

Update on the Kansas Economy & Tax Policy

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SOCIAL RESEARCH
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Overview

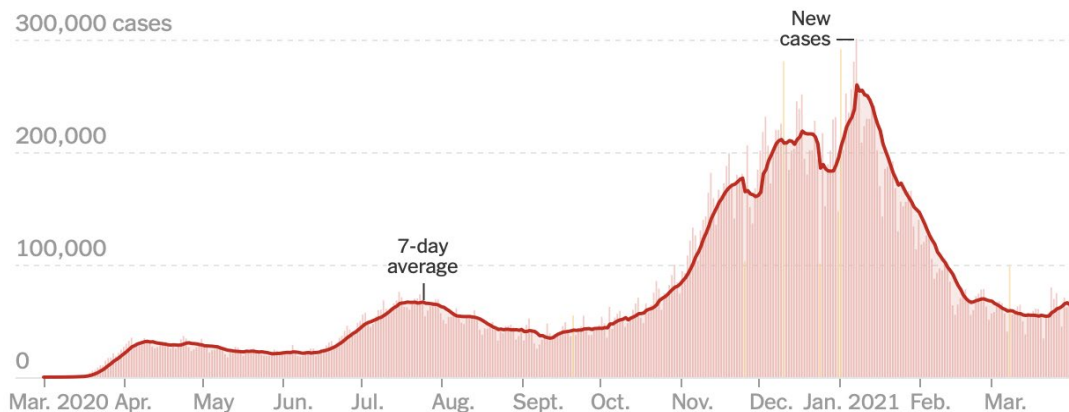
- Update on COVID-19 in Kansas and the United States
- What's happened to the US & Kansas economies so far?
- The effect of COVID on Women's employment
- Distributional Impact of SB-50

We Have Exceeded 30.5 Million Cases & 553,000 Deaths

Coronavirus in the U.S.: Latest Map and Case Count

Updated April 1, 2021, 8:06 P.M. E.T.

[Leer en español](#)



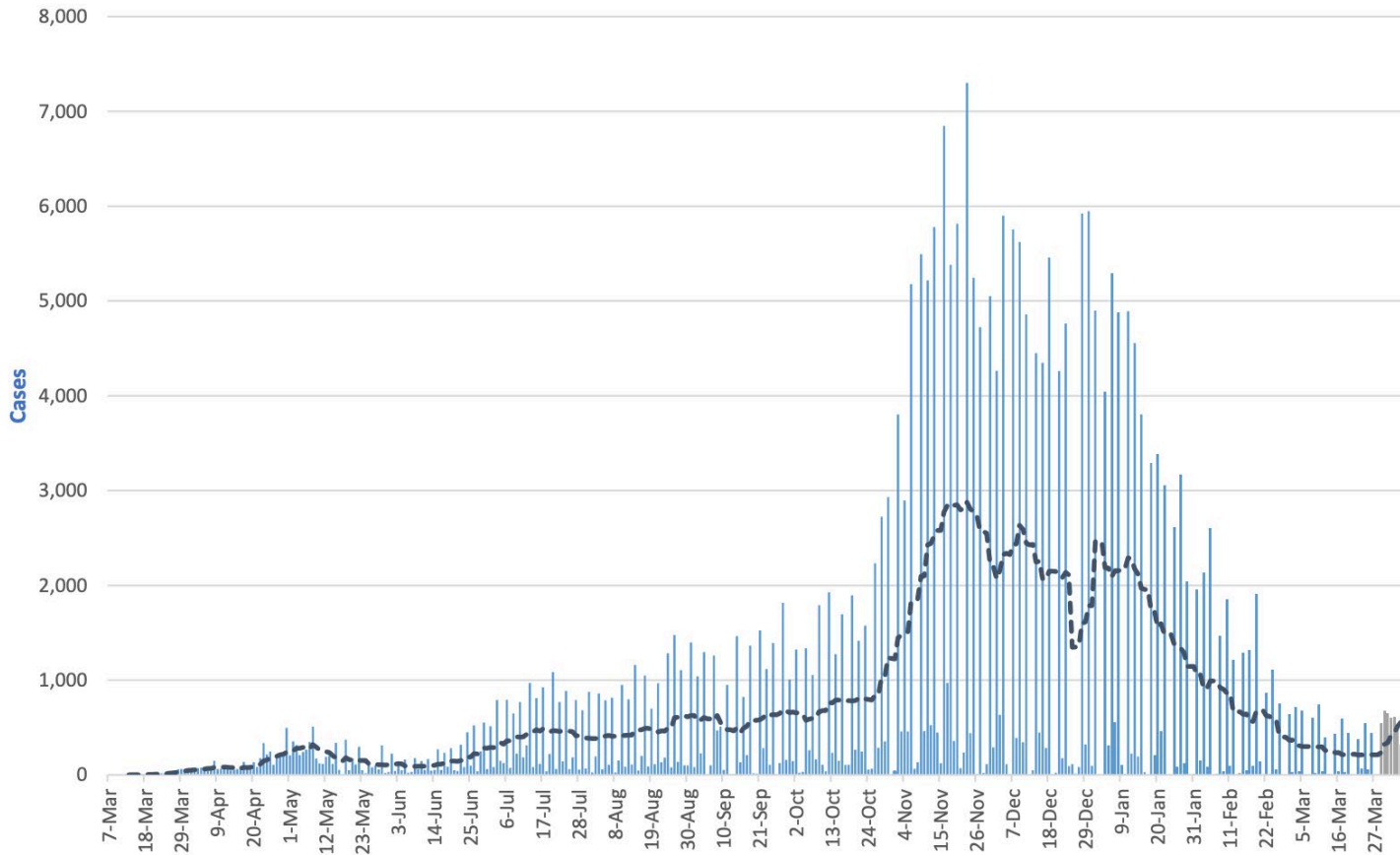
	TOTAL REPORTED	ON MARCH 31	14-DAY CHANGE
Cases	30.5 million+	68,182	+17% →
Deaths	552,585	1,138	-26% ↘
Hospitalized		41,162	-2% →

■ Day with reporting anomaly. Hospitalization data from the U.S. Department of Health and Human Services; 14-day change trends use 7-day averages.

- In the past week we've averaged 68,182 cases per day.
- This is an increase of 17% compared in the last two weeks.
- 1,138 deaths on April 1st
- Cases are beginning to rise again.

Kansas Daily Cases Are Decreasing

New COVID-19 Cases and 7-day Trend Line in Kansas

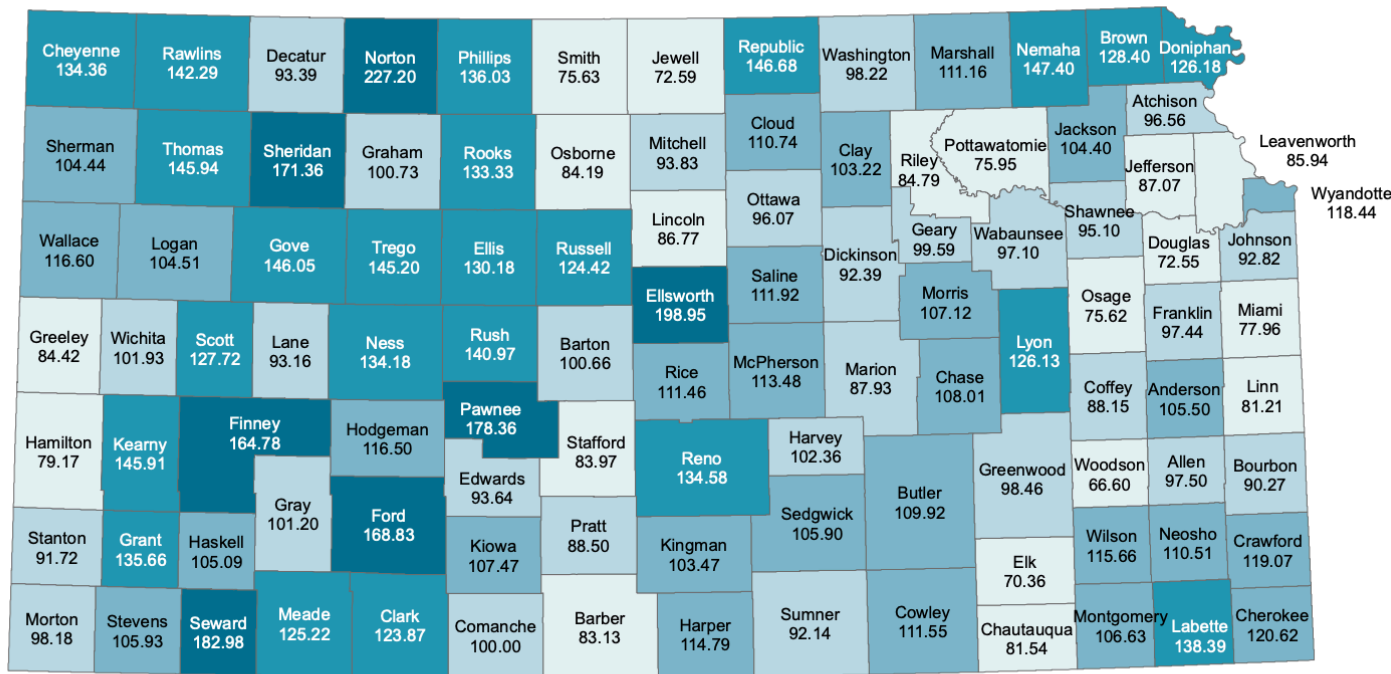


- The 7-day moving average of new cases trended down in the past weeks.
- Cases are decreasing:
 - Cases are forecast to increase.
- Kansas has had 304,179 cases and 4,902 deaths

Source: Institute for Policy & Social Research, The University of Kansas; cases (blue) from the New York Times and projected cases (grey) from The University of Kansas Medical Center.

Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County as of March 28, 2021

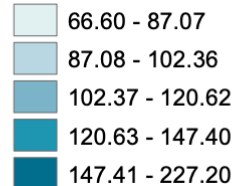


• Darker colors indicate that these counties have higher case rates:

- Ford, Seward, and Finney Counties have case rates that are > 164 per 1,000
- Douglas, Sedgwick & Johnson Counties have case rates of 72–106 per 1,000
- Leavenworth & Wyandotte Counties have case rates of 86–118 per 1,000

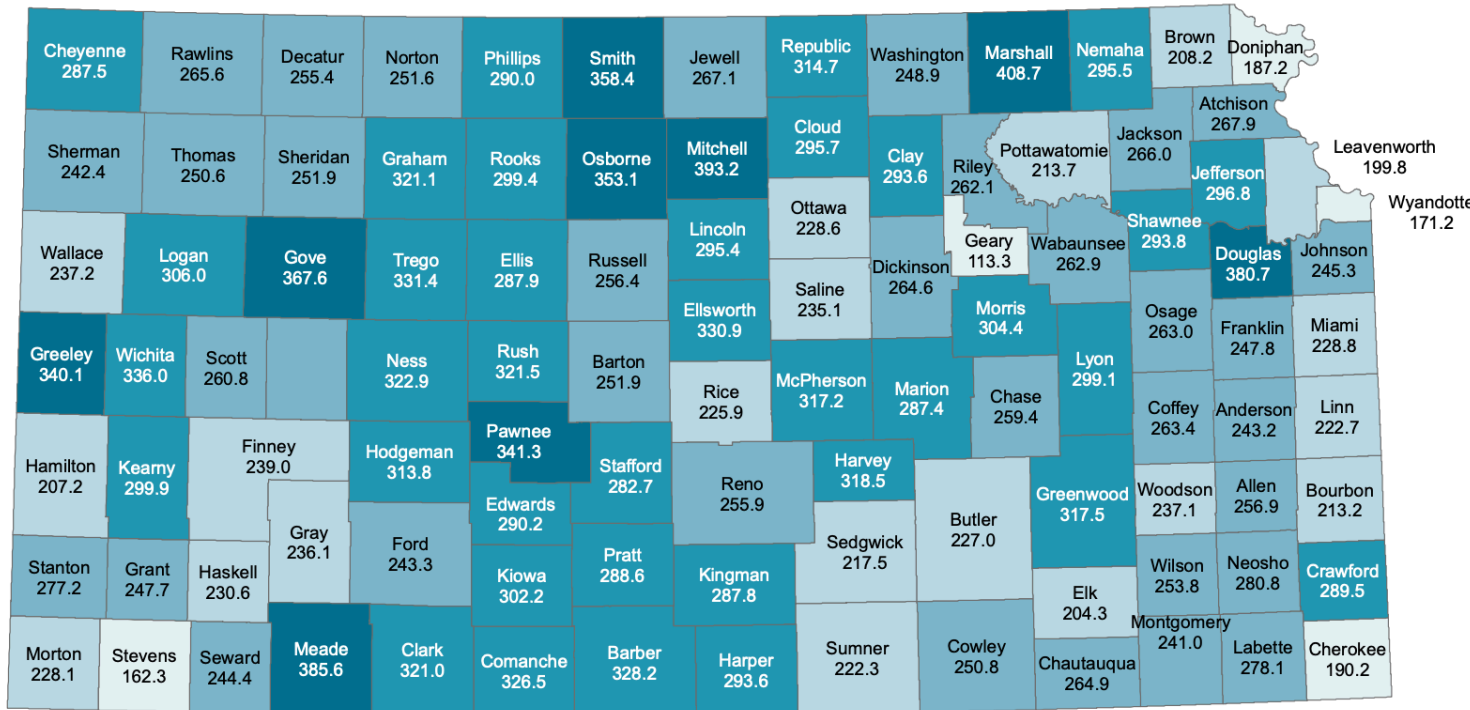
Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times and U.S. Census Bureau.

Cases per 1,000 people



Covid Vaccines per 100 People per County

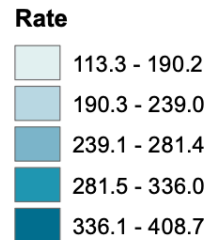
Rate of People Vaccinated in Kansas, by County of Residence
as of March 29, 2021



- 26.7% of Kansas population has received at least one shot.
- 78% of vaccine has been used
- Darker colors indicate that these counties have more vaccine per population:
 - Uneven distribution of the vaccine.

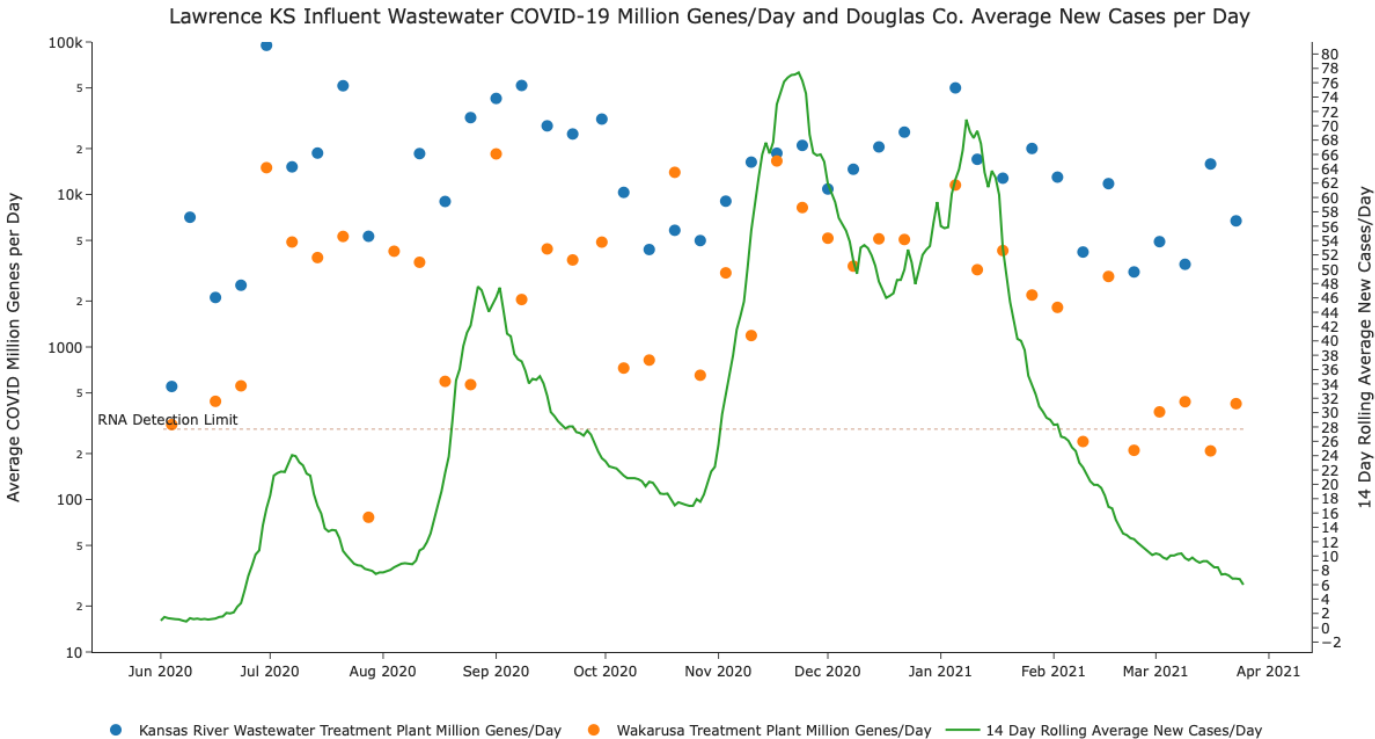
Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Health and Environment.

People who have received at least one dose per 1,000 people.



Source: KDHE

COVID Cases are Likely Underreported



- Dots indicate COVID Genes per day in Lawrence wastewater.
- Green line is 14 day average of reported cases.
- COVID genes are still high but reported cases are falling.
- Why is that?

Source: City of Lawrence

Kansas has Stopped Testing

**A decline in testing may be masking
the spread of the virus in some
states.** *The New York Times*

- Testing has been falling in Kansas since Jan. 1, even though hospitalizations were at their highest level of the pandemic then, according to Tami Gurley, co-chair of the virus task force at the University of Kansas Medical Center. The state is now doing fewer tests relative to its population than any state except Idaho.

It Ain't Over Til It's Over

A decline in testing may be masking the spread of the virus in some states. *The New York Times*

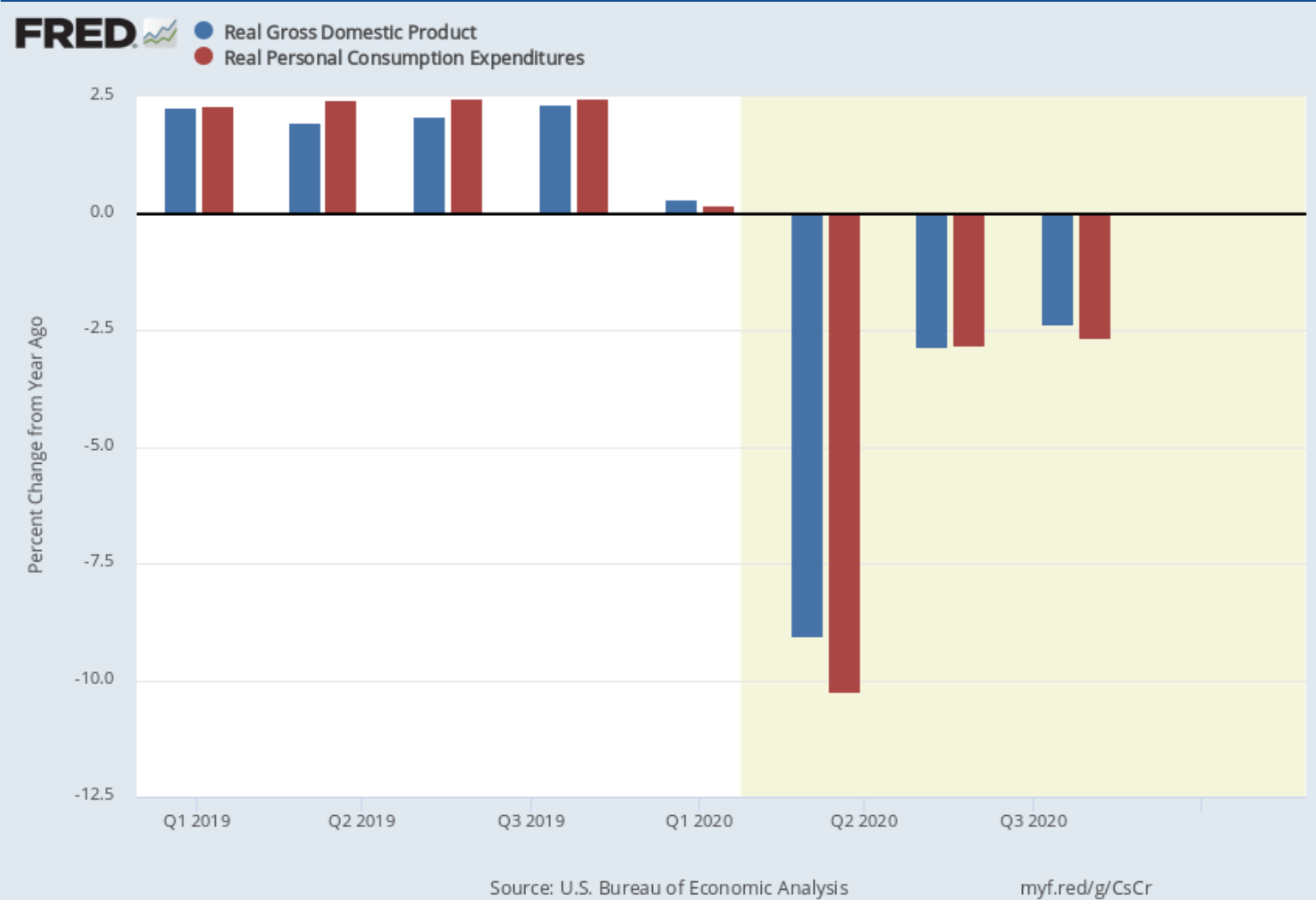
- Tami Gurley: I think there is just this uneasy feeling that we are at the start of the fourth wave and we do not have amazing evidence that vaccinations are changing hospitalizations dramatically. And we are flying blind when it comes to cases.



COVID-19 and the US & Kansas Economies

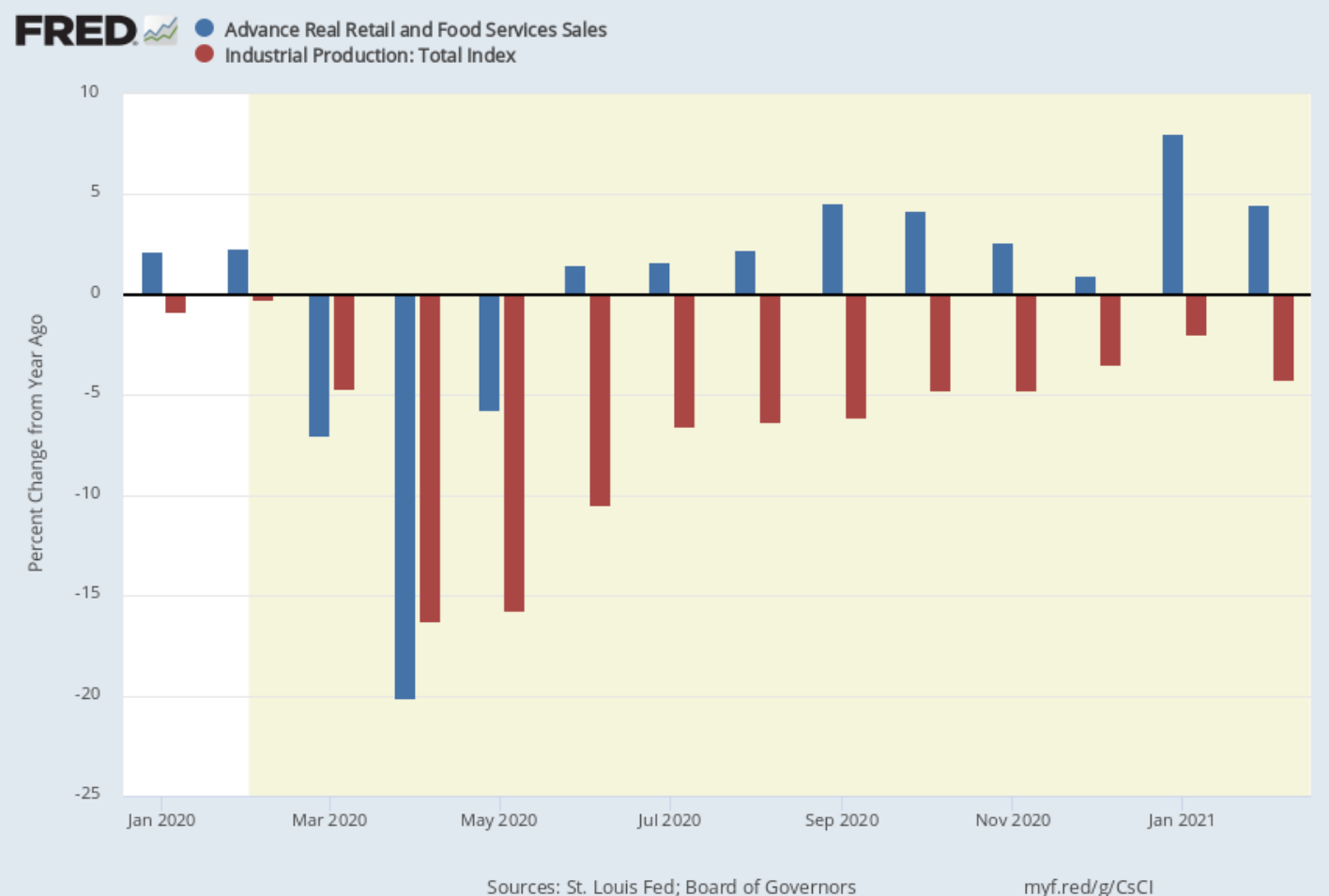
A Stalling Recovery

US Gross Domestic Product & Consumption Annual Rate



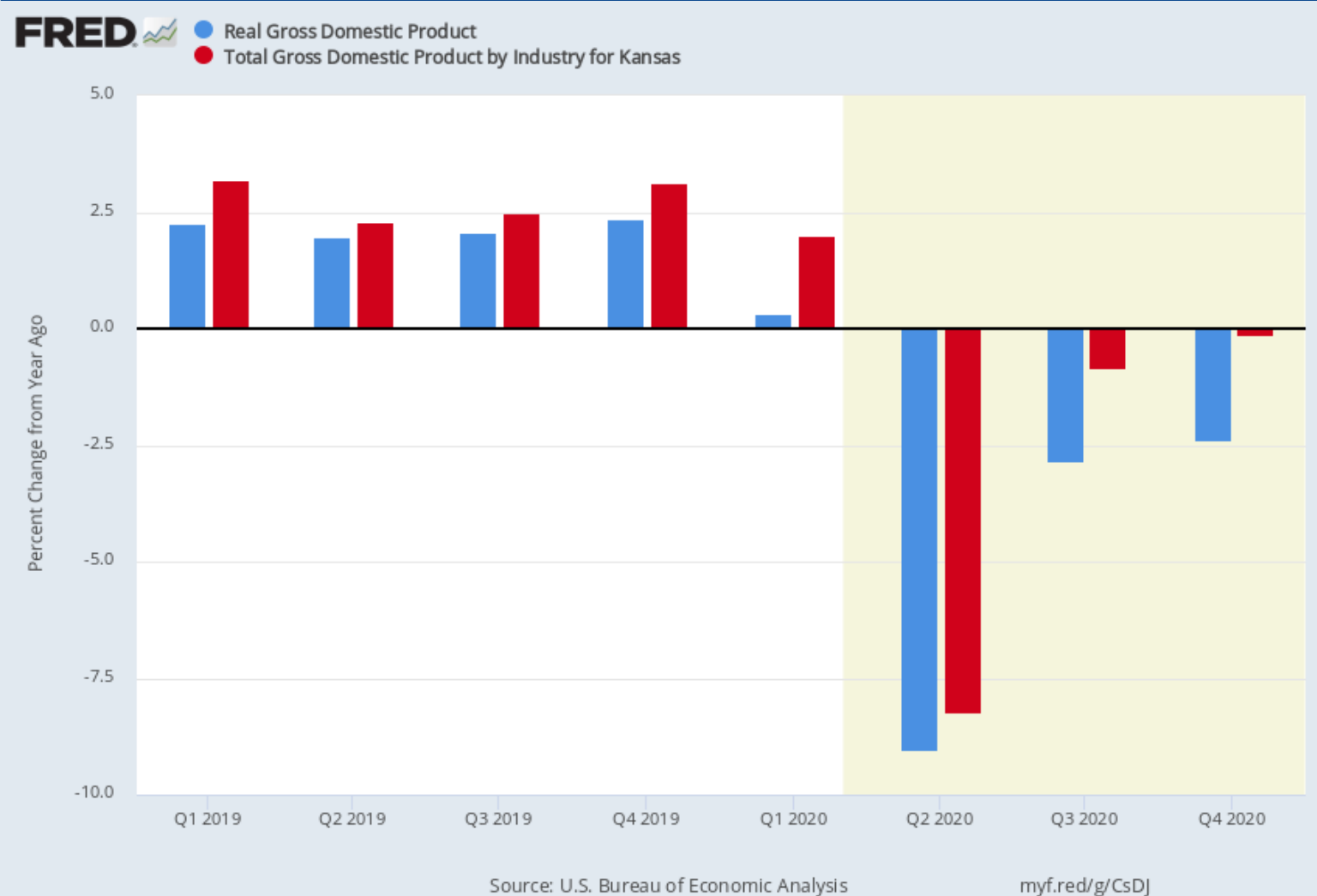
- Gross Domestic Product was still down 2.4% from a year ago in Q4.
- Consumption was down 2.7% in Q4.
- GDP grew 1.1% in Q4 compared to Q3.

Industrial Production & Retail Sales in February



- Compared to a year ago, retail sales are up 4.2%.
- Compared to a year ago, industrial production is down 4.2%.
- Although sales have recovered, production has not.

US & Kansas Gross Domestic Product



- Gross Domestic Product was still down 2.5% from a year ago in Q4.
- Kansas Gross State Product was down .15% in Q4 compared to a year ago.

Kansas Economy Made Up Lost Ground in Q4

Kansas GDP by Sector, Q4 2020



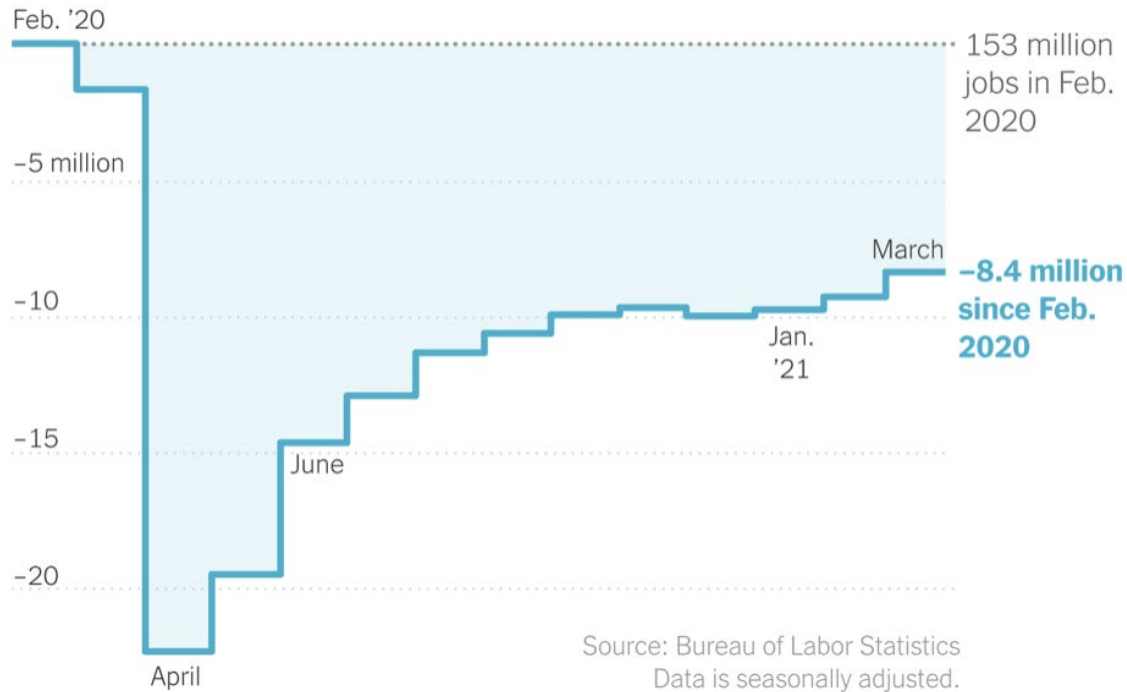
- Green is growth
- Red is contraction
- Growth:
 - Agriculture up 27%
 - Retail up 7.8%
 - Finance up 6.8%
- Contraction:
 - Accommodation & Food -19%
 - Transportation & Warehousing -17%
 - State & Local -4%



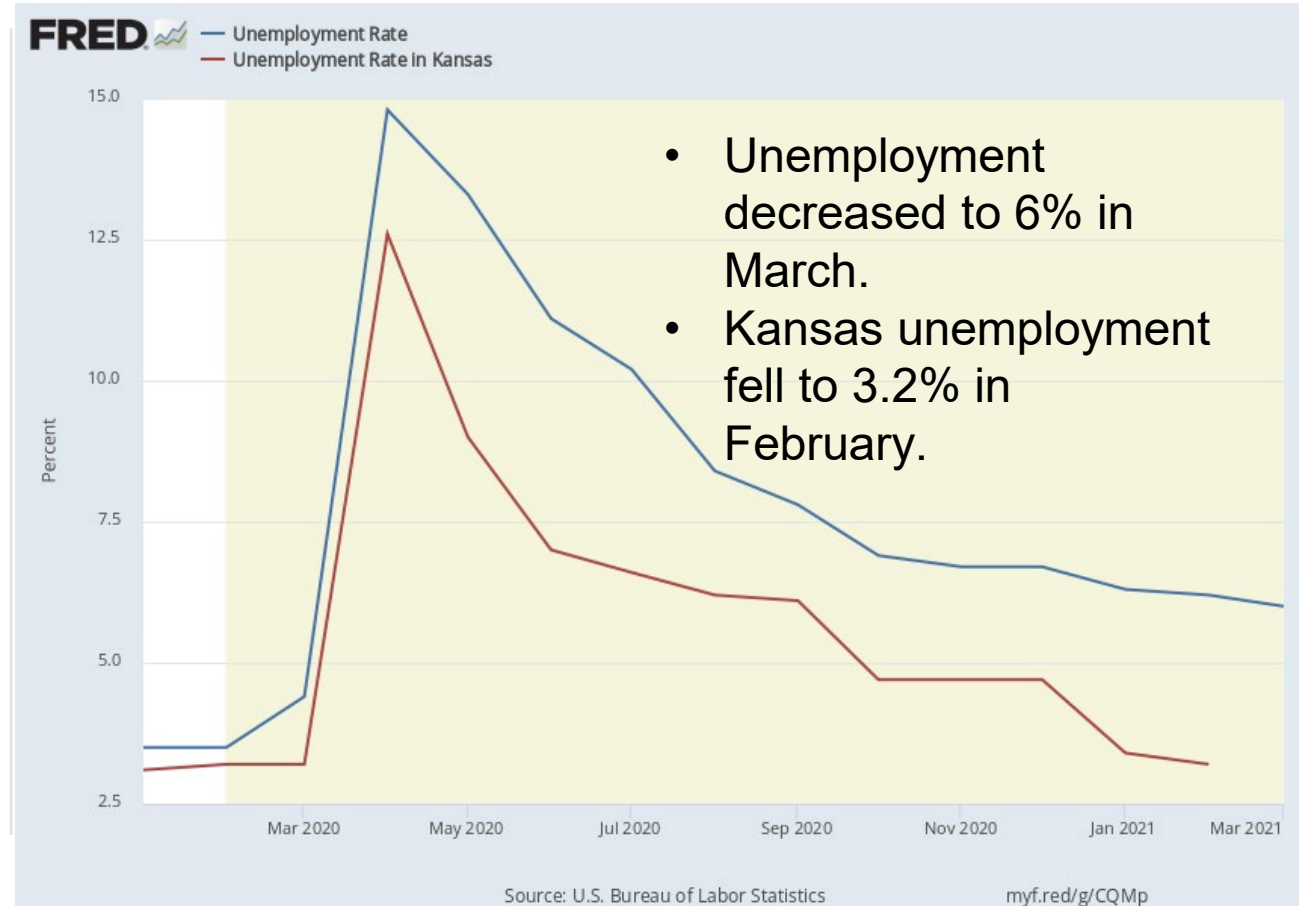
Employment Situation

Employment & Unemployment in March 2021

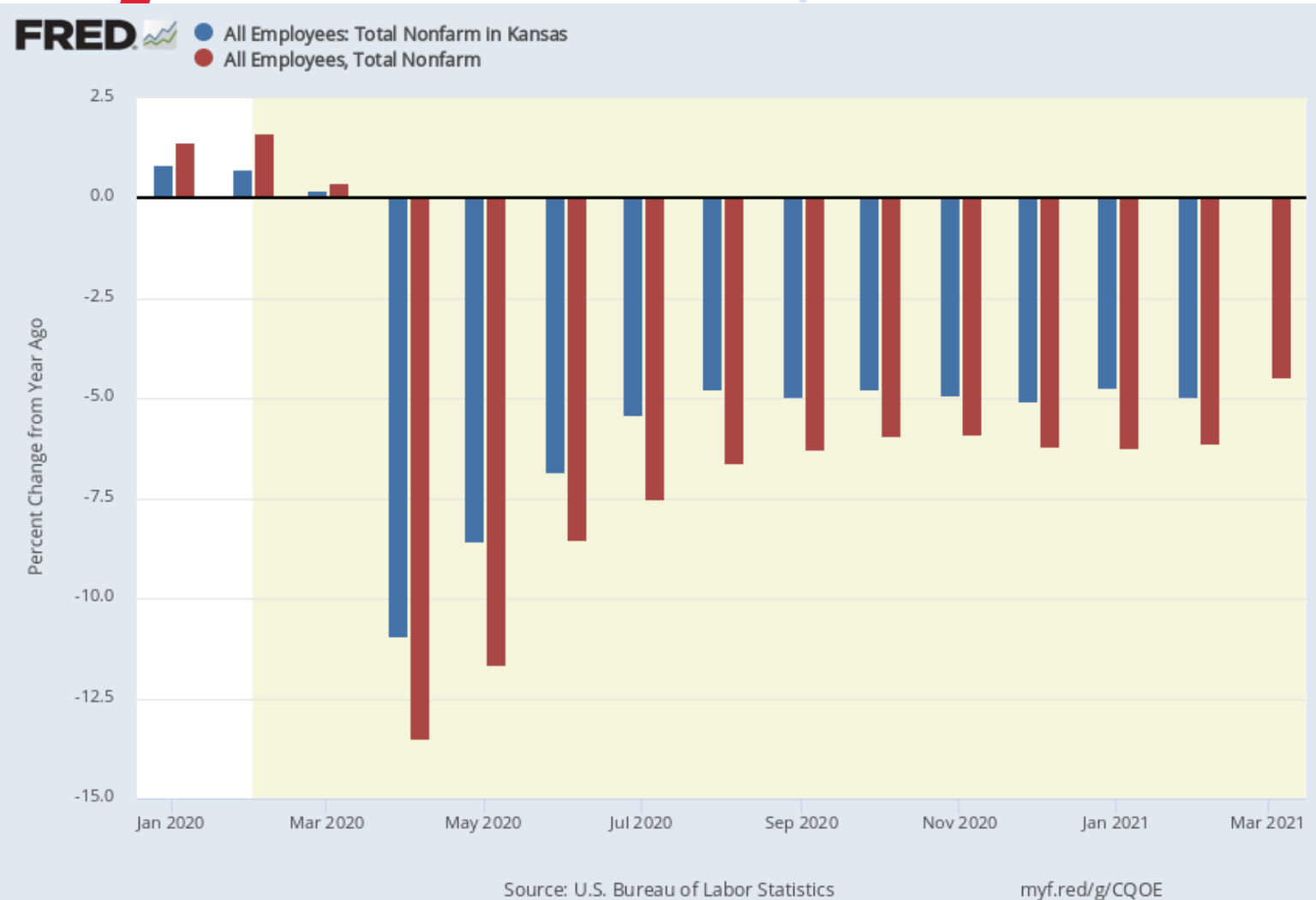
Cumulative change in jobs since before the pandemic



- Economy added 916,000 new jobs in March. February's numbers were revised up to 416,000. Gains in leisure & hospitality.
- Source: NY Times



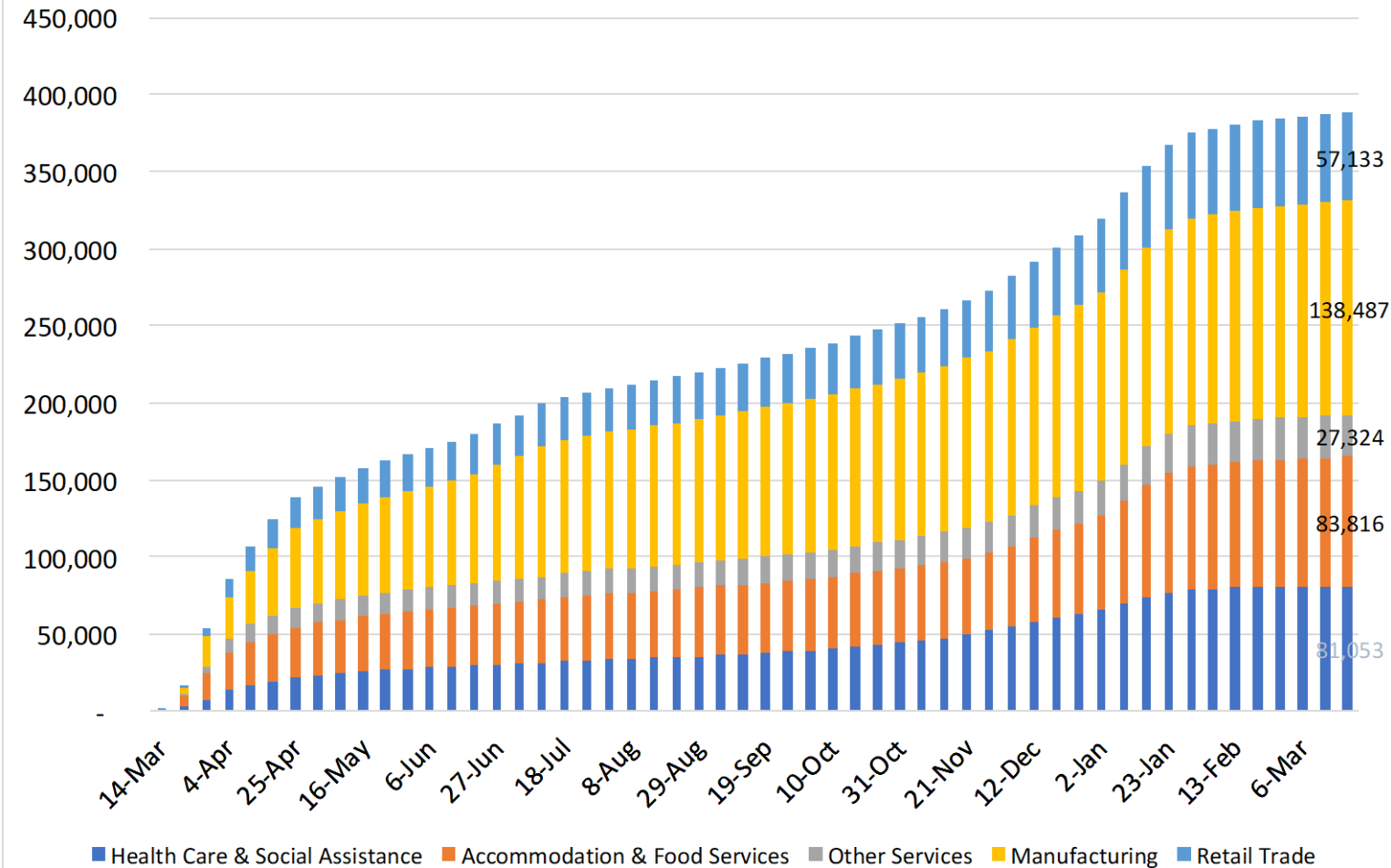
Employment in Kansas and US Compared to a Year Ago



- Kansas employment was down 4.9% from a year ago in February.
- US employment was down 4.5% compared to a year ago in March.
- The economy added 916,000 jobs in February.
- Now we're only down 8.5 million jobs compared to March 2020.

Cumulative Initial Unemployment Claims by Industry

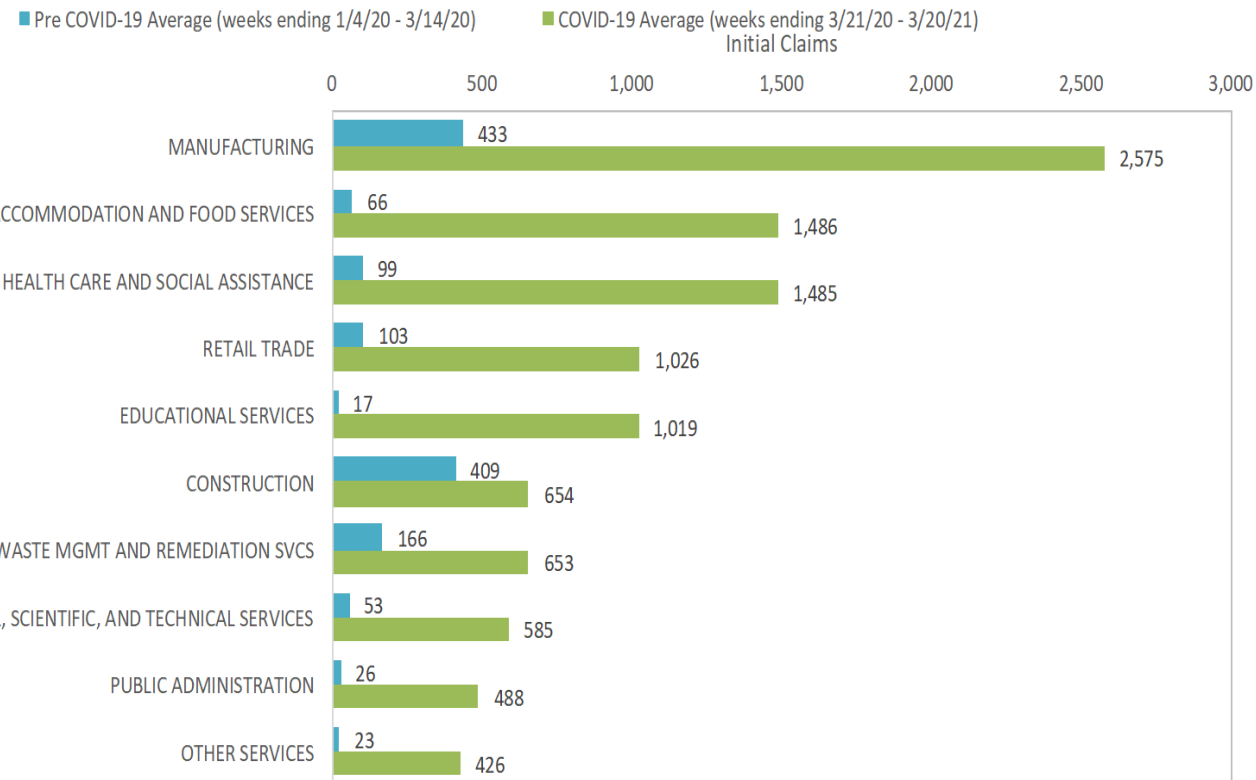
Kansas Industries with Largest Cumulative Job Losses March 14, 2020 - March 20, 2021



- Industries hardest hit include:
 - Manufacturing: 138,487
 - Accommodation & Food Services: 83,816
 - Health care & Social Assistance: 81,053
 - Retail Trade: 57,133
 - Other Services: 27,324
- These five industries account for 60% of people who have lost their jobs.

Average Initial Unemployment Claims by Industry

Kansas Initial Claims by Industry
Top 10 for Weeks Ending 3/21/20 - 3/20/21

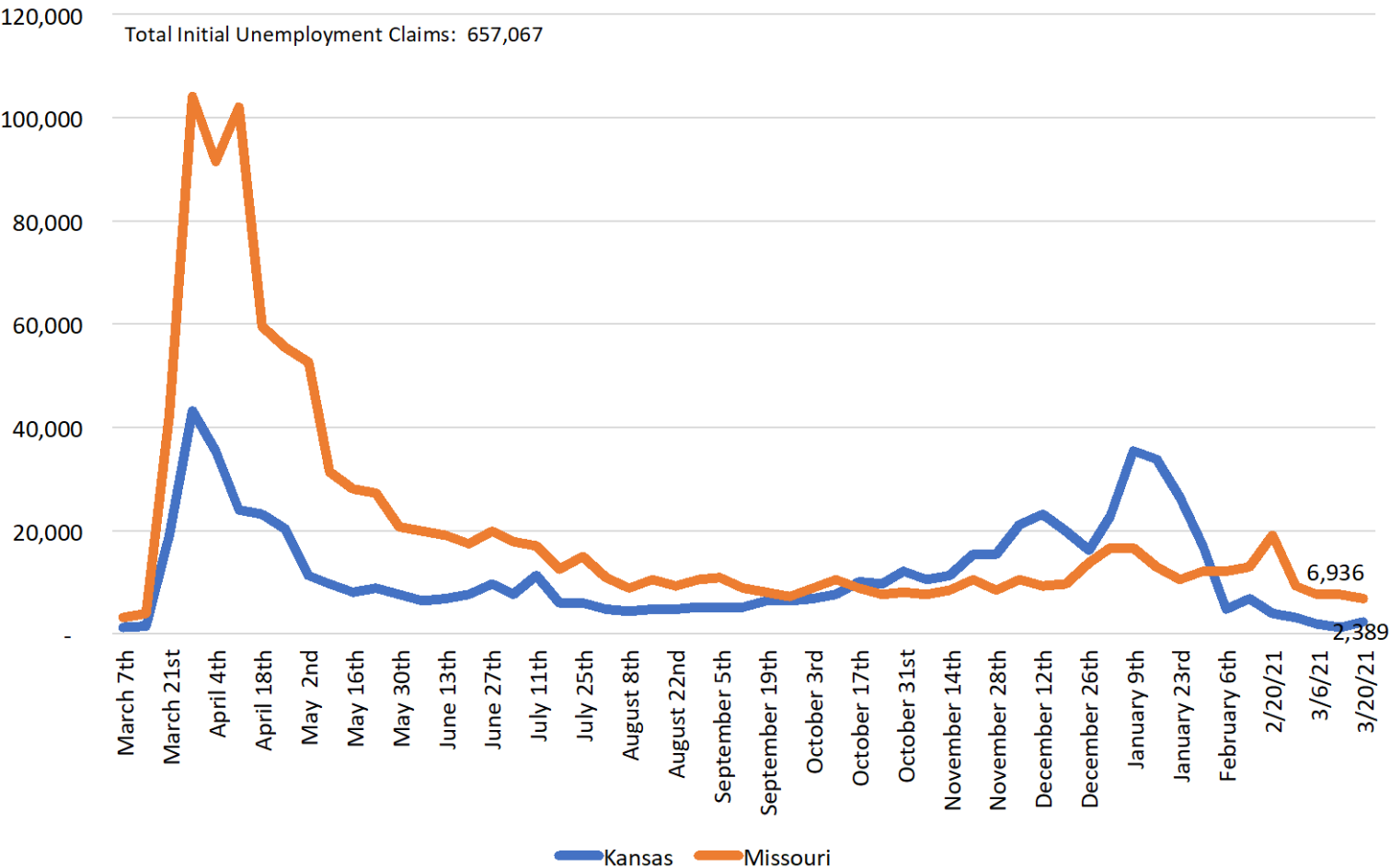


- Our Five Largest Industries by Employment:
 - Public Administration
 - Health Care
 - Manufacturing
 - Retail
 - Accommodation & Food Service

Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

Initial Claims are Trending Down

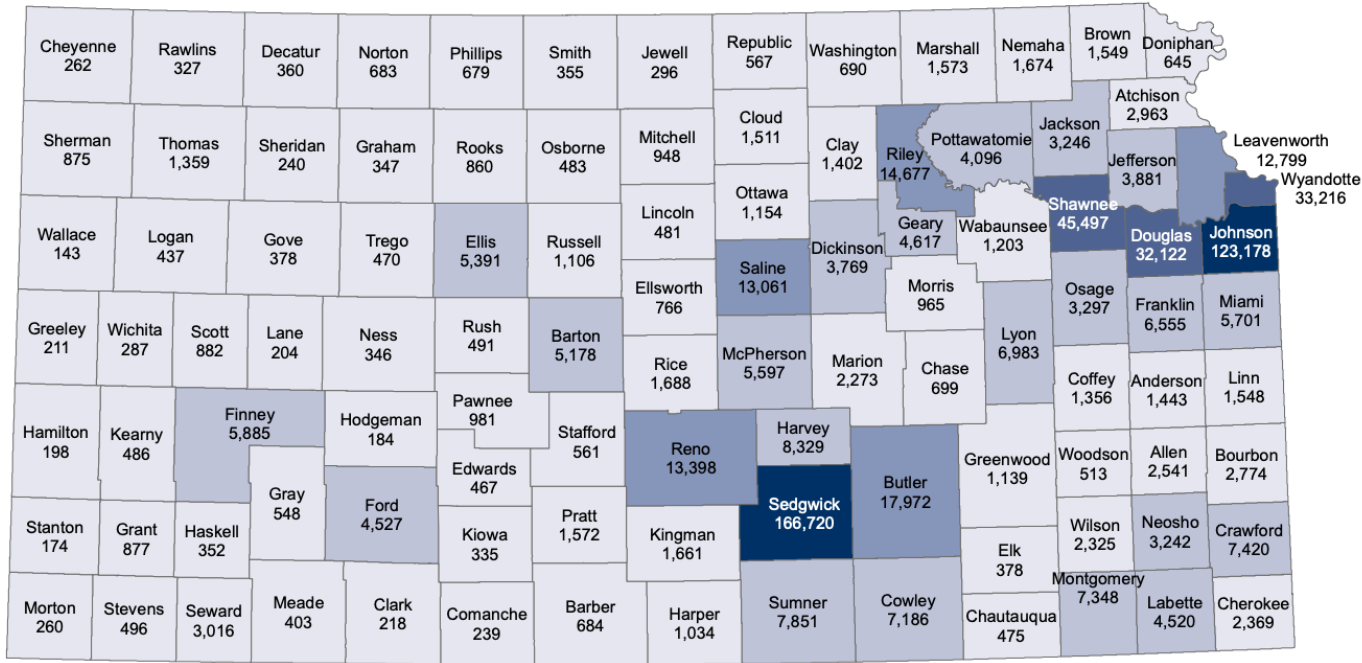
Initial Unemployment Claims in Kansas and Missouri, March 2020 - March 2021



- Kansas continuing and initial unemployment claims remain high.
- There are 2,389 new initial claims as of the week ending Mar 20th.
- State Unemployment ~3.2%.

Cumulative Unemployment Claims by County

Initial Jobless Claims in Kansas, by County
March 21, 2020 - March 13, 2021



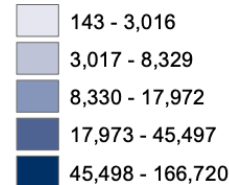
Top 5 Counties by Cumulative Initial Claims:

- Sedgwick 166,720
- Johnson 123,178
- Wyandotte 33,216
- Shawnee 45,497
- Douglas 32,122

Data calculated March 21, 2020 – March 13, 2021.

657,067 Initial Claims Filed in One Year.

Initial Claims

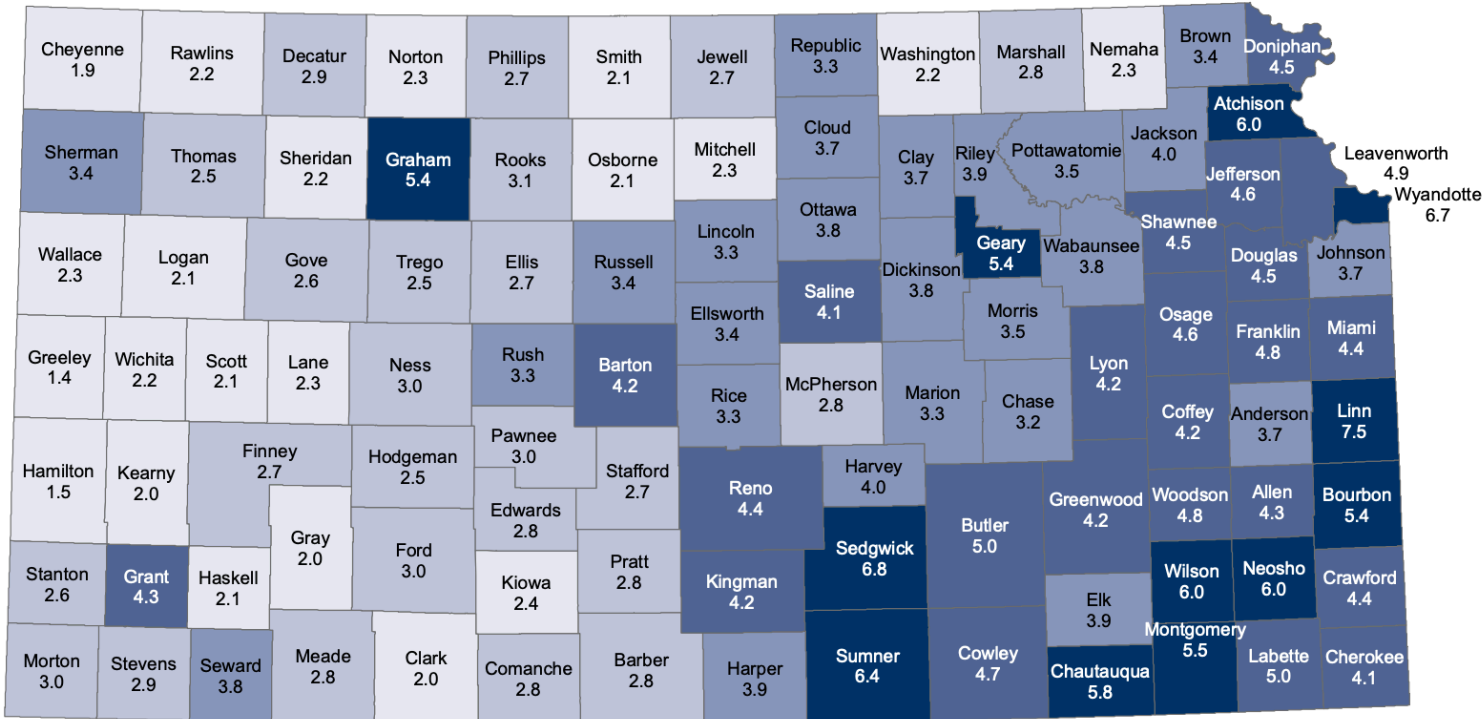


Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.

Source: IPSR calculations using Kansas Department of Labor Data

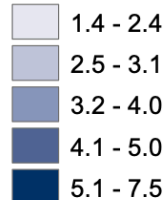
December Kansas Unemployment Rate 3.2%

Unemployment Rate in Kansas, by County
February 2021



- Uneven impact across the state:
 - Sedgwick County 6.8%
 - Douglas 4.5 %
 - Johnson 3.7%
 - Wyandotte 6.7%
 - Shawnee 4.5%
- Unemployment decreased compared to January.

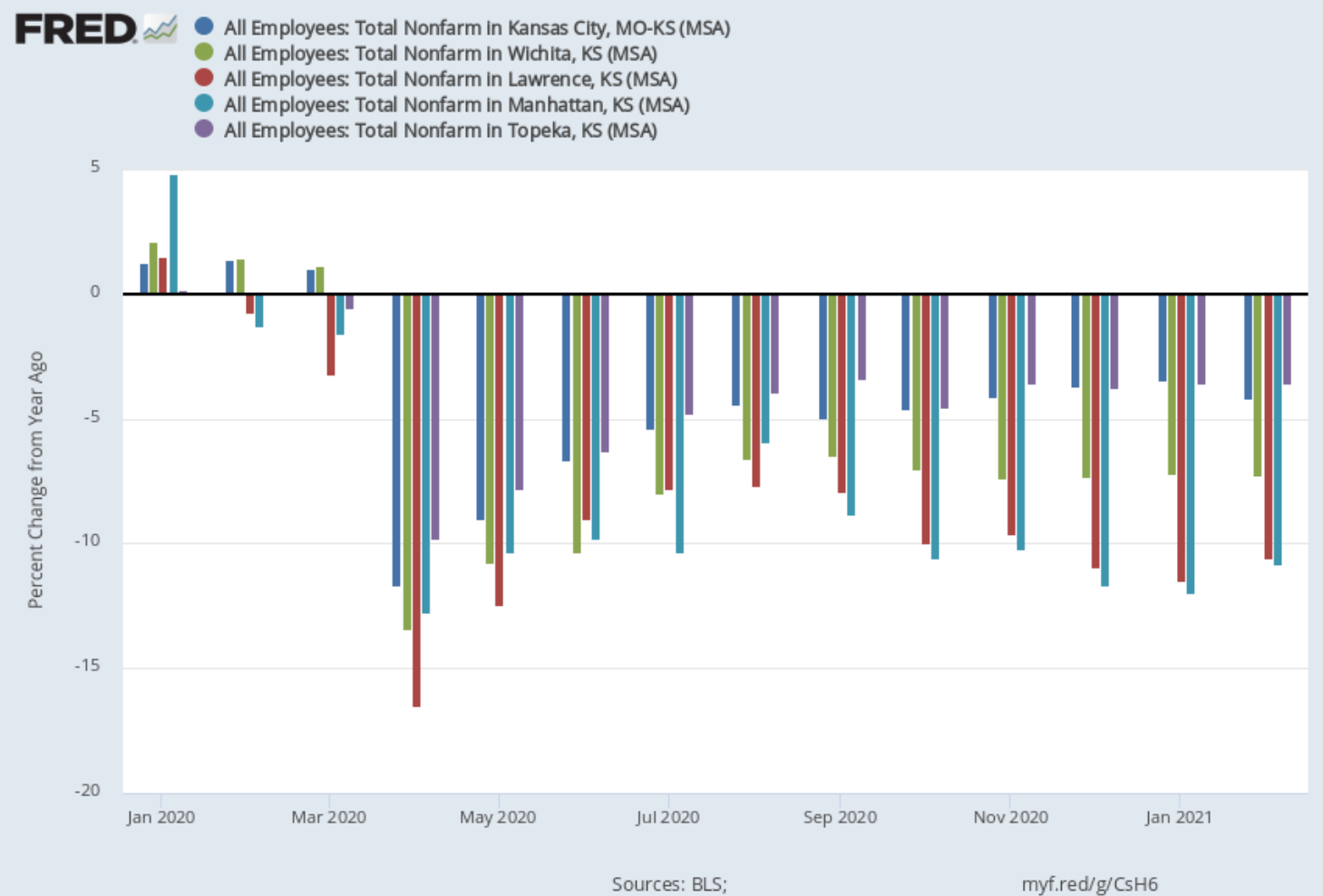
Unemployment Rate



Kansas: 4.6%

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor.

Employment by Major City in Kansas Through December 2020

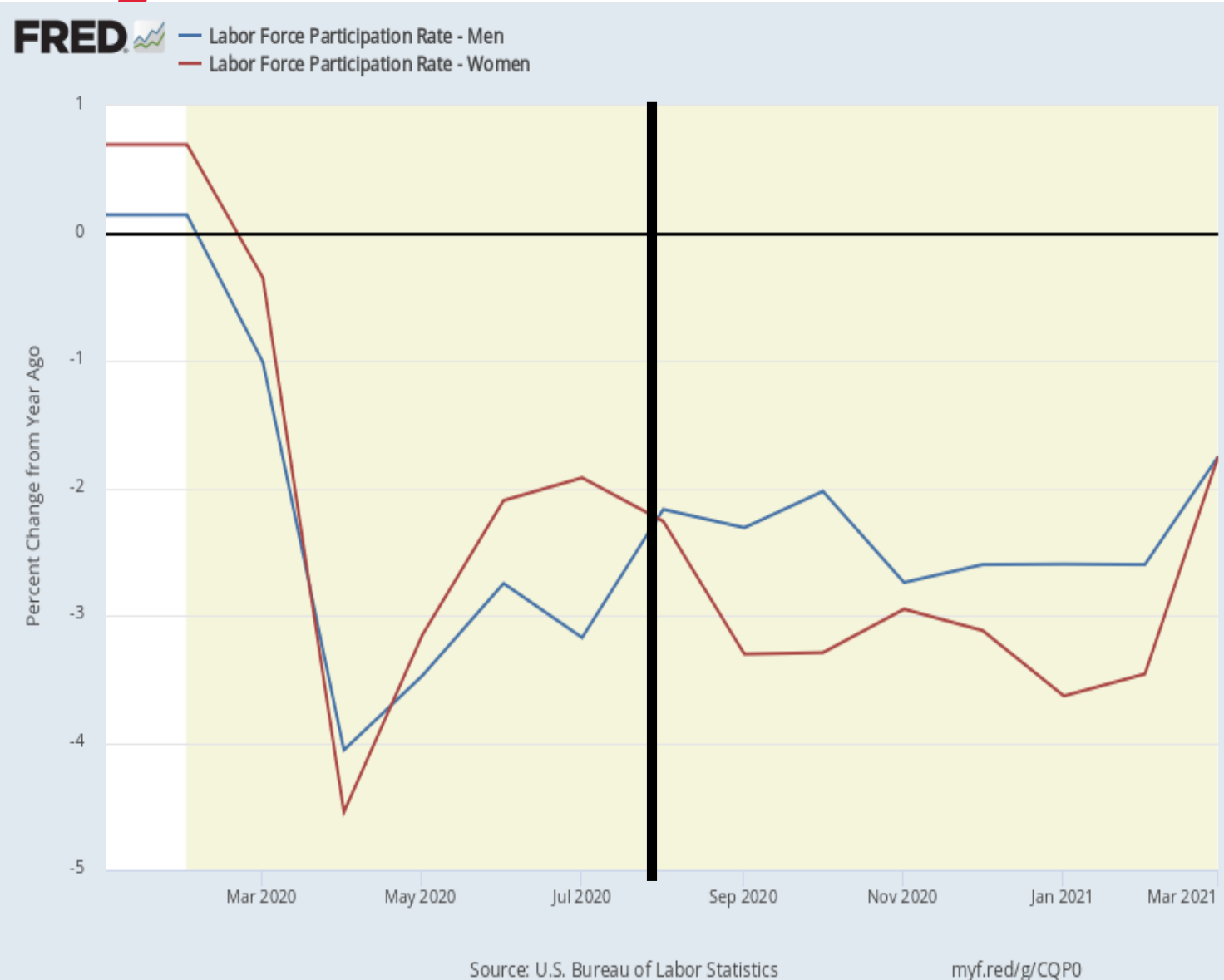


- Kansas City MSA is down 4.2% from a year ago.
- Wichita is down 7.2%.
- Lawrence is down 10.6%.
- Manhattan is down 10.8%.
- Topeka is down 3.6%.



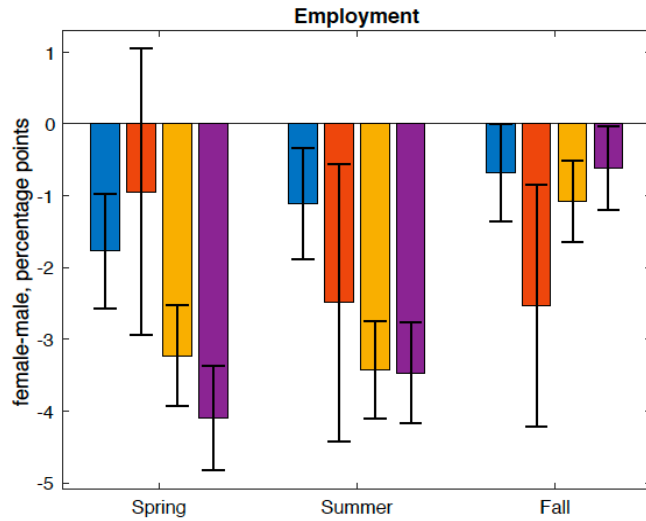
Women are Paying a Higher Price

Year over Year Percentage Change in Labor Force Participation

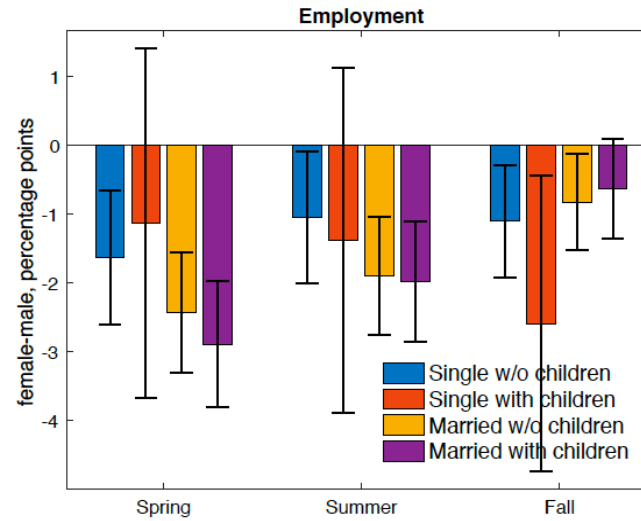


- Women's Labor Force Participation recovered faster than Men's between April and July.
- When school started back in August, all of that changed.
- Women's participation rebounded strongly in March.

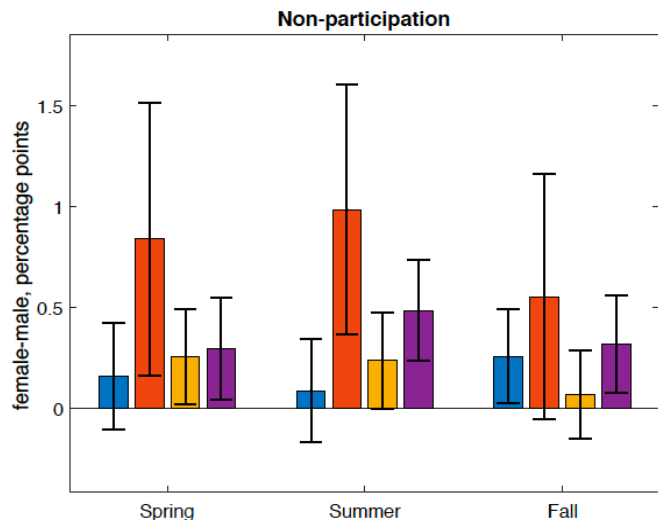
Relative Effect of Pandemic on Employment & Leaving Labor Force



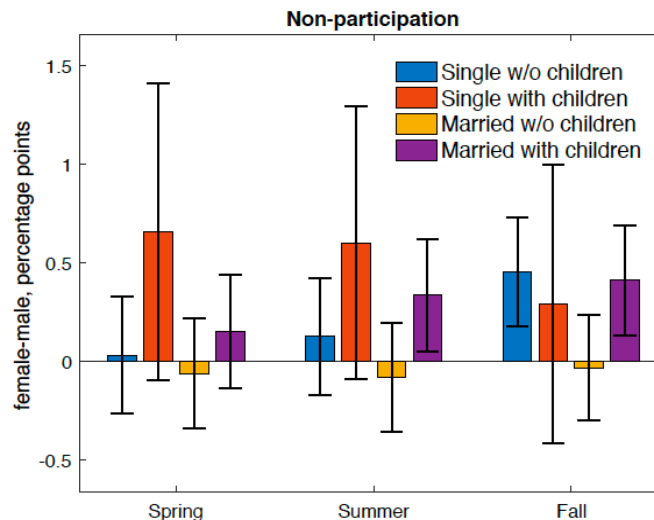
(a) Without occupation controls



(b) With occupation controls



(c) Without occupation controls



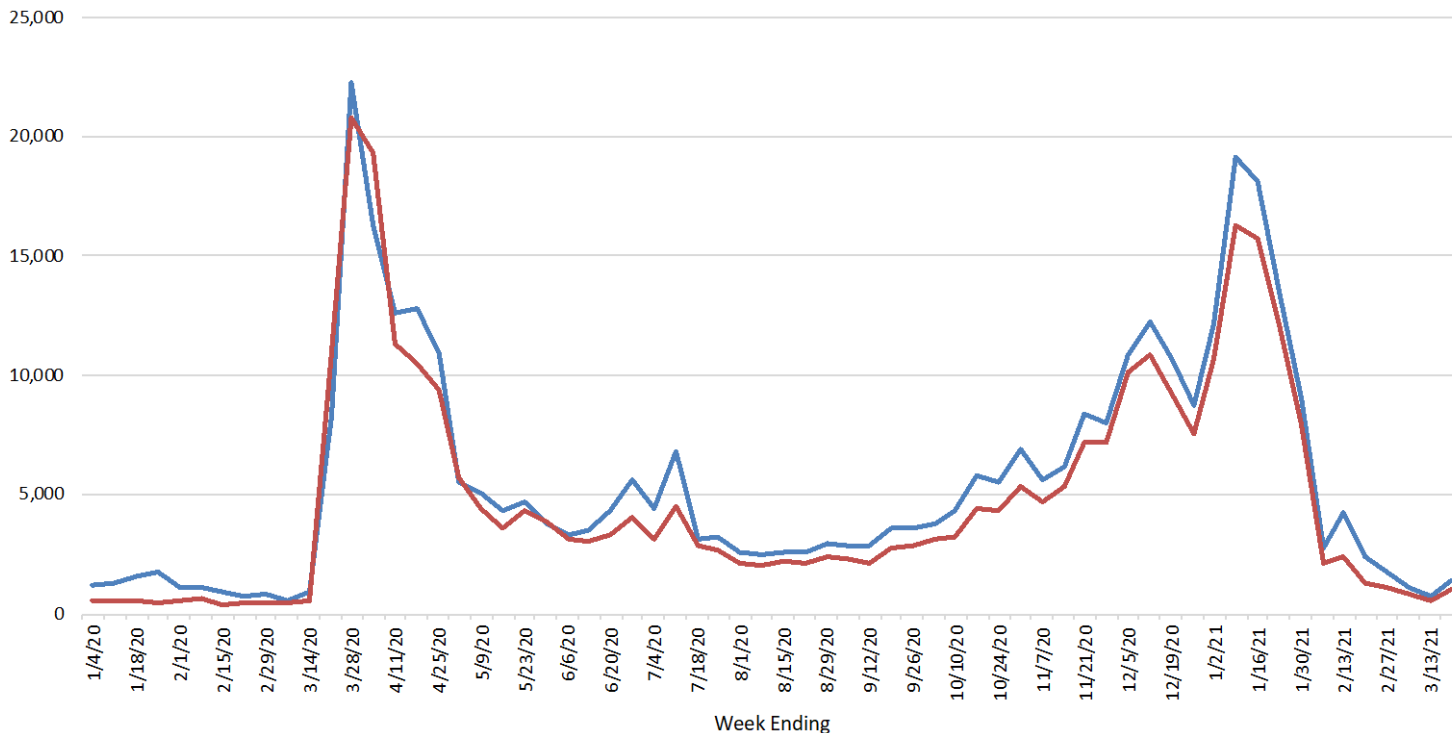
(d) With occupation controls

- Each Bar calculates the Female – Male Employment Difference
 - Purple Bar—Married with children
 - Orange Bar—Single with children
 - Gold Bar—Married w/o children
 - Blue Bar—Single w/o children
- Married & Single Women with children are worse off.

Few Gender Differences in Initial Unemployment Claims

Kansas Weekly Initial Claims Totals by Gender

— MALE — FEMALE

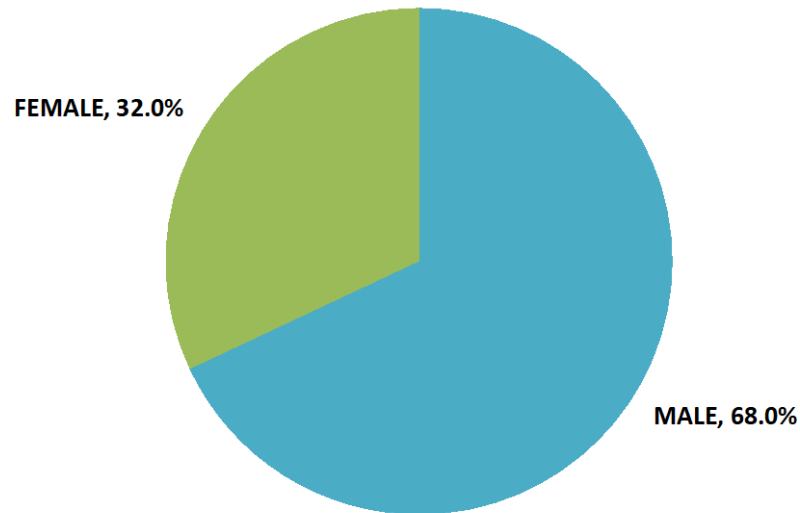


- This is also true in Kansas
- Women have filed slightly fewer initial unemployment claims than men during the COVID-19 pandemic.
- In recent months, men are filing more UI claims.
- We would need to do analysis of microdata to get labor force participation rates by gender for Kansas.

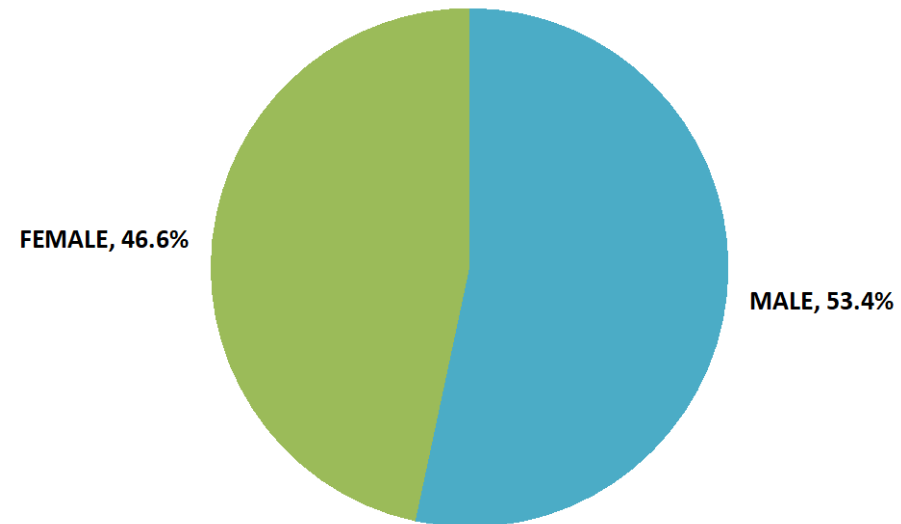
Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

However, That is a Big Change from Previous Recessions

Kansas Initial Claims by Gender
Pre COVID-19 Average
Weeks Ending 1/4/20 - 3/14/20



Kansas Initial Claims by Gender
COVID-19 Average
Weeks Ending 3/21/20 - 3/20/21



Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

- Prior to COVID, women were less likely to experience unemployment. The Great Recession was a man-recession.
- COVID is hitting women hard because of service sector.

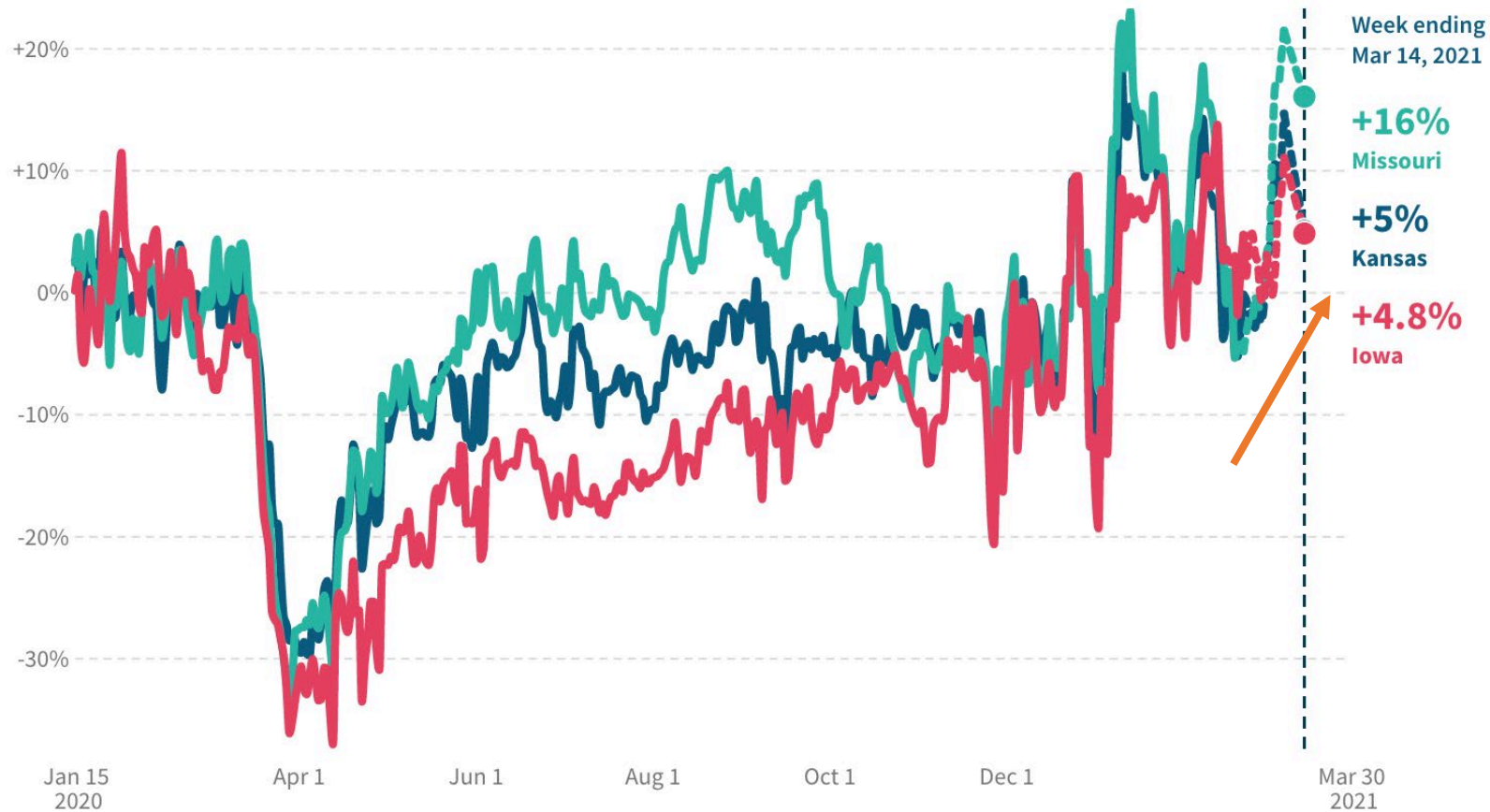


How Does Kansas Compare?

Kansas Consumption is Increasing

In **Kansas**, as of March 14 2021, total spending by all consumers increased by **5%** compared to January 2020.

DOWNLOAD CHART 



- Kansas consumption expenditures are worse than Missouri and Iowa.
 - Kansas up 5%
 - Missouri up 16%
 - Iowa up 4.8%
 - US up 5.5%
- Starting to see evidence of the Stimulus checks.

Jan 15
2020

Apr 1

Jun 1

Aug 1

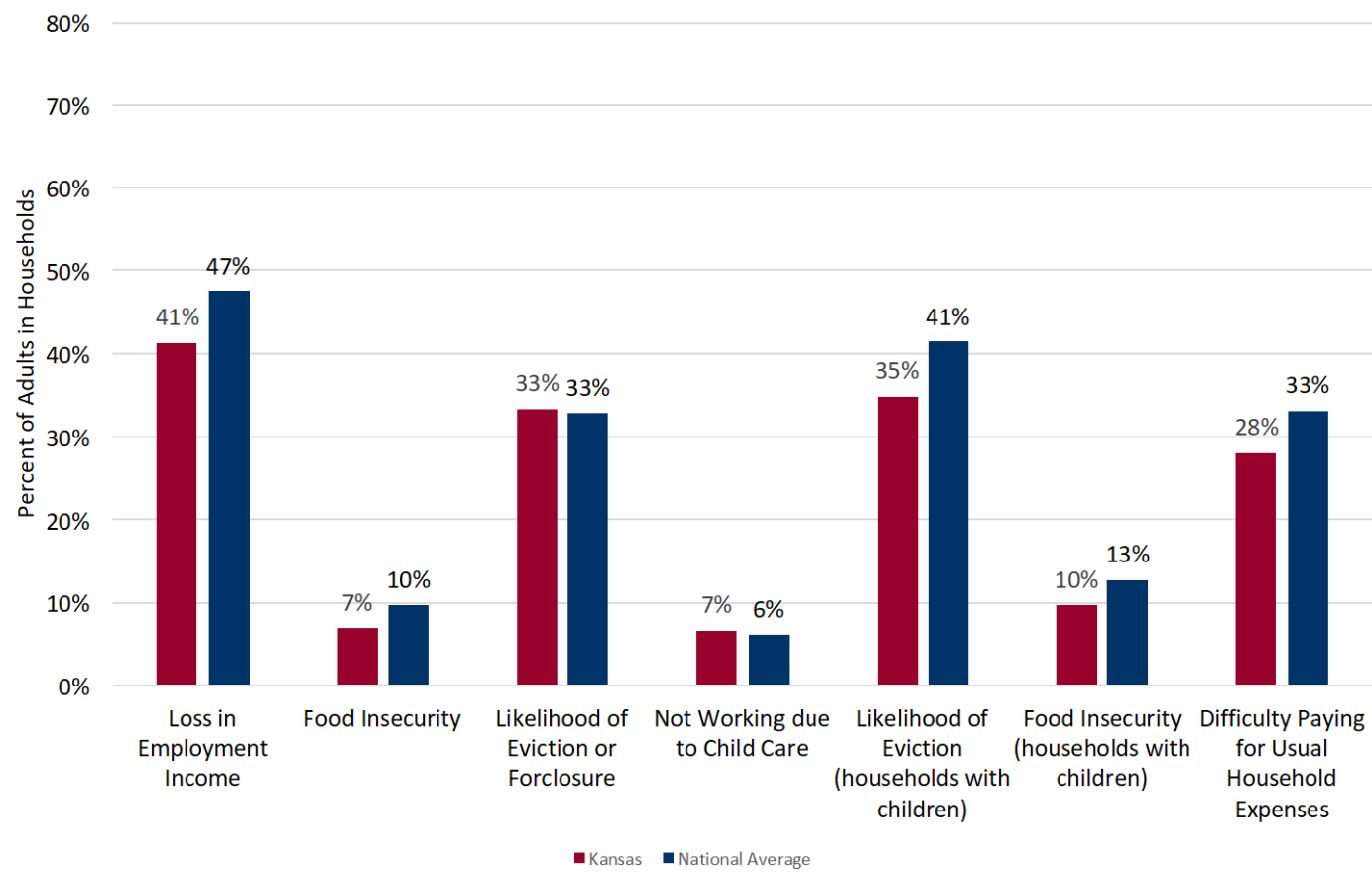
Oct 1

Dec 1

Mar 30
2021

Kansas and US Household Comparison March 15th

US Census Household Pulse Survey



- 41% of Kansas households faced loss in employment income
 - 35% of Kansas households with children report likely or somewhat likely eviction
 - 10% of Kansas households with children are food insecure

31% of Kansas Small Businesses Have Closed Since 2020

In **Kansas**, as of March 20 2021, the number of small businesses open decreased by **31%** compared to January 2020.

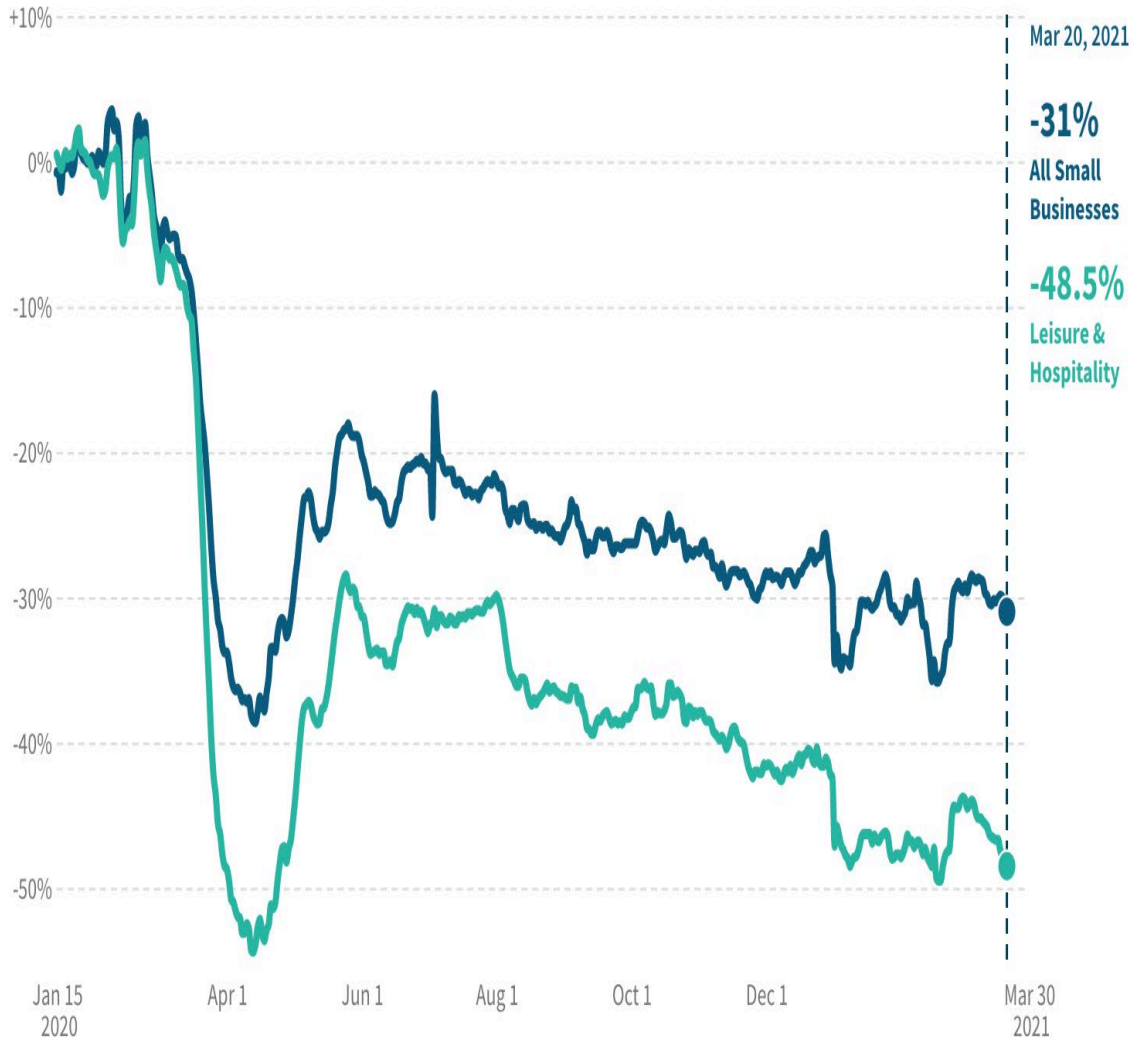
DOWNLOAD CHART 



- The number of small businesses open in Kansas has fallen by 31% since January, 2020
 - In the US, the number is -34%
 - Kansas is doing worse than Missouri: -25.8% and Iowa: -29.5%

In **Kansas**, as of March 20 2021, the number of small businesses open decreased by **31%** compared to January 2020.

DOWNLOAD CHART 



Almost Half of Restaurants & Hotels Have Closed

- In Kansas, **31%** of small businesses have closed since January, 2020
- **48.5%** of Leisure and Hospitality Businesses in Kansas have closed since that time.
 - This is a huge source of jobs for low skilled individuals.
- This is better than in the US (51% have closed).

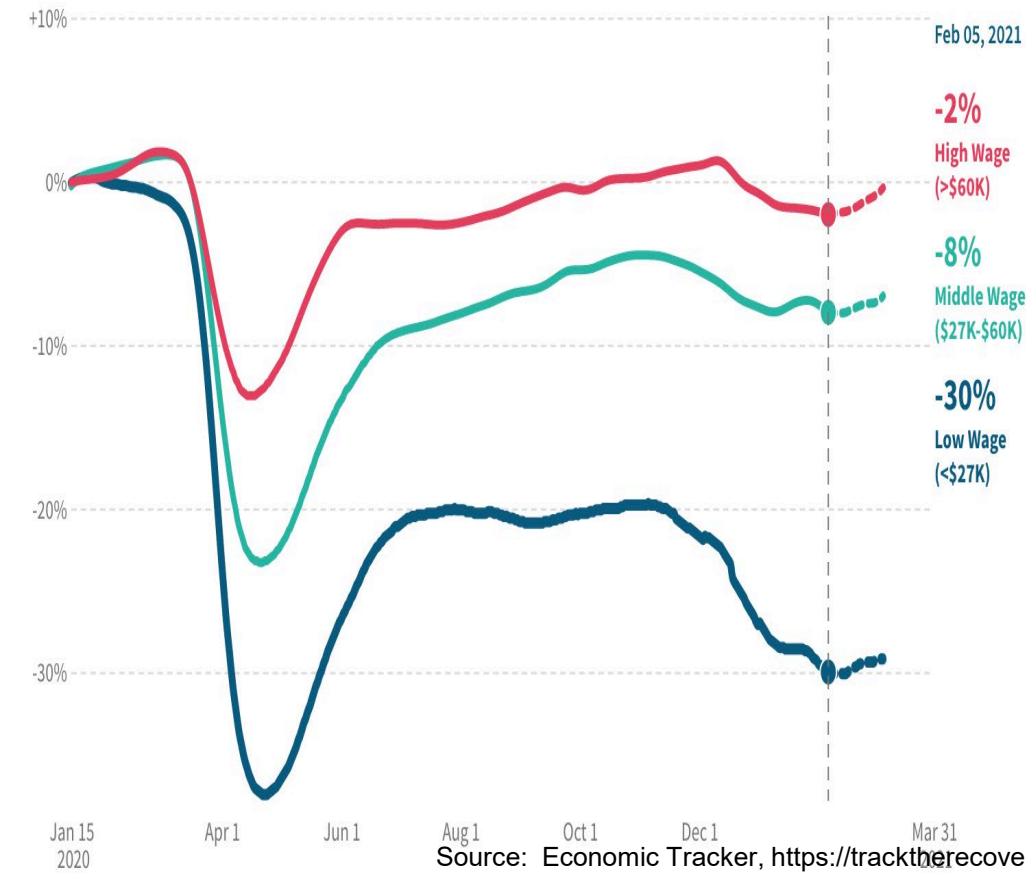


Glimmers of Hope

Is This a K-shaped Recovery? Kansas has Improved

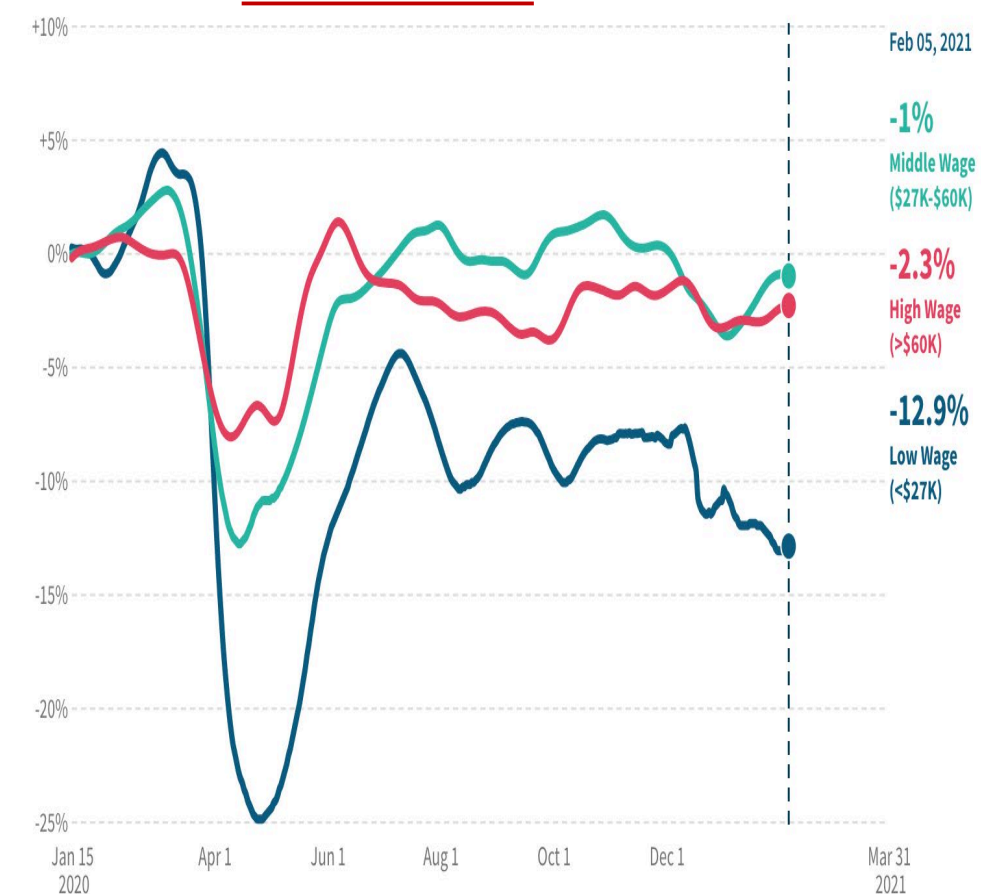
In **the United States**, as of February 05 2021, employment rates among workers in the bottom wage quartile decreased by **30%** compared to January 2020 (not seasonally adjusted).

DOWNLOAD CHART 



In **Kansas**, as of February 05 2021, employment rates among workers in the bottom wage quartile decreased by **12.9%** compared to January 2020 (not seasonally adjusted).

DOWNLOAD CHART 



Kansas has improved compared to the US for high and middle wage jobs.

Data from last meeting for Kansas showed high wage jobs were down -7% & Middle wage jobs were down -12%.

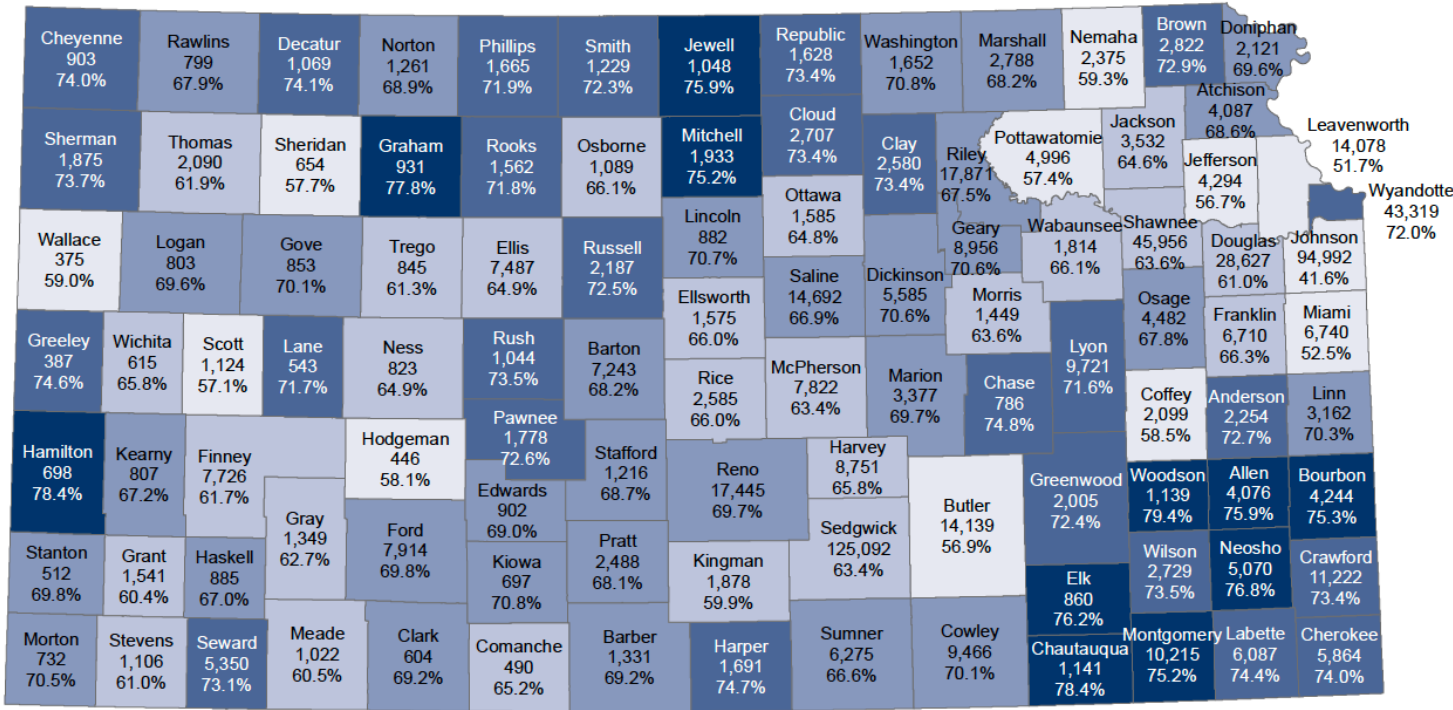
Low wage jobs were also down -21% in Kansas from the last meeting and are still depressed, but not as much as in the US

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How Many Households will get Stimulus Checks?

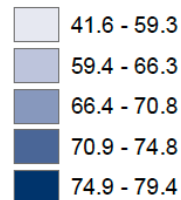
Household with Income Less than \$75,000 in Kansas, by County
2015-2019




- Estimate 61% of Kansas households will get those payments.
- In some Kansas counties (darker colors), over 75% of households will receive stimulus checks from the American Rescue Plan Act of 2021.

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, 2015-19 American Community Survey.

Percent of Households



Kansas Households with Income < \$75,000
Number: 688,121
Percent: 60.9%

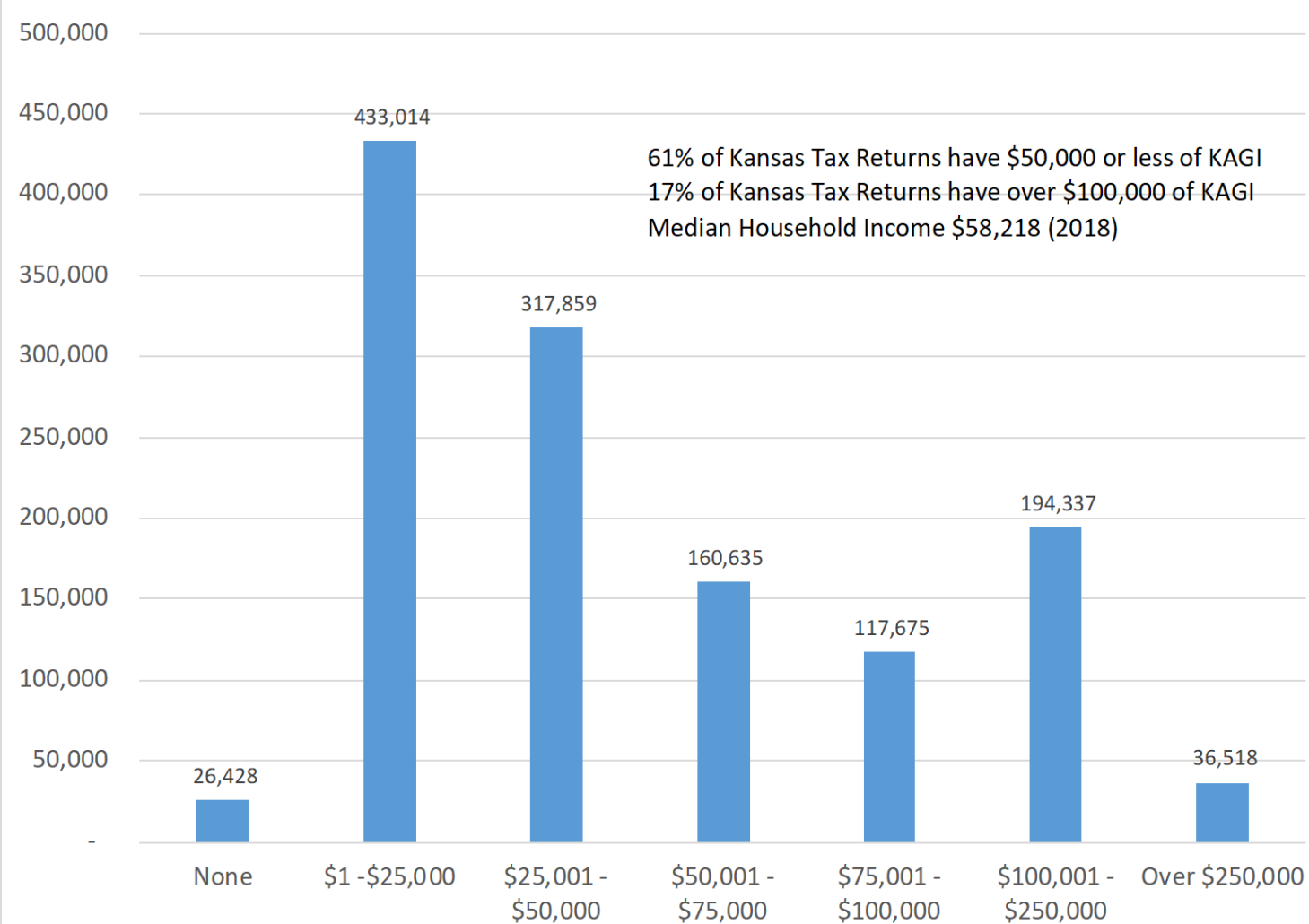


Distributional Impact of SB-50

The Wealthy Benefit More

Distribution of Individual Kansas Income Taxes

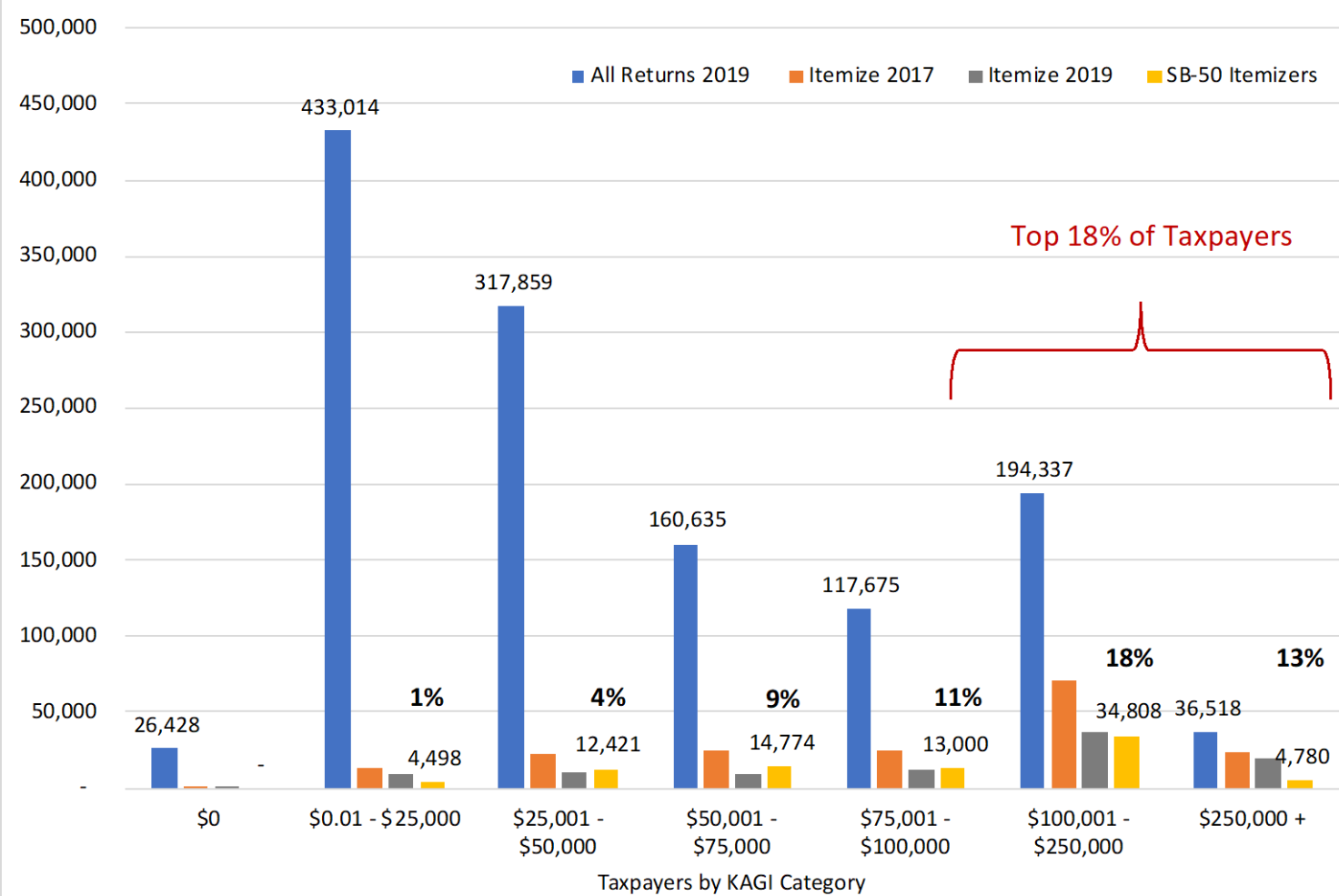
Distribution of Taxpayers by Maximum Kansas Adjusted Gross Income, 2019



- In FY2019, 61% of Kansas Tax Returns had \leq \$50,000 of KAGI
- Median Kansas Household Income in 2018 was \$58,218
- Less than 20% of Kansas tax returns had KAGI \geq \$100,000
 - This is the group that would benefit from itemization the most.

Who Benefits from Itemization?

Share of Taxpayers by KAGI Income Category and Those that Itemize 2017 & 2019



- SB-50 Itemizers are difference between those who Itemized in 2017 and Itemized in 2019.
- Median Taxpayer is \$21,442 KAGI
 - 1% of filers below the median will benefit from itemization.
- Percentages are estimates of those within KAGI bracket who will be new SB-50 itemizers.
 - Benefits flow to the top 18% of taxpayers
- **6.6% more taxpayers will benefit from itemization in SB-22.**

SB-50 Increases the Standard Deduction by \$500

- This results in a tax reduction that ranges between for our hypothetical taxpayers:
 - **\$26.25 to \$28.50**
- This won't cover the cost of two large pizzas

YOUR CART



Large Original Crust Pepperoni

[Remove](#) | [Edit](#) | [View Details](#)

+ Make it Extra Large

+ Add Extra Cheese

1 **\$14.75**



Large Original Crust Pepperoni

[Remove](#) | [Edit](#) | [View Details](#)

+ Make it Extra Large

+ Add Extra Cheese

1 **\$14.75**

Total before discounts	\$29.50
Subtotal	\$29.50
Estimated Tax	\$2.74

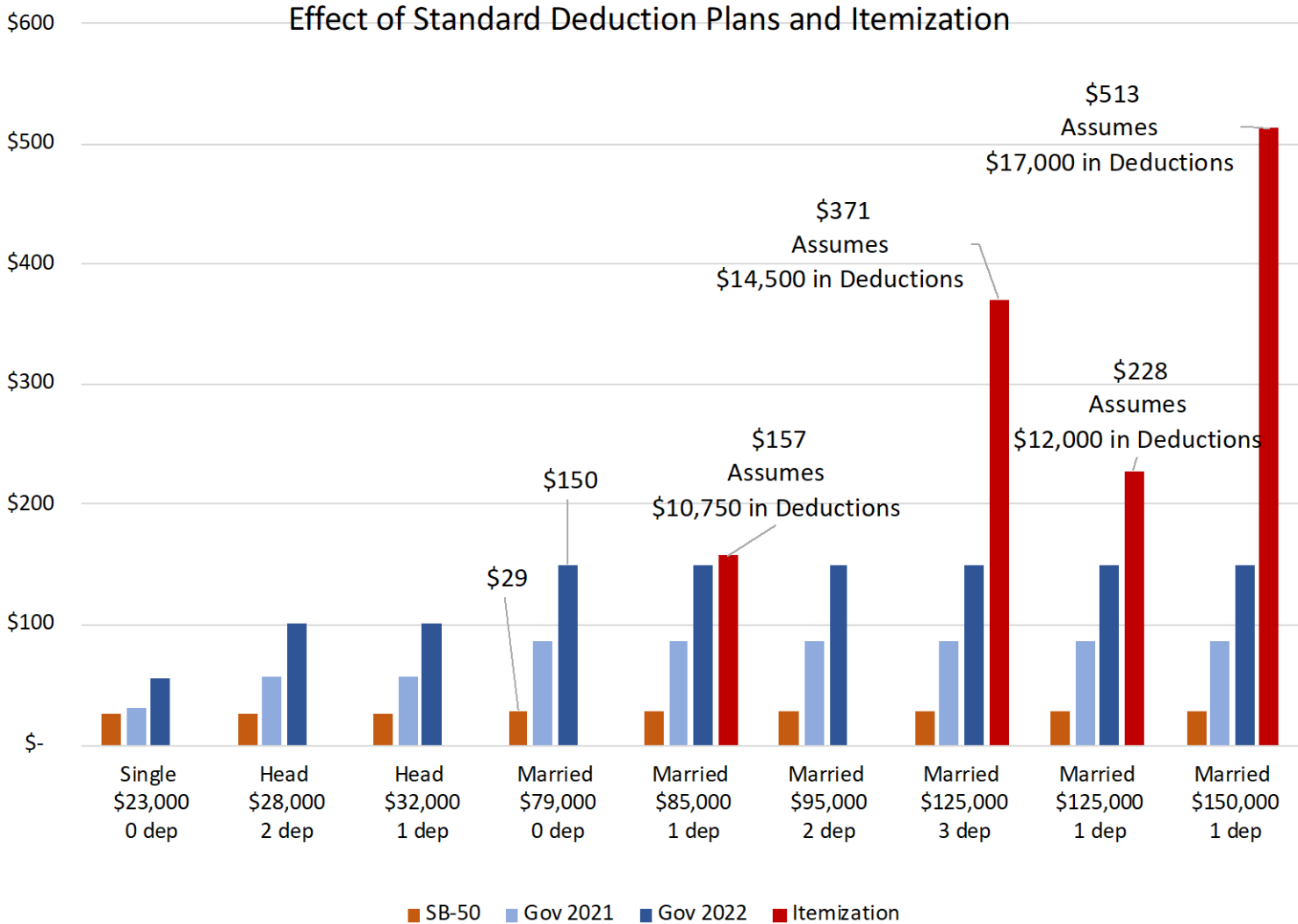
Total \$32.24

Enter it here.

Apply

Who Benefits from Itemization?

Effect of Standard Deduction Plans and Itemization

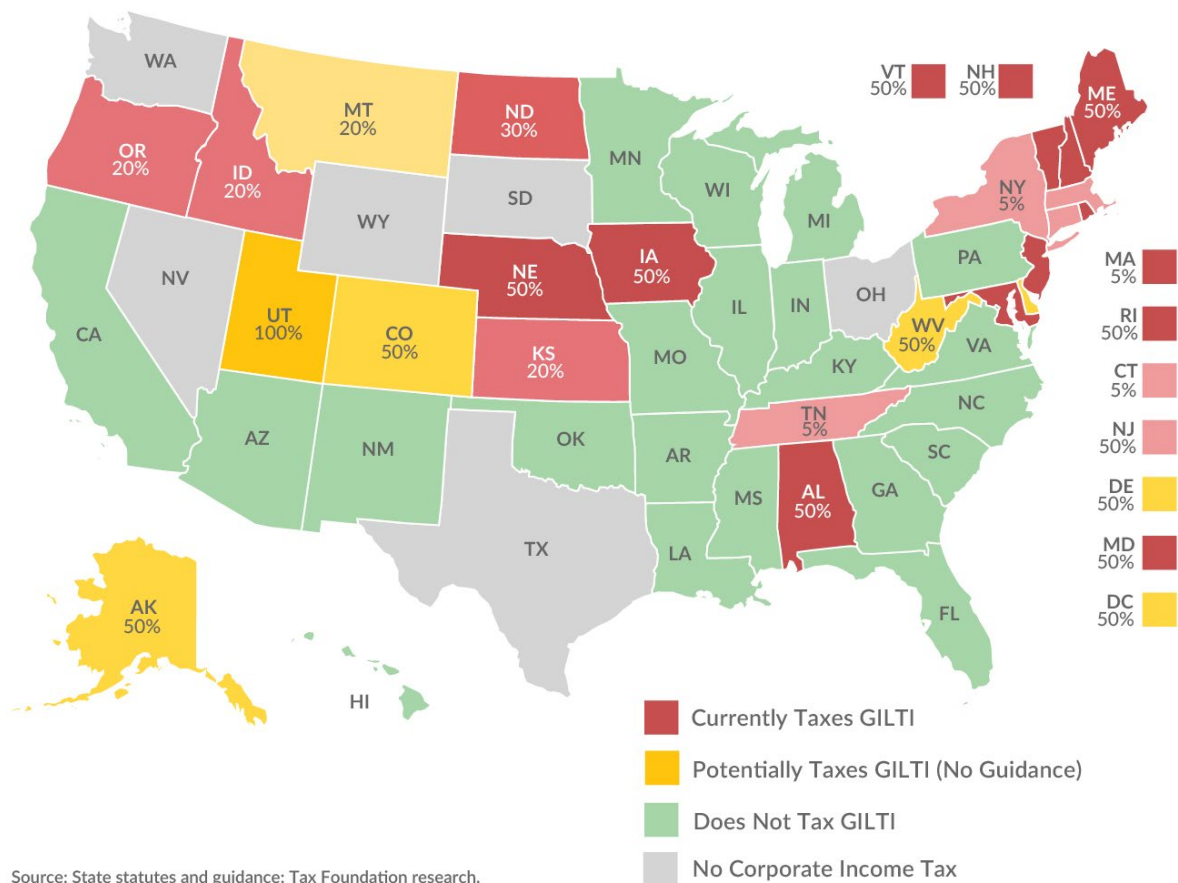


- Governor’s proposed increase in the standard deduction by 35%
 - Tax savings ranges between \$101 to \$150 per year for our hypothetical taxpayers.
- Taxpayers would need \$10,750 in deductions to break-even with the Governor’s plan.
 - More deductions mean higher tax reductions.
- But only 6.6% of mostly higher income taxpayers would benefit.

GILTI Across the Country

State Taxation of GILTI

As of January 1, 2020



Source: State statutes and guidance; Tax Foundation research.

TAX FOUNDATION

@TaxFoundation

- Global Intangible Low-Taxed Income (GILTI) is taxed at the federal level
- Fiscal note in FY 2022 GILTI will cost -\$24.2 M
- Large multinational corporations are most likely to pay GILTI
- 773 corporations paid almost 91% of corporate taxes.
- Assume 200 companies have GILTI:
 - \$121,000 tax break per company

PPP Expense Deductions Will be Costly

- Kansas received \$6.6 Billion in PPP loans
- Provision in December COVID Relief Act allowed businesses to deduct expenses paid for with PPP loans.
- This results in three tax breaks:
 - Forgivable loan
 - Loans are counted as non-taxable income.
 - Businesses can take additional deductions.
- Conforming will cost the state \$360 million.

Thank You!

Thank You
Mahalo
Kiitos
Tack
Toda
Grazie
Thanks
Obrigado
Takk
Danke
Gracias
Merci