3606 (ll)	Educational materials purchased for distribution to the public at no charge by a nonprofit public health corporation		\$ 0.068
3606 (mm)	Seeds, tree seedlings, fertilizers, insecticides, etc., and services purchased and used for producing plants to prevent soil erosion on land devoted to agricultural use.	1988 HB2626	\$ 0.805
3606 (nn)	Services rendered by advertising agency or broadcast station		\$ 3.566
3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.		Minimal
3606 (pp)	Drill bits and explosives used in the exploration and production of oil or gas		\$ 0.339
3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized under the federal income taxation code as a 501 (c)(3)		\$ 0.332
3606 (rr)	Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3)		\$ 0.028
3606 (ss)	Property and services purchased by a public broadcasting station licensed by FCC as a noncommercial educational television or radio station.		Minimal
3606 (tt)	Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3)	1996 HB2656	\$ -
3606 (uu)	Property and services purchased by rural fire fighting organization	1997 SB184	Minimal
3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; in 2004 added: Heartstrings Community Foundation, Cystic Fibrosis , Spina Bifida Assn,	1997 SB184, 2001 HB 2029, 2004 SB 147	\$ 0.079
3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project	1997 SB184	\$ 0.097
3606 (xx)	Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3)	1998 SB493	\$ 0.508
3606 (yy)	Property and services purchased by a parent-teach association or organizations and all sales of tangible personal property by or on behalf of such association	1998 SB493	\$ 0.477
3606 (zz)	Machinery and equipment purchased by over-the-air free access radio or television station used directly and primarily for producing signal or the electricity essential for producing the signal.	1998 SB493	\$ 0.801
3606(aaa)	Property and services purchased by religious organizations and used exclusively for religious purposes	1998 SB493	\$ 14.609
3606 (bbb)	Sales of food for human consumption by organizations exempt by 501(c)(3) pursuant to food distribution programs which offers such food at a price below cost in exchange for the performance of community service by the purchaser.	1998 SB493	Minimal
3606 (ccc)	Property and services purchases by health care centers and clinics who are serving the medically underserved.	1999 SB 45	\$ 0.318
3606 (ddd)	Property and services purchases by any class II or III railroad (shortline) for track and facilities used directly in interstate commerce. Only for calendar year 1999.	1999 SB 45	n/a
3606 (eee)	Property and services purchases for reconstruction, reconstruction, renovation, repair of grain storage facilities or railroad sidings. Only for calendar year 1999 and 2000.	1999 SB 45, 2000 SB 59	n/a
3606 (fff)	Material handling equipment, racking systems & other related machinery & equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility; installation, repair, maintenance services, and replacement parts.	2000 HB 2011	\$ 5.280
3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.	2000 SB 59	Minimal
3606 (hhh)	Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas coalition against Sexual and Domestic Violence	2004 SB 147	
	Total		\$ 3,453.043

Updated through 2004 Legislative changes.

KANSAS MINERAL TAX

Year Enacted: 1983

Statutory Citation: K.S.A. Chapter 79, Article 42

Gas and oil are taxed on the gross value at the time of removal from the earth or water. The tax rate is 8% less property tax credits equal to 3.67%, making the tax rate 4.33% after the credit.

Tax exemptions for oil are based on the average price per barrel, average daily productions, depth of the well, new pools and inactive wells.

Tax exemptions for gas wells are for wells with an average daily production valued at \$87 or less, as used for domestic or agricultural purposes on the production unit, and gas from any new pool.

The state general fund receives 93% of the total collection and counties receive the remaining 7%.

Description	Number of Filers	*Tax Expenditure
Oil	60	(\$22,963,000)
Gas	209	(\$5,467,000)
Special Co. Mineral Production Fund	269	(\$6,371,000)

*Tax expenditure computed using a rate of 4.33%

MOTOR FUEL TAXES

Year Enacted: 1925 – gasoline tax
 1941 – special fuels tax
 1959 – LP gas tax
 1979 – gasohol tax

Statutory Citation: K.S.A. Chapter 79, Article 34

A tax is imposed on the use, sale or delivery of all motor vehicle fuels or special fuels that are used, sold or delivered in this state. Distributors are allowed to deduct a 2.5 percent handling allowance on gasoline and special fuels received. No allowances are made on gasoline and special fuels exported from the state or sold to the federal government or its agencies; nor are allowances made on gasoline or special fuels sold or disposed of to consumers in tank cars, transport, or pipeline lots.

Kansas law provides that, unless specifically exempt from sales tax, sale of motor fuels will be subject to the Kansas sales tax if no Kansas excise tax has been imposed. No motor fuel tax is imposed on gasoline or special fuel for the following transactions:

- export from the state to any other state or territory;

	Gallons	Tax Rate	Tax Expenditure
CY03 Gasoline/Gasohol	315,850,384	\$0.23	(\$72,600,000)
	360,380,996	\$0.24	(\$86,500,000)
CY03 Diesel	103,165,960	\$0.25	(\$25,800,000)
	104,188,162	\$0.26	(\$27,100,000)

- sale to the federal government or its agencies; (combined below)
- sale to a contractor who performs work for the federal government or its agencies;

	Gallons	Tax Rate	Tax Expenditure
CY03 Gasoline/Gasohol	1,172,283	\$0.23	(\$269,625)
	1,402,953	\$0.24	(\$336,709)
CY03 Diesel	889,637	\$0.25	(\$222,409)
	654,110	\$0.26	(\$170,069)

- sale which is aviation fuel;

	Gallons	Tax Rate	Tax Expenditure
CY03 Gasoline/Gasohol	3,867,002	\$0.23	(\$889,410)
	4,110,350	\$0.24	(\$986,484)
CY03 Diesel	25,574,863	\$0.25	(\$6,400,000)
	29,498,520	\$0.26	(\$7,700,000)

- first sale or delivery to a duly licensed distributor who resells to another duly licensed distributor, (No numbers available. This exemption merely insures that double taxation does not occur.);

- sale of indelibly dyed special fuel to be used for nonhighway purposes, and

	Gallons	Tax Rate	Tax Expenditure
CY03 Dyed Diesel	153,054,660	\$0.25	(\$38,300,000)
	168,411,672	\$0.26	(\$43,800,000)

- shrinkage allowance @ 2.5%.

	Gallons	Tax Rate	Tax Expenditure
CY03 Gasoline/Gasohol	16,466,054	\$0.23	(\$3,800,000)
	17,029,344	\$0.24	(\$4,100,000)
CY03 Diesel	4,141,614	\$0.25	(\$1,000,000)
	4,948,368	\$0.26	(\$1,300,000)

KANSAS HOMESTEAD REFUND PROGRAM

Year Enacted: 1970

Statutory Citation: K.S.A. Chapter 79, Article 45

The homestead refund program is a rebate of a portion of the property taxes paid on a Kansas resident's homestead. The refund percentage is based on the total household income. If an individual owns their home, the refund is a percentage of the general property tax. If the individual rents their home, 20% of the rent paid for occupancy is used as the property tax amount. The maximum refund is \$600. As a Kansas resident the entire year, an individual is eligible if the total household income is \$25,000 or less and the individual:

- Was born prior to January 1, 1947, OR
- was blind or totally and permanently disabled all of 2002, OR
- had a dependent child who lived with the individual the entire year and that child was born before January 1, 2002, and was under the age of 18 all of 2002.

In fiscal year 2004, the Kansas Department of Revenue issued \$13,004,000 in homestead refunds to 73,501 homeowners and renters.

KANSAS FOOD SALES TAX REFUND PROGRAM

Year Enacted: 1978

Statutory Citation: K.S.A. Chapter 79, Article 36

The food sales tax refund program offers a refund of the sales tax paid on food. To qualify for the program an individual must have lived in Kansas for the entire year and:

- Was born prior to January 1, 1948, OR
- was blind or totally and permanently disabled all of 2002, OR
- had a dependent child who lived with the individual the entire year and that child was born before January 1, 2002, and was under the age of 18 all of 2002.

The food sales tax refund is computed as follows:

If the qualifying income is:	The refund is:
\$0 to \$12,900	\$72 multiplied by the number of Kansas exemptions.
\$12,901 to \$25,800	\$36 multiplied by the number of Kansas exemptions.
\$25,801 or greater	No refund

In process year 2003, the Kansas Department of Revenue issued \$32,212,000 in food sales tax refunds to 270,000 eligible filers.

KANSAS IMPACT PROGRAM

Year Enacted: 1991
Statutory Citation: K.S.A. Chapter 74, Article 50

The IMPACT act provides for major project investment to provide financial assistance to defray business costs. IMPACT also provides financial assistance for new job training.

The IMPACT act uses withholding revenue for funding projects. In fiscal year 2005, the limit is 1.5% of total withholding receipts and in fiscal year 2006 and after the percentage is 2%.

In fiscal year 2004, the Kansas IMPACT program expended \$10,904,000.

State Sales Tax Exemptions Summary

statute	Description of Exemption or Exclusion	Recent Revision	FY2004 (\$ in Millions)
Tax Rate			5.3%
Annual Rate of Increase			
3602 (e)	Definition of retail sales, exempting wholesale sales and sales for resale		\$ -
3603 (b)	Taxes telephone and telegraph services except creation WATS and private data lines. Bundling of services added in 2001. Modified pre-paid calling cards - revolved phrase dealing with sold in minutes (no fiscal impact).	Rev 2001 SB 1 Rev 2002 SB 39	\$ 1.217
3603 (e)	Admission to any cultural and historical event which occurs triennially	Revised 1994	Minimal
3603 (f)	Coin operated Laundry Services		\$ 0.309
3603 (g)	Service of renting of rooms by holds or accommodation brokers to federal government or any federal employee in performance of official government duties.	2002 SB39	\$ 0.100
3603 (h)	Service of leasing or renting machinery and equipment owned by city purchased with industrial revenue bonds prior to July 1, 1973		\$ -
3603 (m)	Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation.	Revised 1994 1998 SB493	\$ 0.762
3603 (n)	Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and zoos	1998 SB493	\$ 0.281
3603 (n)	Attributable to veterans	1998 SB493	\$ 0.104
3603 (n)	Attributable to humanitarian	1998 SB493	\$ 0.050
3603 (n)	Attributable to nonprofit zoo.	1998 SB493	\$ 0.127
3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.		\$ 0.176
3603 (o)	In 2004, changed the way sales tax computed on isolated and occasional sales of vehicles. Estimated to generate \$2 million annually	2004 SB 147	
3603 (p)	Labor services of installing or applying property in original construction of a building or facility or the construction reconstruction, restoration, replacement or repair of a residence, bridge or highway	1998 SB493	\$ 76.539
3603 (q)	Exemption for Service of repairing, servicing, maintaining custom computer software as described in section 3603 (e)	1988 Amended 2002 SB39	\$ -
3603 (s)	Customized computer software and services for modifying software for single end use and billed as a separate invoiced item. In 2004, amended to tax only prewritten software. Custom software is exempt	1988 Amended 2002 SB39, 2004SB 147	\$ 19.229
3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002	2000 HB 2013	\$ 2.301
3606 (a)	Motor fuels and items taxed by sales or excise tax	1999	\$ 195.777
3606 (b)	Property or services purchases by State of Kansas, political subdivision, nonprofit hospital or blood /donor bank. In 2001, deleted sales of water to make purchases for water suppliers exempt. (Neutral FN due to Clean Water Fee)	2001 SB 332	\$ 278.597
3606 (c)	Property or services purchased and leasing by elementary or secondary schools and educational institutions		\$ 49.232
3606 (d)	Property or services purchased by contractor for building or repair of buildings for nonprofit hospital, elementary or secondary schools or nonprofit educational institutions		\$ 100.155
3606 (e)	Property or services purchases by federal government, its agencies or instrumentality's		\$ 4.661
3606 (f)	Property purchased by railroad or public utility for use in the movement of interstate commerce		\$ 13.078
3606 (g)	Sales, repair or modification of aircraft sold for interstate commerce directly through an authorized agent. IN 2004, expanded aircraft exemption for repair, modification plus parts and labor	1998 SB493, 2004 SB 147	\$ 5.467
3606 (h)	Rental of nonsectarian textbooks by elementary or secondary schools		\$ 0.805
3606 (i)	Lease or rental of films, records, tapes, etc. by motion picture exhibitors		\$ 1.438
3606 (j)	Meals served without charge to employees if duties include furnishing or sale of such meals or drinks		\$ 3.186
3606 (k)	Vehicles, trailers or aircraft purchased and delivered out of state to a nonresident		\$ 12.998
3606 (l)	Isolated or occasional sales, except motor vehicles		\$ -
3606 (m)	Property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail		\$ 1,892.846
3606 (n)	Property consumed in the production, manufacturing, processing, mining, drilling, refining or compounding of property; or irrigation of crops for ultimate sale at retail. In 2000, added provision to eliminate refunds from the Johnson County Water case sav		\$ 248.350
3606 (o)	Sales of animals, fowl, aquatic plants, and animals used in agriculture or aquaculture, for production of food for human consumption, the production of animal, dairy, poultry, or aquatic products, fiber or fur or the production of offspring.		\$ 139.782
3606 (p)	Sales for prescription drugs	1999 SB 45	\$ 59.239
3606 (q)	Sales of insulin dispensed by pharmacist for treatment of diabetes		\$ 0.457
3606 (r)	Sales of prosthetic or orthopedic appliances prescribed by a doctor. IN 2004, exempted all hearing aids, prats and batteries by licensed providers	Amended 1997, 2004 SB 147	\$ 6.890
3606 (s)	Sales of property or services purchased by a groundwater management district		\$ 0.035
3606 (t)	Sales of farm or aquaculture machinery and equipment, parts and services for repair and replacement		\$ 40.300
3606 (u)	Leases or rentals of property used as a dwelling for more than 28 consecutive days.		\$ 0.614
3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons. In 2004, expanded exemption to all personal property purchased by contractor and sales of food products by or on behalf of contractor or organization	2004 SB 147	\$ 0.699
3606 (w)	Sales of natural gas, electricity, heat, & water delivered through mains, lines or pipes to residential premises for noncommercial use, for agricultural use (to include propane gas),for use in severing oil and any property exempt from property taxation		\$ 72.178
3606 (x)	Sales of propane, gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise		\$ 13.748
3606 (y)	Sales of materials and services used in repairing, maintaining, etc., of railroad rolling stock used in interstate commerce		\$ 0.788
3606 (z)	Property and services purchased directly by a port authority or a contractor therefor.		Minimal

State Sales Tax Exemptions Summary

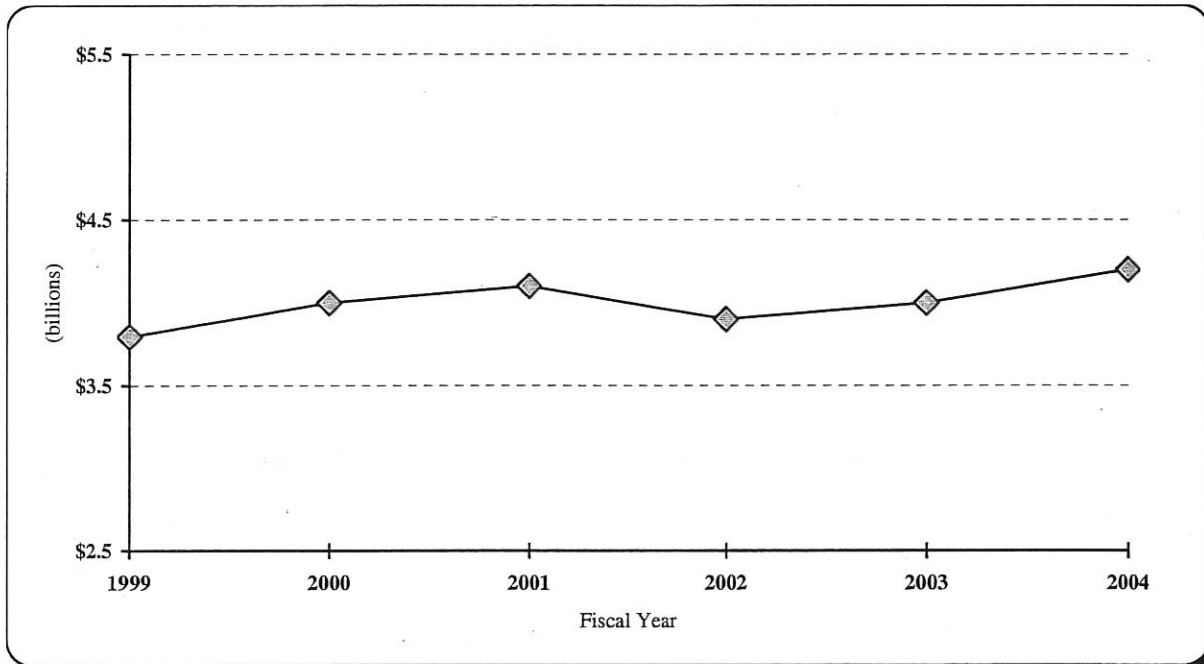
Statute	Description of Exemption or Exclusion	Recent Revision	FY2005 (\$ in Millions)
Tax Rate			5.3%
Annual Rate of Increase			
3606 (aa)	Materials and services brought into Kansas for usage outside of Kansas for repair, services, alteration, maintenance, etc. used for the transmission of liquids or national gas by a pipeline in interstate commerce		Minimal
3606 (bb)	Used mobile and manufactured homes		\$ 3.733
3606 (cc)	Property or services purchased for constructing, reconstructing, enlarging or remodeling a business; sale and installation of machinery and equipment purchased for installation in such business. (Enterprise Zone Exemption)		\$ 55.213
3606 (dd)	Property purchased with food stamps issued by US Department of Agriculture		\$ 6.384
3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the State of Kansas		\$ 10.495
3606 (ff)	New mobile or manufactured homes to the extent of 40% of the gross receipts		\$ 2.737
3606 (gg)	Property purchased with vouchers issued pursuant to the federal special supplemental food program for women, infants and children		n/a
3606 (hh)	Medical supplies and equipment purchased by nonprofit skilled nursing home or intermediate nursing care home for providing medical services to residents		\$ 0.877
3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization	1998 SB493	\$ 2.212
3606 (jj)	Property and services, includes leasing of property, purchased for community-based mental retardation facility or mental health center.	2004 SB 147	\$ 2.031
3606(kk)	Machinery and equipment used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of property for resale by the plant or facility. In 2004, added exemption for building new facility in Riverton Ks (minimal impact)	1998 HB2584	\$ 97.508
3606(kk)	This is the impact from the changes made in 1998		\$ 2.031
3606 (ll)	Educational materials purchased for distribution to the public at no charge by a nonprofit public health corporation		\$ 0.068
3606 (mm)	Seeds, tree seedlings, fertilizers, insecticides, etc., and services purchased and used for producing plants to prevent soil erosion on land devoted to agricultural use.	1988 HB2626	\$ 0.805
3606 (nn)	Services rendered by advertising agency or broadcast station		\$ 3.566
3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.		Minimal
3606 (pp)	Drill bits and explosives used in the exploration and production of oil or gas		\$ 0.339
3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized under the federal income taxation code as a 501 (c)(3)		\$ 0.332
3606 (rr)	Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3)		\$ 0.028
3606 (ss)	Property and services purchased by a public broadcasting station licensed by FCC as a noncommercial educational television or radio station.		Minimal
3606 (tt)	Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3)	1996 HB2656	\$ -
3606 (uu)	Property and services purchased by rural fire fighting organization	1997 SB184	Minimal
3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; in 2004 added: Heartstrings Community Foundation, Cystic Fibrosis, Spina Bifida Assn,	1997 SB184, 2001 HB 2029, 2004 SB 147	\$ 0.079
3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project	1997 SB184	\$ 0.097
3606 (xx)	Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3)	1998 SB493	\$ 0.508
3606 (yy)	Property and services purchased by a parent-teach association or organizations and all sales of tangible personal property by or on behalf of such association	1998 SB493	\$ 0.477
3606 (zz)	Machinery and equipment purchased by over-the-air free access radio or television station used directly and primarily for producing signal or the electricity essential for producing the signal.	1998 SB493	\$ 0.801
3606(aaa)	Property and services purchased by religious organizations and used exclusively for religious purposes	1998 SB493	\$ 14.609
3606 (bbb)	Sales of food for human consumption by organizations exempt by 501(c)(3) pursuant to food distribution programs which offers such food at a price below cost in exchange for the performance of community service by the purchaser.	1998 SB493	Minimal
3606 (ccc)	Property and services purchases by health care centers and clinics who are serving the medically underserved.	1999 SB 45	\$ 0.318
3606 (ddd)	Property and services purchases by any class II or III railroad (shortline) for track and facilities used directly in interstate commerce. Only for calendar year 1999.	1999 SB 45	n/a
3606 (eee)	Property and services purchases for reconstruction, reconstruction, renovation, repair of grain storage facilities or railroad sidings. Only for calendar year 1999 and 2000.	1999 SB 45, 2000 SB 59	n/a
3606 (fff)	Material handling equipment, racking systems & other related machinery & equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility; installation, repair, maintenance services, and replacement parts.	2000 HB 2011	\$ 5.280
3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.	2000 SB 59	Minimal
3606 (hhh)	Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas coalition against Sexual and Domestic Violence	2004 SB 147	
	Total		\$ 3,453.043

Updated through 2004 Legislative changes.

State General Fund Total Collections and by Source (Net of Refunds)

Collections by Department of Revenue

Fiscal Year 2004 State General Fund Collections increased by 5.3% compared to the prior fiscal year.



General Fund Collections by Source

Source	Fiscal Year 2003	Fiscal Year 2004	Percent Change
Motor Carrier Property Tax *	\$15,729,081	\$19,497,652	24.0%
Individual Income Tax	\$1,750,054,137	\$1,888,431,039	7.9%
Corporate Income	\$105,222,316	\$141,172,918	34.2%
Privilege	\$31,119,555	\$25,435,185	-18.3%
Estate Tax	\$46,951,948	\$48,064,151	2.4%
Sales Tax	\$1,567,721,762	\$1,612,066,627	2.8%
Use Tax	\$225,923,323	\$214,503,105	-5.1%
Alcoholic Beverage Taxes, Fees, Fines	\$64,673,797	\$67,502,495	4.4%
Cigarette/Tobacco Tax	\$133,759,678	\$124,586,274	-6.9%
Mineral Tax	\$72,775,126	\$84,639,220	16.3%
Other **	\$5,007,869	\$4,921,865	-1.7%
Total	\$4,018,938,592	\$4,230,820,531	5.3%

Note: FY 2002 "Other" revised

* Like amount is transferred to Special County/City Highway Fund.

** Other includes: bingo; controlled substances; gas, oil and mineral royalties; car line; bonds; licenses; and fees.

Assessment & Taxation
Date 01-26-05
Attachment # 5



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
OFFICE OF POLICY AND RESEARCH

KATHLEEN SEBELIUS, GOVERNOR

Analysis of Corporate Income Tax 2000-2002

Executive Summary

October 15, 2004

Purpose of Study

The Kansas Department of Revenue recently completed an "Analysis of Corporate Income Tax 2000-2002." The purpose of the study was to provide historical information concerning the corporate income tax and the 4 largest business incentive tax credit programs (business and job development, high performance incentive program, research and development, and business machinery and equipment property tax credit). The study also examined where the corporate income tax burden falls by industry sector, and made limited comparisons of the employment performance of corporations claiming the largest amounts of tax credits to the employment performance of similar sectors of the Kansas economy as a whole in recent years.

The analysis focused specifically on tax years 2000, 2001 and 2002, which included the 2001 recession and the aftermath of 9/11. Unfortunately, these were the only years where data was readily available. The downturn in the economy following the events of 9/11 is clearly evident. This study should provide tax policy makers information for future decision-making. However, its scope did not encompass other taxes, such as individual income, sales, or property tax, nor did the scope include other business tax incentive programs, such as the enterprise zone sales tax exemption, STAR bonds, or local property tax exemptions. KDOR will update this document on an annual basis and continue to expand the study as more tax years are included, making it more useful to policy makers to see longer term trends.

Recent History of Corporate Income Tax Receipts

Despite a recent upturn, the long-term trend for corporate income tax receipts reflects significant shrinkage. Receipts for FY 2004 (\$141 million) are below receipts for FY 1981 (\$162 million) and half of the receipts for the peak year, FY 1998 (\$281 million). Corporate income tax receipts are a smaller portion of total state taxes collected by the department and deposited in the state general fund than they were a decade ago. For FY 1991, corporate income tax receipts accounted for 8.4% of the total state taxes collected by the department and deposited in the state general fund. For FY 2003, corporate income tax receipts accounted for only 2.6% of total state taxes collected by the department and deposited in the state general fund. (Pages 1-2)

Distribution of Corporate Income Taxpayers

The largest 200 corporations account for almost three-fourths of the corporate income tax revenue. Most of the 25,000 to 30,000 corporate income tax returns received reflect zero tax liability. (Page 3)

Corporate Income Tax Credits

Rapidly expanding tax credit programs have decreased corporate income tax receipts. The most significant business income tax credit incentive programs in size are the business and job development (B&J) credit, high performance incentive program (HPIP) credit, research and development (R&D) credit, and business machinery and equipment property tax (B M&E) credit.

These credit programs favor capital-intensive, higher wage-paying businesses, such as manufacturers, as they were designed to do. The total credits allowed under these programs increased from \$18.5 million in process year 1997 to \$54.1 million in process year 2002, while corporate income tax receipts have declined. A relatively small number of corporations claim most of these credits. The B M&E credit, the only refundable credit of the 4 credit programs, had 4,450 corporate claimants in process year 2002, and \$18.8 million in B M&E credits allowed. Of the 4 credit programs, HPIP, the largest in terms of fiscal impact, was claimed by the smallest number of corporate taxpayers. In process year 2002, \$20.3 million in HPIP credits were allowed to 39 corporations. The B&J credit was claimed by 329 corporations, and the R&D credit was claimed by 59 corporations in process year 2002. (Table 1, Page 5)

Corporate Income Tax Burden

The study sample of 250 corporations included the largest 100 companies with Kansas corporate income tax liability in each of the three sample years (before credits) and the largest 100 Kansas employers in tax years 2000, 2001 and 2002. In this sample the manufacturing sector, as expected, reduced its income tax liability the most with tax credits. The whole sample averaged 27% reduction of Kansas income tax liability with tax credits. Manufacturers in the sample averaged 54% reduction of Kansas income tax liability with tax credits. (Table 2, Page 6)

Manufacturers also accounted for the largest portion (29%) of Kansas corporate income tax liability (and Kansas taxable income) during tax years 2000, 2001, and 2002 (liability measured before credits were taken) of any industry sector. The retail trade sector accounted for the largest portion (21%) of income tax receipts (measured after credits are taken). (Attached Charts 2 and 3)

Based on a group of 58 corporations included in the top 20 corporations claiming the most B&J credits during tax years 2000, 2001 and 2002, wide disparity exists between the average effective tax rate paid by those in the manufacturing/transportation/warehousing category vs. the retail/wholesale/other category. Wide disparity also exists in effective tax rates paid by individual corporations within each category. In tax year 2002, the 9 corporations in the manufacturing/transportation/warehousing category had an average effective tax rate of 2.59%, although within that category, the effective tax rates ranged from -1.8% to 6.34%, with 4 either receiving refunds or with zero net tax liability. Of the 11 corporations in the retail/wholesale/other category in tax year 2002, the average effective tax rate was 4.14%, although within that category, the effective tax rates ranged from .02% to 6.13%. (Page 7)

The study compared the manufacturing firms (13) and retail firms (9) within the group of 58 corporations included in the "top 20" in B & J credit claimants for tax years 2000, 2001 and 2002. Manufacturing firms offset 76% of their Kansas income tax liability with credits, while retailers in this group offset only 20% of their income tax liability with credits. The manufacturing corporations in the group also claimed the largest amounts of refundable and non-refundable credits from the other tax credit programs. (Table 3, Page 8)

The Kansas Economy—Retail Sector Compared to Manufacturing Sector

Since 1998 and in particular since the 2001 recession and 9/11, Kansas manufacturing sector employment has significantly declined. Retail sector employment experienced only modest decline during 2001 to 2003. The gap between retail sector employment and

manufacturing sector employment has narrowed: manufacturing sector employment exceeded retail sector employment by only 20,000 jobs in 2003. (Chart 5, Page 9)

Employment Data on Top 20 Business and Job Development Credit Claimants

Comparison of the percentage rate of change in the employment levels of manufacturers among the top 20 B&J tax credit claimants during tax years 2000, 2001 and 2002 to similar data for the entire Kansas manufacturing sector from 2000 through 2003 shows that employment levels of manufacturers claiming the largest B&J credits performed worse than employment levels of the Kansas manufacturing sector as a whole during much of this time period. No correlation could be found between the tax credit programs and improved employment performance for manufacturers claiming the largest amounts of those credits when compared to the employment performance for the Kansas manufacturing sector as a whole. (Chart 7, Page 11) Caution in drawing conclusions must be exercised because of the severe dislocation in the aircraft industry in the aftermath of the 2001 recession and the 9/11 attacks, which dominated the sample period.

Employment performance of retailers claiming the largest B&J credits in tax years 2000, 2001 and 2002 was somewhat better than employment performance of the Kansas retail sector as a whole during much of this time period, although retailers claimed a much smaller portion of the credits than manufacturers. (Chart 8, Page 11)

The aggregate employment level of corporations included in the group of top 20 B&J credit claimants in tax years 2000, 2001 and 2002 performed worse than the aggregate employment level in the private sector as a whole in Kansas during most of this time period. (Chart 9, Page 12)

Conclusions

Manufacturers have utilized the business tax credit incentive programs and have claimed the largest amounts of the credits. This result is consistent with state economic development policy that has been in effect for 10 years. Some larger claimants have used the credits to eliminate their corporate income tax liability entirely—even obtaining refunds.

Because tax credits are used to lower tax burden, the effective tax rate varies greatly within industry groups of all types.

Generally, the manufacturing sector bears a smaller share of the corporate income tax burden than other sectors of the economy, compared to the taxable income generated by those sectors. The tax credit programs do not appear to have shielded manufacturers claiming the

largest amounts of B&J credits from the economic downturn experienced by the Kansas economy in the 2001 recession, and in the aftermath of 9/11.

The retail sector contributes the largest portion of the corporate income tax receipts, although the manufacturing sector generated the largest amount of Kansas taxable income in tax years 2000, 2001 and 2002. The retail sector is less able than the manufacturing sector to benefit from the tax credit programs, typically bears a higher share of the corporate income tax burden, and pays higher effective tax rates. Retailers in the group of top 20 B&J credit claimants showed stronger employment performance in the aftermath of the 2001 recession and 9/11 than the Kansas retail sector as a whole.

In general, corporations claiming the most tax credits did not show employment performance matching that of the Kansas private sector economy during most of the 2000-2003 time period. This result should be tracked and measured over a longer period of time before conclusions are reached because of the recession during the sample years.



K A N S A S

JOAN WAGNON, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE
POLICY AND RESEARCH

October 15, 2004

Analysis of Kansas Corporate Income Tax 2000-2002

This Analysis focused on the Kansas corporate income tax during tax years 2000, 2001 and 2002 and the impact of the 4 largest business income tax credit incentive programs on corporate income tax receipts, in an effort to determine how the corporate income tax burden falls within various industry sectors. It also examined employment data concerning the largest tax credit claimants, in order to determine whether any correlation exists between improved employment performance and tax credits, in comparison to employment data for the Kansas economy as a whole during 2000 to 2003. The 2001 recession and aftermath of 9/11 dominated this time period. The Analysis did not consider other taxes, such as individual income, sales or property tax, or other business tax incentive programs, such as STAR bonds, local property tax exemptions, or the enterprise zone sales tax exemption.

Historical Background

The Kansas corporate income tax has been in place since 1933, initially at a rate of 2% of Kansas taxable income. The rate has been increased several times over the years, and was last raised in 1992, when the current rate structure was adopted: the 4% rate on Kansas taxable income, with a surtax of 3.35% on Kansas taxable income above \$50,000. This 7.35% marginal rate on Kansas taxable income above \$50,000 is typical of rates in many states, but higher than the corporate income tax rates in three neighboring states, including: Colorado (4.63%); Missouri (6.25%); and Oklahoma (6%). It is lower than the corporate income tax rate in Nebraska (5.58% on first \$50,000; 7.81% marginal on income above \$50,000).

Most states impose some type of corporate income tax. Only Nevada, South Dakota, Washington, and Wyoming do not (although Washington imposes a "business and occupations" tax).

Recent History of Corporate Income Tax Receipts

Annual Kansas corporate income tax receipts (by fiscal year) since 1981 are shown below:

Fiscal Year	Amount Collected	Percent Change
1981	\$161,967,709	
1982	\$146,823,052	-9.4%
1983	\$122,831,287	-16.3%
1984	\$120,993,044	-1.5%

1985	\$141,957,298	17.3%
1986	\$135,818,461	-4.3%
1987	\$104,632,665	-23.0%
1988	\$171,437,706	63.8%
1989	\$172,927,488	0.9%
1990	\$167,600,876	-3.1%
1991	\$185,319,680	10.6%
1992	\$169,118,247	-8.7%
1993	\$169,118,153	0.0%
1994	\$211,953,103	25.3%
1995	\$229,421,376	8.2%
1996	\$218,586,552	-4.7%
1997	\$263,573,332	20.6%
1998	\$281,651,300	6.9%
1999	\$227,369,923	-19.3%
2000	\$250,122,826	10.0%
2001	\$211,906,919	-15.3%
2002	\$93,958,484	-55.7%
2003	\$105,222,316	12.0%
2004	\$141,173,000	34.2%

Although the bottom fell out of corporate income tax receipts in FY 2002, the recent trend is encouraging. FY 2004 corporate income tax receipts exceeded the April 2004 Consensus Revenue Estimate (\$125 million) by 12.9% and were 34.2% above the prior year's receipts. Thus far in FY 2005, corporate income tax receipts of \$52.9 million through the end of September are 62.8% above the April 2004 Consensus Revenue Estimate and 45.9% above actual corporate income tax receipts for this same time period last year.

Despite the recent upturn, the long term trend for corporate income tax receipts reflects significant shrinkage of the tax base—even though tax rates have remained unchanged since 1992. Receipts for FY 2004 are below receipts for FY 1981 and are barely half of the receipts for the peak year, FY 1998.

Corporate income tax receipts account for a much smaller portion of total state taxes collected by the department and deposited in the state general fund than they did even a decade ago. For FY 1991, corporate income tax receipts accounted for 8.4% of the total state taxes collected by the department and deposited in the state general fund. For FY 2003, corporate income tax receipts accounted for only 2.6% of total state taxes collected by the department and deposited in the state general fund.

The pie graphs at Chart 1 (attached) (comparing state and local tax revenue by source for FY 1998 to the same for FY 2003) show that income (individual and corporate) and privilege taxes have become a smaller portion of total state and local tax base in recent years. For FY 2003, property and vehicle taxes accounted for 34.7 percent of state and local tax revenues; sales and use taxes, 27.8 percent, and income and privilege taxes, 21.8 percent. As noted in 2003 Supplement to Kansas Tax Facts:

The relative balance in the big three sources of state and local tax revenue—sales, income, and property—that Kansas had achieved for a number of years after the 1992 school finance law appears to be eroding. . . . As recently as

FY 1998, the figures were much more closely balanced: 30.9 percent for property and vehicles; 28.1 percent for sales and use; and 28.0 percent for income and privilege.

Economists generally believe that with a diversified revenue portfolio not relying too heavily on a single source, Kansas state and local governments are better able to withstand economic downturns.

Distribution of Corporate Income Taxpayers

The department receives approximately 25,000 to 30,000 corporate income tax returns per year. Most of those returns reflect zero tax liability. The largest 200 corporations account for almost three-fourths of the corporate income tax revenue, as shown below (statistics taken from the department's Annual Reports for FY 2001, FY 2002 and 2003). As shown below, this distribution pattern has remained fairly consistent over many years.

Corporate Income Tax Liability By Taxable Income Bracket

Tax Year 2001 Returns Filed In Calendar Year 2002

Taxable Income Brackets	Number Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
No Taxable Income	13,975	60.3%	\$ 0	0.0%
\$0 - \$75,000	7,834	33.8%	\$ 6,051,308	8.7%
\$75,000.01 - \$100,000	371	1.6%	\$ 1,704,346	2.4%
\$100,000.01 - \$500,000	743	3.2%	\$ 9,917,859	14.3%
\$500,000.01 - \$1,000,000	112	0.5%	\$ 5,475,153	7.9%
\$1,000,000.01 - Over	<u>125</u>	<u>0.5%</u>	<u>\$46,438,219</u>	<u>66.7%</u>
Total	23,160	100.0%	\$69,586,885	100.0%

Tax Year 2000 Returns Filed In Calendar Year 2001

Taxable Income Brackets	Number Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
No Taxable Income	18,025	60.4%	\$ 0	0.0%
\$0 - \$75,000	9,550	32.0%	\$ 7,437,981	4.3%
\$75,000.01 - \$100,000	466	1.6%	\$ 2,162,361	1.2%
\$100,000.01 - \$500,000	1,226	4.1%	\$ 17,989,315	10.3%
\$500,000.01 - \$1,000,000	230	0.8%	\$ 11,676,780	6.7%
\$1,000,000.01 - Over	<u>329</u>	<u>1.1%</u>	<u>\$135,700,416</u>	<u>77.6%</u>
Total	29,826	100.0%	\$174,700,416	100.0%

Tax Year 1989 Returns Filed in Calendar Year 1990

Taxable Income Brackets	Number Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
No Taxable Income	20,022	58.3%	\$ 0	0.0%
\$0 - \$25,000	8,219	25.2%	\$ 2,775,067	2.2%
\$25,000.01 - \$50,000	2,036	6.3%	\$ 3,834,025	3.1%
\$50,000.01 - \$75,000	1,097	3.1%	\$ 3,880,877	2.9%
\$75,000.01 - \$100,000	561	1.7%	\$ 2,929,035	2.4%
\$100,000.01 - \$500,000	1,178	3.8%	\$ 16,367,577	13.6%
\$500,000.01 - Over	<u>468</u>	<u>1.5%</u>	<u>\$ 93,003,841</u>	<u>75.8%</u>
Total	33,581	100.0%	\$ 122,790,422	100.0%

Corporate Income Tax Credits

"Both tax exemptions and tax-deductibility are a form of subsidy that is administered through the tax system. A tax exemption has much the same effect as a cash grant to the organization of the amount of tax it would have to pay on its income. Deductible contributions are similar to cash grants of the amount of a portion of the individual's contributions." *Regan v. Taxation With Representation of Washington*, 461 U.S. 540, 544 (1983). Tax credits, like exemptions and deductions, are also a form of subsidy. During the 1990's, several business-oriented tax credit programs were either expanded or created, the most significant in size being the business and job development (B&J) credit, high performance incentive program (HPIP) credit, research and development (R&D) credit, and business machinery and equipment property tax (B M&E) credit. The first three tax credits listed are non-refundable (i.e., the taxpayer must have sufficient tax liability to offset the credit claim), and the last, the business machinery and equipment property tax credit, is refundable—even when there is no tax liability. Non-refundable credits exceeding the taxpayer's liability can be carried forward and claimed in future years, subject to certain constraints and time limits. The tax credit programs are described in Appendix A.

These credit programs were designed to favor capital-intensive, higher wage-paying businesses, such as manufacturers. Corporations availing themselves of these credits must make significant capital investments, hire additional employees, pay higher wages, or all of the above.

Table 1 shows that total corporate credit claims for the largest 4 tax credit programs have increased dramatically in recent years. It provides data on the amount of and number of corporate taxpayers claiming the B&J credit, HPIP credit, R&D credit, and B M&E credit claimed from process year (calendar year during which the return was processed, which is generally the calendar year following the tax year of the return) 1994 through process year 2002. The total credits allowed increased from \$18.5 million in process year 1997 to \$54.1 million in process year 2002. Corporate income tax receipts declined significantly during much of this time period.

Table 1

HPIP TAX CREDIT CLAIMED BY CORPORATE INCOME TAX FILERS		
HPIP	Filers	Credit Allowed
PY 1994	*confidential	
PY 1995	5	\$163,733
PY 1996	6	\$345,755
PY 1997	12	\$884,455
PY 1998	13	\$2,919,924
PY 1999	20	\$4,814,076
PY 2000	29	\$11,019,194
PY 2001	33	\$10,770,156
PY 2002	39	\$20,297,734
Total	157	\$51,215,027

BUSINESS & JOB DEVELOPMENT TAX CREDIT CLAIMED BY CORPORATE INCOME TAX FILERS		
B&J	Filers	Credit Allowed
PY 1994	392	\$9,737,422
PY 1995	515	\$9,972,855
PY 1996	619	\$11,910,471
PY 1997	633	\$16,384,465
PY 1998	630	\$24,981,586
PY 1999	508	\$14,757,102
PY 2000	404	\$11,261,171
PY 2001	392	\$13,286,971
PY 2002	329	\$14,076,006
Total	4,422	\$126,368,049

BUSINESS MACHINERY & EQUIPMENT TAX CREDIT CLAIMED BY CORPORATE INCOME TAX FILERS		
M&E	Filers	Credit Allowed
PY 1994		
PY 1995		
PY 1996		
PY 1997		
PY 1998		
PY 1999	2,509	\$3,784,307
PY 2000	3,486	\$10,453,217
PY 2001	4,156	\$14,464,830
PY 2002	4,450	\$18,771,538
Total	14,601	\$47,473,892

RESEARCH & DEVELOPMENT TAX CREDIT CLAIMED BY CORPORATE INCOME TAX FILERS		
R&D	Filers	Credit Allowed
PY 1994	61	\$3,199,219
PY 1995	68	\$704,701
PY 1996	58	\$846,025
PY 1997	57	\$1,243,004
PY 1998	58	\$2,428,084
PY 1999	52	\$1,354,640
PY 2000	48	\$1,061,975
PY 2001	47	\$3,597,764
PY 2002	59	\$997,203
Total	508	\$15,432,615

TOTAL CREDIT ALLOWED - CORPORATE INCOME TAX FILERS

	HPIP	B&J	M&E	R&D	Total
PY 1994	*confidential	\$9,737,422		\$3,199,219	12,936,641
PY 1995	\$163,733	\$9,972,855		\$704,701	10,841,289
PY 1996	\$345,755	\$11,910,471		\$846,025	13,102,251
PY 1997	\$884,455	\$16,384,465		\$1,243,004	18,511,924
PY 1998	\$2,919,924	\$24,981,586		\$2,428,084	30,329,594
PY 1999	\$4,814,076	\$14,757,102	\$3,784,307	\$1,354,640	24,710,125
PY 2000	\$11,019,194	\$11,261,171	\$10,453,217	\$1,061,975	33,795,557
PY 2001	\$10,770,156	\$13,286,971	\$14,464,830	\$3,597,764	42,119,721
PY 2002	\$20,297,734	\$14,076,006	\$18,771,538	\$997,203	54,142,481
Total	51,215,027	\$126,368,049	47,473,892	\$15,432,615	240,489,583

The B M&E credit, the only refundable credit of the 4 credit programs, has a large number of corporate claimants: 4,450 corporate claimants in process year 2002, with \$18.8 million in B M&E credits allowed during process year 2002. The B M&E credit is not the largest corporate tax credit program. In process year 2002, \$20.3 million in HPIP credits were allowed to 39 corporations. Of the 4 credit programs, HPIP, the largest monetarily, was claimed by the smallest number of corporate taxpayers. The B&J credit was claimed by 329 corporations, and the R&D credit was claimed by 59 corporations in process year 2002. Depending on the circumstances, a corporation may claim several, if not all 4 of these credits in one tax year.

Corporate Income Tax Burden

In order to determine how much impact these tax credit programs have on the corporate income tax burden, the department reviewed corporate income tax returns for tax years 2000, 2001 and 2002 and developed a sample database containing taxpayer information extracted from actual returns of corporations. Corporations in the top 100 in Kansas income tax liability (measured before credits are applied) in each of those three tax years were included. Based on information received from the Department of Commerce, corporations among the top 100 employers in Kansas (based on number of employees) were also included in the database. The total amount of companies included in the sample was 250. These large corporations account for approximately three-fourths of the corporate income tax base. The North American Industry Classification System (NAICS) code, Kansas taxable income, Kansas corporate income tax liability before credits, credits claimed, and the net tax receipts after credits for tax years 2000, 2001 and 2002 for each of these corporations were captured in the database.

Table 2 summarizes the results by NAICS code categories (using the first 2 digits of the NAICS code). The number of corporations included in each NAICS code category is shown in parenthesis in the first column. According to NAICS, the manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances or components into new products. The retail trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.

Table 2. Tax and credits Statistics by Industry from a Sample of Top 200 Corporations from Tax Year 2000 to Tax Year 2002.

Industry (# of corporations)	Total Tax Liability	Total NR Credits	B&J	R&D	HPIP	Property Tax Refund	Total Other Ref Credits	Net Receipts	Payment Percentage
Mining (8)	\$18,112,767	\$11,000	\$0	\$0	\$0	\$132,917	\$0	\$17,968,850	99.21%
Utilities (5)	\$11,067,425	\$287,225	\$0	\$0	\$231,725	\$12,588	\$46,024	\$10,721,588	96.88%
Manufacturing (58)	\$106,017,045	\$43,477,139	\$15,534,381	\$6,426,435	\$22,151,467	\$13,460,663	\$732,800	\$48,346,443	45.60%
Wholesale Trade (44)	\$42,696,065	\$5,275,178	\$4,279,126	\$627,929	\$265,623	\$2,152,127	\$76,065	\$35,192,695	82.43%
Retail Trade (40)	\$67,150,276	\$9,121,169	\$5,076,413	\$0	\$1,334,017	\$2,513,120	\$189,306	\$55,326,681	82.39%
Transportation and Warehousing (7)	\$16,799,674	\$1,102,070	\$841,938	\$0	\$224,632	\$1,551,930	\$81,250	\$14,064,423	83.72%
Information (16)	\$30,981,962	\$1,117,749	\$545,699	\$61,548	\$500,502	\$5,339,965	\$1,228,587	\$23,295,661	75.19%
Finance and Insurance (16)	\$18,601,663	\$1,339,593	\$32,000	\$0	\$0	\$45,545	\$1,250	\$17,215,275	92.55%
Professional and Technical Services (11)	\$6,764,612	\$49,281	\$48,970	\$311	\$0	\$118,724	\$0	\$6,596,607	97.52%
Management of Companies and Enterprises (10)	\$17,947,926	\$480,650	\$242,550	\$0	\$0	\$361,265	\$0	\$17,106,011	95.31%
Accommodation and Food Services (6)	\$6,076,907	\$432,019	\$88,280	\$0	\$0	\$97,752	\$14,279	\$5,532,857	91.05%
Others (29)	\$15,320,818	\$3,218,822	\$1,465,082	\$0	\$1,280,577	\$878,537	\$700	\$11,222,759	73.25%
Total (250)	\$357,537,139	\$65,911,895	\$28,154,439	\$7,116,223	\$25,988,543	\$26,665,133	\$2,370,261	\$262,589,850	73.44%

Table 2 shows wide disparity between the various industry sectors in net tax receipts (after credits are taken) vs. tax liability measured before credits are taken (directly proportional to Kansas taxable income). The "payment percentage" column shown above reflects the percent of tax liability (measured before credits are taken) actually paid after credits were applied to reduce tax liability. Manufacturers have by far the lowest tax payment percentage rate at 45.60%.

Charts 2 and 3 (attached) show that although manufacturers represent the largest portion of Kansas tax liability before credits (and Kansas taxable income) in the sample, retail trade represents the largest portion of net taxes paid after credits are taken. Manufacturers are clearly best situated to take advantage of the largest tax credit programs. Charts 2 and 3 graphically display the information in Table 2. Chart 2 shows the percentage of total Kansas income tax liability (measured before credits are taken) attributable to each industry sector in the sample. Chart 3 shows the percentage of total net tax receipts (taxes paid after credits were taken) attributable to each industry sector in the sample.

Within this sample of 250, the Analysis looked at the group of top 20 corporations that claimed the most B&J credits during tax years 2000, 2001 and 2002. Some corporations appeared in the group of top 20 B&J credit claimants in more than 1 tax year. This group totalled 58 corporations. These corporations also claimed large portions of the other credits, but the ranking was based on the B&J credits claimed. The corporations in this group were divided into 2 broad categories by NAICS code: manufacturing/transportation/warehousing and retail/wholesale/other. The effective tax rate for each corporation was computed, as well as the average effective tax rate for each of the two categories. The results are shown below.

Top 20 B & J Credit Claimants

Tax Year 2000

5 in Manufacturing/Transportation/Warehousing	15 in Retail/Wholesale/Other
Total Taxable Income: \$208.8 million	Total Taxable Income: \$436 million
Total Net Tax: \$4.375 million	Total Net Tax: \$24.4 million
Ave. Effective Tax Rate: 2.1%	Ave. Effective Tax Rate: 5.6%
Range: .88% to 5.44%	Range: .27% to 7.07%

Tax Year 2001

10 in Manufacturing/Transportation/Warehousing	10 in Retail/Wholesale/Other
Total Taxable Income: \$257 million	Total Taxable Income: \$281 million
Total Net Tax: \$3.19 million	Total Net Tax: \$17 million
Ave. Effective Tax Rate: 1.2%	Ave. Effective Tax Rate: 6%
Range: -1.3% to 5.16%	Range: -1.9% to 7%
(5 with refunds or zero taxes)	(1 with refund)

Tax Year 2002

9 in Manufacturing/Transportation/Warehousing	11 in Retail/Wholesale/Other
Total Taxable Income: \$169 million	Total Taxable Income: \$82 million
Total Net Tax: \$4.37 million	Total Net Tax: \$3.385 million
Ave. Effective Tax Rate: 2.59%	Ave. Effective Tax Rate: 4.14%
Range: -1.8% to 6.34%	Range: .02% to 6.13%
(4 with refunds or zero taxes)	

The results show a wide disparity between the average effective tax rate paid by the manufacturing/transportation/warehousing category vs. the retail/wholesale/other category. There is also wide disparity in effective tax rates paid by individual corporations within each category. For example, in tax year 2002, the 9 corporations in the manufacturing/transportation/warehousing category had an average effective tax rate of 2.59%, although within that category, the effective tax rate ranged from -1.8% to 6.34%, with 4 either receiving refunds or with zero net tax liability. Of the 11 corporations in the retail/wholesale/other category in tax year 2002, the average effective tax rate was 4.14%, although within that category, the effective tax rate ranged from .02% to 6.13%.

Table 3 compares the manufacturing firms and retail firms within this group of 58 corporations included in the “top 20” in B & J credit claimants for tax years 2000, 2001 and 2002. The amount of tax liability (measured before credits are taken), credits and net receipts for all three tax years for manufacturing and retail firms in the group are listed. Of the 58 corporations in the group, 13 were manufacturing corporations and 9 were retail trade corporations. The “total” row at the bottom sums the information not only for these 13 manufacturers and 9 retailers, but also the rest of the 58 corporations in the group.

Table 3. Summary information for the Corporations that claimed most B&J Credits in TY 2000, 2001 and 2002

Sector (# of sample)	Total Tax Liability	Total NR Credits	B&J	R&D	HPIP	B M & E	Total Ref. Credits	Net Receipts	Percent- age*
Manufacture (13)	\$43,405,188	\$29,235,951	\$14,965,331	\$5,990,066	\$8,192,460	\$3,567,459	\$298,675	\$10,303,103	23.74%
Retail Trade (9)	\$25,096,141	\$4,684,763	\$4,684,763	\$0	\$0	\$388,165	\$0	\$20,023,213	79.79%
Total (58)	\$103,582,994	\$42,709,553	\$26,977,254	\$6,543,973	\$8,990,232	\$5,347,514	\$359,019	\$55,166,908	53.26%

*Percentage = (Net Receipts/Total Tax Liability).

Table 3 shows that manufacturing firms succeeded in offsetting much of their tax liability with credits, owing only 24% of the amount of their tax liability measured before credits were applied, while retailers offset a much smaller portion of their tax liability, still owing about 80% of the amount their tax liability measured before credits. The average payment percentage for all 58 corporations in this group of largest B&J credit claimants is about 53%. The manufacturing corporations in the group also claimed the largest amounts of refundable and non-refundable credits from the other tax credit programs.

The Kansas Economy—Retail Sector Compared to Manufacturing Sector

As discussed above, based on the sample database of large corporations, the manufacturing sector enjoys a lower effective tax rate than other sectors of the economy, as a result of tax credits. In the last decade, and in particular since the 2001 recession and 9/11, the United States manufacturing sector has been shrinking. Kansas is no exception. The two charts below provide historical employment information for various sectors of the Kansas economy.

Chart 4 compares the Kansas civilian labor force to aggregate employment and private sector employment from 1990 through 2003. The civilian labor force represents persons either in the workforce or actively looking for work. The difference between the civilian labor force line and the aggregate employment line represents unemployment. The difference between the aggregate employment line and the private sector line reflects public sector employment. After steadily increasing during the 1990’s and into 2000, the civilian labor force and aggregate employment experienced significant drop-offs beginning in late 2000 through early 2002 and

then steadily increased. Private sector employment also steadily increased during the 1990's, but reached a plateau in 2000 and then declined through 2003.

Chart 4. Kansas Civilian Labor Force, Total Employment and Employment in Private Sector, 1990-2003

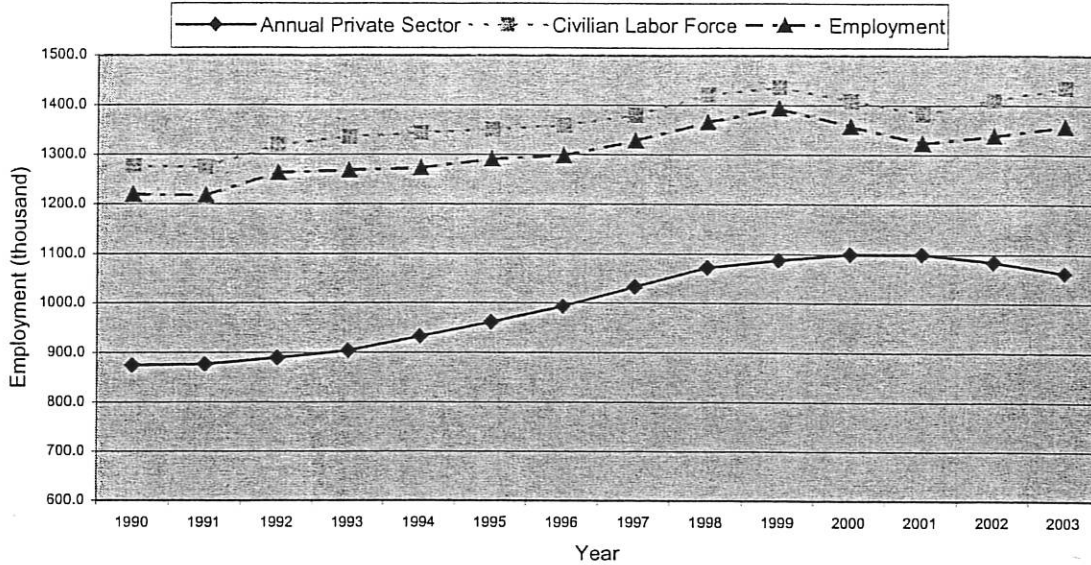


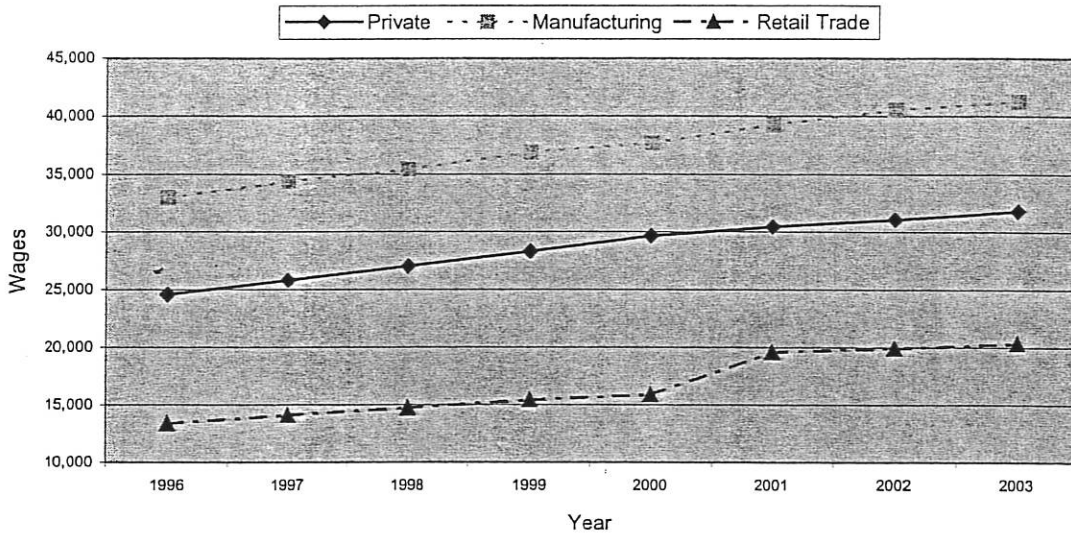
Chart 5 compares Kansas manufacturing employment and retail trade employment from 1990 through 2003. During most of the 1990's, both manufacturing and retail trade experienced steady growth, with dramatic growth in manufacturing in the late 1990's. Manufacturing sector employment was significantly larger than the retail sector throughout the 1990's, ranging from 40,000 to 60,000 employees higher. Since 1999, manufacturing sector employment has sharply declined. Retail sector employment experienced only modest decline during 2001 to 2003. The gap between retail sector employment and manufacturing sector employment has significantly narrowed: manufacturing sector employment exceeded retail sector employment by only 20,000 jobs in 2003.

Chart 5. Comparing Kansas Manufacturing and Retail Trade Sectors Employment: 1990-2003



Chart 6 compares the average annual wages for the Kansas private sector, manufacturing sector and retail sector from 1996 through 2003. Manufacturing sector wages are higher than private sector wages, and retail wages are lower than private sector wages. Despite the 2001 recession, wage levels have increased throughout the time period shown.

Chart 6. Kansas Average Annual Wages in Different Sectors



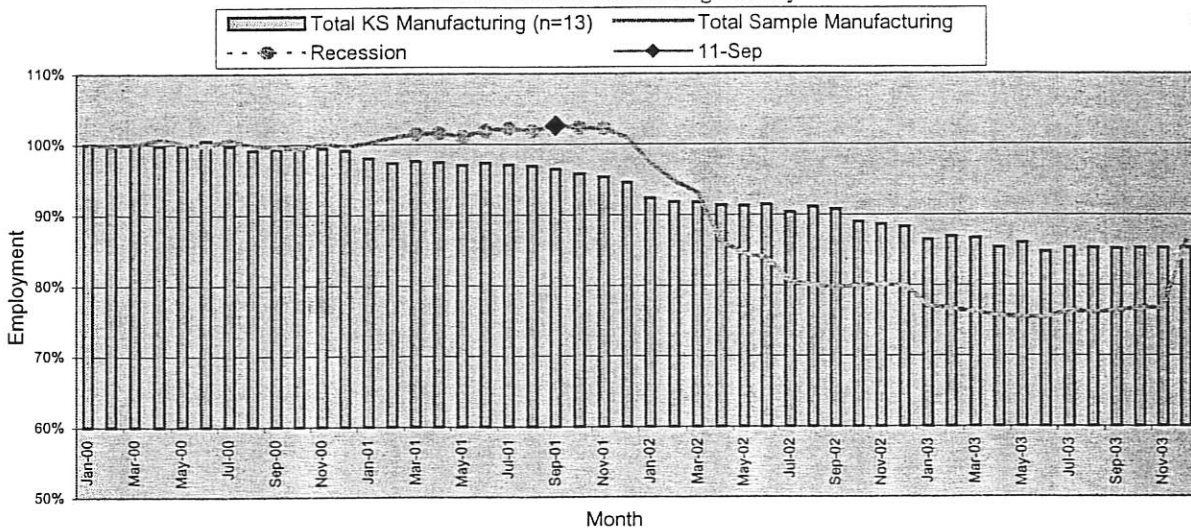
As the charts above show, the Kansas economy experienced a serious recession during 2001, and with the added impact of 9/11, experienced higher unemployment rates in many sectors for an extended time period.

Employment Data on Top 20 Business and Job Development Credit Claimants

The B & J tax credit program provides tax credits based on the number of net new employees and the amount of qualified capital investment. Corporations claiming large amounts of these credits could be expected to have a higher job growth than their industrial average. Employment data was obtained from the Department of Labor on the corporations included in the group of top 20 claimants of the B&J tax credit during tax years 2000, 2001 and 2002, in order to determine how well changes in the employment levels in these corporations compared with changes in employment levels in the Kansas economy.

Chart 7 compares the performance of employment levels of manufacturers (13 corporations) included in the group of largest B&J tax credit claimants with that of the entire Kansas manufacturing sector. The percentage rate of change in the employment levels of manufacturers among the largest B&J tax credit claimants are compared to similar data for the entire Kansas manufacturing sector from 2000 through 2003. Employment levels of manufacturers claiming the largest B&J credits performed worse than employment levels of the Kansas manufacturing sector during much of this time period. Chart 7 graphically notes the 2001 recession (March 2001 to November 2001, according to the National Bureau of Economic Research) and 9/11 on the time line for the group of largest B&J tax credit claimants. These events dominated this time period and severely affected the Kansas manufacturing sector.

Chart 7. Comparison of Employment Level Between the Sample Manufacturers (n=13) and the Total Kansas Manufacturing Industry



The Department of Labor employment information provides no correlation between the tax credit programs and improved employment performance for manufacturers claiming the largest amounts of those credits, during the aftermath of the 2001 recession and 9/11.

Chart 8 compares the performance of employment levels of retailers included in the sample (9) of largest B&J claimants with that of the entire Kansas retail sector. The percentage rate of change in the employment levels of retailers among the largest B&J tax credit claimants are compared to similar data for the entire Kansas retail sector from 2000 through 2003. Employment levels of retailers claiming the largest B&J credits performed somewhat better than employment levels of the Kansas manufacturing sector during much of this time period, although retailers claim a much smaller portion of the credits than manufacturers. The 2001 recession and 9/11 are noted graphically.

Chart 8. Comparison of Employment Level Between the Sample Retailers (n=9) and the Total Kansas Retail Trade Industry

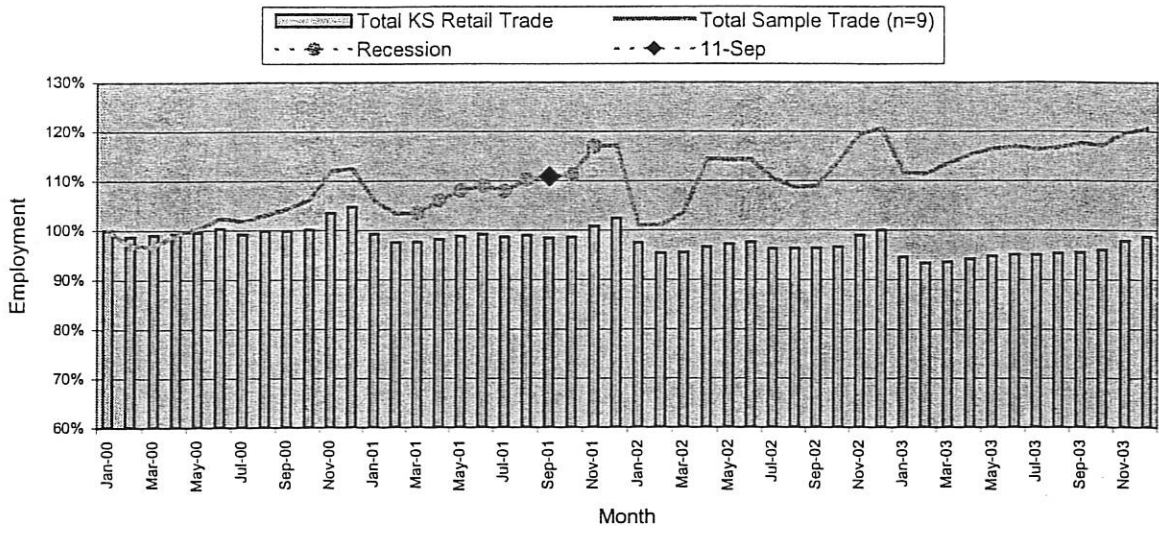
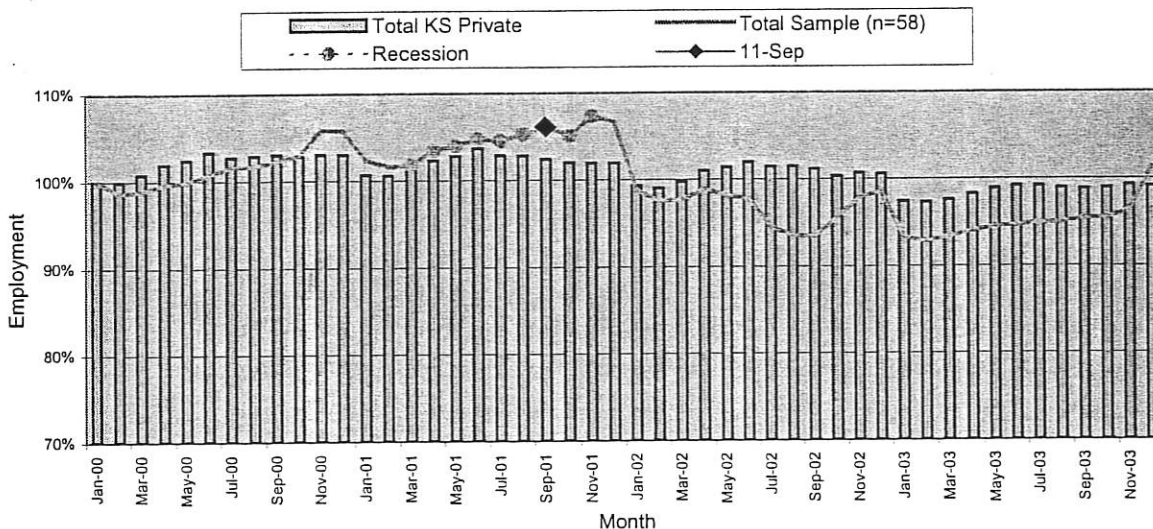


Chart 9 tracks the percentage rate of change in the aggregate employment level of corporations included in the group of top 20 B&J credit claimants from January 2000 through the end of 2003 and compares that to the percentage rate of change in the aggregate employment level of the Kansas private sector during the same time period. During most of this time period the rate of change in employment level of the corporations in the group claiming the largest B&J credits was worse than in the private sector as a whole in Kansas. The 2001 recession and 9/11 are also noted graphically.

Chart 9. Comparison of Employment Level Between the Sample Corporations (n=58) and the Total Kansas Private Industries



Conclusions

Manufacturers have utilized the business tax credit incentive programs and have claimed the largest amounts of the credits. This result is consistent with state economic development policy that has been in effect for 10 years. Some larger claimants have used the credits to eliminate their corporate income tax liability entirely—even obtaining refunds.

Because tax credits are used to lower tax burden, the effective tax rate varies greatly within industry groups of all types.

Generally, the manufacturing sector bears a smaller share of the corporate income tax burden than other sectors of the economy, compared to the taxable income generated by those sectors. The tax credit programs do not appear to have shielded manufacturers claiming the

largest amounts of B&J credits from the economic downturn experienced by the Kansas economy in the 2001 recession, and in the aftermath of 9/11.

The retail sector contributes the largest portion of the corporate income tax receipts, although the manufacturing sector generated the largest amount of Kansas taxable income in tax years 2000, 2001 and 2002. The retail sector is less able than the manufacturing sector to benefit from the tax credit programs, typically bears a higher share of the corporate income tax burden, and pays higher effective tax rates. Retailers in the group of top 20 B&J credit claimants showed stronger employment performance in the aftermath of the 2001 recession and 9/11 than the Kansas retail sector as a whole.

In general, corporations claiming the most tax credits did not show employment performance matching that of the Kansas private sector economy during most of the 2000-2003 time period. This result should be tracked and measured over a longer period of time before conclusions are reached because of the recession during the sample years.

Appendix A

Business and Job Development Credits - K.S.A. 79-32,153 and K.S.A. 79-32,160a

K.S.A. 79-32,153

A taxpayer that invests in a qualified business facility and hires at least two employees as a result of that investment may be eligible for a tax credit of \$100 for every new qualified business facility employee and \$100 for every \$100,000 of investment made.

K.S.A. 79-32,160a

A taxpayer that invests in a qualified business facility and hires a minimum number of employees as a result of that investment may be eligible for the enhanced tax credit of at least \$1,500 for every new qualified business facility employee and \$1,000 for every \$100,000 of investment made. To qualify for the enhanced credit, a manufacturing business must hire at least 2 qualified business facility employees as a direct result of the investment, a non-manufacturing business must hire at least 5 qualified business facility employees as a direct result of the investment, and a retail business must be considered a business headquarters, ancillary support operation (such as a warehouse), catalog house or prepackaged software operation and hire at least 20 qualified business facility employees as a direct result of the investment.

High Performance Incentive Program Credits - K.S.A. 74-50,132 and K.S.A. 79-32,160a(e)

Businesses must be certified in advance by Department of Commerce, in order to qualify for HPIP. The program applies only to businesses within certain specified NCAIS codes that pay wages higher than the prevailing wage within that industry.

Training and Education Tax Credit

A qualified firm making a cash investment in the training and education of its employees can receive a credit equal to the portion of the investment in the training and education that exceeds 2% of the businesses total payroll costs.

Investment Tax Credit

A credit is available for those qualified firms that make an investment in a qualified business facility. the investment tax credit is 10% of the qualified business facility investment that exceeds \$50,000.

Business Machinery and Equipment Credit - K.S.A. 79-32,206

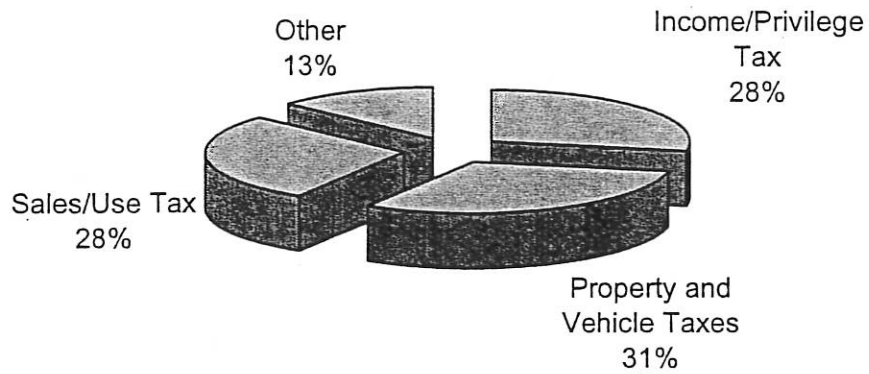
A credit may be allowed in an amount equal to 15% of the personal property tax levied and paid on commercial and industrial machinery and equipment classified for property taxation purposes pursuant to section 1 of article 11 of the Kansas Constitution in subclass (5) or (6) of class 2 and machinery and equipment classified for such purposes in subclass (2) of class 2. The credit amount will increase to 20% of the property tax levied for property tax years 2005 and 2006, and 25% of the property tax levied for property tax years 2007 and after. This credit is refundable.

Research and Development Tax Credit - K.S.A. 79-32,182a

A taxpayer with qualifying expenditures in research and development activities conducted within Kansas may be eligible to receive a credit of 6 1/2% of the amount expended for the research.

Chart 1

Fiscal Year 1998 State and Local Tax Revenues by Source



Fiscal Year 2003 State and Local Tax Revenues by Source

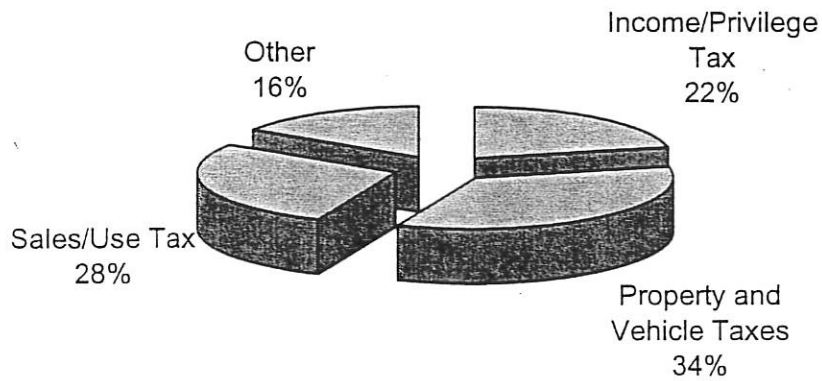
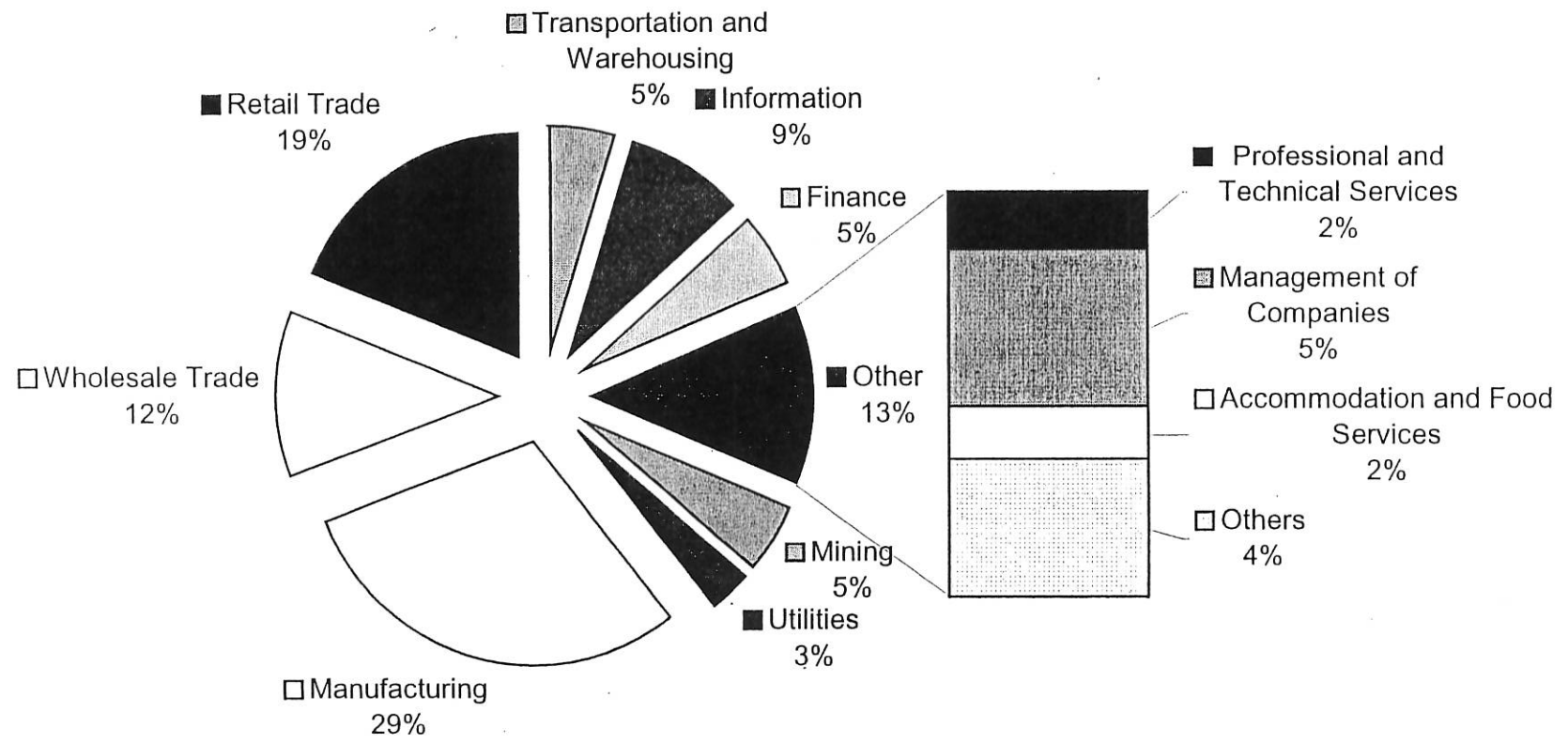
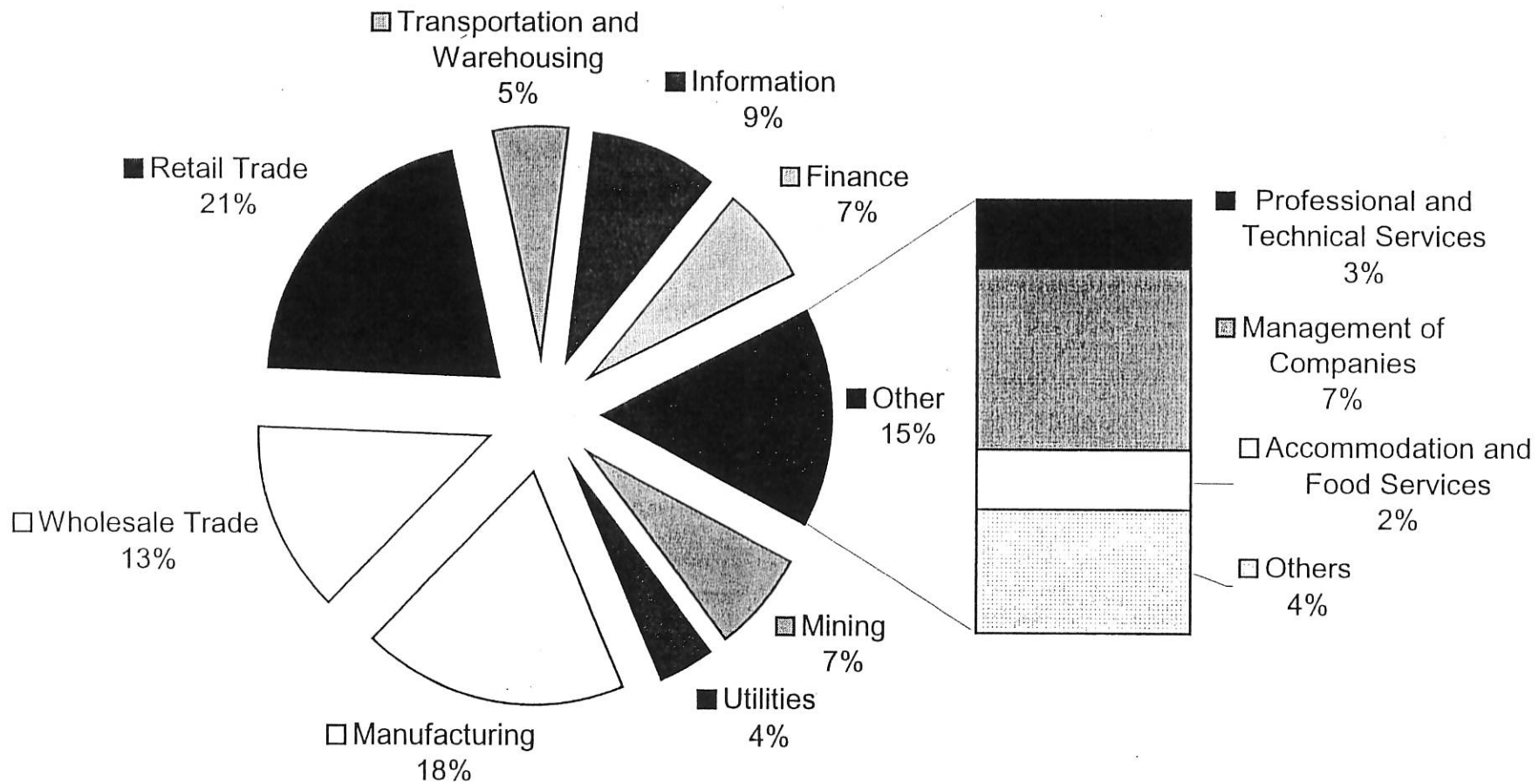


Chart 2
Total Corporate Income Tax Liability by Sector Before Credits Are Taken
Tax year 2000, 2001 and 2002



■ Mining	■ Utilities	□ Manufacturing
□ Wholesale Trade	■ Retail Trade	■ Transportation and Warehousing
■ Information	■ Finance	■ Professional and Technical Services
■ Management of Companies	□ Accommodation and Food Services	□ Others

Chart 3
Total Corporate Income Tax Liability by Sector After Credits Are Taken
Tax Year 2000, 2001 and 2002.



■ Mining	■ Utilities	□ Manufacturing
□ Wholesale Trade	■ Retail Trade	■ Transportation and Warehousing
■ Information	□ Finance	■ Professional and Technical Services
■ Management of Companies	□ Accommodation and Food Services	□ Others



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
POLICY AND RESEARCH

KATHLEEN SEBELIUS, GOVERNOR

January 26, 2005

Sales and Use Tax Briefing for Senate Committee on Assessment and Taxation

Richard L. Cram

The sales tax was first enacted in Kansas in 1937 at the rate of 2%. The current state sale tax rate is 5.3%. It became a popular revenue-raising vehicle for many states during the Depression. Its popularity has grown. Currently, 45 States plus the District of Columbia have enacted the sales tax. Nationwide, sales tax is estimated to provide approximately a third of total state tax collections. Hellerstein & Hellerstein, *State Taxation*, ¶ 12.01. In Kansas, state and local sales and use tax accounted for 42.3% of total department of revenue collections in FY 2003.

Sales tax is imposed on the gross receipts received from the retail sale of tangible personal property or certain taxable services. K.S.A. 79-3603. Sales tax is paid by the consumer. The retailer is obligated to collect the tax from the consumer at the time of the sale, and report and remit the tax to the State. K.S.A. 79-3604; 79-3607. If the retailer does not collect the sales tax from the consumer on a taxable sale, then the state can collect the tax from the retailer or the consumer. Any retailer making taxable sales in the state must first register with the department. K.S.A. 79-3608.

Use tax is imposed on the use, storage or consumption of tangible personal property in the state. K.S.A. 79-3703. It applies to goods purchased outside the state. The use tax complements the sales tax. Use tax was developed to safeguard state sales tax revenues from erosion by purchases of goods outside the State, and to protect local merchants from loss of business to border and other states that either have no sales tax or whose sales tax rate is lower than that of the merchant's state. Hellerstein & Hellerstein, ¶ 16.01.

Local Sales and Use Tax

Counties and cities have had the option of imposing local sales taxes since 1971. Local use taxes on motor vehicles have existed since 1982, local use taxes on other tangible personal property have existed since 2003. The local sales tax and use tax rate is determined by the governing body for that taxing jurisdiction, subject to local voter approval and rate limitations established by statute. Recently, the legislature created an additional type of local taxing jurisdiction, the transportation district. All local taxes are administered by the department of revenue. Local sales and use tax rates are found in the Sales Tax Jurisdiction Code Booklet, Publication KS-1700, available in hard copy or downloadable from the department's website,

www.ksrevenue.org. This booklet is updated quarterly. Local rates for a particular address are also available on the department's website, using the sales tax rate locator.

Imposition of Sales Tax

Kansas sales tax generally applies to three types of transactions:

- 1) The retail sale, rental, or lease of tangible personal property, including the sale or furnishing of utilities;
- 2) Charges for various specifically enumerated types of services, such as hotel rental services, dry cleaning services, vehicle washing, and labor services to install, apply, repair, service, alter, or maintain tangible personal property; and
- 3) The sale of admissions to places providing amusement, entertainment or recreation services, including admissions to state, county, district and local fairs.

K.S.A. 79-3603 contains the sales tax imposition provisions. Retail sales of tangible personal property are taxable unless an express exemption applies. Retail sales of services are taxable only when tax has been expressly imposed upon them by the sales tax act. If the act does not list the service, it is not taxable.

Sales Tax Exemptions

Each year, the Legislature debates whether to add new sales tax exemptions or keep in place existing ones. The 2003 Supplement of K.S.A. 79-3606 contains 59 sales tax exemptions, starting at (a) and going to (ggg). Some of the more prominent exemptions are for sales to governmental entities, items "consumed in production," "ingredient-component parts," manufacturing machinery and equipment, farm machinery and equipment, and exemptions for religious and specifically listed charitable organizations. Several more exemptions are contained in K.S.A. 79-3603 (such as the "original construction" exemption for labor services). Exempt transactions must be documented with an exemption certificate provided by the purchaser to the retailer, and retained by the retailer in case of audit.

Last session, several new sales tax exemptions were added, the two most significant being the exemptions for custom computer software and aircraft repairs. Valid reasons may prompt the Legislature to grant a particular sales tax exemption. However, each additional exemption narrows the sales tax base and raises pressure to increase the rate. Your materials contain a spreadsheet providing the department's estimate for the amount of foregone revenue attributable to each sales tax exemption.

"Nexus" and Taxation of Remote Sales

"Nexus" refers to the degree of physical connection between an out-of-state retailer selling goods to customers located in another state and that state. It will determine whether that state can legally impose a duty on the out-of-state retailer to collect the sales or use taxes imposed by that state. Whether the retailer collects the tax or not, the purchaser is ultimately obligated to pay use tax to the State of residence on out-of-state purchases of items used, stored or consumed in that state. Except for businesses subject to regular audits, unless the out-of-state retailer collects use tax from the purchaser and remits it to the state, as a practical matter, it will not be paid. The viability of both the sales and use tax depends primarily upon the collection, reporting and remittance functions that retailers perform. In order for states to obtain an acceptable compliance rate on payment of use tax on remote sales to consumers, out-of-state retailers must be obligated to collect and remit use tax on those sales.

Under Kansas law, an out-of-state retailer “doing business” in Kansas is obligated to collect and remit use tax on its sales to consumers in Kansas. K.S.A. 79-3705c. However, United States Supreme Court decisions have restricted the constitutional power of the States to subject interstate sales to sales or use tax. In *Quill Corp. v. North Dakota*, 504 U.S. 298 (1992), the Supreme Court held that the Commerce Clause bars a State from imposing a use tax collection duty on an out-of-state seller with no physical presence (nexus) in the state. Thus, an out-of-state merchant has no legal obligation to collect use tax on its sales to customers located in another state, if the sale is conducted by telephone, mail order, or in recent times, the Internet, and if the out-of-state merchant has no physical presence in the other state.

Physical presence, or nexus, is established if the out-of-state retailer employees or a facility permanently located in the state or has salesmen who operate in the state. Temporary presence can be sufficient to establish nexus under certain circumstances (such as frequent sales calls or deliveries into the state), but this is currently a heavily litigated area of the law.

State governments and local merchants have long been concerned about the fact that mail-order consumer retail sales by out-of-state merchants essentially escape use tax. The rapid growth of remote retail sales over the Internet have heightened those concerns.

Moratorium on Internet Taxation

The Internet Tax Freedom Act, passed by Congress in 1998, placed a three-year moratorium on State and local government taxation of Internet access fees and imposition of multiple or discriminatory taxes on electronic commerce. This moratorium was re-imposed in 2001 for another three years. After the moratorium expired during 2004, it was again re-imposed last November for an additional three years. Also, telecommunications services used to provide Internet access were included in the moratorium. The Internet Tax Freedom Act does not prohibit imposition of sales or use tax on retail sales conducted over the Internet. A consumer making purchases from an out-of-state e-commerce merchant over the Internet remains legally obligated to pay use tax. If an e-commerce merchant has a physical presence in the taxing state, then the e-commerce merchant is obligated to collect and remit the appropriate sales or use tax on sales to customers located in that state.

Sales Tax Policy and Research Staff Contact Information

The department’s sales tax guidelines, forms, private letter rulings, annual and monthly sales tax distribution reports can be accessed at the department’s website, www.ksrevenue.org. Listed below are the department staff in Policy and Research specializing in the sales tax area.

Sales Tax Policy/Interpretation Questions

Tom Browne—Tax Specialist 296-7776

Mark Ciardullo—Tax Specialist 296-5330

Ron Grant—Tax Specialist (Education Unit) 296-2481

Tom Hatten—Tax Specialist 296-4008

Local Sales Tax Distribution Questions/Fiscal Analysis

Steve Brunkan—Financial Economist 291-3580

Director

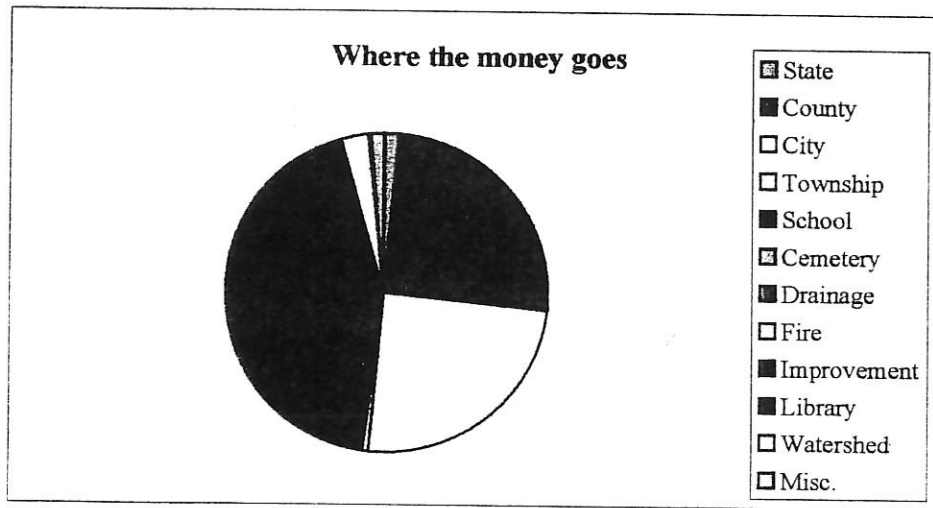
Richard Cram 296-8042

Policy and Research Office—296-2381

County Name
Sedgwick

Distribution of Taxes

Taxing Districts	General	Penalty	Total	% of Total
State	4,938,680.18	17,324.97	4,956,005.15	1.33%
County	93,527,741.99	332,835.80	93,860,577.79	25.22%
City	91,617,880.07	324,119.44	91,941,999.51	24.71%
Township	2,168,982.29	8,458.92	2,177,441.21	0.59%
School	62,148,920.14	591,258.45	162,740,178.59	43.73%
Cemetery	166,001.40	496.82	166,498.22	0.04%
Drainage	59,194.55	528.36	59,722.91	0.02%
Fire	9,680,653.36	36,405.50	9,717,058.86	2.61%
Improvement	926,828.88	3,272.52	930,101.40	0.25%
Library	514,507.72	1,723.48	516,231.20	0.14%
Watershed	159,588.76	363.62	159,952.38	0.04%
Misc.	4,885,935.37	0.00	4,885,935.37	1.31%
Total	70,794,914.71	1,316,787.88	372,111,702.59	100.00%



2003 Real and Personal Property Value and Tax Summary

County Name **Sedgwick**
County Number **87**

Total Taxable Value	\$3,304,003,437	Tax Per Capita	\$819
Value Per Capita	\$7,270	Mill Levy	0.1126
Total Ad Valorem Tax	\$372,111,642	2000 Population	452,869

Property Type/Class	2003 Value	% of County
Residential	1,672,343,021	50.62%
Ag Land	23,186,661	0.70%
Vacant	27,779,352	0.84%
Not for Profit	5,183,373	0.16%
Public Utility	198,626,767	6.01%
Commercial Real	960,007,708	29.06%
Ag Improvement	5,095,217	0.15%
All Other Real	100,908	0.00%
Personal Property	410,627,068	12.43%
Oil and Gas	1,053,362	0.03%
Total	3,304,003,437	100.00%

