

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 17, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Gary Hayzlett  
Representative Lance Kinzer  
Representative Julie Menghini  
Representative Melody Miller  
Representative Virgil Peck  
Representative Gene Rardin  
Representative Ron Worley

Committee staff present:

Chris Courtwright, Legislative Research Department  
Martha Dorsey, Legislative Research Department  
Gordon Self, Office of the Revisor of Statutes  
Richard Cram, Department of Revenue  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Mario Goico  
Representative Jerry Williams  
Representative Sloan  
Representative Treaster  
Joan Wagnon - Secretary, Department of Revenue  
Richard Cram, Department of Revenue  
David Corbin - Legislative Liaison, KDOR

Others attending:

See attached list.

The Chairman requested bill introductions.

Representative Mario Goico requested a bill be introduced that would change the county appraiser to an elected position. Representative Siegfried moved the introduction, seconded by Representative Owens. The motion carried.

Representative Mario Goico requested a bill be introduced that would eliminate the franchise tax over a 3 year period. Representative Wilk moved the introduction, seconded by Representative Siegfried. The motion carried.

Representative Mario Goico requested a bill be introduced that would expand the Homestead program. Representative Wilk moved the introduction, seconded by Representative Owen. The motion carried.

Representative Mario Goico requested a proposal be drafted for a Tax Holiday. Representative Brown moved the introduction. Representative Siegfried seconded the motion. The motion carried.

Representative Mario Goico requested a bill be introduced that would exempt government bonds from Kansas income taxes. Representative Wilk moved the introduction, seconded by Representative Owens. The motion carried.

Representative Mario Goico requested a bill be introduced that would match federal estate tax exemptions. Representative Wilk moved the introduction, seconded by Representative Owens. The motion carried.

Representative Jerry Williams requested that a bill be introduced concerning property tax related to delinquent taxes. Representative Wilk moved the introduction, seconded by Representative Owens. The

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 17, 2007 in Room 519-S of the Capitol.

motion carried.

Representative Sloan requested a bill be introduced concerning income taxation; relating to credits; contributions of professional time by certain health care professionals. Representative Wilk moved the introduction, seconded by Representative Owens. The motion carried.

Representative Sloan requested a bill be introduced concerning income taxation; relating to credits; service by certain volunteer firefighters and EMS providers. Representative Wilk moved the introduction, seconded by Representative Owens. The motion carried.

Representative Treaster requested a bill be introduced that would grant sales tax exemption for a non-profit organization, *First Call For Help*. Representative Holland seconded the motion. The motion carried.

Secretary Wagon, KDOR, returned to the podium to continue the briefing on Kansas taxes. She reviewed a "Tax Facts" memorandum, comprised of information published from a variety of sources, as well as the opinions and recommendations of the Department of Revenue regarding what constitutes good tax policy. Topics included: 1) Tax mix; 2) Changes and trends in the tax base and rates; 3) Elasticity of tax receipts; 4) Erosion of the tax base; and 5) serious threats to future tax revenues exists (Attachment 1).

A pamphlet - *Tax Expenditure Report - Calendar Year 2005*, a reference document, was distributed (Attachment 2). Secretary Wagon briefly reviewed the individual and corporate report adding that it indicates the fiscal impact of exemptions, credits, deductions, modifications, and exclusions of seven taxes and programs: 1) Individual, Fiduciary and Corporate Income, and Privilege Taxes; 2) Retailers' Sales Tax Exemptions; 3) Mineral Taxes; 4) Motor Fuel Taxes; 5) Homestead; 6) Food Sales Tax Refund; and 7) Kansas IMPACT. A copy of the *2006 Kansas Individual Income Tax and Food Sales Refund* was distributed. (Copy in Kansas Department of Revenue).

Richard Cram, KDOR, provided a brief history of the sales tax, which accounts for approximately one-third of the state collection revenue. He described the use tax, a companion part of the sales tax; its purpose and how it works at the city and county levels. He explained; 1) Sales tax exemptions; 2) Nexus; and 3) Taxation of remote sales (Attachment 3). Discussion followed regarding the rules of Nexus for states and the Internet Tax Freedom Act.

Mr. Cram said that sales tax treatment for nonprofit entities has evolved over the years and distributed a memo - *Sales tax treatment for Not-For-Profit Entities*, that provided a summary of the current exempt status of nonprofit entities, fiscal and administrative impacts and treatment of nonprofit entities by neighboring states (Attachment 4).

*Sales Tax Erosion in Kansas*, a report by Dr. John D. Wong, Principal Investigator and Professor of Public Administration, Kansas Public Finance Center, Hugo Wall School of Urban and Public Affairs, Wichita State University, dated 2006, was distributed (Attachment 5). Dr. Wong had presented the report to the 2006 Interim committee. Mr. Cram described the highlights of the report.

An excerpt from the KDOR annual report - *State Retailers' Sales and Compensating Use Taxes Amount to State General Fund* was distributed. It contained recent history of the amount of sales and use tax revenue at the state and county levels and the total states sales tax collection by the North American Industrial Classification (NAICS) (Attachment 6). The annual report is posted on their website; ksrevenue.org. He referred to a spread sheet, part of the Tax Expenditure Report, that provides a breakout by sales tax exemption of what the foregone sales tax revenue would be that is attributable to each sales tax exemption (Copies will be distributed at a later date).

Secretary Wagon explained Streamlined Sales Tax (SST) and distributed a fiscal note which summarized the revenues for FY 2005 and 2006 (Attachment 7). She explained the genesis of SST, how it works and its current status. Discussion followed regarding the pros and cons of the tax. David Corbin - Legislative Liaison, KDOR, joined the Secretary to explain the issue of state sovereignty as it relates to SST.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 17, 2007 in Room 519-S of the Capitol.

The Chairman said that they would return to the topic of Income Tax at a later date and adjourned the meeting at 10:25 a.m. The next meeting is January 18, 2007.





# K A N S A S

JOAN WAGNON. SECRETARY

DEPARTMENT OF REVENUE  
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS. GOVERNOR

January 10, 2007

To: House and Senate Taxation committees  
From: Joan Wagon, Department of Revenue  
Re: Memo on Tax Reform

Here are some "Tax Facts" which give you a snapshot of the status of taxes in Kansas today:

FY05 data, in comparison with all other states and based on the latest federal statistics, shows Kansas had the 29th highest state taxes per capita and also the 29th highest state taxes as a percent of personal income. The recent rate of growth in local taxes, especially property taxes, rebounded somewhat in FY 2005 after coming off two years of more modest growth. Property taxes in FY 2005 increased by about 6.5 percent, or \$187 million. Schools accounted for \$120 million of the increase. The school finance changes for FY06,07 will markedly affect these numbers.

- The Tax Mix is unbalanced.<sup>1</sup>

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 have eroded since the late 1990s. We refer to this as the "3-legged stool". (In FY 1992 – prior to the implementation of the school finance law – property and vehicle taxes comprised 38.7 percent of total state and local revenues; sales and use taxes, 22.7 percent; and income and privilege taxes, 21.1 percent.)

In FY 2005, property and vehicle taxes accounted for 34.0 percent of the burden; sales and use taxes, 26.8 percent; and income and privilege taxes, 23.3 percent. 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 Kansas state and local governments are better able to withstand economic downturns with a diversified revenue portfolio that doesn't rely too heavily on a single source. Because all revenue sources have their weaknesses, a balanced tax system will reduce the magnitude of problems caused by over reliance on a single tax source. It will also result in lower rates on each tax and reduce the pressure of competition from other states that have lower rates for a particular tax.

- Local governments continue to spend most of the state and local tax revenue.

In FY2005, local government tax revenue was \$4.123 billion and local units received another

<sup>1</sup> See Kansas Tax Facts, Table V

\$2.799 billion from state taxes allocated to or shared with them. Thus, local units received \$6.922 billion, or about 69 percent, of total state and local taxes in FY 2005. Over 47 percent of the state's tax revenue was shared with or allocated to local units, mostly for education, though this figure was down from 59 percent as recently as FY2002.

- Many changes in the tax base and tax rates have occurred.
  - Gov. Graves raised state sales tax from 4.9 cents to 5.3 cents in 2002; sunset removed 2003
  - Federal accelerated depreciation affected corporate receipts 2003, 2004
  - Sales and property tax exemptions increase each year, particularly for business purposes
  - Property tax mill levy for schools dropped from 35 mills to 20 mills over several years
  - Vehicle tax assessment rates went from 30 to 20 percent in 1996
  - Business machinery and equipment credit increased; prospective exemption in 2005
  - Third party refunds of sales taxes; integrated plant sales tax exemption for business gave a huge break to manufacturers
  - Expansion of tax credits, almost every year
  - STAR bonds applicability broadened
  - Estate tax reformed; will be repealed in 2010
  - Franchise tax rate doubled in 2002 and changed cap from \$2,500 to \$2000; then lowered the rate but raised the cap to \$20,000; finally added \$100,000 small business exemption.
  
- Tax Trends show the following:<sup>2</sup>
  - Income taxes are still trending up.
  - Corporate income taxes fluctuate wildly and currently are at the high point in their history. The number of corporate tax payers has diminished greatly, from 33,581 in 1989 to 23,160 in 2001, largely because of the growth in other corporate organizational structures, like LLC's, S corporations, etc. Sixty percent of these corporations have no tax liability.
  - Sales taxes have leveled off and may flatten out.

#### What the Experts are Telling Us from Recent Studies

- The overall **elasticity of tax receipts**, especially State General Fund (SGF) tax receipts, is **declining**, probably due to increased reliance on sales taxes.

Elasticity is an important consideration so the tax base can grow and continue to produce a sufficient amount of revenue to fund government without constantly raising taxes. Property taxes are very elastic and as property values increase, so does the tax without raising the rate. Income taxes are also elastic; sales taxes are not.

Increased reliance on sales taxes will create hardship for financing government services in times of economic distress or downturn, or even in good times, will not grow as much as costs of providing the services.

The economy today is much different than it was in the 1930s when the sales and income taxes were first imposed. This declining elasticity of major taxes is indicative of the rapid changes occurring in the Kansas economy. Dr. John Wong has observed that Kansas is currently in a transitional period, seeing agriculture and manufacturing become relatively less important while technology and services are becoming more important. The ability of the tax structure to keep pace could be eroded even further as Kansas transitions to a technology and service based economy.

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<sup>2</sup> Charts showing 10 yr. Trends are attached.

- **Tax Base Erosion** is a major problem.

The problem is likely to be compounded in the future if current trends continue, and the **result would be higher tax rates and less equity** among various groups of taxpayers; less competitiveness and more taxpayer discontent; and more special interest groups' requesting exemptions—creating a vicious cycle, or more nearly, "the perfect storm." It is exactly these conditions that led to Proposition 13 in California, and more recently, TABOR in Colorado. It is from these conditions that proposals to limit appraisal values, or cap spending arise.

A study on sales tax base erosion led Prof. John Wong to conclude that the **large number of statutory exclusions and exemptions is one of the principal reasons the sales tax base has narrowed** considerably in recent years. He noted there were 135 changes enacted since its creation in 1937. The largest increases occurred during the early 1970's and again in the early 1990's. The growth in non-taxable services and the consumer's growing purchases over the internet are two examples of consumer purchases not subject to sales tax.

**Kansas is closing the gap somewhat on non-taxed remote sales.** Last FY we collected \$18.5 million from remote sellers because of our participation in the Streamlined Sales tax project. We will collect about \$35 million this year, according to department estimates.

**Estimates of the potential for taxing services or closing loopholes remain elusive.** From my own experience, there might be another \$35-50 million in loopholes, but that would require pulling back a lot of previously granted exemptions, some to non-profits, and maybe a similar amount from adding personal services to the tax mix. It won't be pretty, politically unless we need the money, and have some unique strategy to vote on a package – up or down. I don't personally believe we are ever going to be in a position, nor should we tax things like medical services, legal services, etc. Business inputs ought to be off limits. However, the service of having your tax return prepared, or getting a tan or a haircut, or washing your dog should probably be taxable. But, I'm sure some of you remember from our efforts in the 90's that it's tough to do even those things. I still have scars from carrying those bills!

Prof. Glen Fisher just finished his study on **property tax base erosion** and found that the Kansas **property tax is evolving into a real estate tax**, predominately residential real estate, rather than a true broadly based property tax. For example, in 1988 (when we implemented the classification amendment) residential real estate was 22 % of the tax base; in 2005 it is 40% of the base. (Removal of inventories, farm machinery, other personal property, etc. was the major change as well as implementation of use value appraisal of agricultural land.)

Local option exemptions of real and personal property for economic development purposes is another reason. In 2005 \$3.4 billion in appraised value was exempted by cities and counties. The assessment percentage on vehicles was reduced from 30% to 20% - another base-narrowing action. No wonder we are getting more and more complaints about high real estate taxes, followed by legislative proposals to change our property tax assessment process. The housing market is driving values upward, along with appraisals and many local governments are taking advantage of this growth as mill levies creep upward.

#### Observations from Department of Revenue

The department continues to monitor the corporate tax and tax incentive utilizations, including credits. We also report regularly on tax expenditures. We look at burden (who pays), balance (tax mix) and competitiveness with other states and the region.

- **Serious threats to future tax revenues exist** if the following trends are allowed to continue:
  - **Proliferation of the number of sales tax exemptions**; the current policy seems to be “ask and ye shall receive” in the legislature;
  - Continuing to **allow withholding taxes to be earmarked** or kept by business as a tax incentive (bioscience, Goodyear, Innovia, etc.) will start an erosion of the income tax base – the only tax base that keeps pace with economic growth and is progressive – that will exceed the sales tax;
  - Unjustified **use of tax credits** to avoid the appropriations process – the expansion of the adoption tax credit last session is a good example. It was easier to get a tax credit than an increase in spending on adoption support programs for adoptive parents.
  - **Structure of Corporate Income tax** no longer reflects current business practices and **needs to be modernized. The top rate needs to be reduced to be competitive with surrounding states.**
  - Tax avoidance schemes are also eroding its potential to produce state revenues.
  - The proliferation of requests for changes in the apportionment of income formula reflects the dissatisfaction of business with the way the tax is computed.
  - Fluctuations in corporate tax collections make it an unstable tax source.



# TAX EXPENDITURE REPORT

Calendar Year 2005

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

## 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 2004.

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**TAX EXPENDITURE REPORT  
SUMMARY**

<b>PROGRAM</b>	<b>TAX EXPENDITURE</b>
Kansas Addition/Subtraction Modifications (PY 2005-Income & Privilege)	(\$141,538,632)
Kansas Tax Deductions (PY 2005-Income & Privilege)	(\$893,426,853)
Kansas Tax Credits (PY 2005 Income & Privilege)	(\$381,730,862)
Kansas Sales Tax Exemptions (FY 2006)	(\$3,767,081,000)
Mineral Tax (FY 2006)	(\$61,104,529)
Motor Fuel Tax (CY 2005-Diesel, Gas, Gasohol)	(\$442,177,072)
Homestead Refund Program (FY 2006)	(\$16,643,446)
Food Sales Tax Refund Program (PY 2005)	(\$34,633,666)
IMPACT (FY 2006)	(\$13,232,363)
	(\$5,751,568,423)

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 INCOME TAX

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

A Kansas resident is required to file an individual income tax return if:

- They are required to file a federal income tax return, or
- Their Kansas adjusted gross income is more than the total of their Kansas standard deduction and exemption allowance.

The Kansas income tax is imposed on the entire income of every resident individual. Nonresidents of Kansas are taxed on income derived from Kansas sources.

Kansas begins its individual income tax calculation with federal adjusted gross 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 adjusted gross 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 adjusted gross income. Kansas law allows a taxpayer to claim a standard deduction or itemized deductions and allows for a personal exemption deduction.

For process year 2005, tax year 2004, Kansas income tax was imposed as follows:

### Schedule I-Married Filing Joint

If Kansas taxable income is:

Over	But Not Over	The Tax is:
\$0	\$30,000	3.50% of Kansas taxable income
\$30,000	\$60,000	\$1,050 + 6.25% of excess over \$30,000
\$60,000		\$2,925 + 6.45% of excess over \$60,000

### Schedule II-Single, Head of Household, or Married Filing Separate

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

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 2005, tax year 2004, 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 2005**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	26,283	\$6,936,466
K.S.A. 79-32,117(b)(iv)	Contributions to all Kansas public employee's retirement systems	139,732	\$11,074,586
K.S.A. 79-32,143	Federal net operating loss carry forward	11,149	\$28,799,767
Various	Other additions to federal adjusted gross income	7,941	\$1,580,637

\*Tax expenditure computed using average tax rate of .05

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	64,494	(\$7,255,231)
K.S.A. 79-32,117(c)(v)	State income tax refund	211,979	(\$8,962,937)
K.S.A. 79-32,143	Kansas net operating loss carry forward	8,390	(\$26,973,375)
Various	Retirement benefits specifically exempt from Kansas income tax	86,006	(\$101,249,859)
Various	Other subtractions from federal adjusted gross income	8,498	(\$11,853,398)

\*Tax expenditure computed using average tax rate of .05

**DEDUCTIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,119; K.S.A. 79-32,120	Standard deduction or Itemized deductions	1,333,188	(\$518,454,963)
K.S.A. 79-32,121	Exemption allowance	1,254,968	(\$331,878,737)

\*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 2005**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(b)(i)	State and municipal bond interest not specifically exempt from Kansas income tax.	7,809	\$2,010,457
K.S.A. 79-32,117(b)(iv)	Contributions to all Kansas public employee's retirement systems	6,546	\$80,467
K.S.A. 79-32,143	Federal net operating loss carry forward	1,808	\$4,340,947
Various	Other additions to federal adjusted gross income	2,840	\$238,637

\*Tax expenditure computed using average tax rate of .05

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	12,636	(\$1,085,165)
K.S.A. 79-32,117(c)(v)	State income tax refund	68,072	(\$1,560,441)
K.S.A. 79-32,143	Kansas net operating loss carry forward	1,125	(\$2,097,591)
Various	Retirement benefits specifically exempt from Kansas income tax	3,916	(\$510,253)
Various	Other subtractions from federal adjusted gross income	2,281	(\$768,593)

\*Tax expenditure computed using average tax rate of .05

**DEDUCTIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,119; K.S.A. 79-32,120	Standard deduction or Itemized deductions	236,304	(\$33,066,266)
K.S.A. 79-32,121	Exemption allowance	227,702	(\$7,830,660)

\*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 2005**

**TAX CREDITS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>Expenditure</b>
K.S.A. 79-32,111	Credit for taxes paid to other states	132,563	(\$260,784,524)
K.S.A. 79-32,111a	Credit for child and dependent care expenses	72,515	(\$9,049,825)
K.S.A. 79-32,202	Adoption credit	502	(\$530,992)
K.S.A. 79-32,181a	Agricultural loan interest reduction credit	0	(\$0)
K.S.A. 74-50,173	Agritourism liability insurance credit	24	(\$6,692)
K.S.A. 79-32,201	Alternative-fuel tax credit	20	(\$17,527)
K.S.A. 79-32,153	Business and job development tax credit	400	(\$663,531)
K.S.A. 79-32,160a	Business and job development tax credit	1,082	(\$5,792,561)
K.S.A. 79-32,206	Business machinery and equipment tax credit	10,366	(\$3,863,030)
K.S.A. 79-32,190	Child day care assistance credit	10	(\$22,243)
K.S.A. 79-32,197	Community service contribution credit	1,168	(\$2,968,001)
K.S.A. 79-32,176	Disabled access credit	132	(\$190,503)
K.S.A. 79-32,205	Earned income credit	183,853	(\$47,304,904)
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	781	(\$5,874,529)
K.S.A. 79-32,211	Historic preservation tax credit	111	(\$1,245,890)
K.S.A. 79-32,207	Plugging an abandoned oil or gas well credit	6	(\$11,622)
K.S.A. 74-50,154	Regional Foundation Credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,182b	Research and development credit	165	(\$386,208)
K.S.A. 79-32,212	Single city port authority credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 40-2246	Small employer health insurance contribution credit	86	(\$88,892)
K.S.A. 79-32,204	Swine facility improvement credit	0	(\$0)
K.S.A. 79-32,210	Telecommunications credit	110	(\$119,219)
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	46	(\$97,306)

\*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 2005, tax year 2004, 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 2005**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
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.	371	\$1,466,631
K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	3,147	\$11,567,686
K.S.A. 79-32,117(b)(ii)	Taxes on or measured by income or fees or payments in lieu of income taxes	3,919	\$1,496,361
Various	Other additions to federal adjusted gross income	193	\$325,637

\*Tax expenditure computed using average tax rate of .065

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,138(c)(i) K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	384	(\$191,448)
Various	Other subtractions from federal adjusted gross income	1,271	(\$12,441,520)
K.S.A. 79-32,143	Kansas Net Operating Loss	1,386	(\$38,423,541)

\*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 2005**

**ADDITION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
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.	686	\$679,708
K.S.A. 79-32,117(b)(iii)	Federal net operating loss deduction	1,518	\$35,203,670
K.S.A. 79-32,117(b)(ii)	Taxes on or measured by income or fees or payments in lieu of income taxes	6,076	\$6,029,392
Various	Other additions to federal adjusted gross income	298	\$3,758,315

\*Tax expenditure computed using average tax rate of .065

**SUBTRACTION MODIFICATIONS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>*Tax Expenditure</b>
K.S.A. 79-32,138(c)(i) K.S.A. 79-32,117(c)(i)	Interest on US Government obligations	528	(\$853,201)
Various	Other subtractions from federal adjusted gross income	1,204	(\$27,632,843)
K.S.A. 79-32,143	Kansas Net Operating Loss	1,866	(\$22,703,217)

\*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 2005**

**TAX CREDITS**

<b>Statutory Reference</b>	<b>Description</b>	<b>Number of Filers</b>	<b>Tax Expenditure</b>
K.S.A. 79-32,181a	Agricultural loan interest reduction credit	0	(\$0)
K.S.A. 74-50,173	Agritourism liability insurance credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,201	Alternative-fuel tax credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,153	Business and job development tax credit	50	(\$1,253,817)
K.S.A. 79-32,160a	Business and job development tax credit	152	(\$3,605,344)
K.S.A. 79-32,206	Business machinery and equipment tax credit	4,292	(\$20,505,273)
K.S.A. 79-32,190	Child day care assistance credit	9	(\$5,243)
K.S.A. 79-32,197	Community service contribution credit	53	(\$239,609)
K.S.A. 79-32,177	Disabled access credit	7	(\$1,818)
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	69	(\$11,302,761)
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. 74-50,154	Regional foundation credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,182b	Research and development credit	56	(\$1,307,948)
K.S.A. 79-32,212	Single city port authority credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 40-2246	Small employer health insurance contribution credit	18	(\$29,362)
K.S.A. 79-32,204	Swine facility improvement credit	0	(\$0)
K.S.A. 79-32,210	Telecommunications credit	32	(\$789,049)
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	67	(\$65,391)

\*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 2005, tax year 2004, 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 2005

### 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.	268	\$6,349,169
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	27	\$1,279,760
K.S.A. 79-1109	Savings & Loan Bad Debt Deduction included in federal deductions	4	\$1,062,140
Various	Other additions to federal taxable income	68	\$231,945

\*Tax expenditure computed using average rate of 4%

### SUBTRACTION MODIFICATIONS

Statutory Reference	Description	Number of Filers	*Tax Expenditure
Various	Subtractions from federal taxable income	202	(\$1,488,397)

\*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	39	(\$2,162,224)
K.S.A. 79-1109	Savings and Loan Bad Debt Deduction	14	(\$34,003)

\*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	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,153	Business and job development tax credit	49	(\$175,264)
K.S.A. 79-32,160a	Business and job development tax credit	*CONFIDENTIAL	*CONFIDENTIAL
K.S.A. 79-32,206	Business machinery and equipment tax credit	344	(\$689,020)
K.S.A. 79-32,190	Child day care assistance credit	0	(\$0)
K.S.A. 79-32,197	Community service contribution credit	27	(\$437,993)
K.S.A. 79-1117	Disabled access credit	0	(\$0)
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	13	(\$2,304,971)
K.S.A. 74-50, 154	Regional foundation credit	* CONFIDENTIAL	*CONFIDENTIAL
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.



Link to State Sales Tax Exemptions Summary (page 14)

[Link to State Sales Tax Exemptions Summary \(page 15\)](#)

Link to State Sales Tax Exemptions Summary (page 16)

## 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	46	(\$43,273,284)
Gas	204	(\$7,787,938)
Special Co. Mineral Production Fund		(\$10,043,307)

\*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;

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY05 Gasoline/Gasohol	979,611,146	\$0.24	(\$235,106,675)
CY05 Diesel	351,450,599	\$0.26	(\$91,377,156)

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

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY05 Gasoline/Gasohol	2,524,359	\$0.24	(\$605,846)
CY05 Diesel	1,041,198	\$0.26	(\$270,711)

- sale which is aviation fuel;

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY05 Gasoline/Gasohol	11,295,919	\$0.24	(\$2,711,021)
CY05 Diesel	57,979,695	\$0.26	(\$15,074,721)

- 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

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY05 Dyed Diesel	329,134,576	\$0.26	(\$85,574,990)

- shrinkage allowance @ 2.5%.

	<b>Gallons</b>	<b>Tax Rate</b>	<b>Tax Expenditure</b>
CY05 Gasoline/Gasohol	38,105,455	\$0.24	(\$9,145,309)
CY05 Diesel	8,887,087	\$0.26	(\$2,310,643)

## 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 \$26,300 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 2006, the Kansas Department of Revenue issued \$16,643,446 in homestead refunds to 72,797 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 \$13,800	\$72 multiplied by the number of Kansas exemptions.
\$13,801 to \$27,600	\$36 multiplied by the number of Kansas exemptions.
\$27,601 or greater	No refund

In process year 2005, the Kansas Department of Revenue issued \$34,633,666 in food sales tax refunds to 286,981 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 2006 the percentage is 2%.

In fiscal year 2006, the Kansas IMPACT program expended \$13,232,363.

January 17, 2007

Sales and Use Tax Briefing for House Taxation Committee

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 sales and use tax accounted for \$2.005 billion, or 38.4% of total department of revenue collections for the State General Fund in FY 2006.

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 the 1970's. Local use taxes 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](http://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. Local sales and use taxes collected and distributed by the Department for FY 2006 were \$796 million.

### 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 2006 Supplement of K.S.A. 79-3606 contains 71 sales tax exemptions, starting at (a) and going to (uuu). 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 in Senate Bill 404. 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, the total value of all sales tax exemptions for FY 2007 being approximately \$3.7 billion.

### "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. The Streamlined Sales Tax Project, and the Streamlined Sales and Use Tax Agreement, of which Kansas is a Member State, addresses that concern. It is an effort to encourage uniformity among state sales tax administration laws and procedures and voluntary collection by retailers of applicable sales and use taxes on their remote sales.

#### 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 for an additional three years until November 2007. 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

**Kansas Department of Revenue  
Sales tax treatment for Not-for-Profit Entities  
January 2007**

The sales tax treatment for nonprofit entities has evolved over the years to include the entities as listed below. Certain exemptions were granted in the early years of the Kansas sales tax where others are recent additions. Requests to expand exempt status to specific nonprofit entities are a yearly activity in the legislature. Each legislative session there are several entities and organizations that have bills introduced that would provide their entity exempt status. In recent years, the greatest change in the exemptions occurred with the 1998 Legislature. In that year, exemptions for nonprofit zoos, religious organizations, habitat for humanity, medically underserved organizations, parent teacher associations/organizations and food distribution program organizations were enacted. In 2006 there were also a significant number of exemptions passed, many for specifically named organizations. Unlike previous statutory exemptions, the exemption in 2006 not only exempted the purchases of the organization but also any sales made by or on behalf of the organization. In 2006, additional organizations were added to the medical educational organizations within K.S.A 79-3606 (vv) and new exemptions were added as listed in K.S.A 79-3606 (iii) through (uuu).

In 1970 an extensive review by the Joint Committee on the State Tax Structure (aka the Hodge Report) was completed. As a result of that study, the legislature amended the statutes to make purchases by religious, benevolent or charitable organizations subject to tax. In 2005, a legislative special committee reviewed the sales tax treatment for nonprofit organizations and made policy recommendations to the 2006 Legislature. The committee recommended the "standing tax committees develop criteria similar to those utilized in the early 1970's to help the Legislature evaluate all future request for sales tax exemptions." The Committee did not recommend expanding sales tax exemption to all 501 (c) (3) entities in the state.

A trend in recent years has been to expand the exemption to include sales made by an organization or on behalf of an organization. Nearly all of the exemptions passed in the last couple of years allows for sales made to be exempt. The provision not only allows the exempt entity to claim sales tax exempt on their sales, but also any other entity that is making sales on the exempt entities behalf. This allows individuals and other organizations to make sales on behalf of the exempt organization without any real control over the sale. It may also infringe upon the competitiveness of retailers who are selling the same or similar item and have to collect sales tax.

The information below provides a summary of the current exempt status of nonprofit entities, fiscal and administrative impacts and treatment of nonprofit entities by neighboring states.

Organizations receiving tax exempt status in Kansas

The following entities currently are exempt from sales tax.

<u>Cite</u>	<u>Organization</u>
79-3606 (b)	State of Kansas and its agencies, Kansas political subdivisions (cities, counties, townships school districts), Nonprofit hospitals, Nonprofit blood, tissue and organ banks
79-3606 (c)	Nonprofit educational institutions (colleges, universities, trade schools, etc. providing education above grade 12), Elementary and secondary schools
79-3606 (s)	Kansas groundwater management districts, Rural water districts and water supply districts
79-3606 (v)	Contractors preparing meals for the homebound elderly, disabled, indigent or homeless (such as Meals on Wheels)
79-3606 (z)	Port authority

CiteOrganization

79-3606 (hh)	Nonprofit nursing home, assisted living facility, interim care home for medical supplies and equipment
79-3606 (ii)	Nonprofit, nonsectarian, comprehensive youth development organizations
79-3606 (jj)	Community-based mental retardation facilities or mental health centers
79-3606 (ll)	Nonprofit public health corporations for educational materials
79-3606 (oo)	Community action groups/agencies for weatherization of low-income homes
79-3606 (qq)	Nonprofit museums and historical societies
79-3606 (rr)	Sale of personal property that will admit purchaser to an annual event sponsored by a nonprofit organization
79-3606 (ss)	Public broadcasting stations (radio and TV)
79-3606 (tt)	Nonprofit organization for constructing Kansas Korean War Memorial
79-3606 (uu)	Rural volunteer fire fighting organizations
79-3606 (vv)	Kansas chapters of these Medical Education Organizations: American Diabetes Association - Kansas Affiliate, American Heart Association, Kansas Alliance for the Mentally Ill, Kansas Mental Illness Awareness Council, American Lung Association, Alzheimer's Disease and Related Disorders Assn., Inc., Parkinson's disease association, National Kidney Foundation (of KS and Western MO), The Cystic Fibrosis Foundation, Heart of America Chapter, Spina Bifida Association, Heartstrings Community Foundation, CHWC, Cross-Lines Cooperative Council, Dreams Work, KSDS, Lyme Association of Greater Kansas City
79-3606 (ww)	Habitat for Humanity for housing project materials
79-3606 (xx)	Nonprofit zoos
79-3606 (yy)	Parent-Teacher Associations and Organizations
79-3606 (zz)	Free-Access Radio and TV Stations – equipment used directly and primarily for producing broadcast signal
79-3606 (aaa)	Nonprofit Religious Organizations
79-3606 (bbb)	Nonprofit food distribution program organizations
79-3606 (ccc)	Primary care clinics and health centers serving the medically underserved
79-3606 (ggg)	Kansas Academy of Science
79-3606 (hhh)	Domestic violence shelters as members of the Kansas Coalition against Sexual and Domestic Violence (KCSDV)
79-3606 (iii)	Food products distributed by nonprofit food distribution program to other nonprofit food distribution programs.
79-3606 (lll)	Special Olympics Kansas
79-3606 (mmm)	Marillac Center
79-3606 (nnn)	West Sedgwick County - Sunrise Rotary Club and Sunrise Charitable Fund
79-3606 (ooo)	Public libraries (sales only, purchases exempt as political subdivision)
79-3606 (ppp)	Homeless shelters
79-3606 (qqq)	TLC for Children and Families
79-3606 (rrr)	County Law Libraries
79-3606 (sss)	Catholic Charities or Youthville
79-3606 (ttt)	Governor's Hometown Museum
79-3606 (uuu)	Kansas Children's Service League
74-99b12	Kansas Bioscience Authority

Of the above organizations, all must be registered with the Internal Revenue Service (IRS) as a 501 (c) (3) nonprofit organization except for the entities below. Entities not required to be recognized as a 501 (c) (3) nonprofit organization to receive the sales tax exemption are:

79-3606 (ii)	Nonprofit, nonsectarian, comprehensive youth development organizations
79-3606 (yy)	Parent-Teacher Associations and Organizations
79-3606 (zz)	Free-Access Radio and TV Stations – equipment used directly and primarily for producing broadcast signal (these would be privately
79-3606 (oo)	Community action groups/agencies for weatherization of low-income homes
79-3606 (lll)	Special Olympics Kansas
79-3606 (mmm)	West Sedgwick County - Sunrise Rotary Club and Sunrise Charitable Fund

When enacting sales tax exemptions, there has been an allowance for purchases made “by or on behalf” of the entity to be exempt from tax for certain entities. This allows individuals or contractors to make purchases on behalf of the organization without any real control over who is making the purchase. Prior to the use of the “by or on behalf” language, it had been the practice to include in the exemption the ability for indirect purchases by an organization through the use of project exemption certificates. Entities which have the “by or on behalf” language in their exemption are:

<u>Cite</u>	<u>Organization</u>
79-3606 (tt)	Nonprofit organization for constructing Kansas Korean War Memorial
79-3606 (uu)	Rural volunteer fire fighting organizations
79-3606 (ggg)	Kansas Academy of Science
79-3606 (hhh)	Domestic violence shelters as members of the Kansas Coalition against Sexual and Domestic
79-3606 (mmm)	Marillac Center
79-3606 (ppp)	Homeless shelters

The following entities statutory language provides for indirect purchases through the issuance of project exemption certificates:

79-3606 (b)	State of Kansas and its agencies, Kansas political subdivisions (cities, counties, townships school districts), Nonprofit hospitals, Nonprofit blood, tissue and organ banks (statute prohibits the state of Kansas from issuing project exemption certificates – materials purchased by contractors are subject to tax)
79-3606 (c)	Nonprofit educational institutions (colleges, universities, trade schools, etc. providing education above grade 12), Elementary and secondary schools
79-3606 (aaa)	Nonprofit Religious Organizations
79-3606 (ccc)	Primary care clinics and health centers serving the medically underserved
79-3606 (iii)	Food products distributed by nonprofit food distribution program to other nonprofit food distribution programs.
79-3606 (qqq)	TLC for Children and Families
79-3606 (sss)	Catholic Charities or Youthville
79-3606 (ttt)	Governor’s Hometown Museum
79-3606 (uuu)	Kansas Children’s Service League

The following entities’ exemptions allows for indirect purchases without the need for a project exemption certificate:

79-3606 (s)	Kansas groundwater management districts, rural and city water supply districts
79-3606 (z)	Port authority

In addition to the entity’s purchases being exempt from sales tax, the following organizations also have sales of tangible personal property by the organization, or by or on behalf of the organization, exempt from sales tax.

79-3606 (ii)	Nonprofit, nonsectarian, comprehensive youth development organizations
79-3606 (vv)	Kansas chapters of these Medical Education Organizations: American Diabetes Association - Kansas Affiliate, American Heart Association, Kansas Alliance for the Mentally Ill, Kansas Mental Illness Awareness Council, American Lung Association, Alzheimer’s Disease and Related Disorders Assn., Inc., Parkinson’s disease association, National Kidney Foundation (of KS and Western MO), The Cystic Fibrosis Foundation, Heart of America Chapter , Spina Bifida Association, Heartstrings Community Foundation, CHWC, Cross-Lines Cooperative Council, Dreams Work, KSDS, Lyme Association of Greater Kansas City
79-3606 (yy)	Parent-Teacher Associations and Organizations
79-3606 (lll)	Special Olympics Kansas
79-3606 (mmm)	Marillac Center
79-3606 (ooo)	Public libraries



Cite

Organization

79-3606 (ppp)	Homeless shelters
79-3606 (qqq)	TLC for Children and Families
79-3606 (rrr)	County Law Libraries
79-3606 (sss)	Catholic Charities or Youthville
79-3606 (uuu)	Kansas Children's Service League

501 (c) (3) Non-profit entities in Kansas

Data on the number and types of 501 (c) (3) non-profit organizations that exist in Kansas are available from the IRS in the form of a database of the organizations that the IRS makes available to the public. This information is extracted from the Business Master File (BMF) as maintained by the IRS. Table 1 (attached) lists the number of organizations who have 501 (c) (3) nonprofit status using the classification codes of the IRS.<sup>1</sup>

Table 1 lists 17,558 nonprofit entities in Kansas by category. The categories shown on Table 1 with the largest number of organizations are:

Entity	Number
Charitable Organizations	6,280
Religious Organizations	2,297
Educational Organization	2,196
Fraternal Beneficiary Society, Order or Associations	1,148
Social Welfare Organizations	954
Post or Organizations of War Veterans	694
Civic Leagues	677
Pleasure, Recreational, or Social Clubs	619
Labor Organizations	442

The number of religious organizations recognized as nonprofit entities is misleading because religious organizations, integrated auxiliaries of churches, and associations of churches are not required to be registered with the IRS.

Other organizations not registered with the IRS are organizations that have gross receipts of not more than \$5,000 per tax year. In addition, most political subdivisions (government instrumentalities) would not be included in the IRS data.

Prior to 2005, the department did not have an accurate number of entities exempt from sales tax. To claim exemption, an entity needed only to print and complete a blank sales tax exemption certificate. A listing of entities submitting letters requesting exempt status was maintained, but this accounted for a small subset of the total number of exempt entities.

With the 2004 Legislature there was a significant change in how the department processed sales tax exemption certificates. The 2004 Legislature, in House Bill 2375, required the department to issue numbered sales tax exemption certificates to exempt entities. Table 2 (attached) lists the number of tax-exempt entity certificates issued by the department as of late January 2007, along with an estimated fiscal impact. Some key points

- A reason for the significantly larger number of religious organizations vs. the IRS is the difference in requirements. The department requires each church to have their own exemption certificate whereas the IRS may register them at the synod or diocese level or not require registration.
- Nonprofit organizations who sell tangible personal property that admits a purchaser into an annual event (79-3606(rr)) are thought to be less than 5. These were organizations that sold a button or wooden coin to a purchaser that would admit the purchaser into the event. An example was Railroad Days in Topeka.

When Tables 1 and 2 are reviewed in terms of the number of nonprofit entities that are subject to Kansas sales tax, it is estimated that there are 10,000 nonprofit 501 (c) (3) entities that are required to pay sales tax on their

<sup>1</sup> For additional information on obtaining nonprofit status see Instructions for Form 1023 and publication 557 from the IRS.

4-4

purchases. There may be thousands of more organizations, clubs, and groups who exist and operate as nonprofit entities but are not registered with the IRS.

Fiscal Impact

- Table 2 provides the fiscal impact for those entities that are currently exempt from sales tax. For fiscal year 2007, the loss of state sales tax revenue is estimated at \$390.04 million. The loss of local sales tax revenues is \$95.5 million. This amount includes political subdivisions and educational institutions.
- Non-profit entities (excluding political subdivisions and educational institutions) that are currently exempt have an impact of \$27.57 million in state sales tax. The loss of local sales tax would be \$6.6 million.
- The fiscal impact of exempting 501 (c) (3) nonprofit entities currently subject to sales tax is estimated to reduce state revenues by an additional \$25 million. The loss of local sales tax would be \$6.6 million. The estimate is based on the income revenue reported by the organizations to the IRS as part of their annual reporting. The methodology is provided at the end of this document.
- Expanding the exemption for nonprofit entities to sales made by or on behalf of the organization would result in the loss of at least \$10 million annually. If all nonprofits were reporting their sales, this figure could easily double or triple.

Neighboring States Tax Treatment for nonprofit organizations

As noted, Kansas limits sale tax exemptions to specific groups and activities. To apply for an exemption, an entity can submit a letter stating its purpose and may attach a copy of the IRS 501 (c) (3) nonprofit letter and bylaws or articles of incorporation. There is not a specific application form to complete. The department provides an on-line application in which the organization provides information similar to what a letter would contain. No additional documentation is required, unless there is uncertainty as to the eligibility of the organization. Our neighboring states have the following exemptions and application requirements:

State	Exempt Entities	Application Requirements
Missouri	Exempts most 501(c)(3) organizations, including religious, civic, charitable, social, fraternal and service organizations, and educational institutions.	Requires the completions of a application and submission of IRS 501 (c) (3) nonprofit letter, certificate of incorporation (if applicable), copy of organizations bylaws and financial history for up to 3 years.
Nebraska	Similar to Kansas. Exemptions are limited to a few specialized organizations, such as 24-hour child caring services, services to the blind, health clinic, home health care, hospitals, nursing homes, religious organizations and educational institutions.	Requires the completions of a application and copy of license (if applicable), certificate of incorporation, and copy of organizations bylaws.
Colorado	Exempts most 501(c)(3) organizations, including religious, civic, charitable, social, fraternal and service organizations, and educational institutions	Requires the completions of a application and submission of IRS 501 (c) (3) nonprofit letter, certificate of incorporation, financial statement and copy of Colorado Certificate of Good Standing from Secretary of State's Office
Oklahoma	Similar to Kansas. Exemptions are limited to a few specialized organizations, such as religious institutions, educational organizations, museums, meals on wheels & food programs for the elderly, children's homes, boy/girl scouts, youth camps, community based health clinics, blood banks, cultural organizations for disadvantaged children and federal qualified health care facilities.	Requires the completions of a application and submission of IRS 501 (c) (3) nonprofit letter, certificate of incorporation, financial statement and other documentation that may be applicable to the specific exemption.

**Methodology: Calculation of fiscal impact for 501 (c)(3) organizations currently subject to tax – purchases only.**

Data is available on 501(c) (3) organizations from the Internal Revenue Service to develop an estimate. There are over 17,000 501(c) (3) organizations in the State of Kansas. The data from the IRS Statistics of Income report nonprofit 501(c) (3) organizations in Kansas had income of \$12 billion for 2004. Specific types of organizations that are currently exempt from sales tax are readily identifiable. When the income from religious and educational institutions, hospitals, and other organizations currently exempt from state sales tax is excluded, the income is reduced to \$8 billion. There are other organizations that can not be easily identified that also need to be excluded for the estimate. It is assumed these organizations represent 50% of the remaining income or \$4 billion. Nationally, expenditures account for 48% of the organization's income and 75% of the expenditures are for costs not subject to sales tax, such as wages and building rent. Therefore, 25% of the expenditures are subject to sales tax.

Based on the IRS data, it is estimated that nonprofit 501(c) (3) organizations have \$480 million in expenditures that are subject to sales tax, which would generate \$25 million in state sales tax. The IRS does not require organizations with gross receipts of less than \$5,000 to register. Although this may be a significant number of organizations, the dollar impact would be minimal. In addition to state sales tax, there would be a corresponding \$6.6 million in local sales tax impact.

**Methodology: Calculation of fiscal impact for 501 (c)(3) organizations currently subject to tax –sales made.**

Recent legislative exemptions have provided for sales made by or on behalf on an organization to be exempt from sales tax. Currently only a small number of organizations have their sales exempt from sales tax, estimated to amount to \$2.5 million to \$3 million annually. From a review of Kansas sales tax statistics at least \$10 million in sales tax revenue can be identified as tax collections from nonprofit entities, such as schools, churches and civic and social organizations. Based on phone conversations with exempt organizations, it is believed there are a significant number of organizations that are not collecting sales tax on their sales. If all nonprofits were reporting their sales, this figure could easily double or triple

Table 1  
IRS Nonprofit Entities in Kansas

Subsection Code	Classification Code	Description	Count	Ks Exempt
1	1	Government Instrumentality	14	Yes
2	1	Title-Holding Corporation	67	
3	1	Charitable Organization	6280	Partial
3	2	Educational Organization	2196	Partial
3	3	Literary Organization	23	
3	4	Organization to Prevent Cruelty to Animals	61	
3	5	Organization to Prevent Cruelty to Children	6	
3	6	Organization for Public Safety Testing	9	
3	7	Religious Organization	2297	Yes
3	8	Scientific Organization	22	
4	1	Civic League	677	
4	2	Local Association of Employees	85	
4	3	Social Welfare Organization	954	Partial
5	1	Agricultural Organization	195	
5	2	Horticultural Organization	8	
5	3	Labor Organization	442	
6	1	Board of Trade	256	
6	2	Business League	712	
6	3	Chamber of Commerce	151	
6	4	Real Estate Board	10	
7	1	Pleasure, Recreational, or Social Club	619	
8	1	Fraternal Beneficiary Society, Order or Association	1,148	
9	1	Voluntary Employees' Beneficiary Assn (Non-Govt. Emps.)	115	
9	2	Voluntary Employees' Beneficiary Association (Govt. Emps.)	11	
10	1	Domestic Fraternal Societies and Associations	247	
11	1	Teachers Retirement Fund Assoc.		
12	1	Benevolent Life Insurance Assoc.	11	
12	2	Mutual Ditch or Irrigation Co.	6	
12	3	Mutual Cooperative Telephone Co.	11	
12	4	Organization Like Those on Three Preceding Lines	20	
13	1	Burial Association	100	
13	2	Cemetery Company	69	
14	1	Credit Union	14	
14	2	Other Mutual Corp. or Assoc.		
15	1	Mutual Insurance Co. or Assoc. Other Than Life or Marine	8	
17	1	Supplemental Unemployment Compensation Trust or Plan	2	
19	1	Post or Organization of War Veterans	694	
25	1	Title Holding Co. for Pensions, etc.	2	
92	1	4947(a)(1) - Private Foundation (Form 990PF Filer)	25	
<b>Total</b>			<b>17,558</b>	

**Table 2**  
**Kansas Exempt Entities and Fiscal Impact**

<u>Statute Cite</u> <u>(KSA 79-3606)</u>	<u>Exempt Entity</u>	<u>Count</u>	<u>Estimated FY 07</u> <u>Fiscal Impact</u> <u>(in Millions)</u>	<u>Estimated FY 08</u> <u>Fiscal Impact</u> <u>(in Millions)</u>
b	Political Subdivisions, Hospitals, Blood Banks	2,527	\$ 308.89	\$ 319.70
c	Educational Institutions	1,973	\$ 54.58	\$ 56.50
s	Groundwater Management Districts, Rural Water and city water *	312	\$ 0.04	\$ 0.04
v	Meals on Wheels programs	60	\$ 0.78	\$ 0.80
z	Port Authority	2	Minimal	Minimal
hh	Nursing Homes	193	\$ 0.97	\$ 1.0
ii	Nonsectarian Comprehensive Multidiscipline Youth Development Programs	1,116	\$ 2.45	\$ 2.54
jj	Community Mental Health Facility	93	\$ 2.25	\$ 2.33
ll	Public Health Educational Materials	35	\$ 0.08	\$ 0.08
oo	Weatherize low-income housing	51	Minimal	Minimal
qq	Nonprofit Museum or Historical Society	383	\$ 0.37	\$ 0.38
rr	Sale of personal property admits purchaser to an annual event	5	Minimal	Minimal
ss	Public Broadcasting Stations	28	Minimal	Minimal
Tt	Korean War Memorials	2	Minimal	Minimal
uu	Rural Fire Fighting Organizations	429	Minimal	Minimal
v v	Designated Health Organizations	20	\$ 0.17	\$ 0.26
ww	Habitat for Humanity	27	\$ 0.11	\$ 0.11
xx	Nonprofit Zoos	11	\$ 0.56	\$ 0.58
yy	Parent Teacher Organizations	511	\$ 0.53	\$ 0.55
zz	Free Access Radio or Television Stations	133	\$ 0.89	\$ 0.92
aaa	Religious Organizations	6,260	\$16.20	\$ 16.74
bbb	Food Distribution Programs	1	Minimal	Minimal
ccc	Primary Health Clinic for the Medically Underserved	34	\$ 0.35	\$ 0.37
ggg	Kansas Academy of Science	1	Minimal	Minimal
hhh	Domestic Violence Shelters	33	\$ 0.05	\$ 0.6
(iii)	Food products from nonprofit food distribution program to other nonprofit food distr. programs	2	\$ 0.22	\$ 0.23
(lll)	Special Olympics Kansas	1	\$ 0.03	\$ 0.03
(mmm)	Marillac Center	1	\$ 0.05	\$ 0.05
(nnn)	West Sedgwick County- Sunrise Rotary Club and Sunrise Charitable Fund	1	\$ 0.02	\$ 0.02
(ooo)	Public libraries (sales only, purchases exempt as political subdivision)		\$ 0.01	\$ 0.01
(ppp)	Homeless shelters	10	\$ 0.1	\$ 0.1
(qqq)	TLC for Children and Families	1	\$ 0.16	\$ 0.17
(rrr)	County Law Libraries	6	\$ 0.1	\$ 0.1
(sss)	Catholic Charities or Youthville	5	\$ 0.60	\$ 0.62
(ttt)	Governor's Hometown Museum		\$ 0.1	\$ 0.1
(uuu)	Kansas Children's Service League	1	\$ 0.14	\$ 0.15
	<b>Total</b>	<b>14,268</b>	<b>\$ 390.08</b>	<b>\$405.08</b>

\* the fiscal impact is only for the 5 groundwater management districts. Rural water districts and city water departments are exempt from sales tax on their purchases if they pay the clean drinking water fee. The clean drinking water fee is estimated to collect \$2.75 million in fiscal year 2007, which is estimated to be the value of the sale tax exemption they are receiving.

**SALES TAX EROSION IN KANSAS**

**By  
Dr. John D. Wong, Principal Investigator  
and Professor of Public Administration**

**with the assistance of  
Nickolaus Hernandez, Graduate Assistant**

**Report Prepared for the  
Kansas Department of Revenue  
in cooperation with the  
Kansas Advisory Council on Intergovernmental Relations**

**Kansas Public Finance Center  
Hugo Wall School of Urban and Public Affairs  
Wichita State University**

**December 2006**

**HS TAXATION COMMITTEE  
1-17-2007  
ATTACHMENT 5**

## Foreword

Numerous threats to the financing of state and local governments are looming on the horizon throughout the nation. The sales tax represents the largest single revenue source for state and local government in Kansas; however, the tax is vulnerable to forces at play nationally, as well as at the state level. A growing economy and four rate increases in the sales tax over the last thirty years have been required to offset state actions that have substantially narrowed the sales tax base in Kansas.

A study of trends in erosion of the Kansas sales tax base was proposed to Secretary of Revenue Joan Wagnon in her roles as head of the Kansas Department of Revenue and chair of the Kansas Advisory Council on Intergovernmental Relations last summer. In consultation with the Kansas Advisory Council, Secretary Wagnon initiated this study, as one of three undertaken by faculty in the Hugo Wall School of Urban and Public Affairs, Wichita State University, under the auspices of the Kansas Public Finance Center.

Dr. John D. Wong, Professor of Public Administration in the Hugo Wall School, was recruited to serve as principal investigator and primary author of this study on erosion of the sales tax base in Kansas. He was assisted by Graduate Assistant Nickolaus Hernandez, who entered data and created many of the appendices for all the reports in this study. Ms. Jo Turner oversaw final editing and publication of the report.

On behalf of the Hugo Wall School and the Kansas Public Finance Center, we wish to thank Secretary Wagnon for her support of research on local finance and tax policy in Kansas and for her work and interest in improving state-local relations in Kansas.

H. Edward Flentje, Director  
Hugo Wall School of Urban and Public Affairs

W. Bartley Hildreth, Director  
Kansas Public Finance Center

## Executive Summary

### Sales Tax Base Erosion in Kansas

#### Principal Findings

- Although the sales tax is generally perceived by many to be a broad-based tax on final consumption, in most states it is neither broad-based nor limited to final consumption.
  - Economic changes and policy decisions have coalesced to accelerate changes in the sales tax base in recent years.
  - The principal causes of erosion of the sales tax base include:
    - Legislated statutory exemptions,
    - Attempts to tax services,
    - Cross-border shopping, and
    - Technological change.
- One important reason for the erosion of the Kansas sales and use tax base is the passage of a large number of statutory exclusions and exemptions to the tax.
  - Since 1937 there have been 71 original exemptions and exclusions from the sales and use tax, 53 expansions in exemptions or exclusions, 20 restrictions in exemptions and exclusions, and 62 other changes in the sales and use tax statutes, for a total of 206 legislative enactment or changes in the Kansas sales and use tax statutes.
  - In 1938 the total value of exclusions and exemptions from the sales and use tax base was \$121.4 million of sales.
  - By 2005 this had mushroomed to \$68,633.8 million of sales.
  - The value of the exclusions and exemptions is actually nearly twice the size of the actual sales and use tax base in 2005 of \$35,706.0 million.
  - In 1938 the total value of exclusions and exemptions was \$2.4 million.
  - By 2005 this had mushroomed to \$3,637.6 million.
  - The value of the exclusions and exemptions is actually nearly twice the size of the actual sales and use tax collections in 2005 of \$1,892.4 million.
  - The largest increases in exemptions and exclusions in the sales and use tax base occurred during the early 1970s and the early 1990s.
- The most significant exclusion is for component parts and items consumed in the production process.
  - In 2005 this item alone accounted for \$43,787.0 million of sales that were not taxed.
  - The exclusion of component parts and items consumed in production alone amount to a sales and use tax loss of \$2,320.7 million.
  - The second largest exclusion is for government and nonprofit purchases.
  - This exclusion resulted in the loss of approximately \$299.9 million in state sales and use tax revenue in 2005.
- The statutory exemption of specifically enumerated services resulted in the loss of approximately \$258.0 million in state sales and use tax receipts in 2005.
  - One study estimated that extending the sales tax to all readily-taxable services would increase state sales tax revenues by approximately \$500 million or 29 percent.
  - Overall if all services broadly construed were included state sales tax revenue could be increased by as much as \$1,944.6 million.



- This value is actually higher than 2005 sales and use tax receipts which were \$1,892.4 million.
- Almost as significant the exclusion of agricultural and land use related transactions resulted in the loss of approximately \$251.7 million in sales and use tax revenue in 2005.
  - Another significant exemption is the exemption of items otherwise subject to specific excise taxes.
  - In 2005 the total value of this exemption was \$202.6 million in sales and use taxes.
  - Finally the exemption of the transactions of benevolent organizations resulted in the loss of approximately \$181.7 million in sales and use taxes in 2005.

### Policy Choices

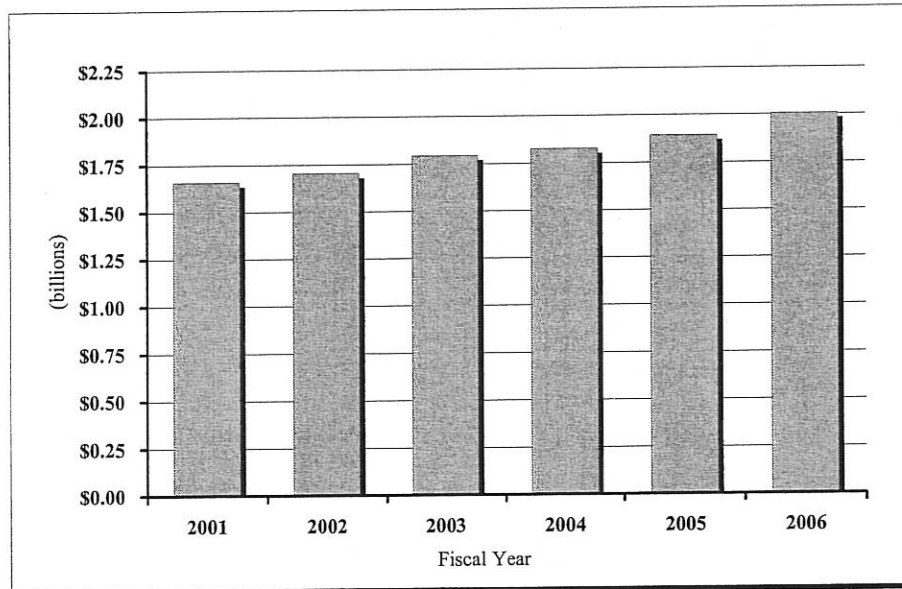
- In addition to actual sales and use tax receipts of \$1,892.4 million in FY 2005, the State of Kansas could anticipate as much as:
  - \$3,637.6 million in additional revenue from the elimination of the identified exclusions and exemptions,
  - \$1,994.6 million in additional revenue from the comprehensive taxation of services, broadly defined, and
  - \$286.2 million in additional revenue from the taxation of remote sales.
  - All total, theoretical sales and use taxes for fiscal year 2005 could be as high as \$7,760.8 million, approximately 4.1 times present sales and use tax collections.
- The future of the sales tax is tied to addressing four problems (Fox, 1998):
  - Avoiding proliferation of sales taxes on business inputs,
  - Keeping household purchases of tangible personal property inside the tax base,
  - Bringing household purchases of services into the tax base, and
  - Getting Congress to help states enforce use taxes.
- Problems with legislative statutory exemptions
  - The cumulative fiscal impact of the exemptions is huge.
    - Tax exemptions that may benefit only a few shift the burden, either by taking money away from the vital services or by forcing others to pay higher taxes to compensate for revenue losses.
    - Exemptions are adopted piecemeal, often in response to specific industry requests, without being weighed against each other or against needs for public programs.
    - Once adopted, exemptions are rarely evaluated or repealed, even though economic pressures and needs change dramatically over time.
    - Public revenues are growing more slowly than the demand for public services, since the tax system is based on the economy of the 1930s, rather than on the economy of the twenty-first century.
- The Hodge Committee (1970: 10) recommended that the retail sales tax should remain focused on consumption rather than on production. This is consistent with contributing to the long-run economic development of the state by putting Kansas in a better position competitively in seeking to attract new industry.
  - The committee recommended that the component part rule be retained and refined.
  - The committee suggested that it would be more desirable to exempt “consumables” as a class than to continue the policy of selective exemption through listing specific items.

- However, the committee concluded that a general exemption for machinery and equipment used in production was not warranted.
- Arguments for inclusion of services in the sales tax base
  - The sales tax should be as broadly applicable to consumer expenditures as possible and therefore the tax should be imposed on services as well as tangible property because both satisfy personal needs and wants.
  - Taxation of services makes the sales tax less regressive because expenditures for services tend to increase as personal income rises.
  - Revenue from the sales tax is more responsive to rising levels of personal income and economic activity if services are taxable, because under such conditions expenditures for services increase relatively more than purchases of basic commodities.
  - Administration of the sales tax is simplified if the tax is applicable to services rendered in conjunction with sales of tangible personal property, i.e., it is not necessary to separate the amount charged for services from the amount charged for such property.
- The Hodge Committee (1970: 16) recommended that the sales tax should not be extended to include personal and professional services.
  - The committee concluded that if additional services were to be taxed, the most practical approach would be to start with services associated with the sale of tangible property and performed generally by firms already registered under the sales tax act.
  - One of the difficulties of taxing services is determining the situs of intangible services, their allocation, and the application of the *use* tax to such services.
- Without the use tax, purchases from out-of-state sources would be encouraged to the disadvantage of local suppliers.
- Thus, it would be difficult to apply the use tax to purchases of services.
- The Hodge Committee (1970: 12) recommended that the educational exemption should be retained because to remove it would merely mean an increase in property taxes. Further, the committee suggested that expenditures constituting a legitimate part of the school program should be exempt and that the same rules should apply to public and private non-profit schools at all levels of education.
- The Hodge Committee (1970: 12) recommended that that the exemption of purchases by hospitals operated by religious or other non-profit organizations should be continued. It was concluded that a general exemption of purchases by non-profit hospitals would be consistent with the granting of an exemption for purchases of prescription drugs and prescribed medical devices.
- The Hodge Committee (1970: 11) recommended that the exemption of purchases by religious, charitable, and benevolent organizations should be repealed.

## 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.

A portion of the increase in Use Tax can be attributed to the State's participation in the Streamline Sales Tax Project. In Fiscal Year 2006, the State gained \$18.4 million from the SST Project.



<u>Fiscal Year</u>	<u>State Sales</u>	<u>State Use</u>	<u>State Total</u>	<u>Percent Change</u>
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%
2004	\$1,612,066,627	\$214,503,105	\$1,826,569,732	1.8%
2005	\$1,647,663,056	\$244,754,669	\$1,892,417,725	3.6%
2006	\$1,736,047,957	\$269,250,187	\$2,005,298,144	6.0%

## Total Amount State Sales Tax Collections by County

5.3% state sales tax rate.

County	FY2005	FY2006	Percent Change	FY2005 Per Capita	FY2005 PC Rank	FY2006 Per Capita*	FY2006 PC Rank*
Allen	\$5,983,999	\$6,473,257	8.2%	\$428.99	46	\$469.52	46
Anderson	\$2,898,906	\$2,951,099	1.8%	\$353.91	68	\$360.68	73
Atchison	\$7,520,066	\$7,545,392	0.3%	\$446.35	43	\$449.02	50
Barber	\$2,774,841	\$3,399,615	22.5%	\$555.08	23	\$685.68	13
Barton	\$18,491,403	\$20,376,688	10.2%	\$675.68	12	\$725.02	12
Bourbon	\$6,352,975	\$6,288,609	-1.0%	\$421.68	47	\$419.32	58
Brown	\$4,087,054	\$4,584,780	12.2%	\$394.43	55	\$447.78	51
Butler	\$25,368,641	\$27,710,452	9.2%	\$410.31	51	\$444.41	52
Chase	\$739,713	\$786,642	6.3%	\$241.11	95	\$255.32	97
Chautauqua	\$936,840	\$967,047	3.2%	\$224.23	103	\$235.35	102
Cherokee	\$5,200,589	\$5,453,479	4.9%	\$236.93	97	\$253.00	99
Cheyenne	\$865,886	\$959,548	10.8%	\$290.66	83	\$325.71	80
Clark	\$612,772	\$682,722	11.4%	\$261.53	90	\$299.05	86
Clay	\$3,391,875	\$3,649,023	7.6%	\$394.54	54	\$422.88	57
Cloud	\$5,676,601	\$5,589,103	-1.5%	\$580.49	18	\$572.71	24
Coffey	\$3,606,375	\$3,993,868	10.7%	\$411.73	50	\$459.96	47
Comanche	\$857,959	\$1,068,919	24.6%	\$450.85	41	\$552.41	30
Cowley	\$14,831,281	\$16,173,328	9.0%	\$414.61	48	\$458.19	49
Crawford	\$18,918,208	\$19,928,259	5.3%	\$497.06	29	\$521.38	37
Decatur	\$877,712	\$947,271	7.9%	\$268.09	87	\$296.86	88
Dickinson	\$8,797,424	\$9,072,081	3.1%	\$459.83	39	\$472.28	44
Doniphan	\$1,954,596	\$1,998,058	2.2%	\$242.45	94	\$255.64	96
Douglas	\$64,154,030	\$66,663,279	3.9%	\$624.15	15	\$647.76	18
Edwards	\$965,484	\$916,658	-5.1%	\$291.86	81	\$278.45	91
Elk	\$830,908	\$1,004,132	20.8%	\$266.57	88	\$326.55	79
Ellis	\$24,145,014	\$26,515,401	9.8%	\$892.28	3	\$990.60	2
Ellsworth	\$2,115,851	\$2,127,287	0.5%	\$333.20	75	\$335.38	78
Finney	\$24,995,156	\$26,251,576	5.0%	\$636.48	13	\$673.32	14
Ford	\$19,813,228	\$20,602,699	4.0%	\$595.39	17	\$610.43	21
Franklin	\$12,202,056	\$12,997,988	6.5%	\$468.43	37	\$495.22	42
Geary	\$14,321,831	\$16,287,032	13.7%	\$570.34	20	\$662.48	15
Gove	\$1,367,929	\$1,460,698	6.8%	\$480.82	33	\$528.66	35
Graham	\$1,379,425	\$1,685,179	22.2%	\$502.52	28	\$619.32	20
Grant	\$4,373,753	\$4,780,817	9.3%	\$569.13	21	\$634.90	19
Gray	\$1,815,398	\$1,839,012	1.3%	\$303.58	79	\$313.77	82
Greeley	\$540,939	\$578,978	7.0%	\$382.29	59	\$429.19	54
Greenwood	\$2,122,039	\$2,273,597	7.1%	\$281.51	85	\$309.84	84
Hamilton	\$953,932	\$1,061,302	11.3%	\$359.43	65	\$407.57	61
Harper	\$3,020,563	\$3,301,700	9.3%	\$484.22	32	\$542.95	32
Harvey	\$16,490,776	\$17,101,734	3.7%	\$488.34	31	\$505.33	41
Haskell	\$1,499,562	\$1,841,766	22.8%	\$351.02	69	\$435.20	53
Hodgeman	\$480,905	\$586,581	22.0%	\$230.21	99	\$278.00	92
Jackson	\$5,450,814	\$5,406,813	-0.8%	\$413.91	49	\$399.47	63
Jefferson	\$3,976,728	\$4,296,964	8.1%	\$210.34	104	\$224.90	103
Jewell	\$779,847	\$734,247	-5.8%	\$227.89	101	\$219.05	104
Johnson	\$447,090,615	\$465,314,487	4.1%	\$900.14	2	\$918.57	3
Kearny	\$1,073,203	\$1,188,631	10.8%	\$237.70	96	\$263.20	94
Kingman	\$3,002,698	\$3,281,977	9.3%	\$357.89	66	\$401.96	62
Kiowa	\$1,384,019	\$1,592,355	15.1%	\$448.77	42	\$533.63	33
Labette	\$8,584,148	\$9,409,628	9.6%	\$385.48	58	\$424.45	56
Lane	\$634,019	\$681,245	7.4%	\$325.14	76	\$359.69	74
Leavenworth	\$25,756,462	\$26,910,408	4.5%	\$355.56	67	\$368.07	70
Lincoln	\$796,683	\$856,066	7.5%	\$233.22	98	\$250.97	100
Linn	\$2,418,111	\$2,509,834	3.8%	\$247.38	92	\$253.16	98
Logan	\$1,301,213	\$1,364,557	4.9%	\$460.28	38	\$488.39	43
Lyon	\$19,217,593	\$20,025,278	4.2%	\$538.05	25	\$562.37	28
Marion	\$3,917,631	\$3,867,183	-1.3%	\$301.12	80	\$298.58	87
Marshall	\$4,874,189	\$5,405,812	10.9%	\$468.58	36	\$519.54	39

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## Total Amount State Sales Tax Collections by County

5.3% state sales tax rate.

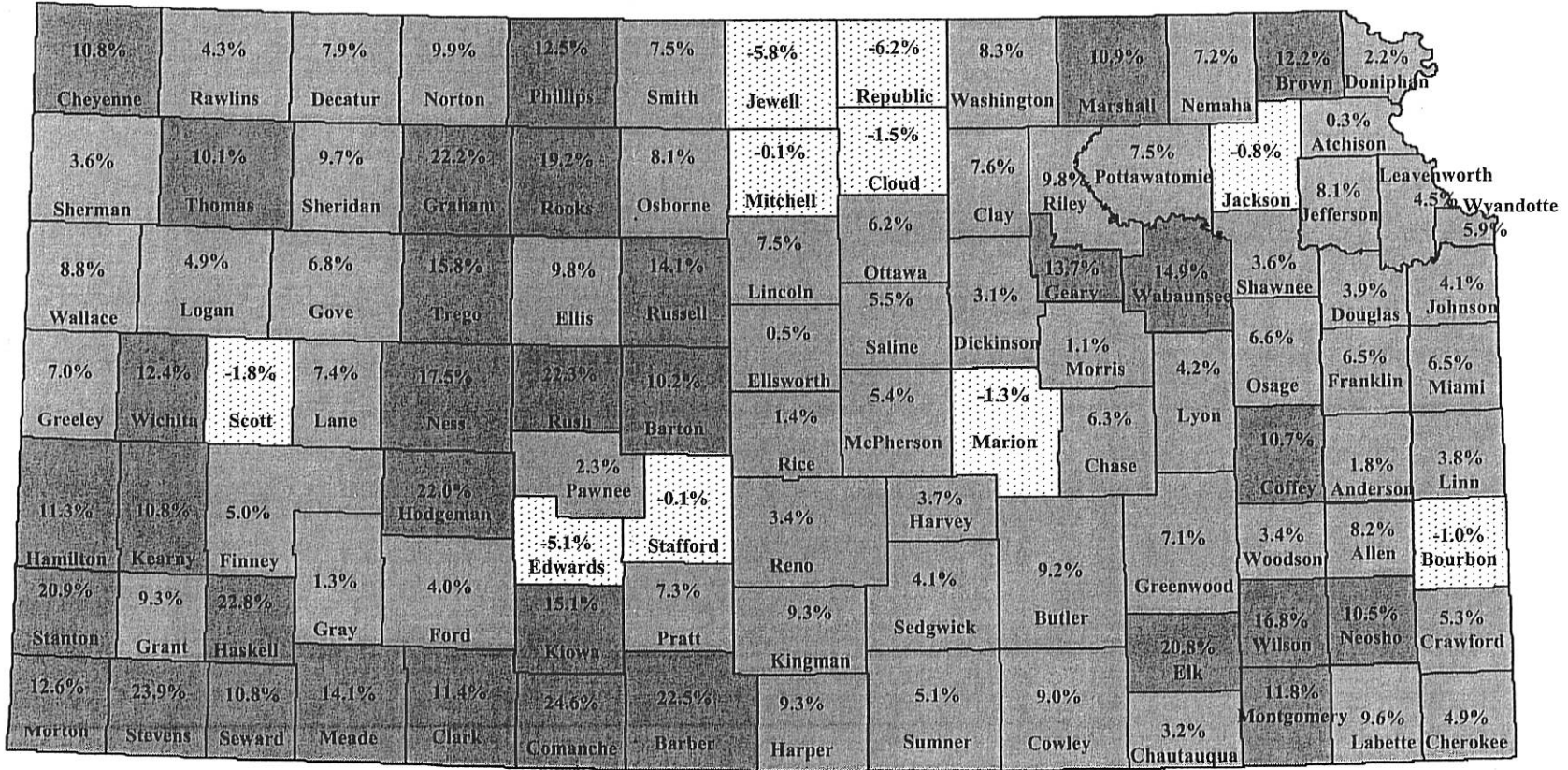
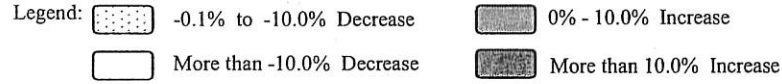
County	FY2005	FY2006	Percent Change	FY2005 Per Capita	FY2005 PC Rank	FY2006 Per Capita*	FY2006 PC Rank*
McPherson	\$16,873,449	\$17,791,915	5.4%	\$573.67	19	\$602.65	22
Meade	\$1,317,041	\$1,502,876	14.1%	\$286.81	84	\$324.95	81
Miami	\$13,468,643	\$14,338,852	6.5%	\$453.31	40	\$470.19	45
Mitchell	\$3,643,078	\$3,638,470	-0.1%	\$555.01	24	\$566.74	26
Montgomery	\$18,524,654	\$20,702,689	11.8%	\$529.65	27	\$598.86	23
Morris	\$2,224,912	\$2,248,876	1.1%	\$372.25	60	\$371.78	69
Morton	\$1,562,390	\$1,758,476	12.6%	\$477.94	34	\$550.21	31
Nemaha	\$4,079,915	\$4,374,533	7.2%	\$390.12	57	\$418.90	59
Neosho	\$9,884,636	\$10,920,141	10.5%	\$597.08	16	\$660.67	16
Ness	\$2,087,856	\$2,453,171	17.5%	\$677.88	11	\$815.28	6
Norton	\$2,128,808	\$2,340,291	9.9%	\$367.10	61	\$413.19	60
Osage	\$4,156,029	\$4,429,104	6.6%	\$243.17	93	\$258.26	95
Osborne	\$1,601,514	\$1,731,801	8.1%	\$390.61	56	\$427.61	55
Ottawa	\$1,390,203	\$1,476,935	6.2%	\$225.13	102	\$241.21	101
Pawnee	\$2,485,705	\$2,543,952	2.3%	\$365.81	62	\$377.50	68
Phillips	\$2,249,360	\$2,530,532	12.5%	\$402.89	53	\$459.76	48
Pottawatomie	\$17,673,868	\$19,001,903	7.5%	\$936.56	1	\$993.36	1
Pratt	\$6,844,213	\$7,346,866	7.3%	\$726.79	7	\$773.68	7
Rawlins	\$771,788	\$804,877	4.3%	\$279.13	86	\$301.23	85
Reno	\$40,406,358	\$41,770,074	3.4%	\$634.56	14	\$657.20	17
Republic	\$1,883,950	\$1,767,270	-6.2%	\$360.63	63	\$342.23	76
Rice	\$3,531,129	\$3,581,370	1.4%	\$336.39	72	\$342.65	75
Riley	\$30,042,430	\$32,976,745	9.8%	\$476.34	35	\$524.89	36
Rooks	\$2,381,843	\$2,840,045	19.2%	\$442.23	44	\$530.75	34
Rush	\$796,178	\$973,447	22.3%	\$229.71	100	\$285.80	90
Russell	\$3,426,547	\$3,909,909	14.1%	\$491.05	30	\$571.21	25
Saline	\$44,292,974	\$46,721,251	5.5%	\$821.11	4	\$866.51	4
Scott	\$2,630,499	\$2,582,981	-1.8%	\$560.75	22	\$561.52	29
Sedgwick	\$343,198,175	\$357,186,284	4.1%	\$739.97	6	\$766.39	8
Seward	\$15,870,093	\$17,579,163	10.8%	\$682.97	10	\$755.31	9
Shawnee	\$124,116,893	\$128,617,392	3.6%	\$722.80	8	\$746.19	11
Sheridan	\$941,011	\$1,032,618	9.7%	\$359.99	64	\$398.54	64
Sherman	\$4,461,413	\$4,620,638	3.6%	\$717.50	9	\$750.96	10
Smith	\$1,404,793	\$1,509,974	7.5%	\$336.16	73	\$366.41	71
Stafford	\$1,520,035	\$1,517,832	-0.1%	\$336.89	71	\$338.20	77
Stanton	\$734,603	\$888,120	20.9%	\$309.44	77	\$395.60	65
Stevens	\$2,228,005	\$2,759,593	23.9%	\$403.62	52	\$509.90	40
Sumner	\$7,348,305	\$7,722,734	5.1%	\$290.77	82	\$311.44	83
Thomas	\$5,916,437	\$6,513,260	10.1%	\$758.42	5	\$852.63	5
Trego	\$1,370,585	\$1,587,059	15.8%	\$434.00	45	\$520.35	38
Wabaunsee	\$1,259,268	\$1,446,506	14.9%	\$181.50	105	\$209.06	105
Wallace	\$546,279	\$594,220	8.8%	\$345.97	70	\$377.76	67
Washington	\$1,607,823	\$1,740,524	8.3%	\$263.28	89	\$289.65	89
Wichita	\$792,831	\$890,799	12.4%	\$335.95	74	\$385.79	66
Wilson	\$3,044,753	\$3,556,523	16.8%	\$306.13	78	\$361.66	72
Woodson	\$926,885	\$958,779	3.4%	\$260.87	91	\$268.42	93
Wyandotte	\$83,168,151	\$88,092,897	5.9%	\$531.47	26	\$565.60	27
Total Counties	\$1,711,408,775	\$1,801,196,408		\$625.63		\$656.25	
Miscellaneous	\$6,380,263	\$6,013,961					
Grand Total	\$1,717,789,038	\$1,807,210,370	5.2%				

\*Population based upon figures certified to the Secretary of State by the Division of the Budget on July 1, 2005.  
 Figures might not add from rounding.

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### State Sales Tax Collections, Percent Change by County

This map shows the Fiscal Year 2006 state sales tax collection percentage change over Fiscal Year 2005, by county. Total statewide percent change was 5.2%.



Revised historical data is available upon request.

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### State Sales Tax Per Capita, with Rank by County

This map shows the Fiscal Year 2006 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

80 \$325.71 Cheyenne	85 \$301.23 Rawlins	88 \$296.86 Decatur	60 \$413.19 Norton	48 \$459.76 Phillips	71 \$366.41 Smith	104 \$219.05 Jewell	76 \$342.23 Republic	89 \$289.65 Washington	39 \$519.54 Marshall	59 \$418.90 Nemaha	51 \$447.78 Brown	96 \$255.64 Doniphan
10 \$750.96 Sherman	5 \$852.63 Thomas	64 \$398.54 Sheridan	20 \$619.32 Graham	34 \$530.75 Rooks	55 \$427.61 Osborne	26 \$566.74 Mitchell	24 \$572.71 Cloud	57 \$422.88 Clay	36 \$524.89 Riley	1 \$993.36 Pottawatomie	63 \$399.47 Jackson	50 \$449.02 Atchison
67 \$377.76 Wallace	43 \$488.39 Logan	35 \$528.66 Gove	38 \$520.35 Trego	2 \$990.60 Ellis	25 \$571.21 Russell	100 \$250.97 Lincoln	101 \$241.21 Ottawa	15 \$662.48 Geary	105 \$209.06 Wabaunsee	11 \$746.19 Shawnee	103 \$224.90 Jefferson	70 \$368.07 Leavenworth
54 \$429.19 Greeley	66 \$385.79 Wichita	29 \$561.52 Scott	74 \$359.69 Lane	6 \$815.28 Ness	90 \$285.80 Rush	78 \$335.38 Ellsworth	4 \$866.51 Saline	44 \$472.28 Dickinson	69 \$371.78 Morris	28 \$562.37 Lyon	18 \$647.76 Douglas	27 \$565.60 Wyandotte
61 \$407.57 Hamilton	94 \$263.20 Kearny	14 \$673.32 Finney	92 \$278.00 Hodgeman	68 \$377.50 Pawnee	12 \$725.02 Barton	75 \$342.65 Rice	22 \$602.65 McPherson	87 \$298.58 Marion	97 \$255.32 Chase	95 \$258.26 Osage	42 \$495.22 Franklin	45 \$470.19 Miami
65 \$395.60 Stanton	19 \$634.90 Grant	53 \$435.20 Haskell	82 \$313.77 Gray	21 \$610.43 Ford	77 \$338.20 Stafford	17 \$657.20 Reno	41 \$505.33 Harvey	8 \$766.39 Sedgwick	52 \$444.41 Butler	84 \$309.84 Greenwood	47 \$459.96 Coffey	98 \$253.16 Linn
31 \$550.21 Morton	40 \$509.90 Stevens	9 \$755.31 Seward	81 \$324.95 Meade	86 \$299.05 Clark	33 \$533.63 Kiowa	7 \$773.68 Pratt	62 \$401.96 Kingman	83 \$311.44 Sumner	49 \$458.19 Cowley	79 \$326.55 Elk	73 \$360.68 Anderson	58 \$419.32 Bourbon
					30 \$552.41 Comanche	13 \$685.68 Barber	32 \$542.95 Harper			102 \$235.35 Chautauqua	16 \$660.67 Neosho	37 \$521.38 Crawford
										23 \$598.86 Montgomery	46 \$469.52 Allen	99 \$253.00 Cherokee

Revised historical data is available upon request.

# Total State Sales Tax Collection by the North American Industrial Classification System (NAICS)

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).

<u>North American Industry Classification</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Percent Change</u>
<b>11 Agriculture, Forestry, Fishing and Hunting</b>			
111 Crop Production	\$ 941,295	\$ 1,088,688	15.7%
112 Animal Production	\$ 127,318	\$ 132,174	3.8%
114 Fishing, Hunting and Trapping	\$ 358,458	\$ 383,707	7.0%
115 Agriculture and Forestry Support Activities	\$ 285,956	\$ 338,897	18.5%
<b>2-digit Total</b>	<b>\$ 1,713,027</b>	<b>\$ 1,943,466</b>	<b>13.5%</b>
<b>21 Mining</b>			
211 Oil and Gas Extraction	\$ 227,412	\$ 219,927	-3.3%
212 Mining (except Oil and Gas)	\$ 2,001,722	\$ 1,991,296	-0.5%
213 Support Activities for Mining	\$ 6,916,992	\$ 8,922,234	29.0%
<b>2-digit Total</b>	<b>\$ 9,146,127</b>	<b>\$ 11,133,457</b>	<b>21.7%</b>
<b>22 Utilities</b>			
221 Utilities	\$ 43,868,655	\$ 50,044,363	14.1%
<b>2-digit Total</b>	<b>\$ 43,868,655</b>	<b>\$ 50,044,363</b>	<b>14.1%</b>
<b>23 Construction</b>			
236 Construction of Buildings	\$ 5,642,771	\$ 6,239,503	10.6%
237 Heavy and Civil Engineering Construction	\$ 9,413,391	\$ 10,263,831	9.0%
238 Specialty Trade Contractors	\$ 33,810,593	\$ 38,432,893	13.7%
<b>2-digit Total</b>	<b>\$ 48,866,754</b>	<b>\$ 54,936,227</b>	<b>12.4%</b>
<b>31-33 Manufacturing</b>			
311 Food Mfg	\$ 2,319,414	\$ 2,306,866	-0.5%
312 Beverage and Tobacco Product Mfg	\$ 1,833,295	\$ 1,869,259	2.0%
313 Textile Mills	\$ 73,426	\$ 66,299	-9.7%
314 Textile Product Mills	\$ 412,823	\$ 445,952	8.0%
315 Apparel Mfg	\$ 107,414	\$ 181,500	69.0%
316 Leather and Allied Product Mfg	\$ 22,557	\$ 25,627	13.6%
321 Wood Product Mfg	\$ 3,132,544	\$ 2,668,744	-14.8%
322 Paper Mfg	\$ 556,071	\$ 610,871	9.9%
323 Printing and Related Support Activities	\$ 6,206,938	\$ 6,130,634	-1.2%
324 Petroleum and Coal Products Mfg	\$ 1,343,439	\$ 1,131,321	-15.8%
325 Chemical Mfg	\$ 2,781,865	\$ 2,868,579	3.1%
326 Plastics and Rubber Products Mfg	\$ 991,977	\$ 1,023,044	3.1%
327 Nonmetallic Mineral Product Mfg	\$ 13,118,962	\$ 14,904,453	13.6%
331 Primary Metal Mfg	\$ 493,533	\$ 539,367	9.3%
332 Fabricated Metal Product Mfg	\$ 3,564,024	\$ 4,357,068	22.3%
333 Machinery Mfg	\$ 1,569,625	\$ 1,962,590	25.0%
334 Computer and Electronic Product Mfg	\$ 1,894,447	\$ 2,872,442	51.6%
335 Electrical Equipment & Appliance Mfg	\$ 215,200	\$ 296,757	37.9%
336 Transportation Equipment Mfg	\$ 5,038,915	\$ 2,301,061	-54.3%
337 Furniture and Related Product Mfg	\$ 2,583,128	\$ 2,848,648	10.3%
339 Miscellaneous Mfg	\$ 1,707,505	\$ 2,014,897	18.0%
<b>2-digit Total</b>	<b>\$ 49,967,103</b>	<b>\$ 51,425,979</b>	<b>2.9%</b>
<b>42 Wholesale Trade</b>			
423 Merchant Wholesalers, Durable Goods	\$ 71,788,515	\$ 79,721,356	11.1%
424 Merchant Wholesalers, Nondurable Goods	\$ 17,417,199	\$ 18,456,348	6.0%
425 Electronic Markets and Agents and Brokers	\$ 7,042,285	\$ 7,957,876	13.0%
<b>2-digit Total</b>	<b>\$ 96,247,999</b>	<b>\$ 106,135,581</b>	<b>10.3%</b>
<b>44-45 Retail Trade</b>			
441 Motor Vehicle and Parts Dealers	\$ 238,531,183	\$ 233,507,920	-2.1%
442 Furniture and Home Furnishings Stores	\$ 43,089,283	\$ 46,828,882	8.7%
443 Electronics and Appliance Stores	\$ 34,205,514	\$ 33,191,468	-3.0%

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# Total State Sales Tax Collection by the North American Industrial Classification System (NAICS)

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).

<u>North American Industry Classification</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Percent Change</u>
444 Building Material and Garden Supply Stores	\$ 104,768,598	\$ 115,292,530	10.0%
445 Food and Beverage Stores	\$ 135,554,350	\$ 149,630,161	10.4%
446 Health and Personal Care Stores	\$ 15,901,910	\$ 17,703,580	11.3%
447 Gasoline Stations	\$ 38,707,967	\$ 41,205,703	6.5%
448 Clothing and Clothing Accessories Stores	\$ 47,210,909	\$ 49,600,745	5.1%
451 Sporting Goods, Hobby, Book, & Music Stores	\$ 35,200,648	\$ 35,422,366	0.6%
452 General Merchandise Stores	\$ 277,687,204	\$ 279,353,231	0.6%
453 Miscellaneous Store Retailers	\$ 42,899,507	\$ 45,155,446	5.3%
454 Nonstore Retailers	\$ 10,680,470	\$ 14,740,553	38.0%
<b>2-digit Total</b>	<b>\$ 1,024,437,542</b>	<b>\$ 1,061,632,584</b>	<b>3.6%</b>
<b>48-49 Transportation and Warehousing</b>			
481 Air Transportation	\$ 136,847	\$ 165,066	20.6%
482 Rail Transportation	Confidential	Confidential	n/a
483 Water Transportation	Confidential	Confidential	n/a
484 Truck Transportation	\$ 1,214,116	\$ 1,500,298	23.6%
485 Transit and Ground Passenger Transportation	Confidential	Confidential	n/a
486 Pipeline Transportation	Confidential	Confidential	n/a
487 Scenic and Sightseeing Transportation	Confidential	Confidential	n/a
488 Support Activities for Transportation	\$ 1,503,267	\$ 1,270,753	-15.5%
491 Postal Service	Confidential	Confidential	n/a
492 Couriers and Messengers	\$ 42,522	\$ 64,846	52.5%
493 Warehousing and Storage	\$ 922,467	\$ 574,507	-37.7%
<b>2-digit Total</b>	<b>\$ 3,912,695</b>	<b>\$ 3,590,460</b>	<b>-8.2%</b>
<b>51 Information</b>			
511 Publishing Industries (except Internet)	\$ 5,846,222	\$ 6,651,129	13.8%
512 Motion Picture & Sound Recording Industries	\$ 5,610,201	\$ 5,569,273	-0.7%
515 Broadcasting (except Internet)	\$ 9,993,848	\$ 10,738,258	7.4%
517 Telecommunications	\$ 110,116,867	\$ 109,973,607	-0.1%
518 ISPs, Search Portals, and Data Processing	\$ 1,014,575	\$ 922,643	-9.1%
519 Other Information Services	\$ 72,874	\$ 100,683	38.2%
<b>2-digit Total</b>	<b>\$ 132,654,587</b>	<b>\$ 133,955,594</b>	<b>1.0%</b>
<b>52 Finance and Insurance</b>			
521 Monetary Authorities - Central Bank	Confidential	Confidential	n/a
522 Credit Intermediation and Related Activities	\$ 2,065,613	\$ 2,542,952	23.1%
523 Securities and Commodity Contract Brokerage	\$ 337,275	\$ 268,760	-20.3%
524 Insurance Carriers and Related Activities	\$ 117,746	\$ 140,381	19.2%
525 Funds, Trusts, and Other Financial Vehicles	Confidential	Confidential	n/a
<b>2-digit Total</b>	<b>\$ 2,947,170</b>	<b>\$ 2,953,298</b>	<b>0.2%</b>
<b>53 Real Estate and Rental and Leasing</b>			
531 Real Estate	\$ 628,819	\$ 1,030,031	63.8%
532 Rental and Leasing Services	\$ 23,721,846	\$ 25,040,855	5.6%
<b>2-digit Total</b>	<b>\$ 24,350,666</b>	<b>\$ 26,070,886</b>	<b>7.1%</b>
<b>54 Professional and Technical Services</b>			
541 Professional and Technical Services	\$ 13,547,844	\$ 15,584,587	15.0%
<b>2-digit Total</b>	<b>\$ 13,547,844</b>	<b>\$ 15,584,587</b>	<b>15.0%</b>
<b>55 Management of Companies and Enterprises</b>			
551 Management of Companies and Enterprises	\$ 1,555,282	\$ 1,031,281	-33.7%
<b>2-digit Total</b>	<b>\$ 1,555,282</b>	<b>\$ 1,031,281</b>	<b>-33.7%</b>
<b>56 Administrative and Waste Services</b>			
561 Administrative and Support Services	\$ 18,209,695	\$ 20,796,522	14.2%

## Total State Sales Tax Collection by the North American Industrial Classification System (NAICS)

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).

<u>North American Industry Classification</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Percent Change</u>
562 Waste Management and Remediation Services	\$ 500,482	\$ 583,051	16.5%
<b>2-digit Total</b>	<b>\$ 18,710,177</b>	<b>\$ 21,379,573</b>	<b>14.3%</b>
<b>61 Educational Services</b>			
611 Educational Services	\$ 4,564,135	\$ 4,788,414	4.9%
<b>2-digit Total</b>	<b>\$ 4,564,135</b>	<b>\$ 4,788,414</b>	<b>4.9%</b>
<b>62 Health Care and Social Assistance</b>			
621 Ambulatory Health Care Services	\$ 966,760	\$ 1,109,394	14.8%
622 Hospitals	\$ 1,165,800	\$ 1,228,326	5.4%
623 Nursing and Residential Care Facilities	\$ 100,081	\$ 107,898	7.8%
624 Social Assistance	\$ 530,947	\$ 508,986	-4.1%
<b>2-digit Total</b>	<b>\$ 2,763,589</b>	<b>\$ 2,954,604</b>	<b>6.9%</b>
<b>71 Arts, Entertainment, and Recreation</b>			
711 Performing Arts and Spectator Sports	\$ 3,888,544	\$ 3,922,982	0.9%
712 Museums, Historical Sites, Zoos, and Parks	\$ 475,945	\$ 468,627	-1.5%
713 Amusement, Gambling, and Recreation	\$ 14,199,753	\$ 15,024,137	5.8%
<b>2-digit Total</b>	<b>\$ 18,564,242</b>	<b>\$ 19,415,746</b>	<b>4.6%</b>
<b>72 Accommodation and Food Services</b>			
721 Accommodation	\$ 22,199,803	\$ 24,306,886	9.5%
722 Food Services and Drinking Places	\$ 137,704,780	\$ 147,935,099	7.4%
<b>2-digit Total</b>	<b>\$ 159,904,584</b>	<b>\$ 172,241,985</b>	<b>7.7%</b>
<b>81 Other Services (except Public Administration)</b>			
811 Repair and Maintenance	\$ 39,180,234	\$ 42,361,785	8.1%
812 Personal and Laundry Services	\$ 12,705,403	\$ 12,953,089	1.9%
813 Membership Associations and Organizations	\$ 3,353,777	\$ 3,744,955	11.7%
814 Private Households	\$ 26,751	\$ 47,568	77.8%
<b>2-digit Total</b>	<b>\$ 55,266,165</b>	<b>\$ 59,107,398</b>	<b>7.0%</b>
<b>92 Public Administration</b>			
921 Executive, Legislative, & General Government	\$ 2,105,963	\$ 3,816,990	81.2%
922 Justice, Public Order, and Safety Activities	\$ 171,634	\$ 183,041	6.6%
923 Administration of Human Resource Programs	Confidential	Confidential	n/a
924 Administration of Environmental Programs	\$ 39,704	\$ 45,250	14.0%
926 Administration of Economic Programs	\$ 568,717	\$ 1,298,101	128.3%
928 National Security and International Affairs	Confidential	Confidential	n/a
<b>2-digit Total</b>	<b>\$ 2,886,899</b>	<b>\$ 5,343,395</b>	<b>85.1%</b>
<b>99 Unclassified Establishments</b>			
999 Unclassified Establishments	\$ 1,913,796	\$ 1,541,352	-19.5%
<b>2-digit Total</b>	<b>\$ 1,913,796</b>	<b>\$ 1,541,352</b>	<b>-19.5%</b>
<b>Grand Total</b>	<b>\$ 1,717,789,038</b>	<b>\$ 1,807,210,370</b>	<b>5.2%</b>

## Local Sales and Use Tax Rates, Effective Dates and Collections Issued for FY 2005 and FY 2006

County/City	Tax Rate	Effective Date	Sales Tax			Use Tax		
			Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change	Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change
Allen County	1.00%	Oct-94	\$1,274,040.25	\$1,349,163.36	5.9%	\$178,811.50	\$176,389.03	-1.4%
Anderson County	1.00%	Jan-83	\$638,082.62	\$648,087.32	1.6%	\$69,591.61	\$67,130.79	-3.5%
Atchison County	1.00%	Oct-04	\$1,926,745.54	\$1,605,028.52	n/a	\$312,891.12	\$264,718.92	n/a
Barber County	1.00%	Feb-83	\$576,194.54	\$702,669.23	21.9%	\$88,081.73	\$137,089.20	55.6%
Barton County	1.25%	Apr-03	\$4,680,592.56	\$5,093,868.26	8.8%	\$383,165.23	\$425,948.64	11.2%
Bourbon County	1.00%	Jul-01	\$1,332,108.24	\$1,358,812.70	2.0%	\$196,840.83	\$207,604.55	5.5%
Brown County	1.00%	Nov-82	\$879,779.71	\$969,861.54	10.2%	\$179,442.55	\$212,358.02	18.3%
Chase County	1.00%	Apr-05	\$15,337.59	\$176,425.53	n/a	\$10,096.77	\$76,457.79	n/a
Chautauqua County	1.00%	Feb-83	\$219,855.36	\$230,686.90	4.9%	\$53,441.96	\$57,180.49	7.0%
Cherokee County	1.50%	Jan-03	\$1,862,589.53	\$1,876,728.82	0.8%	\$625,201.73	\$639,602.24	2.3%
Cheyenne County	2.00%	Jul-96	\$421,680.01	\$441,594.03	4.7%	\$102,369.81	\$99,135.48	-3.2%
Clay County	1.00%	Jan-01	\$760,128.03	\$787,647.25	3.6%	\$89,424.73	\$83,220.32	-6.9%
Cloud County	1.00%	Jan-01	\$1,176,170.96	\$1,157,546.05	-1.6%	\$105,287.32	\$127,622.58	21.2%
Cowley County	0.50%	Oct-05	\$0.00	\$967,181.59	n/a	\$0.00	\$112,067.78	n/a
Crawford County	1.00%	Jul-01	\$4,005,064.55	\$4,132,467.21	3.2%	\$619,015.23	\$632,605.01	2.2%
Decatur County	1.00%	Nov-84	\$206,318.33	\$214,544.32	4.0%	\$46,575.78	\$60,643.52	30.2%
Dickinson County	1.00%	Jul-97	\$1,866,857.04	\$1,887,220.13	1.1%	\$222,129.89	\$272,409.96	22.6%
Doniphan County	1.00%	Oct-94	\$440,962.69	\$443,138.54	0.5%	\$169,678.45	\$180,649.75	6.5%
Douglas County	1.00%	Jan-95	\$12,875,489.89	\$13,508,529.67	4.9%	\$1,216,984.45	\$1,204,637.39	-1.0%
Edwards County	1.00%	Nov-83	\$212,193.04	\$211,857.57	-0.2%	\$55,114.17	\$46,040.42	-16.5%
Elk County	1.00%	Nov-82	\$184,472.78	\$223,681.60	21.3%	\$25,897.65	\$24,358.24	-5.9%
Ellsworth County	1.00%	Apr-05	\$248,415.11	\$475,278.94	n/a	\$35,681.57	\$73,869.76	n/a
Finney County	1.00%	Apr-05	\$3,889,880.22	\$5,240,546.30	n/a	\$401,287.81	\$537,359.57	n/a
Ford County	1.00%	Oct-97	\$4,081,345.47	\$4,148,931.82	1.7%	\$404,605.53	\$441,745.71	9.2%
Franklin County	1.50%	Jan-93	\$3,870,287.93	\$3,995,863.34	3.2%	\$478,035.84	\$470,593.52	-1.6%
Geary County	1.00%	Jul-03	\$2,925,782.62	\$3,211,365.08	9.8%	\$316,198.93	\$293,622.52	-7.1%
Gove County	1.75%	Jan-06	\$297,848.51	\$386,197.16	n/a	\$34,017.32	\$48,582.32	n/a
Graham County	0.25%	Oct-03	\$72,805.55	\$87,846.57	20.7%	\$7,453.36	\$6,459.04	-13.3%
Gray County	1.00%	Feb-83	\$418,675.58	\$435,463.74	4.0%	\$63,247.77	\$87,125.10	37.8%
Greeley County	1.00%	Nov-82	\$119,425.23	\$128,492.84	7.6%	\$25,751.22	\$22,024.84	-14.5%
Greenwood County	1.00%	Jul-95	\$469,544.05	\$498,637.21	6.2%	\$54,260.71	\$54,298.63	0.1%
Hamilton County	0.50%	Jan-93	\$103,611.52	\$121,582.18	17.3%	\$23,099.38	\$26,060.01	12.8%
Harvey County	1.00%	Jul-86	\$3,403,621.74	\$3,489,302.69	2.5%	\$241,018.55	\$306,595.10	27.2%
Haskell County	0.50%	Jan-83	\$168,347.33	\$201,489.37	19.7%	\$45,980.15	\$49,390.87	7.4%
Jackson County	1.40%	Apr-05	\$1,203,177.41	\$1,619,374.25	n/a	\$96,774.99	\$107,900.35	n/a
Jefferson County	1.00%	Oct-98	\$928,168.86	\$987,085.60	6.3%	\$154,875.27	\$174,122.67	12.4%
Jewell County	1.00%	Feb-83	\$187,905.69	\$180,976.69	-3.7%	\$46,378.07	\$42,448.14	-8.5%
Johnson County	1.10%	Jan-03	\$97,948,263.72	\$101,946,581.83	4.1%	\$26,742,952.91	\$27,961,745.79	4.6%
Kiowa County	1.00%	Nov-82	\$302,674.00	\$335,960.42	11.0%	\$151,405.66	\$59,066.26	-61.0%
Labette County	1.25%	Oct-01	\$2,298,618.34	\$2,457,192.29	6.9%	\$355,202.50	\$466,495.88	31.3%
Leavenworth County	1.00%	Jan-97	\$5,363,048.26	\$5,532,453.02	3.2%	\$838,623.97	\$876,456.77	4.5%
Lincoln County	1.00%	Feb-83	\$195,431.14	\$196,167.88	0.4%	\$20,372.81	\$20,238.31	-0.7%
Logan County	1.00%	Nov-82	\$278,246.20	\$286,712.77	3.0%	\$206,466.75	\$26,149.86	-87.3%
Lyon County	0.50%	Jul-99	\$1,964,729.15	\$2,037,451.72	3.7%	\$201,144.19	\$176,329.51	-12.3%
Marion County	1.00%	Jul-87	\$860,247.29	\$867,985.14	0.9%	\$103,684.18	\$129,163.04	24.6%
Mcpheerson County	1.00%	Jul-82	\$3,429,956.23	\$3,566,761.29	4.0%	\$607,632.18	\$657,945.82	8.3%
Meade County	1.00%	Nov-84	\$318,946.69	\$363,726.74	14.0%	\$59,920.36	\$75,292.29	25.7%
Miami County	1.25%	Jan-01	\$3,511,396.27	\$3,736,831.36	6.4%	\$605,526.17	\$596,537.96	-1.5%
Mitchell County	1.00%	Nov-82	\$781,415.55	\$764,347.49	-2.2%	\$65,459.95	\$66,686.20	1.9%
Montgomery County	0.00%	Oct-02	\$0.00	\$8,319.04	n/a	\$1,806.21	\$594.07	n/a
Morris County	1.00%	Nov-82	\$471,485.83	\$484,603.11	2.8%	\$58,425.35	\$61,462.90	5.2%
Nemaha County	1.00%	Nov-82	\$902,422.42	\$974,483.88	8.0%	\$132,911.19	\$121,539.25	-8.6%
Neosho County	1.00%	Oct-00	\$2,078,626.30	\$2,198,976.73	5.8%	\$221,756.67	\$420,861.41	89.8%
Norton County	0.75%	Sep-03	\$351,534.23	\$364,502.10	3.7%	\$116,467.19	\$124,599.12	7.0%
Osage County	1.00%	Nov-82	\$953,292.56	\$982,823.01	3.1%	\$121,467.18	\$125,998.83	3.7%
Osborne County	1.50%	Oct-05	\$177,745.40	\$401,503.70	n/a	\$15,931.45	\$39,594.75	n/a
Ottawa County	1.00%	Jun-01	\$317,887.62	\$333,102.25	4.8%	\$36,485.64	\$42,303.43	15.9%
Pawnee County	1.00%	Jul-83	\$524,523.42	\$540,308.94	3.0%	\$38,153.90	\$46,687.50	22.4%
Phillips County	5.00%	Jan-06	\$0.00	\$87,152.01	n/a	\$0.00	\$20,434.85	n/a
Pottawatomie County	1.00%	Apr-05	\$268,111.54	\$3,713,360.31	n/a	\$20,036.00	\$303,485.54	n/a
Pratt County	1.00%	Jul-82	\$1,400,401.15	\$1,496,379.21	6.9%	\$122,990.18	\$129,563.05	5.3%
Rawlins County	1.00%	Feb-83	\$176,673.93	\$184,894.00	4.7%	\$52,607.73	\$61,571.09	17.0%
Reno County	1.00%	Jul-86	\$8,274,576.90	\$8,408,707.45	1.6%	\$769,724.32	\$806,718.92	4.8%
Republic County	2.00%	Jul-03	\$849,753.27	\$812,551.48	-4.4%	\$133,038.42	\$136,814.69	2.8%
Rice County	1.00%	Nov-82	\$759,556.38	\$790,745.19	4.1%	\$110,950.53	\$102,844.24	-7.3%

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# Local Sales and Use Tax Rates, Effective Dates and Collections Issued for FY 2005 and FY 2006

County/City	Tax Rate	Effective Date	Sales Tax			Use Tax		
			Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change	Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change
Riley County	1.00%	Jan-99	\$6,194,528.48	\$6,554,947.59	5.8%	\$597,406.81	\$567,603.93	-5.0%
Rooks County	0.00%	Oct-00	\$555.07	\$736.26	32.6%	\$0.00	\$0.00	n/a
Russell County	1.50%	Jan-00	\$1,090,209.59	\$1,455,577.82	33.5%	\$134,134.50	\$182,889.16	36.3%
Saline County	1.00%	Jun-95	\$8,899,106.83	\$9,277,497.62	4.3%	\$763,833.69	\$727,646.08	-4.7%
Scott County	1.00%	May-82	\$547,881.00	\$581,499.80	6.1%	\$59,308.36	\$61,778.18	4.2%
Sedgwick County	2.00%	Jul-05	\$69,505,750.78	\$130,494,266.14	n/a	\$7,323,715.00	\$13,398,434.26	n/a
Seward County	1.25%	Jan-04	\$4,071,661.90	\$4,381,600.84	7.6%	\$566,803.73	\$623,715.64	10.0%
Shawnee County	1.15%	Jan-05	\$29,779,834.75	\$29,582,373.54	n/a	\$3,109,246.08	\$3,582,028.82	n/a
Sheridan County	1.00%	Jan-99	\$216,282.28	\$221,336.24	2.3%	\$28,048.81	\$35,826.63	27.7%
Sherman County	1.25%	Apr-02	\$1,146,628.37	\$1,194,029.13	4.1%	\$336,111.42	\$122,554.19	-63.5%
Stafford County	1.00%	Nov-84	\$341,728.10	\$332,890.30	-2.6%	\$43,205.98	\$49,224.16	13.9%
Stanton County	1.00%	Nov-84	\$156,498.05	\$201,439.45	28.7%	\$42,267.43	\$48,510.83	14.8%
Sumner County	1.00%	Oct-04	\$931,159.49	\$1,695,652.87	n/a	\$126,216.05	\$249,777.40	n/a
Thomas County	1.00%	Nov-82	\$1,209,477.71	\$1,291,188.23	6.8%	\$111,797.27	\$138,896.39	24.2%
Trego County	0.50%	Apr-05	\$12,405.50	\$174,903.25	n/a	\$1,374.97	\$21,523.68	n/a
Wabunsee County	1.25%	Jan-01	\$380,742.78	\$429,159.31	12.7%	\$79,362.46	\$83,468.28	5.2%
Washington County	1.00%	Feb-83	\$381,265.59	\$396,544.33	4.0%	\$78,870.74	\$69,722.17	-11.6%
Wichita County	2.00%	Jan-96	\$336,629.18	\$427,707.30	27.1%	\$110,267.06	\$94,139.90	-14.6%
Wilson County	1.00%	Oct-00	\$680,816.96	\$760,314.40	11.7%	\$135,856.17	\$166,246.56	22.4%
Woodson County	1.00%	Oct-05	\$0.00	\$125,644.57	n/a	\$0.00	\$14,446.67	n/a
Wyandotte County	1.00%	Jan-84	\$17,757,098.83	\$19,394,543.29	9.2%	\$3,329,453.64	\$3,340,013.84	0.3%
Abilene	0.01%	Jan-06	\$847,126.10	\$767,073.17	n/a	\$72,871.36	\$100,094.93	n/a
Almena	0.50%	Apr-03	\$9,488.50	\$10,178.47	7.3%	\$2,623.31	\$3,213.64	22.5%
Altamont	1.00%	Jul-99	\$50,366.75	\$54,584.06	8.4%	\$13,715.34	\$18,197.69	32.7%
Americus	0.50%	Apr-87	\$14,125.46	\$13,532.23	-4.2%	\$1,343.50	\$1,893.48	40.9%
Andover	1.75%	Jan-06	\$957,753.91	\$1,289,383.41	n/a	\$98,093.67	\$146,851.03	n/a
Anthony	1.50%	Jan-01	\$373,135.24	\$409,671.03	9.8%	\$38,020.26	\$32,133.51	-15.5%
Argonia	1.00%	Jan-91	\$27,914.14	\$27,230.24	-2.5%	\$4,706.60	\$4,326.19	-8.1%
Arkansas City	1.00%	Apr-85	\$1,316,588.42	\$1,382,049.81	5.0%	\$171,810.94	\$195,910.11	14.0%
Arma	0.50%	Nov-82	\$36,946.21	\$35,293.60	-4.5%	\$7,378.93	\$7,419.83	0.6%
Atchison	1.00%	Aug-83	\$1,348,435.90	\$1,381,349.39	2.4%	\$165,462.11	\$192,938.62	16.6%
Auburn	1.00%	Jul-84	\$93,629.01	\$93,298.93	-0.4%	\$7,494.86	\$7,746.91	3.4%
Augusta	0.50%	Oct-91	\$425,192.77	\$444,785.92	4.6%	\$42,939.97	\$45,334.96	5.6%
Baldwin City	1.00%	Jul-91	\$306,241.67	\$333,060.19	8.8%	\$36,422.48	\$34,446.54	-5.4%
Basehor	1.00%	Oct-95	\$201,973.84	\$213,132.88	5.5%	\$69,197.67	\$76,079.39	9.9%
Baxter Springs	1.00%	Jul-85	\$329,334.67	\$345,323.78	4.9%	\$90,142.08	\$80,527.67	-10.7%
Belle Plaine	1.00%	Oct-89	\$107,146.94	\$83,693.43	-21.9%	\$13,617.61	\$13,481.36	-1.0%
Beloit	0.50%	Jul-01	\$299,021.53	\$291,987.60	-2.4%	\$20,630.39	\$20,861.72	1.1%
Benton	1.00%	Oct-99	\$41,017.81	\$44,412.47	8.3%	\$7,422.93	\$10,781.03	45.2%
Blue Rapids	1.00%	Jan-05	\$23,317.42	\$75,154.43	n/a	\$1,747.05	\$8,515.86	n/a
Bonner Springs	1.50%	Apr-05	\$2,163,093.09	\$2,724,094.19	n/a	\$215,078.33	\$243,833.40	n/a
Bronson	1.00%	Jan-97	\$13,285.83	\$13,568.91	2.1%	\$1,685.75	\$1,014.21	-39.8%
Burden	1.00%	Jan-96	\$26,313.95	\$29,249.71	11.2%	\$2,960.16	\$5,682.57	92.0%
Burlington	1.00%	Jan-05	\$107,363.02	\$344,466.09	n/a	\$13,081.52	\$48,705.57	n/a
Caldwell	1.00%	Nov-82	\$86,779.07	\$86,765.47	0.0%	\$32,947.80	\$19,055.43	-42.2%
Caney	2.75%	Apr-03	\$384,761.74	\$412,746.56	7.3%	\$68,012.93	\$74,178.06	9.1%
Carbondale	1.00%	Apr-05	\$3,113.70	\$73,469.83	n/a	\$380.53	\$7,066.83	n/a
Cedar Vale	1.00%	Oct-97	\$31,124.11	\$33,616.69	8.0%	\$11,020.38	\$11,150.09	1.2%
Chanute	1.00%	Nov-87	\$1,648,348.62	\$1,724,133.28	4.6%	\$118,077.55	\$311,281.97	163.6%
Cherryvale	1.75%	Jul-01	\$289,425.16	\$295,378.46	2.1%	\$28,205.34	\$38,628.12	37.0%
Chetopa	1.50%	Jan-02	\$112,176.94	\$103,765.11	-7.5%	\$19,156.52	\$16,069.23	-16.1%
Clafin	0.50%	Oct-05	\$0.00	\$13,299.58	n/a	\$12,546.18	\$1,241.65	n/a
Clay Center	1.00%	Nov-84	\$593,018.59	\$622,669.28	5.0%	\$32,324.74	\$45,286.19	40.1%
Coffeyville	2.50%	Oct-02	\$3,396,485.46	\$3,639,961.30	7.2%	\$405,544.74	\$482,299.07	18.9%
Colby	0.25%	Apr-05	\$17,965.48	\$274,787.60	n/a	\$1,067.86	\$23,317.87	n/a
Coldwater	1.00%	Jul-98	\$96,698.43	\$104,145.38	7.7%	\$5,629.33	\$15,052.84	167.4%
Collyer	1.00%	Jan-01	\$4,266.44	\$5,806.46	36.1%	\$685.67	\$928.83	35.5%
Columbus	1.00%	Jul-97	\$445,100.20	\$396,854.49	-10.8%	\$94,301.02	\$71,252.88	-24.4%
Concordia	1.00%	Feb-83	\$928,183.81	\$940,990.03	1.4%	\$56,903.08	\$60,382.78	6.1%
Conway Springs	1.00%	Oct-89	\$59,802.77	\$64,386.14	7.7%	\$10,620.95	\$12,721.30	19.8%
Cottonwood Falls	1.00%	Jan-91	\$56,831.94	\$56,625.48	-0.4%	\$4,573.27	\$6,293.40	37.6%
Council Grove	1.00%	Oct-03	\$326,950.52	\$320,871.32	-1.9%	\$27,466.21	\$24,504.16	-10.8%
Dearing	1.00%	Apr-03	\$13,097.43	\$17,165.33	31.1%	\$2,010.74	\$3,587.30	78.4%
Deerfield	1.00%	Oct-94	\$19,286.40	\$22,228.86	15.3%	\$3,351.47	\$2,501.36	-25.4%
Delphos	1.00%	Nov-84	\$16,038.36	\$22,974.06	43.2%	\$3,212.30	\$2,866.54	-10.8%

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## Local Sales and Use Tax Rates, Effective Dates and Collections Issued for FY 2005 and FY 2006

County/City	Tax Rate	Effective Date	Sales Tax			Use Tax		
			Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change	Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change
Derby	0.50%	Apr-03	\$1,290,646.30	\$1,422,356.79	10.2%	\$151,000.57	\$124,367.82	-17.6%
DeSoto	1.75%	Jul-02	\$566,222.64	\$602,690.22	6.4%	\$221,291.38	\$221,300.56	0.0%
Dighton	1.00%	Jul-83	\$96,743.51	\$95,134.16	-1.7%	\$12,134.34	\$19,409.20	60.0%
Dodge City	1.00%	Oct-97	\$3,723,483.46	\$3,772,797.20	1.3%	\$322,605.41	\$350,415.37	8.6%
Douglass	1.00%	Jan-95	\$86,921.98	\$85,959.86	-1.1%	\$13,107.99	\$15,001.76	14.4%
Easton	1.00%	Jul-85	\$15,484.75	\$17,835.47	15.2%	\$6,884.37	\$6,624.65	-3.8%
Edgerton	1.00%	Jul-85	\$58,726.56	\$52,284.81	-11.0%	\$14,370.20	\$17,734.25	23.4%
Edna	1.00%	Jan-89	\$24,032.18	\$27,342.30	13.8%	\$3,463.33	\$3,760.35	8.6%
Edwardsville	1.00%	Jan-86	\$195,524.75	\$211,137.54	8.0%	\$97,590.90	\$96,930.52	-0.7%
Effingham	1.00%	Nov-83	\$26,591.31	\$27,628.01	3.9%	\$5,162.76	\$4,098.89	-20.6%
El Dorado	1.00%	Oct-89	\$1,851,690.91	\$1,986,430.46	7.3%	\$162,930.57	\$173,445.93	6.5%
Elkhart	1.00%	Jan-95	\$196,046.18	\$209,559.64	6.9%	\$45,318.35	\$64,046.57	41.3%
Ellis	1.00%	Nov-83	\$118,530.14	\$134,103.58	13.1%	\$16,912.10	\$19,312.93	14.2%
Ellsworth	1.25%	Jul-00	\$325,714.59	\$330,644.85	1.5%	\$27,831.50	\$39,440.54	41.7%
Elwood	1.00%	Nov-84	\$132,131.37	\$131,056.31	-0.8%	\$45,562.79	\$47,117.59	3.4%
Emporia	1.00%	Jan-95	\$3,638,321.33	\$3,765,617.70	3.5%	\$316,026.19	\$276,333.84	-12.6%
Erie	1.00%	Jan-88	\$90,408.57	\$96,072.08	6.3%	\$17,745.64	\$20,215.51	13.9%
Eudora	0.50%	Nov-82	\$132,474.30	\$134,665.78	1.7%	\$23,524.57	\$23,030.37	-2.1%
Eureka	0.00%	Jul-95	\$0.00	\$146,764.00	n/a	\$0.00	\$12,088.90	n/a
Fairway	1.00%	Jul-86	\$306,245.89	\$297,384.19	-2.9%	\$88,909.63	\$91,118.69	2.5%
Florence	1.00%	Apr-05	\$2,979.05	\$39,468.45	n/a	\$273.43	\$3,573.62	n/a
Fontana	0.50%	Jul-97	\$2,751.13	\$3,561.64	29.5%	\$840.36	\$1,046.06	24.5%
Fort Scott	1.00%	Jan-84	\$1,104,808.22	\$1,122,179.55	1.6%	\$118,912.48	\$116,993.31	-1.6%
Frankfort	1.00%	Apr-03	\$77,076.60	\$84,293.06	9.4%	\$8,009.29	\$8,094.14	1.1%
Fredonia	1.50%	Oct-06	\$277,665.11	\$321,360.60	n/a	\$34,708.20	\$36,154.02	n/a
Frontenac	1.00%	Jan-95	\$339,701.98	\$300,451.78	-11.6%	\$69,162.82	\$57,721.22	-16.5%
Galena	1.00%	Jul-84	\$129,419.41	\$130,328.03	0.7%	\$64,696.16	\$76,008.99	17.5%
Garden City	1.00%	Jul-94	\$4,163,118.51	\$4,213,133.79	1.2%	\$269,068.64	\$256,707.51	-4.6%
Gardner	1.50%	Jan-06	\$1,114,970.44	\$1,426,329.19	n/a	\$442,426.07	\$469,881.98	n/a
Garnett	0.50%	Jan-99	\$230,823.44	\$233,533.24	1.2%	\$12,879.46	\$14,371.07	11.6%
Gas	1.00%	Jan-91	\$0.00	\$40,809.63	n/a	\$2,320.89	\$1,803.97	-22.3%
Geneseo	0.50%	Oct-05	\$0.00	\$2,952.72	n/a	\$0.00	\$455.48	n/a
Girard	1.00%	Jan-01	\$313,122.00	\$270,414.71	-13.6%	\$58,350.90	\$60,373.84	3.5%
Glade	1.00%	Jan-01	\$14,889.17	\$15,427.01	3.6%	\$693.85	\$698.78	0.7%
Glasco	1.00%	Jul-83	\$21,508.24	\$21,894.12	1.8%	\$2,869.09	\$2,291.92	-20.1%
Grandview Plaza	1.00%	Apr-99	\$43,551.98	\$42,570.06	-2.3%	\$4,138.67	\$3,756.25	-9.2%
Great Bend	0.50%	Apr-00	\$1,407,869.23	\$1,519,782.66	7.9%	\$102,116.44	\$109,034.70	6.8%
Grinnell	0.25%	Jan-03	\$6,302.55	\$6,397.19	1.5%	\$529.03	\$610.68	15.4%
Hardtner	0.00%	Jan-02	\$3.70	\$0.00	-100.0%	\$0.00	\$0.00	n/a
Harper	1.00%	Jan-01	\$238,498.23	\$253,405.68	6.3%	\$17,521.86	\$21,227.57	21.1%
Hays	1.75%	Jan-05	\$5,070,344.71	\$7,672,447.16	n/a	\$388,531.79	\$573,857.74	n/a
Herington	1.50%	Apr-06	\$191,102.54	\$218,676.67	n/a	\$25,253.23	\$21,494.55	n/a
Hiawatha	1.00%	Apr-05	\$256,597.27	\$517,217.06	n/a	\$29,515.24	\$85,322.46	n/a
Hill City	1.00%	Jul-85	\$197,321.06	\$219,353.33	11.2%	\$14,314.72	\$10,628.26	-25.8%
Hillsboro	0.50%	May-85	\$172,905.72	\$273,738.29	58.3%	\$6,583.14	\$15,854.03	140.8%
Hoisington	0.50%	Oct-05	\$0.00	\$52,638.68	n/a	\$4,083.98	\$3,049.06	n/a
Holton	0.25%	Jan-95	\$209,201.67	\$200,508.54	-4.2%	\$6,636.67	\$8,824.71	33.0%
Horton	1.00%	Jul-87	\$124,796.22	\$120,466.10	-3.5%	\$18,049.77	\$19,271.72	6.8%
Hugoton	1.00%	Jan-94	\$330,832.92	\$359,975.34	8.8%	\$55,655.49	\$66,809.63	20.0%
Humboldt	1.00%	Oct-03	\$102,594.57	\$101,514.65	-1.1%	\$24,578.21	\$19,981.16	-18.7%
Hutchinson	0.75%	Apr-94	\$5,165,463.04	\$5,194,803.50	0.6%	\$426,745.78	\$417,474.78	-2.2%
Independence	2.25%	Oct-02	\$3,785,139.80	\$4,054,686.53	7.1%	\$305,444.98	\$321,999.95	5.4%
Iola	1.00%	Jan-90	\$860,885.03	\$945,106.08	9.8%	\$70,996.01	\$75,335.79	6.1%
Junction City	1.00%	Nov-82	\$2,603,140.45	\$2,834,012.05	8.9%	\$185,038.14	\$175,322.80	-5.3%
Kanopolis	1.00%	Jul-85	\$20,799.54	\$20,584.07	-1.0%	\$2,576.81	\$2,983.03	15.8%
Kansas City	1.25%	Oct-04	\$17,995,176.68	\$21,170,985.55	n/a	\$3,391,199.55	\$3,766,489.67	n/a
Kincaid	1.00%	Jul-99	\$4,996.78	\$4,758.22	-4.8%	\$1,261.23	\$1,512.39	19.9%
Kingman	1.00%	Jan-05	\$109,866.85	\$364,723.42	n/a	\$7,096.49	\$36,560.98	n/a
Kiowa	1.00%	Jan-01	\$93,699.86	\$105,304.74	12.4%	\$12,454.97	\$8,452.12	-32.1%
LaCrosse	1.00%	Jan-96	\$99,569.70	\$111,234.30	11.7%	\$7,030.57	\$7,517.52	6.9%
LaCygne	1.00%	Oct-88	\$105,927.33	\$89,860.06	-15.2%	\$28,260.96	\$43,402.81	53.6%
Lakin	1.00%	Jul-83	\$135,448.32	\$142,125.48	4.9%	\$25,362.50	\$26,253.02	3.5%
Lansing	1.00%	Jan-89	\$691,701.40	\$676,403.81	-2.2%	\$100,752.84	\$97,798.17	-2.9%
Larned	0.50%	Apr-05	\$14,917.17	\$212,010.18	n/a	\$488.19	\$12,177.37	n/a
Lawrence	1.00%	Oct-90	\$11,583,544.33	\$12,195,663.76	5.3%	\$988,808.99	\$979,133.15	-1.0%

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# Local Sales and Use Tax Rates, Effective Dates and Collections Issued for FY 2005 and FY 2006

County/City	Tax Rate	Effective Date	Sales Tax			Use Tax		
			Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change	Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change
Leavenworth	1.00%	Mar-85	\$3,428,281.48	\$3,507,460.78	2.3%	\$336,593.62	\$372,687.38	10.7%
Leawood	1.13%	Jul-00	\$5,373,998.01	\$5,714,666.56	6.3%	\$1,410,787.43	\$1,284,655.77	-8.9%
Lenexa	1.13%	Oct-00	\$9,725,600.77	\$10,162,138.75	4.5%	\$5,655,026.80	\$5,275,256.19	-6.7%
Liberal	1.00%	Oct-94	\$3,034,285.05	\$3,218,788.84	6.1%	\$352,349.77	\$355,399.97	0.9%
Lindsborg	1.00%	Jul-00	\$228,642.28	\$236,986.67	3.6%	\$29,279.14	\$25,458.53	-13.0%
Linwood	1.00%	Apr-03	\$19,580.51	\$26,351.58	34.6%	\$7,725.32	\$10,207.29	32.1%
Longford	1.00%	Jan-89	\$4,895.81	\$5,320.50	8.7%	\$978.20	\$1,230.87	25.8%
Louisburg	1.00%	Jan-97	\$618,979.78	\$632,772.84	2.2%	\$110,732.59	\$88,566.40	-20.0%
Lyndon	1.00%	Jan-99	\$97,343.81	\$96,416.09	-1.0%	\$8,523.28	\$6,845.24	-19.7%
Lyons	0.50%	Oct-01	\$170,426.36	\$179,651.74	5.4%	\$14,630.70	\$15,015.13	2.6%
Manhattan	1.00%	Jan-99	\$7,458,712.28	\$9,064,084.05	21.5%	\$614,519.72	\$668,173.32	8.7%
Mankato	0.50%	Oct-05	\$0.00	\$32,586.50	n/a	\$0.00	\$4,029.24	n/a
Maple Hill	0.75%	Jan-03	\$22,389.12	\$21,133.85	-5.6%	\$3,461.95	\$4,725.33	36.5%
Marion	0.75%	Jul-01	\$122,984.71	\$125,073.16	1.7%	\$13,556.46	\$14,198.12	4.7%
Marysville	1.00%	Oct-99	\$616,562.30	\$712,318.13	15.5%	\$84,975.30	\$66,804.60	-21.4%
Mayfield	0.50%	Nov-82	\$3,526.30	\$3,878.52	10.0%	\$245.89	\$346.92	41.1%
McPherson	0.50%	Oct-02	\$1,029,544.93	\$1,060,796.52	3.0%	\$106,205.86	\$100,725.99	-5.2%
Medicine Lodge	0.50%	Jul-91	\$150,491.23	\$158,671.95	5.4%	\$13,979.22	\$21,480.09	53.7%
Merriam	1.25%	Jan-01	\$5,732,891.45	\$5,799,801.55	1.2%	\$787,465.93	\$818,101.67	3.9%
Miltonvale	1.00%	Jul-87	\$36,256.76	\$43,245.77	19.3%	\$4,970.30	\$21,075.25	324.0%
Minneapolis	1.00%	Apr-05	\$95,236.00	\$181,241.29	n/a	\$6,181.91	\$13,669.75	n/a
Minneola	1.00%	Jul-99	\$33,233.91	\$39,327.86	18.3%	\$5,574.28	\$4,932.33	-11.5%
Mission	1.25%	Oct-02	\$2,942,997.02	\$2,793,215.54	-5.1%	\$584,730.54	\$614,467.37	5.1%
Mission Hills	1.00%	Jan-05	\$115,109.65	\$418,673.27	n/a	\$29,709.93	\$127,932.08	n/a
Moran	0.50%	Jul-84	\$18,157.99	\$17,948.82	-1.2%	\$3,212.43	\$3,046.51	-5.2%
Morland	1.00%	Oct-96	\$11,618.33	\$11,422.30	-1.7%	\$562.27	\$1,492.83	165.5%
Moscow	1.00%	Oct-03	\$17,443.71	\$18,290.96	4.9%	\$12,862.58	\$11,696.76	-9.1%
Mound City	1.00%	Jul-93	\$95,943.12	\$99,547.44	3.8%	\$10,457.67	\$10,728.01	2.6%
Neodesha	2.00%	Oct-92	\$401,860.76	\$432,567.93	7.6%	\$82,144.91	\$75,077.21	-8.6%
Ness City	1.00%	Oct-02	\$165,222.84	\$177,161.02	7.2%	\$15,831.82	\$13,040.11	-17.6%
Norton	0.50%	Apr-93	\$180,765.56	\$187,688.80	3.8%	\$17,024.74	\$20,180.14	18.5%
Ogden	1.00%	Nov-82	\$53,345.61	\$59,797.04	12.1%	\$9,476.63	\$8,008.16	-15.5%
Olathe	1.13%	Apr-00	\$20,681,059.61	\$22,052,009.08	6.6%	\$2,500,962.16	\$2,720,003.20	8.8%
Olpe	0.50%	Apr-05	\$1,016.47	\$14,784.20	n/a	\$83.75	\$2,284.34	n/a
Onaga	1.00%	Nov-82	\$50,958.68	\$66,246.09	30.0%	\$19,375.19	\$8,810.67	-54.5%
Osage City	1.00%	Oct-03	\$339,568.64	\$341,138.58	0.5%	\$25,511.54	\$21,016.64	-17.6%
Osawatomie	0.50%	Jul-81	\$123,544.74	\$118,614.01	-4.0%	\$18,539.77	\$18,619.97	0.4%
Oswego	1.00%	Jul-95	\$124,827.00	\$135,962.80	8.9%	\$18,041.05	\$20,083.01	11.3%
Ottawa	0.60%	Jul-01	\$1,195,343.95	\$1,224,959.05	2.5%	\$105,703.49	\$107,439.98	1.6%
Overbrook	1.00%	Jan-99	\$83,814.04	\$85,966.19	2.6%	\$9,062.04	\$5,891.92	-35.0%
Overland Park	1.13%	Apr-99	\$38,968,018.88	\$40,267,999.25	3.3%	\$11,886,185.05	\$12,961,482.72	9.0%
Oxford	1.00%	Nov-84	\$61,233.57	\$62,367.90	1.9%	\$8,641.21	\$9,240.77	6.9%
Paola	1.00%	Oct-96	\$1,139,627.30	\$1,235,863.10	8.4%	\$102,288.84	\$109,559.10	7.1%
Parker	1.00%	Oct-03	\$20,586.08	\$21,656.95	5.2%	\$2,464.37	\$2,471.71	0.3%
Parsons	1.00%	Jan-97	\$1,331,130.67	\$1,428,314.63	7.3%	\$142,096.36	\$208,438.70	46.7%
Paxico	1.00%	Oct-96	\$10,635.36	\$10,415.75	-2.1%	\$2,011.82	\$1,443.49	-28.2%
Perry	0.50%	Jul-81	\$42,792.93	\$41,285.16	-3.5%	\$4,972.84	\$4,404.03	-11.4%
Phillipsburg	1.00%	Jul-01	\$354,524.15	\$381,247.21	7.5%	\$45,575.12	\$52,900.27	16.1%
Pittsburg	0.50%	Oct-99	\$1,385,729.57	\$1,474,632.86	6.4%	\$172,737.51	\$176,315.51	2.1%
Plainville	1.00%	Apr-97	\$219,901.81	\$255,510.64	16.2%	\$20,274.29	\$20,586.13	1.5%
Pleasanton	1.00%	Oct-95	\$135,394.86	\$138,975.18	2.6%	\$11,001.36	\$12,399.77	12.7%
Pomona	1.00%	Dec-27	\$45,308.99	\$50,271.09	11.0%	\$5,987.08	\$6,436.89	7.5%
Prairie Village	1.00%	Feb-84	\$1,921,283.87	\$1,968,888.26	2.5%	\$382,187.66	\$373,193.41	-2.4%
Pratt	0.75%	Jan-05	\$1,110,503.95	\$962,332.61	n/a	\$73,287.88	\$45,500.62	n/a
Princeton	0.50%	Jul-95	\$6,617.65	\$9,171.02	38.6%	\$1,405.41	\$1,054.60	-25.0%
Protection	1.00%	Jan-99	\$38,841.36	\$43,836.47	12.9%	\$2,981.49	\$4,024.97	35.0%
Ransom	0.50%	Oct-93	\$13,151.62	\$13,290.93	1.1%	\$1,379.73	\$1,517.43	10.0%
Richmond	0.25%	Apr-05	\$334.11	\$4,747.87	n/a	\$93.25	\$1,372.04	n/a
Riley	1.00%	Jul-92	\$41,159.98	\$56,080.85	36.3%	\$8,511.84	\$11,659.29	37.0%
Roeland Park	1.25%	Apr-03	\$1,160,832.19	\$1,273,970.63	9.7%	\$109,000.47	\$132,013.22	21.1%
Rolla	1.00%	Jan-97	\$20,321.63	\$19,866.39	-2.2%	\$9,052.74	\$4,924.16	-45.6%
Rose Hill	1.00%	Oct-00	\$169,646.77	\$171,670.74	1.2%	\$32,853.90	\$32,865.38	0.0%
Rossville	1.00%	Oct-86	\$84,890.99	\$90,723.94	6.9%	\$5,704.04	\$5,250.12	-8.0%
Sabetha	0.50%	Jul-91	\$175,158.11	\$197,504.54	12.8%	\$25,847.72	\$21,609.61	-16.4%
Saint Marys	1.00%	Nov-84	\$239,367.40	\$184,578.37	-22.9%	\$26,831.76	\$29,853.33	11.3%

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## Local Sales and Use Tax Rates, Effective Dates and Collections Issued for FY 2005 and FY 2006

County/City	Sales Tax				Use Tax			
	Tax Rate	Effective Date	Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change	Fiscal Year 2005 (July 04 - Jun 05)	Fiscal Year 2006 (July 05 - Jun 06)	Percent Change
Saint Paul	1.00%	Apr-98	\$44,701.69	\$45,987.15	2.9%	\$11,566.93	\$12,590.70	8.9%
Salina	0.75%	Jan-99	\$6,327,711.32	\$6,570,116.32	3.8%	\$503,972.59	\$489,105.22	-3.0%
Satanta	0.50%	Jan-87	\$33,975.37	\$45,508.87	33.9%	\$5,665.16	\$7,860.66	38.8%
Scammon	1.00%	Apr-88	\$16,997.75	\$16,814.65	-1.1%	\$4,994.42	\$7,974.32	59.7%
Sedan	1.50%	Apr-05	\$58,026.73	\$151,618.77	n/a	\$8,373.51	\$24,452.03	n/a
Shawnee	1.25%	Apr-05	\$9,151,700.09	\$10,427,055.48	n/a	\$1,753,727.47	\$2,217,589.96	n/a
Smith Center	0.50%	Jan-01	\$102,465.64	\$101,241.38	-1.2%	\$10,824.93	\$11,682.85	7.9%
South Hutchinson	0.50%	Jan-93	\$157,580.01	\$195,086.23	23.8%	\$19,205.79	\$25,668.06	33.6%
Spivey	0.50%	Jan-79	\$34,800.03	\$44,489.08	27.8%	\$418.96	\$837.97	100.0%
Spring Hill	1.00%	Feb-84	\$438,501.83	\$449,897.75	2.6%	\$89,195.66	\$94,611.75	6.1%
Stockton	1.50%	Jan-99	\$184,783.97	\$195,384.49	5.7%	\$20,238.68	\$17,963.63	-11.2%
Strong City	1.00%	Jan-90	\$53,016.07	\$51,834.70	-2.2%	\$3,760.99	\$4,299.87	14.3%
Sublette	0.50%	Jan-83	\$54,035.10	\$59,884.65	10.8%	\$8,440.75	\$14,448.30	71.2%
Syracuse	1.00%	Jun-84	\$154,959.29	\$164,631.69	6.2%	\$19,279.81	\$21,896.76	13.6%
Thayer	1.00%	Jul-95	\$35,479.18	\$35,562.89	0.2%	\$5,741.38	\$4,657.05	-18.9%
Tonganoxie	1.00%	Jul-89	\$407,959.52	\$433,924.35	6.4%	\$50,717.62	\$62,128.28	22.5%
Topeka	1.00%	Nov-82	\$24,516,290.87	\$23,542,180.83	-4.0%	\$2,665,653.47	\$2,477,939.82	-7.0%
Toronto	0.50%	Nov-82	\$7,267.49	\$6,899.70	-5.1%	\$454.78	\$762.49	67.7%
Towanda	1.00%	Jul-95	\$63,388.39	\$62,749.83	-1.0%	\$18,444.86	\$32,443.08	75.9%
Udall	1.00%	Oct-05	\$0.00	\$21,654.89	n/a	\$0.00	\$2,135.41	n/a
Ulysses	1.00%	Nov-83	\$650,097.04	\$684,282.00	5.3%	\$182,423.77	\$163,215.38	-10.5%
Wakeeney	1.00%	Feb-83	\$234,149.42	\$248,800.86	6.3%	\$14,472.57	\$18,400.43	27.1%
Wakefield	1.00%	Nov-82	\$31,469.63	\$33,218.07	5.6%	\$6,989.32	\$5,785.41	-17.2%
Wamego	1.75%	Jan-93	\$790,211.23	\$815,264.27	3.2%	\$114,987.85	\$130,675.00	13.6%
Waterville	1.00%	Apr-05	\$4,116.24	\$44,682.87	n/a	\$205.71	\$3,466.79	n/a
Weir	1.00%	Nov-84	\$32,196.86	\$30,184.62	-6.2%	\$7,955.17	\$5,592.39	-29.7%
Wellington	1.25%	Jan-94	\$1,168,103.50	\$1,159,676.26	-0.7%	\$99,652.70	\$118,190.20	18.6%
Wellsville	0.50%	Jan-93	\$61,864.28	\$72,530.71	17.2%	\$10,209.35	\$11,066.57	8.4%
Westmoreland	1.00%	Jan-93	\$44,409.05	\$59,302.65	33.5%	\$5,013.75	\$5,456.23	8.8%
Westwood	1.00%	Feb-84	\$173,795.42	\$187,177.62	7.7%	\$73,942.42	\$58,351.96	-21.1%
Westwood Hills	1.00%	Feb-84	\$15,114.21	\$19,621.08	29.8%	\$5,548.51	\$4,988.10	-10.1%
Williamsburg	1.00%	Oct-96	\$19,092.94	\$12,947.91	-32.2%	\$3,259.55	\$4,164.03	27.7%
Wilson	1.00%	Sep-83	\$52,654.96	\$55,799.85	6.0%	\$12,279.15	\$13,517.23	10.1%
Winfield	1.00%	Nov-84	\$1,420,615.66	\$1,443,425.83	1.6%	\$106,881.82	\$105,611.64	-1.2%
Yates Center	1.75%	Jan-02	\$253,689.43	\$231,060.94	-8.9%	\$33,744.72	\$23,095.22	-19.4%
Horsethief Reservoir	0.50%	Oct-05	\$0.00	\$860,863.37	n/a	\$3,274.04	\$82,047.90	n/a
Statewide			\$586,381,245.71	\$685,362,652.41	16.9%	\$99,028,176.73	\$110,758,052.96	11.8%



Steven R  
 Brunkan/Revenue/KDOR  
 01/10/2007 10:16 AM

To Joan Wagon/Revenue/KDOR@KDOR, Richard  
 Cram/Revenue/KDOR@KDOR  
 cc  
 bcc  
 Subject SST Receipts Update Jan07

When tracking Streamlined Sales Tax (SST) revenues we have three different components that are tracked: voluntary remitters, SST Accounts, and non-Kansas border remote retailers' use tax.

**Voluntary remitters** are those companies that we have been tracking since 2003 who publicly announced they would voluntarily remit the use tax due to our involvement and compliance with SSTP. In fiscal year 2006, these retailers remitted \$2.5 million in state and local retailers' use tax (\$1.9 M State, \$0.6 M Local). In the first five (5) months of fiscal year 2007 these accounts have already remitted \$1.2 million. In the last 4 years, they have remitted \$12.1 million in state and local retailers' use tax.

**SST Accounts** are those companies that have registered through the SST registration system and are remitting use tax to Kansas. SST registrations were effective October 1, 2005 and many of the retailers remitted tax for less than half of fiscal year 2006. For fiscal year 2006, Kansas received collections of \$2.2 million in state and local use tax from SST registrants (\$1.5M State, \$0.7 Local). For the first four (4) months of fiscal year 2007, the state has already received \$2.1 million from SST accounts. Since the SST registration became available in October 2005, over 1,300 retailers have registered to collect Kansas sales and use taxes. Many of the early registrants were taking advantage of the SST amnesty period and are not doing business in Kansas. Kansas has received tax collections from 260 SSTretailers. A number of the retailers registered late in 2006 and are just starting to submit returns.

**Non-Kansas Border Remote Retailers** are companies that we have been tracking since 2003. This category consists of companies who are not located in a border state, are not included in the other two categories, and started remitting retailers' use tax after January 1, 2003. The assumption is that 75% of the retailers' use tax remitted by these companies is due to the state's involvement with SST. In fiscal year 2006, these new use tax retailers remitted \$33.5 million in state and local tax of which \$22.2 million the department attributes to the state's involvement with SST (\$16.6M State, \$5.6M Local)

A summary of the revenues for FY 2005 and 2006, with an estimate for FY 2007 is provided below. Continued growth in the SST and Non-Border Remote accounts is expected with SST Registration system, the ability for filing through CSPs (Central Service Providers), and as more states implement SST.

State and Local Retailer's Use Revenues from SST			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimated
Voluntary Remitters	\$1.9 M	\$2.5 M	\$3.5 M
SST Accounts	n/a	\$1.8 M	\$7.5 M
Non-border Remote	\$14.3M	\$22.2M	\$27.8 M
<b>Total</b>	<b>\$16.2M</b>	<b>\$26.5 M</b>	<b>\$38.8 M</b>
State	\$12.2 M	\$19.9 M	\$29.1 M
Local	\$ 4.0 M	\$ 6.6 M	\$ 9.7 M

Note: FY 2005 revised due to filing of amended returns.