Institute for Public Policy and Business Reserach
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HOW WELL DOES KANSAS COMPETE?

A Comparison of the Business Tax Structure of Kansas and Nearby States*

by

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Executive Summary

This study evaluates the degree to which Kansas's tax structure is competitive in the context of business investment and location decisions. The study compares the tax structure of Kansas with five nearby states: Colorado, Iowa, Missouri, Nebraska, and Oklahoma. The first part of the study, Description of Major Business Taxes in Kansas and Nearby States, reviews state and local revenue, tax rates, tax bases, and economic development incentives for the states in the region. The second part of the study, A State by State Comparison of Business Taxes for Hypothetical Firms in Nine Industries, constructs profiles of representative firms for a number of manufacturing and service industries. The study estimates a tax liability for each firm in each state based on the firm profiles. The study ranks the states according to the taxes which would be paid by each industry. Finally, the third part of the study, A Simulation of Proposed Changes in Kansas Business Taxes, extends the representative firm analysis. The study experiments with changes in tax rates and bases by recalculating the tax liabilities of firms in several industries under alternative tax packages.

The general findings of Part 1 of the study confirm that Kansas tax rates are average for the region in most categories. While the study focuses on business taxes, personal income taxes and residential property taxes are also examined. The conclusions of the first part of the study show that:

1) Kansas tax rates in all categories fall between the highest and the lowest in the region.

2) With the exception of Missouri, which relies heavily on sales taxes, the personal income tax is the major revenue source for the states in the region.

3) For most states, the personal income tax, the sales tax, and the corporate income tax provide at least 60 percent of state revenue.

4) Of the states in the region, Oklahoma relies most heavily on the severance tax.

5) The property tax is the major source of local tax revenue throughout the region.

6) For 1985, per capita tax collections, state and local, were about $1350 for Kansas. This was considerably less than for Colorado ($1450), and considerably more than for Missouri ($1090).

7) All of the states in the region offer significant tax incentives for firms which create new jobs.

8) All of the states except Iowa and Nebraska designate special areas, usually referred to as enterprise zones, in which special tax incentives apply.

9) Sales tax exemptions for machinery and equipment are commonly used to stimulate investment. Unlike most states in the region, Kansas currently taxes replacement equipment. Furthermore, many Kansas exemptions are currently limited to enterprise zones.

10) All of the states in the region offer some form of property tax abatements to new and expanding firms. Restrictions on these abatements differ considerably across states. The property tax abatements available in Kansas enterprise zones are among the most generous in the region.

11) All but one state in the region, Oklahoma, exempt inventories from property taxes. Kansas's exemption becomes effective in 1989.

12) The impact of property taxes on a firm depends on the composition of its assets and on the <u>effective</u> property tax rates for various assets. An effective property tax rate is the tax liability divided by the true market value of the asset. Effective tax rates may differ considerably from statutory rates because of the assessment practices employed.

13) Tax changes aimed at promoting economic development have been common in the region in the last few years.

14) The complex pattern of tax credits, exemptions, and deductions make it difficult to generalize about whether a firm, particularly a new firm, encounters high or low business taxes in any specific state. The details of the firm, and the exemptions, credits, and deductions for which it qualifies must be examined on a case-by-case basis.

Part 2 of the study calculates total tax liabilities for hypothetical firms in nine industries for each of the six states in the region. The hypothetical firms have been chosen to represent a cross section of industries which might be attracted to the region. The calculations take account of all economic development incentives. The study is designed to rank the states in the region according to business tax liabilities. The findings of the second part of the study show that:

1) For the industries analyzed, new firms in Missouri would pay lower taxes than firms in the corresponding industries in other states in the region. This is due to a combination of low Missouri tax rates and generous enterprise zone credits.

2) In an average ranking for new firms in nine industries, Kansas taxes are third lowest among the six states in the region.

3) For all nine industries, Kansas taxes for new firms fall between the highest and lowest taxed states.

4) Under the assumption that non-tax costs are the same across the states, tax differentials among the states translate directly into profit differentials. For new firms, the profit difference between Kansas and the lowest taxed state, Missouri, ranges from 1.84 percent for meat products to 28.08 percent for telecommunications.

5) Property tax abatements contribute substantially to Kansas's competitiveness for new firms.

6) The tax situation of a long established firm may differ considerably from that of a new firm. The established firms are not eligible for most economic development credits, abatements, or deductions.

7) In their overall ranking in the six state region, Kansas new and expanding firms fare better than their long established counterparts. In a ranking based on a sample of three industries, Kansas taxes for established firms were highest in the region.

8) Tax differences provide only a partial explanation of business cost differences between states. Differences in labor costs, labor productivity, land values, energy costs, and materials costs could easily cause profit differentials as large as those caused by taxes. Unfortunately, a complete examination of business costs is beyond the scope of this study.

The final part of this study considers the impact of changes in Kansas taxes on a sample of industries. The study simulates the effect of an elimination of sales taxes on productive machinery and equipment, a reduction in corporate income taxes, and a change in the method used to allocate the income of a multi-state firm. The study concludes that:

1) A package of tax changes including an elimination of sales taxes on machinery and equipment, a reduction of the basic Kansas corporate income tax rate to 4.0 percent, a reduction of the income tax surcharge to 6.25 percent, and the adoption of a multi-state income allocation formula based on 25 percent payroll, 25 percent property, and 50 percent sales will reduce overall taxes, state, local, and federal, between .27 percent and 2.2 percent for the firms examined.

2) The tax package reduces Kansas income taxes between 14.5 percent and 38.6 percent, depending on industry.

3) Decreasing the weight of sales in the income allocation formula from its current value of 33.3 percent will benefit firms which sell a relatively high percentage of their products out of state.

4) A "federal offset" occurs because decreases in state or local taxes reduce federal tax deductions and increase federal tax payments. The federal offset weakens the impact of any state sponsored tax reduction. State taxes fall by a larger dollar amount than do total taxes.

Part 1.
Description of Major Business Taxes in Kansas and Nearby States

Introduction

All states want a tax structure that invites new business and encourages expansion. Of equal importance is the desire to obtain sufficient revenue to provide public services for citizens and businesses. Often, these two goals conflict, and states must balance the demand for low business taxes with the demand for adequate public services. Most states today states aim at attaining a tax climate favorable to business by providing sufficiently low income tax rates and industrial incentives.

This study records and compares the major state and local taxes faced by businesses and their employees in Kansas and five nearby states: Colorado, Iowa, Missouri, Nebraska and Oklahoma. The major taxes reviewed are: the corporate income tax, personal income tax, property tax, sales tax, and franchise tax. Because labor costs are very significant to firms, unemployment insurance taxes and workers' compensation payments are also examined. The study describes and contrasts the economic development incentives offered in all six states. The states in the region offer income tax credits, enterprise zone credits, sales tax exemptions, and property tax abatements in an attempt to encourage business.

The major purpose of this study is to evaluate the competitiveness of Kansas's tax structure regarding business investment decisions. While the focus of the study falls on business taxes, personal income taxes and residential property taxes are reviewed briefly. Kansas rates are basically average for most of the taxes examined. None of the Kansas tax rates are the highest or lowest in the region. For example, Kansas ranks fourth lowest in the corporate income tax rate, fourth lowest in the franchise tax, and has the same state sales tax as four other states. Kansas has the third lowest average effective property tax rate on residential real estate. Regionally, it appears that Kansas's tax rates are fairly competitive.

Firms consider more than tax rates when they make investment and location decisions. Among government controlled factors, economic development incentives such as tax credits and exemptions are also important. Here the Kansas tax structure reveals some distinctive features. One positive factor is the research and development tax credit incentive offered only by Kansas and Iowa. Another incentive for firms to locate or expand in Kansas is that significant property tax abatements are available on land as well as on improvements, in contrast to many other states. On the negative side, Kansas sales tax exemptions for manufacturing equipment less generous than those in several other states. In particular, Kansas taxes replacement manufacturing machinery. Outside of enterprise zones, Kansas applies the sales tax to all equipment in non-manufacturing industries. It is clear that a comparison of taxes facing firms in the region is incomplete without consideration of the mitigating exemptions, incentives, and credits for which the firms may qualify.

An overview of the Kansas tax structure indicates that most Kansas tax rates compare favorably with surrounding states. The first part of this study (<u>Description of Major Business Taxes in Kansas and Nearby States</u>) presents an overview of business taxes. However, the tax overview says little about how a firm in a particular industry would fare in Kansas relative to the other states. The range of taxes imposed in the various states affect industries differentially. For example, industries which use only small amounts of plant and equipment are relatively unaffected by high property taxes. Similarly, industries with low profits are relatively unaffected by income taxes. Even more importantly, the taxes which would be paid by a firm operating in one of the six states depend on whether the firm qualifies for various development incentives. To get a clearer picture of the impact of Kansas taxes on business enterprises, we look at several prototype firms in part 2 of this study (A State by State Comparison of Business Taxes for Hypothetical Firms in Nine Industries).

Overview of State and Local Tax Structures

For most of the states studied in this report, the sales tax, the corporate income tax, and the individual income tax together provide at least 60 percent of state tax revenue. The exception is Oklahoma, where severance taxes on oil and gas supply almost 20 percent of state tax funds. Figures 1 through 3 show the 1986 taxes generated from various sources in total dollar, percentage of tax revenue, and per capita terms. In percentage and per capita terms, the Kansas individual income tax and sales tax are average for the region. The corporate income tax is the highest in the region both as a percentage of total state taxes and per capita. This indicates that Kansas depends more on corporate taxes than do nearby states. However, Figure 4 shows that corporate income taxes as a percentage of state taxes show a downward trend in Kansas over the last five years. Overall, per capita state tax revenue in Kansas was third highest in the region in 1986.

Local taxes include taxes on property and, depending on the state, income and sales. Property taxes are the major component of local tax revenue in all of the states in the region, as illustrated in Figure 7. For Kansas, Iowa, Colorado, and Nebraska, property taxes amounted to about $500 per capita in 1985. 1985 property taxes were much lower in Missouri and Oklahoma, averaging about $200 per capita. In these two states, local sales taxes provided a substantial amount of revenue. Colorado had the highest per capita level of total local tax revenue in 1985, $741. Local taxation in Kansas was average, $574 per capita. The lowest level of local taxation was found in Oklahoma, where local taxes averaged $385 per capita in 1985.

Total state and local tax revenue for 1985 is illustrated in Figure 11. While the breakdown between state and local taxes varied considerably across the states, the combined revenue per capita was near $1300 for four of the states in the study, Kansas ($1355), Iowa ($1331), Nebraska ($1256), and Oklahoma ($1282). On the high end, Colorado tax revenue per capita was about $1450, while on the low end, Missouri tax revenue per capita was less than $1100.

FIGURE 1

STATE TAX REVENUE COMPARISONS 1986

TOTAL REVENUE

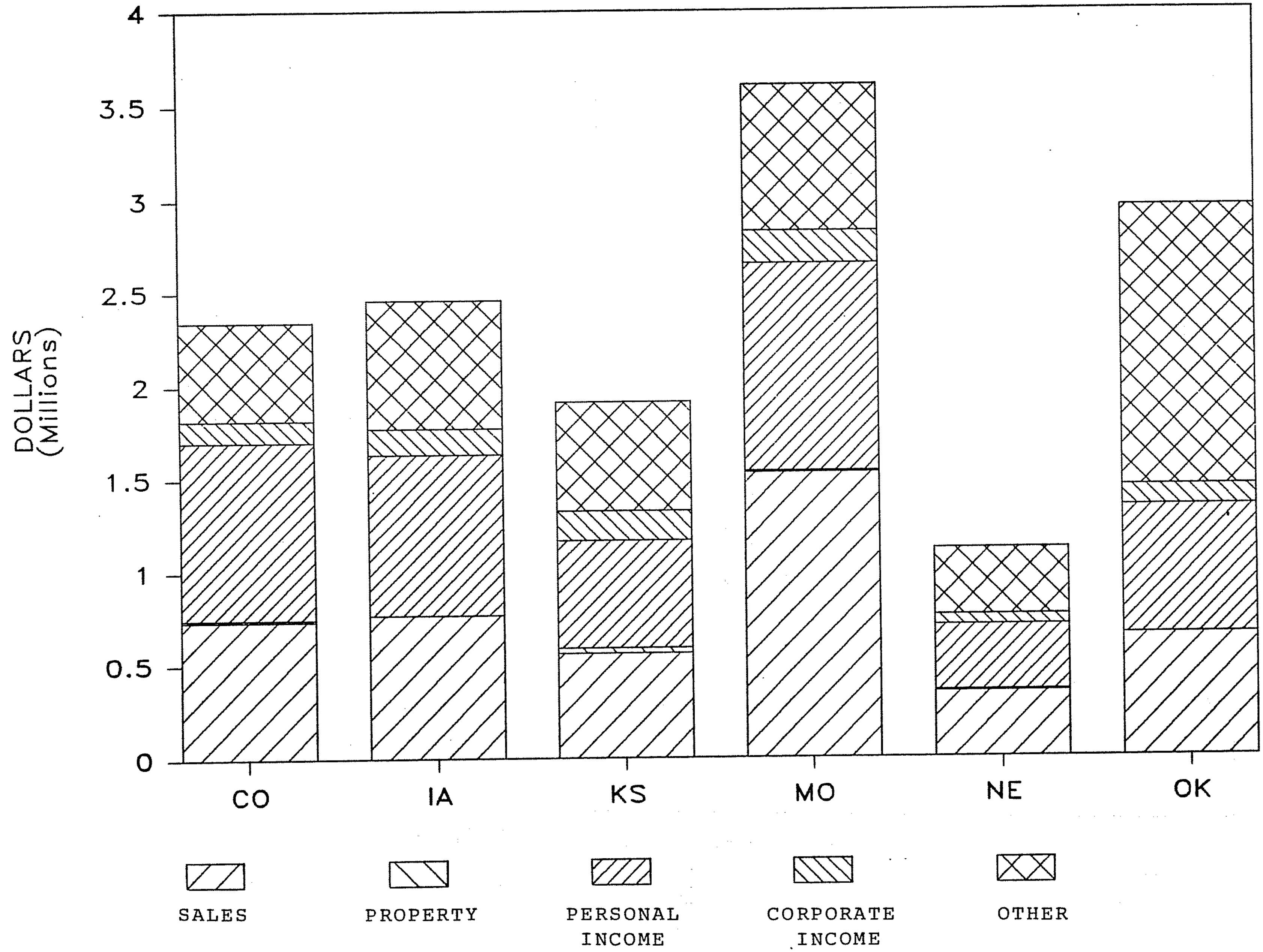


FIGURE 2

STATE TAX REVENUE SOURCES 1986

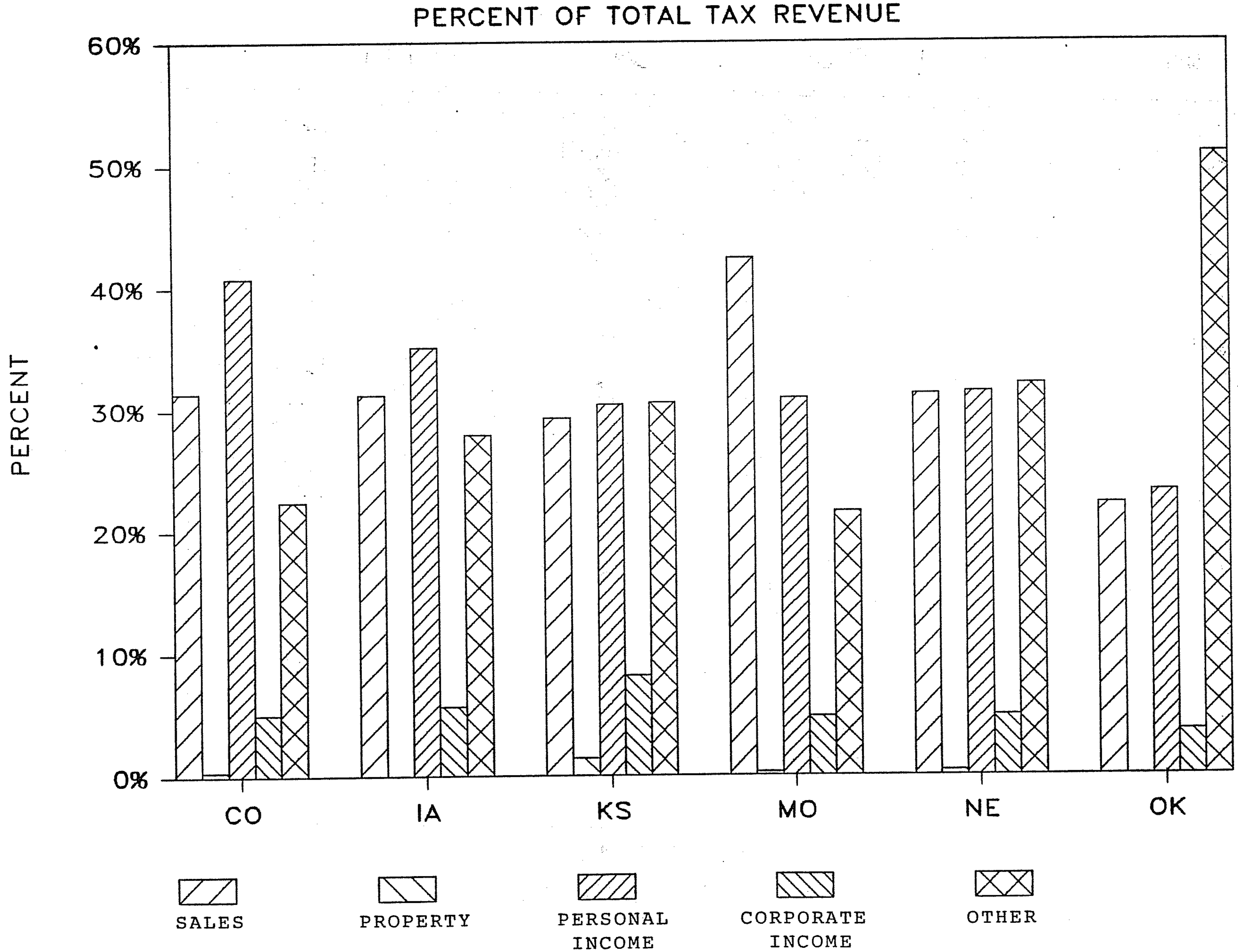


FIGURE 3

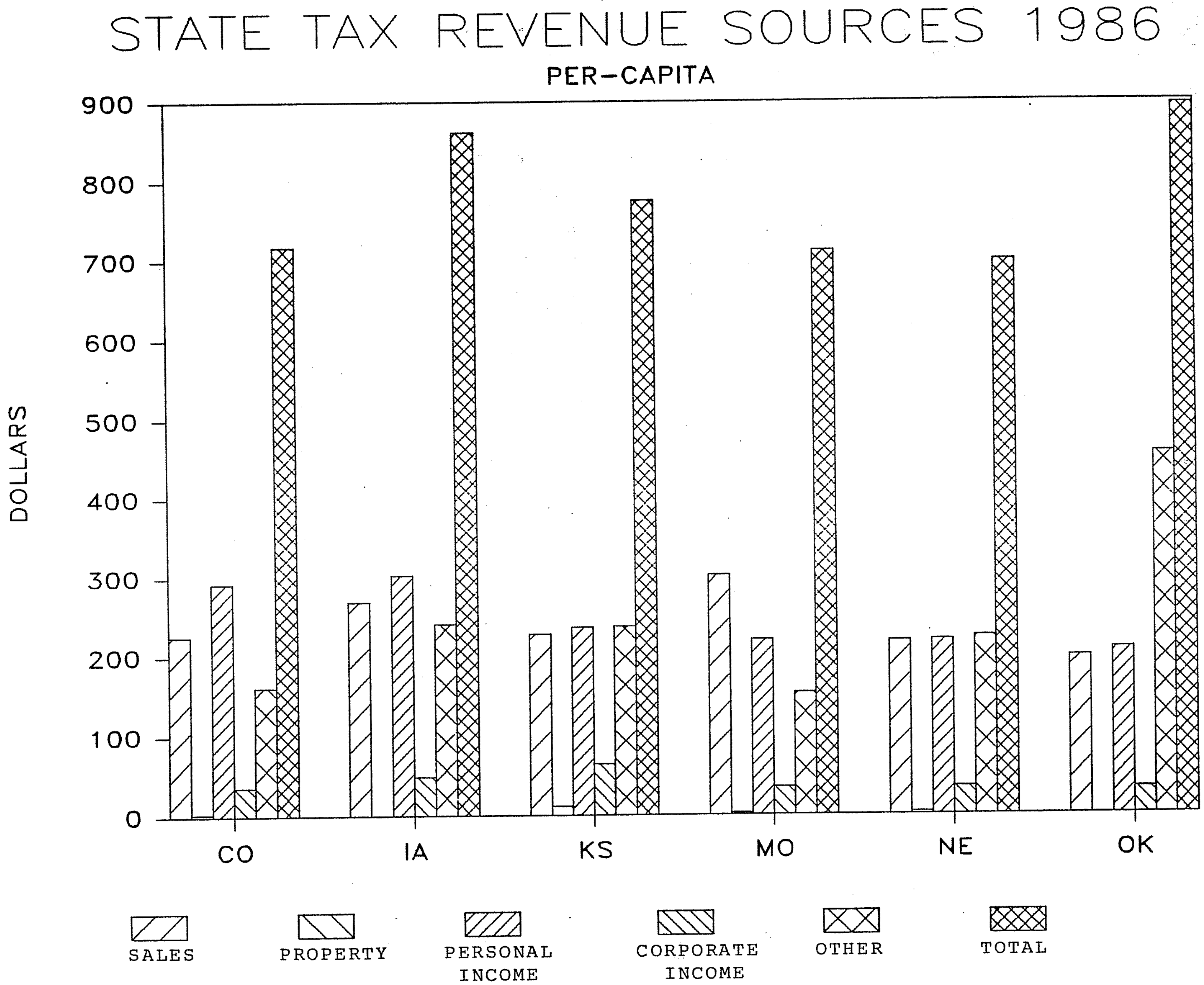

STATE TAX REVENUE SOURCES 1986
PER-CAPITA
DOLLARS
900
800
700
600
500
400
300
200
100
0
CO
IA
KS
MO
NE
OK
SALES
PROPERTY
PERSONAL INCOME
CORPORATE INCOME
OTHER
TOTAL

FIGURE 4

STATE COPORATE INCOME TAX

PERCENT OF TOTAL STATE TAX REVENUE

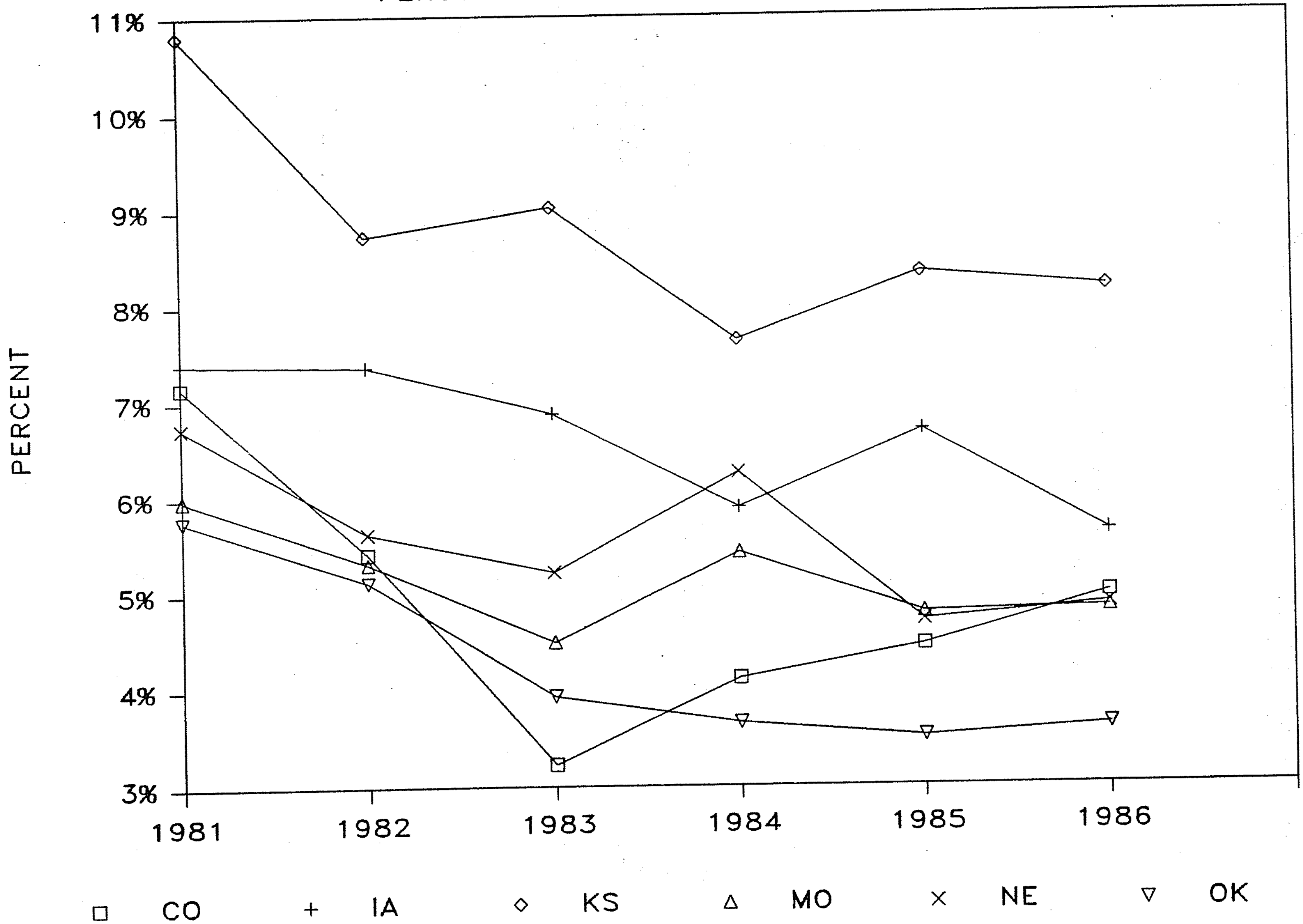


FIGURE 5

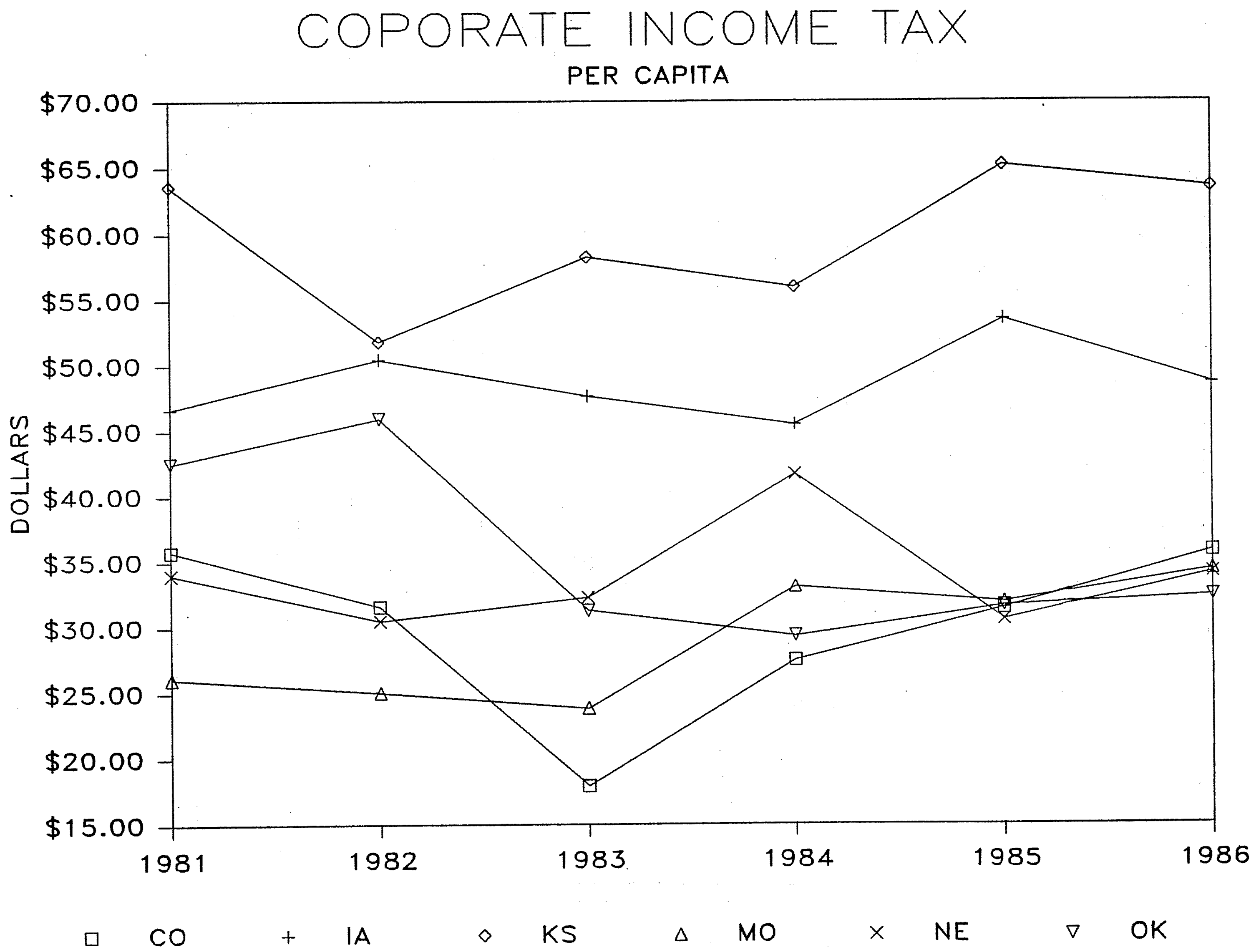

COPORATE INCOME TAX
PER CAPITA
DOLLARS
$70.00
$65.00
$60.00
$55.00
$50.00
$45.00
$40.00
$35.00
$30.00
$25.00
$20.00
$15.00
1981
1982
1983
1984
1985
1986
CO
IA
KS
MO
NE
OK

FIGURE 6

LOCAL TAX REVENUE 1985

TOTAL TAX REVENUE

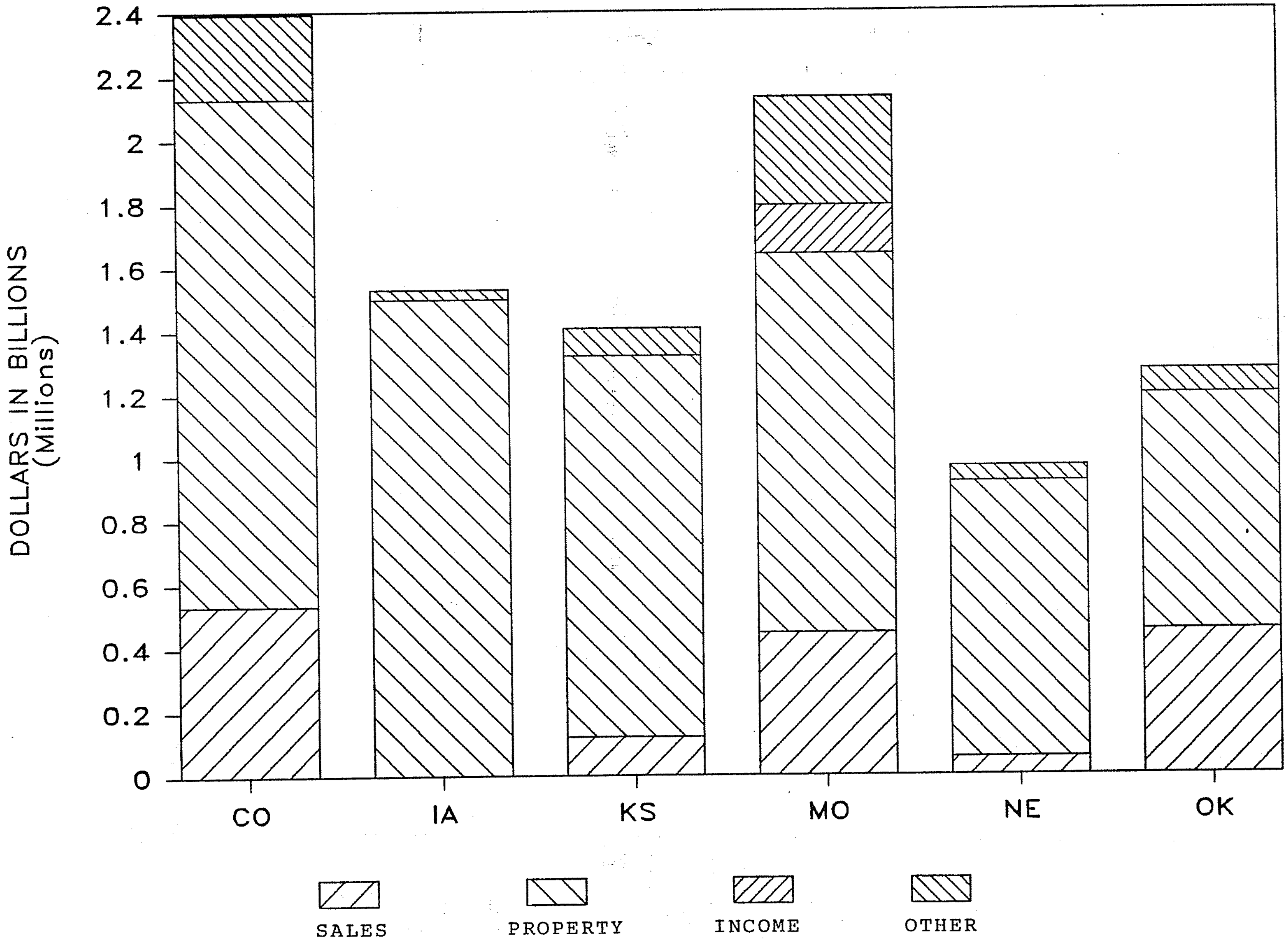


FIGURE 7

LOCAL TAX REVENUE 1985

PERCENT OF TOTAL LOCAL TAX REVENUE

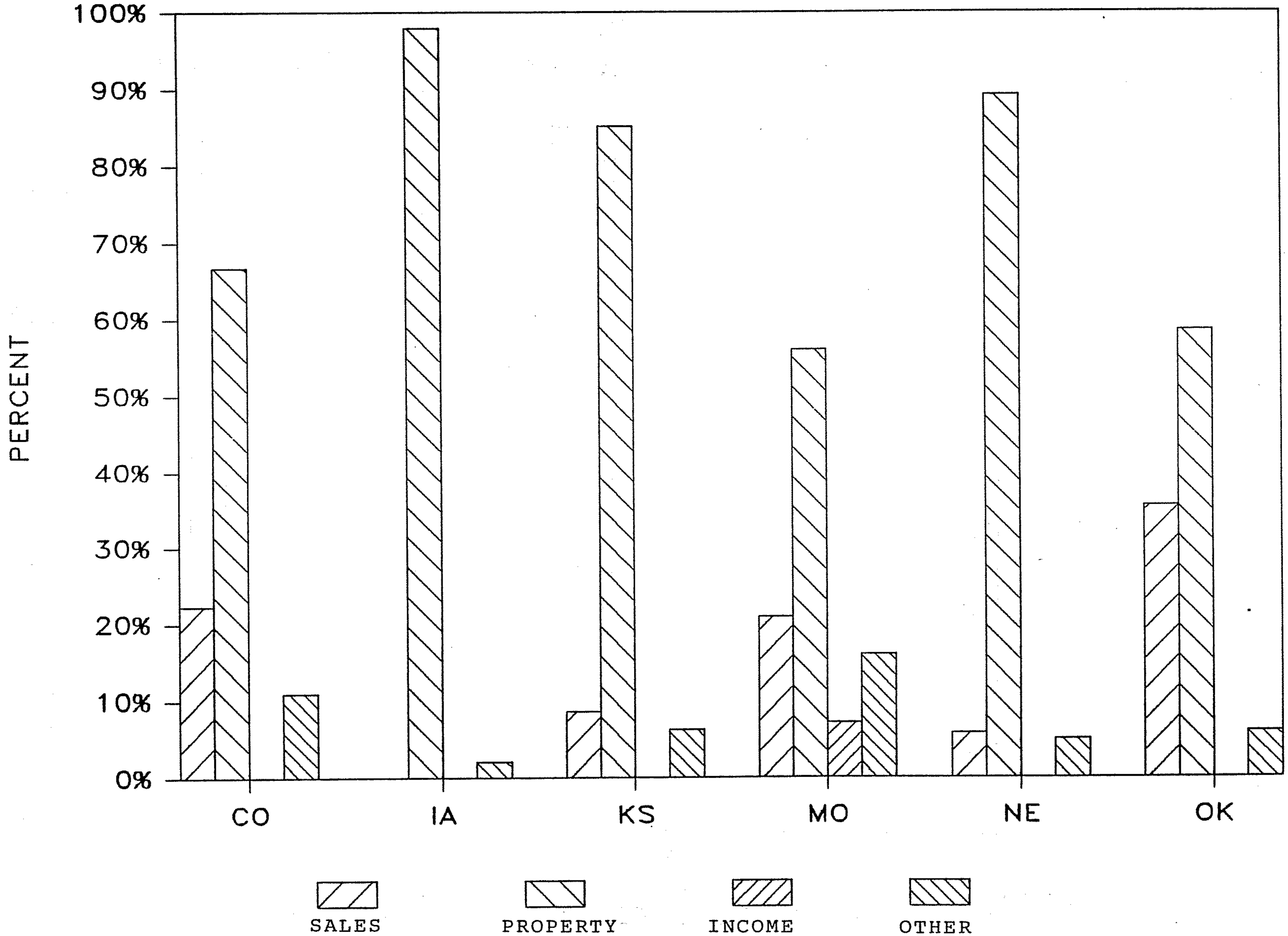


FIGURE 8

LOCAL TAX REVENUE 1985

PER CAPITA

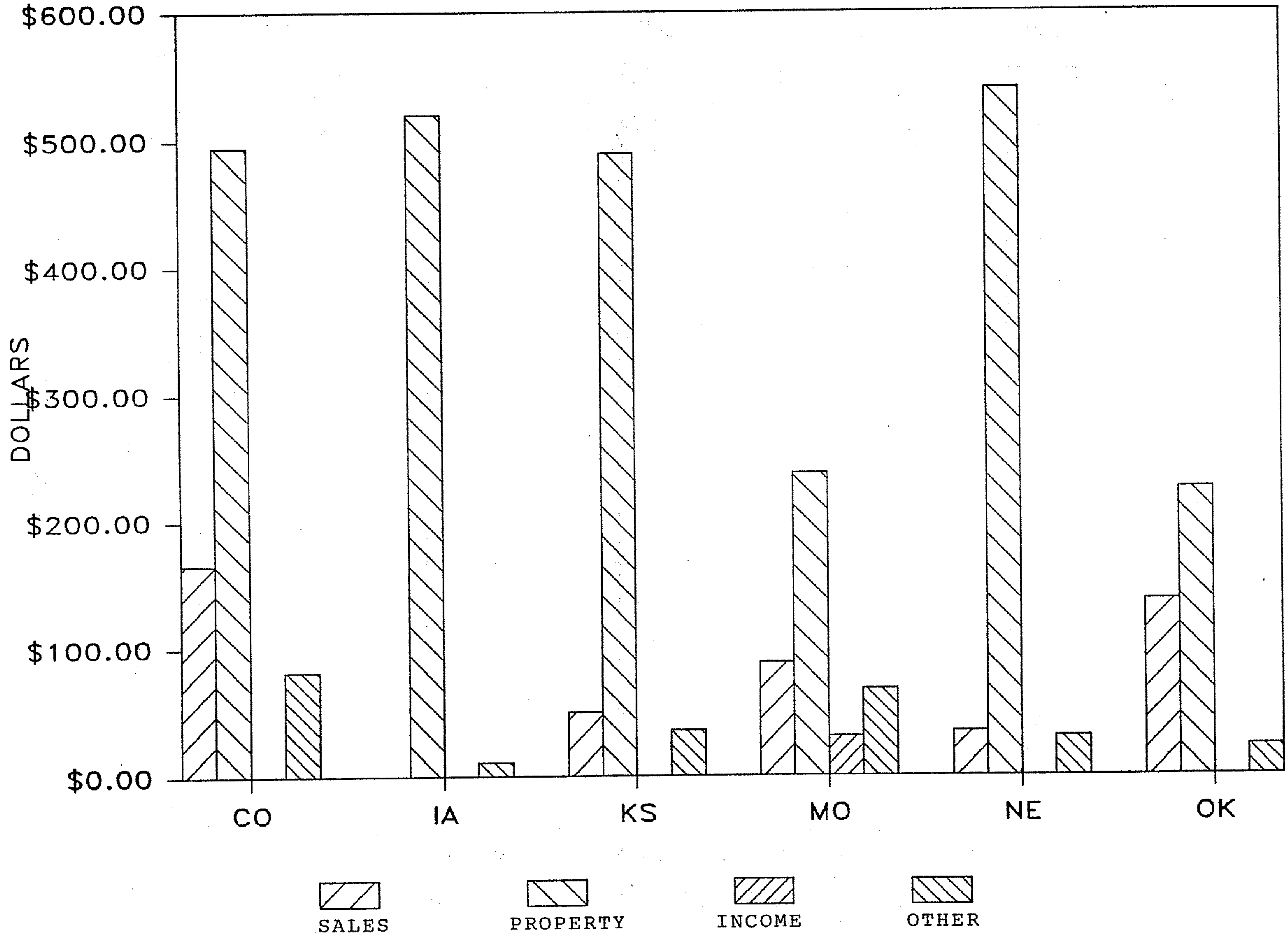


FIGURE 9

LOCAL PROPERTY TAX

PERCENT OF TOTAL LOCAL TAX REVENUE

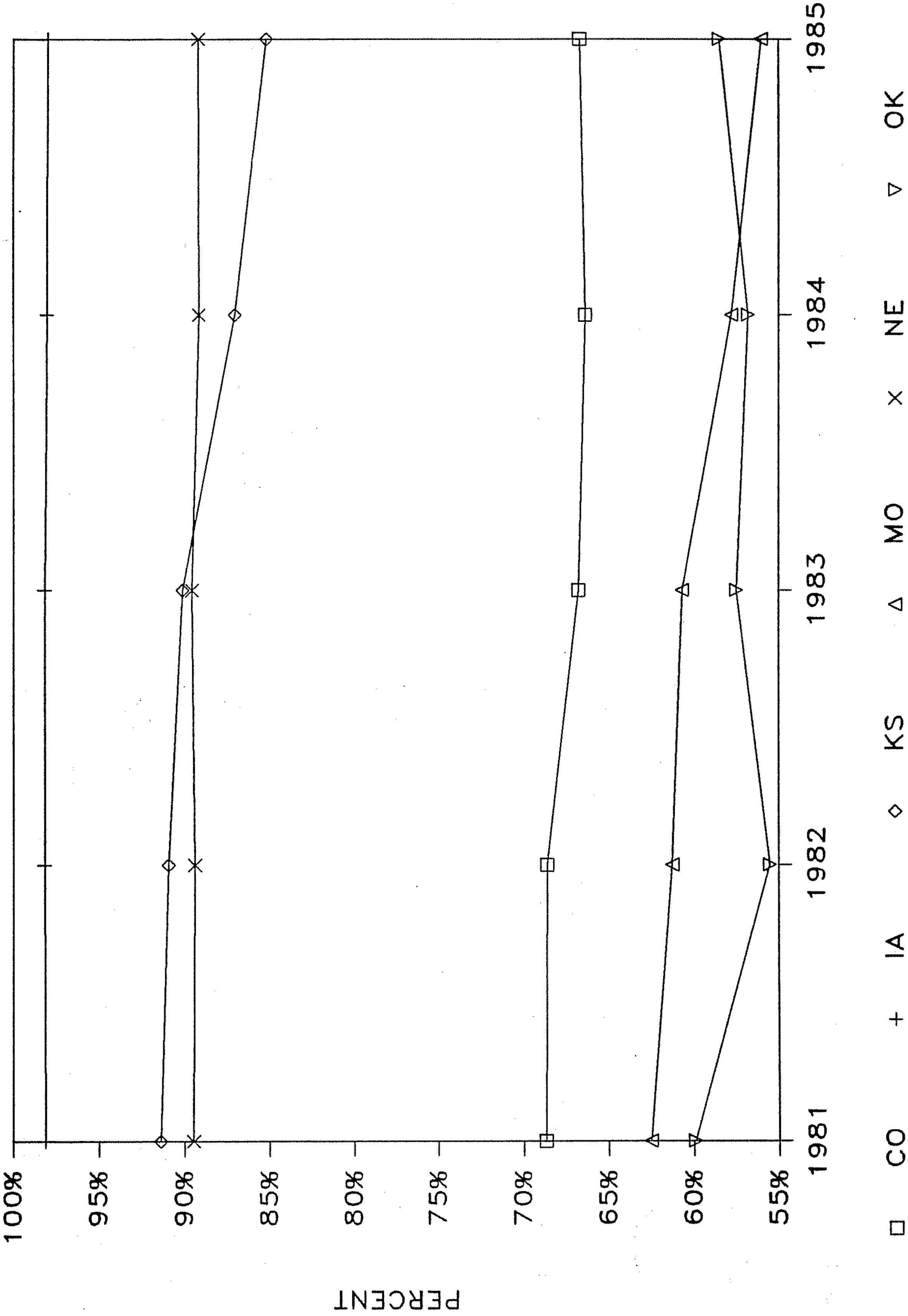


FIGURE 10

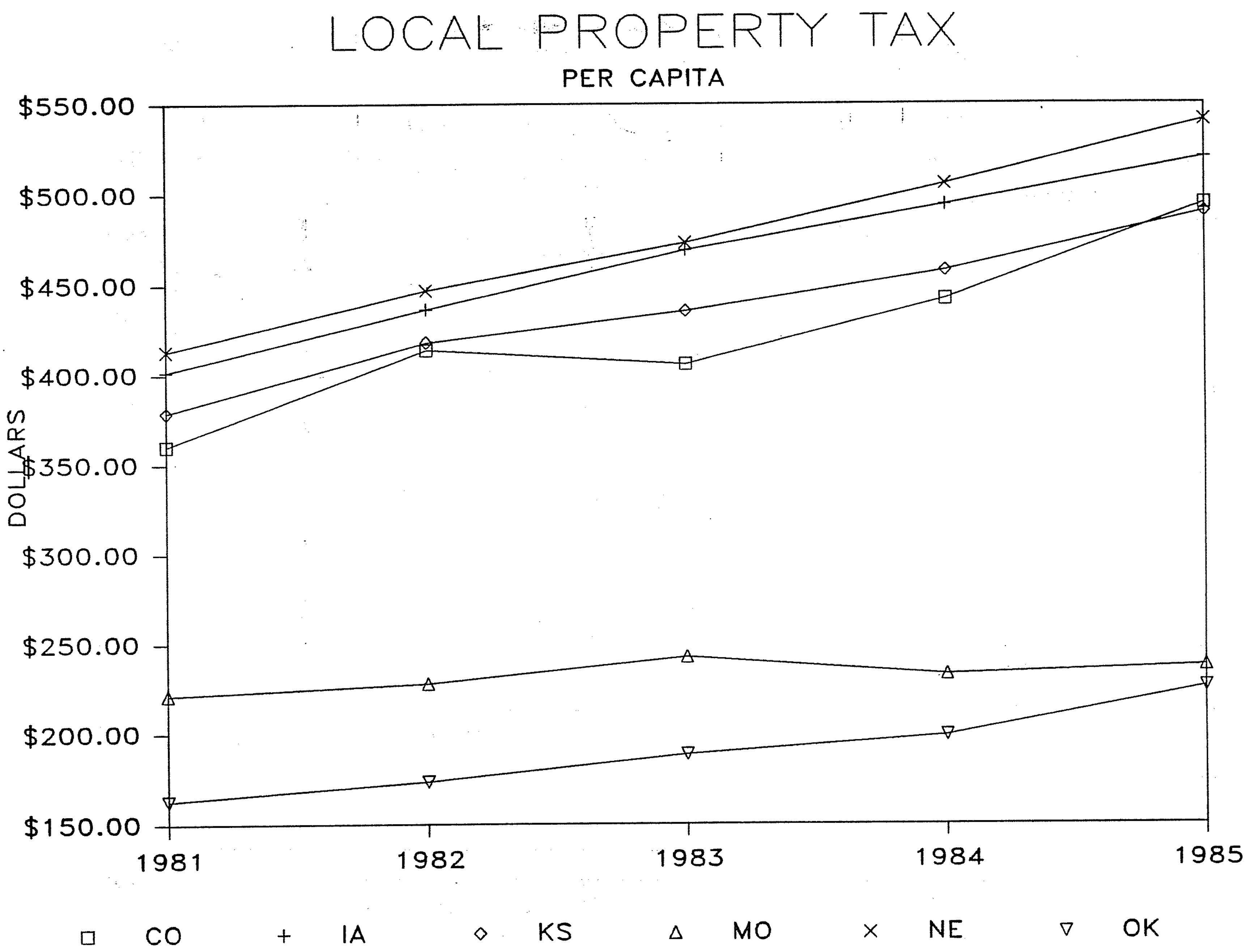
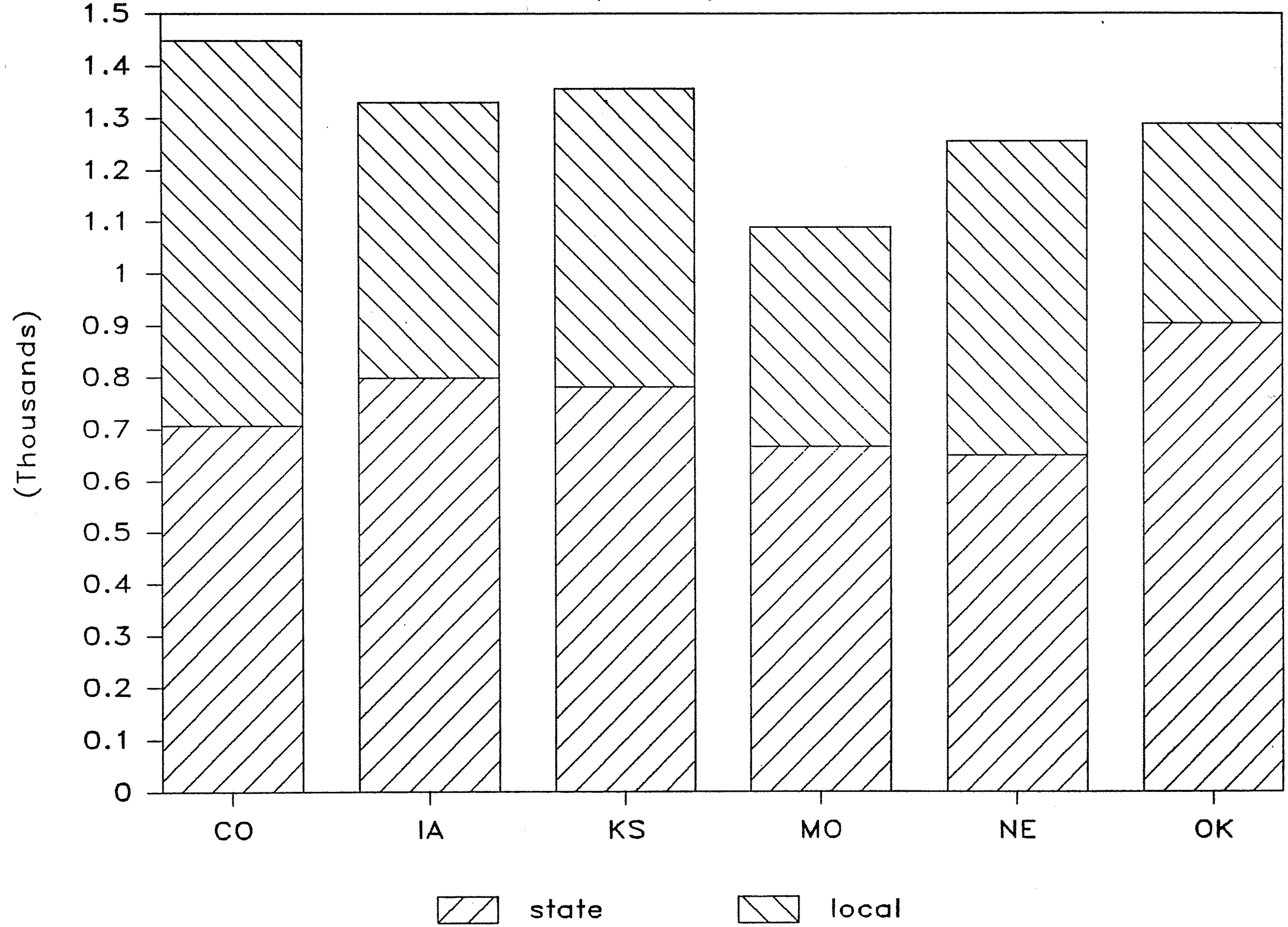

LOCAL PROPERTY TAX
PER CAPITA
$550.00
$500.00
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
DOLLARS
1981
1982
1983
1984
1985
CO
IA
KS
MO
NE
OK

FIGURE 11

State and Local Tax Revenue, 1985

per-capita



Personal Income Tax

State personal income taxes provide the largest source of state revenue for five of the six states considered in this study. Only in Missouri does the sales tax surpass the personal income tax in generating state funds. In 1986, the personal income tax accounted for a low of 23.2 percent of state revenue in Oklahoma and a high of 40.8 percent in Colorado. The annual tax rate schedule is graduated for various levels of income in all six states. Nebraska revises this schedule annually in accordance with the need for state revenue. Iowa and Oklahoma personal income taxes exhibit the highest degrees of progressivity among the six states. Both states tax the lowest income brackets at 0.5 percent. These two states tax upper income brackets at the highest rates within the six state area. Iowa's rate rises to 13 percent on income over $76,725 and Oklahoma's to 17 percent on income over $49,000 after deduction of federal income taxes paid. Personal income tax rates in Kansas are average among the states considered, falling between 2.0 percent and 9.0 percent.

Several studies have noted the importance of state personal income tax rates on the decisions of business executives to relocate their firms to an area.[1] Despite the importance of the personal income tax, accurate comparisons of state personal income tax rates are difficult. This is due to the variability in income brackets, deductions, exemptions, and credits among the states. For example, all of the states in this study except Nebraska allow federal taxes to be deducted from gross income in determining

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[1]See for example Roger Schmenner, Making Business Location Decisions, Englewood Cliffs, New Jersey, Prentice-Hall, 1982. p. 46.

state personal income taxes. This lowers the effective personal tax rate substantially.

Table 1

Personal Income Tax

State	Tax Rates
Colorado	Graduated in 11 stepped income increments of $1,420 from 3% to 8%.[1]
Iowa	Graduated in 13 stepped increments from .5% to 13%.
Kansas	Graduated in 8 stepped increments from 2% to 9%.
Missouri	Graduated in 10 stepped increments from 1.5% to 6%.
Nebraska	Graduated in 4 stepped increments from 2% to 5.9%.[2]
Oklahoma	Choice of two methods: 1) No deduction of Federal Income Taxes paid: graduated in 7 stepped increments from 0.5% to 6%. 2) With deduction of Federal Income Taxes paid: graduated in 18 stepped increments from 0.5% to 17%.

1 Federal income tax deductible from gross income in all states in study except Nebraska.

2 Rates are for 1987. Income tax rates are set annually by the Nebraska Legislature in accordance with the need for state revenue. Before 1987, tax was % of federal income tax.

SOURCE: Information provided by individual states. See Appendix A.

Sales Tax

The general sales tax is usually imposed on sellers at the final stage of distribution. It is charged at both the state and local levels, and is an important source of revenue for both levels of government. 1986 state sales tax revenue as a percentage of total state revenue ranged from 22 percent in Oklahoma to 42 percent in Missouri. Local sales tax revenue as a percentage of local tax collections varied from a low of 0 percent in Iowa, where the authority to levy a local sales tax was not granted until 1985, to a high of 36 percent in Oklahoma. Over the last five years, a trend toward higher sales tax rates has been observed among all the states in our study. Iowa, Kansas, Nebraska, and Oklahoma have all experienced permanent sales tax increases, while Colorado and Missouri have experimented with temporary increases. The data in Appendix B show that Missouri, Oklahoma, and Iowa have become increasingly dependent on sales taxes for state financing; the share of sales taxes in total state revenues has consistently moved upwards.

All six of the state sales tax rates fall within a narrow range. Iowa, Kansas, Nebraska and Oklahoma levy a state sales tax of 4 percent. Missouri's is currently 4.225 percent, and will be 4.125 percent as of July 1, 1990. Colorado's is 3 percent. However, viewing the state sales tax rate alone is insufficient. Concluding that a Colorado purchaser faces a relatively low rate can be misleading. In some areas of Colorado, the local tax rate exceeds the state rate. For example, in Denver the total sales tax reaches 7.1 percent. Recent legislation (effective August, 1987) gives localities in Missouri the option for relatively high sales taxes. In

St. Louis county the tax may reach 7.6 percent and in other jurisdictions, 7.225 percent. The current sales tax rates in Kansas City, Missouri, and St. Louis are both 6.25 percent. In Kansas the maximum combined state and local rate is 6 percent, with cities and counties each allowed to tax up to 1 percent. In Kansas City, Kansas, combined state and local sales taxes reach the maximum of 6 percent. In Wichita, the sales tax is 5 percent. Sales taxes vary both between states and between localities within a state.

Sales taxes affect firms in two independent ways. First, sales taxes alter the ultimate price of a good, and thus can influence how much of a good will be purchased. Second, sales taxes add to the prices of some business purchases, and hence influence costs of production. The extent to which various goods are exempt from sales taxes determines the impact on production costs. To lower the effective cost of capital purchases, sales tax exemptions on machinery and equipment are often used as economic development incentives.

The rules for exemptions from the sales tax are complex. Table 3 identifies purchases which are exempt from the sales tax on a state by state basis. Materials consumed in manufacturing and component parts are universally exempt. Fuels and energy are exempt in Colorado, Iowa, Kansas and Oklahoma; in Missouri and Nebraska, exemptions apply on a restricted basis. The laws exempting machinery and equipment expenditures from sales taxes are particularly intricate. Whether an equipment purchase is taxed may depend on whether the item is used in manufacturing, whether the firm qualifies as new or expanding, and whether the firm operates in an enterprise zone.

Current Kansas law makes two provisions for the exemption of capital goods from the Kansas sales tax. First, machinery and equipment used directly for the purpose of manufacturing, fabricating, finishing, or assembling articles of commerce is eligible for a refund of the Kansas sales tax, provided that the machinery contributes to the establishment or expansion of a business as defined by law (K.S.A. 79-3642). These sales tax provisions expire in 1988. Second, for qualified firms in enterprise zones, sales taxes are eliminated on machinery and equipment purchased and installed in the original establishment of the facility, and on services and property used in the construction of the facility (K.S.A. 79-3606). The enterprise zone exemption extends to a broader class of goods and industries than manufacturing. Replacement machinery appears to be subject to the sales tax both inside and outside enterprise zones.

Table 5 compares the Kansas sales tax provisions with those in nearby states. All of the states exempt manufacturing equipment in new facilities. Most of the other states allow some exemptions for replacement equipment. Kansas stands out as one of the few states taxing replacement equipment. However, Kansas makes provisions for firms in enterprise zones which are more generous than in many of the nearby states. Exemptions in enterprise zones are not limited to manufacturing or a few other industries.

Table 2

Sales Tax Rates

State	Local	
Colorado 0.1% tax on tourism related goods and services.	3%.	May be levied, not to exceed 4%.
Iowa	4%.	May be levied up to 1%; also local option hotel/ motel tax may be levied not to exceed 7%.
Kansas	4%.	May be levied at 0.5% or 1% by both counties and
	cities.	
Missouri As of 7/1/90:	4.225%. 4.125%.	May be levied not to exceed 3%; St. Louis county may levy up to 3.375% tax.
Nebraska	4%.	May be levied at 1-1.5%.
Oklahoma	4%.	May be levied, county levy not to exceed 2%.

SOURCE: Information provided by individual states. See Appendix A.

Table 3

Tax Status of Business Property and Goods With Regard to Sales Tax

Type of Property or Good	Colorado	Iowa	Kansas	Missouri	Nebraska	Oklahoma
Materials consumed in manufacturing	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Component parts of manufactured goods	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
New machinery, equipment used in manufacturing	Exempt (2)	Exempt	Exempt (1)	Exempt	Exempt	Exempt
Replacement machinery used in manufacturing	Exempt (2)	Exempt	Taxed	Exempt	Taxed	Exempt
Fuels and energy used in manufacturing	Exempt	Exempt	Exempt	Taxed (3)	Taxed (4)	Exempt

(1) Refunds for firms outside of Enterprise Zones; exemptions for firms in Enterprise Zones.

(2) $500,000 limit for firms outside Enterprise Zones; $10,000,000 limit for firms inside Enterprise Zones. Effective January 1, 1988, exemption applies to sales tax liability in excess of $1,000. The $1,000 minimum liability does not apply in Enterprise Zones.

(3) Electric energy exempt if the cost of electric energy is greater than 10% of the total production cost.

(4) Fuel and energy exempt when more than 50% of the amount purchased is used directly in processing, manufacturing, or refining.

SOURCE: Individual state statutes and State Tax Guide, Prentice-Hall, 1987.

Table 4

Additional Enterprise Zone Sales Tax Exemptions

Colorado	Same sales and use tax exemption applies to all purchases of machinery and equipment, but $1,000 minimum is eliminated (effective January 1, 1988).
Iowa	No Enterprise Zones.
Kansas	Sales tax exemption on purchases of personal property or services purchased for the purpose of construction or improvement of a qualified facility located within a zone.
Missouri	No additional Enterprise Zone sales tax exemptions.
Nebraska	No Enterprise Zones.
Oklahoma	Additional sales tax exemptions for qualifying manufacturers.

NOTE: For a complete description of Enterprise Zones, see the section "Corporate Income Tax and Enterprise Zone Credits."

SOURCE: Information provided by individual states. See Appendix A.

TABLE 5

Sales Tax Exemptions in Kansas and Nearby States

Outside Enterprise Zones:

	New Firm Manufact. Equipment	Replacement Manufact. Equipment	New Firm Other Commercial, Industrial Equip	Replacement Oth. Commercial, Industrial Equip.
Kansas	exempt[1, 10]	taxed	taxed	taxed
Colorado	exempt	exempt	taxed	taxed
Iowa	exempt	exempt	taxed[3]	taxed[3]
Missouri	exempt	exempt[4]	taxed[5]	taxed[5]
Nebraska	exempt[6]	taxed[7]	taxed[8]	taxed
Oklahoma	exempt	exempt	taxed	taxed

Inside Enterprise Zones:

	New Firm Manufact. Equipment	Replacement Manufact. Equipment	New Firm Other Commercial, Industrial Equip	Replacement Oth. Commercial, Industrial Equip.
Kansas	exempt[1]	taxed	exempt	taxed
Colorado	exempt	exempt	taxed[2]	taxed[2]
Iowa	N/A[9]	N/A	N/A	N/A
Missouri	exempt	exempt[4]	taxed[5]	taxed[5]
Nebraska	N/A[9]	N/A	N/A	N/A
Oklahoma	exempt	exempt	taxed	taxed

[1]Taxes are refunded for firms outside of enterprise zones. Must meet new or expanding firm qualifications.
[2]Local sales tax may be refunded in enterprise zone.
[3]Computers used in manufacturing, or to process data for insurance, financial institutions, and some commercial operations exempt.
[4]When necessary for product changes.
[5]Except pollution abatement equipment.
[6]Must be new or expanding firm. Equipment installed in new construction.
[7]Except when for product diversification.
[8]Exempt for qualified new or expanding firms in manufacturing, warehousing, transportation, distribution.
[9]No enterprise zones.
[10]Manufacturing and farm equipment and machinery, new and replacement, is exempt from local sales taxes in most communities (K.S.A. 12-190)

Corporate Income Tax and Enterprise Zone Credits

All six states impose a corporate income tax. The corporate income tax comprises a relatively small share of state revenue across all the states. Of the six states, Kansas had the largest percentage of state revenue generated from corporate income tax in 1986, 8.2 percent. Oklahoma had the smallest share, 3.6 percent. The state corporate income tax is a net profits tax imposed on all taxable income derived within the state. Multi-state corporations pay only on taxable income that is calculated to be derived from the operations in that specific state. Missouri, Nebraska and Colorado (fully effective July 1, 1993) all impose a flat 5 percent corporate income tax. Kansas has the next lowest rate with a tax of 4.5 percent plus a 2.25 percent surtax on taxable income over $25,000. Nebraska and Iowa have the highest corporate income tax rates. Income over $50,000 is taxed at a rate of 6.65 percent in Nebraska and in Iowa the tax is broken into four brackets which range from 6.0 percent on the first $25,000 of taxable income to 12 percent on income over $250,000. In Missouri an additional local corporate income tax is added in the cities of Kansas City and St. Louis. This tax equals 1.0 percent of net profits apportioned to activities in the cities.

One significant income tax deduction, a deduction for federal income taxes paid, dramatically alters the effective income tax rates paid by firms. Only six states in the United States allow such deductions. Table 7 shows that only Iowa and Missouri among the states in the region permit federal income tax deductibility; in both states this has some restrictions.

A recurrent problem in state income taxation is the treatment of income of multi-state firms. States employ a variety of methods to determine the percentage of a multi-state firm's profits which is taxable in-state. Nationally, the most common way to compute this percentage is known as the three-factor formula. For each of three factors (sales, property, and payroll) the ratio of in-state values to total firm values are calculated. A weighted average of the three ratios determines the proportion of taxable net income which is assigned to a particular state. Kansas and Oklahoma use a three factor formula exclusively. Colorado and Missouri firms have the option to use the three factor formula or an alternative. In Colorado, the firm may opt for a two-factor formula, based 50 percent on sales and 50 percent on property. A single-factor formula based solely upon sales is an option for multi-state firms in Missouri. The single factor formula is the only method employed in Iowa and Nebraska (fully effective January 1, 1992). Under a sales only allocation formula, a firm which exports most of its products pays very little income tax to the state in which it is located.

While corporate income taxes comprise only a small share of state revenues, they are a significant tax cost to firms. In an effort to encourage new and expanding firms, each of the six states has chosen to offer corporate income tax credits and deductions as economic development incentives. Colorado, Kansas, Nebraska, and Oklahoma have introduced or expanded such credits since 1986.

Iowa and Kansas are innovative in the region in offering an incentive to encourage research and development. In both states the credit is equal to 6.5 percent of qualifying research expenditure. Table 8 spells out the details of the credit.

More common income tax incentives include credits for new jobs and investment, and credits for job expansion. The specifics of the credits vary among the states, as shown in Table 9. All states except Kansas allow the credit up to 100 percent of income tax liability; in fact, Missouri even allows a refund to firms with credits in excess of their tax liability. Kansas limits the credit to a maximum of 50 percent of the tax liability. In 1987 Nebraska legislated two new job and investment credit bills, one of which allows for credits of $1,000 per new job and $1,000 per $100,000 investment. The initial impact of this credit is ten times the credit offered in Kansas, $100 per new job and $100 per $100,000 investment. However, Kansas allows the credit to be claimed for 10 years, while Nebraska only allows unused portions of new job and investment credits to be carried over. Kansas and Missouri extend job and investment credits over the longest time period, ten years. Only Missouri distinguishes the credit between new and expanding firms. An expanding firm receives $25 more per job and per $100,000 investment in Missouri.

Special tax credits are also offered to firms located in specified distressed areas or enterprise zones. All of the six states except Iowa and Nebraska employ this kind of designation. Colorado, which established enterprise zones in 1986, is the latest of the states adopting such legislation. The definition of a "distressed" area and the criteria making a firm eligible for enterprise zone credits vary from state to state. Table 10 lists the eligibility requirements for enterprise zone benefits, and Table 11 summarizes the details of enterprise zone tax credits. Table 11 reveals that income tax credits are significantly larger for firms operating within enterprise zones than for their counterparts operating outside the zones.

Colorado triples the 1 percent statewide investment tax credit for firms in an enterprise zone, and lessens the restrictions. The Kansas enterprise zone credit can reach $500 per new job if the employee is eligible for federal targeted jobs tax credits. Missouri's credit may be up to $1,200 per job plus $400 for training a zone resident. Missouri also allows an exemption from state income taxation on up to half of the Missouri taxable income earned by a business within the zone for up to 10 years. Within enterprise zones, Oklahoma doubles the statewide 1 percent investment tax credit.

Credits and deductions can make an enormous differences in the income tax bills of a firm. This is especially true of a new firm, where most employees and investment will qualify for economic development incentives. These incentives may causes larger interstate variations in tax payments than do differences in tax rates. Part 2 of this report incorporates tax incentives into a comparison of taxes between the states.

Table 6

State Corporate Income Tax Rates and Apportionment Allocation Method for Multi-State Corporations

	Rate	Apportionment Allocation Method for Multi-State Corporations
Colorado	For FY 1987-1988: First $50,000 -- 5.5% Excess of $50,000 -- 6% Beginning in FY 1989: flat 5% rate will be phased in, fully effective July 1, 1993.	Choice of two-factor formula (one half each sales, property) or three-factor formula (one third each sales, property, payroll).
Iowa	First $25,000 -- 6% Next $75,000 -- 8% Next $150,000 -- 10% Over $250,000 -- 12%	Single-factor formula (sales).
Kansas	First $25,000 -- 4.5% Over $25,000 -- 6.75%	Three factor formula. One third each payroll, property, sales.
Missouri	Flat 5%.*	Choice of single-factor formula (sales) or three-factor formula (one third each factor)
Nebraska	First $50,000 -- 4.75% Over $50,000 -- 6.65%	Single-factor formula (sales) will be phased into law over a five-year period, effective January 1, 1988. Until then, the single-factor and three-factor formula will be combined at varying weights.
Oklahoma	Flat 5%	Three factor formula, one third each factor.

*Missouri also has a local corporate income tax in the cities of Kansas City and St. Louis. This earnings tax is equal to 1% of net profits from activities in the city.

SOURCE: Information provided by individual states. See Appendix A.

Table 7

Federal Corporate Income Tax Deductibility

Colorado	No
Iowa	Yes (50% of federal income tax is deductible)
Kansas	No
Missouri	Yes (specifically limited to federal income tax on income taxed by Missouri)
Nebraska	No
Oklahoma	No

SOURCE: State Tax Guide, Prentice-Hall, 1987.

Table 8

Research and Development Tax Credit

Colorado	--
Iowa	6.5% of apportioned share of qualifying research expenditure in Iowa (qualifications tied to federal credit).
Kansas	Beginning in 1988, credit for research and development expenditures in Kansas is 6.5% of the amount by which such expenditures exceed the taxpayer's average actual expenditures for R and D in the taxable year and the next two preceding taxable years. In any taxable year, the maximum deduction from tax liability is 25% of the earned credit plus carryovers. Any amount by which the allowed portion of the credit exceeds the taxpayer's total Kansas tax liability may be carried forward until used.
Missouri	--
Nebraska	--
Oklahoma	--

SOURCE: Information provided by individual states. See Appendix A.

Table 9

New Job and Investment Tax Credit

	Tax Credit	Limitation
Colorado	1% tax credit for investment in qualified depreciable property (effective January 1, 1988).	100% of tax liability up to $1,000. Excess may be forwarded up to 3 years.
Iowa	6% of wages subject to unemployment insurance for new jobs created.	a) Must enter into agreement with an area community college. b) Must increase employment 10% above existing base level. c) Excess may be forwarded up to 10 years.
Kansas	$100/new job; $100/$100,000 investment	50% of tax liability. Can be claimed for maximum of 10 years.
Missouri	New Firm: $75/new job; $75/$100,000 investment. Expanding firm: $100/new job; $100/$100,000 investment.	100% of tax liability. Can be claimed for 10 years. a) can be deferred for up to three years. b) must add at least two new employees. c) office tenants must employ 50 or more persons.
Nebraska	For smaller businesses: $1,000/new job: $1,000/$100,000 investment.	a) Must increase business by 2 full-time employees. b) Minimum of $100,000 investment. c) Cannot exceed 50% of tax liability for 5 years. d) Must meet qualifying criteria.
	For larger businesses: 1)a) Tax credit equal to 5% of compensation paid to new employees, for 7 yrs. b) 10% tax credit for investment in qualified depreciable property. c) Refund of sales and use taxes for all purchases of depreciable property.	1)a) At least $3 million investment and 30 new jobs. b) Up to 100% of tax liability. Firm stays eligible for 7 years. c) Excess must be used within 15 years.

	d) Up to 15 years use of sales-factor only formula.	
	2) In addition a-d: e) Personal property tax exemption for 15 years for turbine-powered aircraft and mainframe computer. f) Personal property tax exemption for 15 years for equipment used in manufacturing or processing of agricultural products.	2)a) At least $10 million investment and 100 new jobs. b) Up to 100% of liability for 7 years, excess may be used during a 15-year period.
	3)a) Immediate use of sales-factor only formula. b) Refund of all sales and use taxes for all purchases of depreciable property.	3) At least $20 million investment in qualified property.
Oklahoma	For each new worker, 1% of new investment in depreciable property placed in service before 1995. Investment qualified for credit cannot exceed $50,000/new employee.	100% liability for 5 years a) must be a manufacturing or processing firm. b) investment must be at least $50,000 c) investment cannot decrease number of full-time employees in the state. d) minimum annual salary/new job must be at least $7,000

SOURCE: Information provided by individual states. See Appendix A.

Table 10

Enterprise Zone Credits

	Eligibility
Colorado	Business must qualify under federal investment tax credit guidelines which existed in 1986. Business must reside in Enterprise Zone for at least one year, and be a new facility used to operate a revenue producing enterprise or be an expansion of at least $1,000,000 or double original investment.
Iowa	No Enterprise Zones.
Kansas	Business in an Enterprise Zone must be revenue-producing enterprise paying Kansas income tax. In addition, a business must invest at least $51,000. There must be at least two new employees as a direct result of the investment.
Missouri	Business must establish or expand operations in an Enterprise Zone involving new capital investment and/or the creation of new jobs. In addition, qualifying criteria include: 1) At least 30% of persons employed must reside within the zone. [A temporary waiver or reduction of this requirement may be granted for up to 18 months to small businesses employing 20 or fewer full-time employees.] 2) Included are all revenue-producing businesses including offices that employ 50 or more, as well as businesses that sell products or lease/rent residential property to low and moderate income persons.
Nebraska	No Enterprise Zones.
Oklahoma	Business must be involved in manufacturing or processing.

SOURCE: Information provided by individual states. See Appendix A.

Table 11

Enterprise Zone Job and Investment Tax Credits

	Tax Credit	Limitation
Colorado	Option of tripling statewide investment tax credit of 1%, or claiming enterprise zone credit of 3%. More restrictions on statewide credit. $500 per new job.	100% of liability up to $5,000 plus 25% of tax liability above $500. Excess may be carried forward 7 years and back 3 years.
Iowa	No Enterprise Zones.	
Kansas	$350/new job ($500/new job if employer is eligible for federal targeted jobs tax credit) and $350/$100,000 of new investment.	50% of liability for 10 years.
Missouri	Up to $1,200/new job plus up to $400/new job for training zone resident or employee who is considered unemployable and 10% credit for first $10,000 investment 5% credit for next $90,000, and 2% of remaining investment. Additionally, 50% of taxable income earned in enterprise zone is exempt from state income tax for first 10 years.	100% of liability for 10 years 50% of excess refunded up to $75,000 on tax credits earned during the first 2 years of operations.
Nebraska	No Enterprise Zones	
Oklahoma	2% tax credit/$50,000 investment in qualified depreciable property.	100% of liability for 5 years --investment cannot decrease number of full-time employees in the state.

SOURCE: Information provided by individual states. See Appendix A.

Property Tax

State and local governments levy property taxes on the value of land, buildings, and equipment owned by businesses and households. Property taxes provide the major source of local tax revenue in all of the states in the region. Regionally, the property tax as a percentage of local tax collections ranges from 56 percent in Missouri to 98 percent in Iowa. It is a significant tax faced by businesses; Part 2 of this study shows that it surpasses the state income tax for many firms. Furthermore, firms owe property taxes regardless of whether they show a profit.

As illustrated in Table 13, the types of business property subject to taxation vary across states. Real property, which includes land and buildings, is subject to taxation in all jurisdictions considered in this study. Manufacturing machinery and equipment adds to the tax base in all of the states considered. Other personal property of firms is taxable in most states except Iowa, which repealed all personal property taxes effective January 1, 1987. The majority of the states in this study exempt inventories from property taxes to some degree, and all states make provisions for goods in transit. In recent years, many states have expanded the power of localities to exempt new or expanding firms from some or all property tax payments. The impact of property taxes on any given firm depends on whether that firm is eligible for any development tax incentives.

Taxes paid by households affect the cost of living in a locality, and may indirectly influence firm locations. All of the six states tax residential real estate. In some states, household personal property is also taxed. Localities in Kansas tax the value of motor vehicles; while this is not strictly part of the personal property tax, its effects are similar.

The actual property tax paid in a community depends both on a mill levy, which can be stated as the dollar tax per $1000 assessed valuation, and an assessment ratio, which relates the assessed value to the market value of a property. Since property taxes are primarily local, some states allow localities to determine both the mill levy and assessment ratio. The only requirements are that these both be within the maximum or statutory limits set by the state. Even in states which require a uniform assessment ratio across localities, the assessment practices of various cities and counties may lead to very different effective assessment ratios. Property tax assessment usually aims at establishing the fair market value of a property, but the definition of fair market value varies among and within states. The effective tax rates shown in Table 12, calculated as the mill levy multiplied by the actual assessment ratio, show average actual tax payments as a percentage of fair market value.

The cumulative property tax rate in a given locality generally consists of a number of individual property taxes--city, county, school district, and assessment district. Tax rates vary widely within states; the reported range of rates in Table 12 shows intrastate variations to be substantial. While the computed state average may not be representative of any particular location in the state, it nevertheless provides an indicator of whether property taxes are high or low. Table 12 summarizes the state average mill levy and the state average actual assessment ratio, as well as the official assessment ratio. Independent estimates of the average mill levy were obtained from the Prentice-Hall, State Tax Guide and directly from state property taxation divisions; both are included for comparison. The average actual assessment ratios were provided by the individual states. States frequently assess different classes of property at different ratios. This is often written into state statutes, but sometimes results simply because of the assessment practices employed within the state. Table 12 notes differences in assessment ratios among classes of property.

In 1986, Kansas was among the lowest taxed states in the region for residential and commercial-industrial real estate. Only Oklahoma had a lower effective commercial-industrial rate, and only Missouri and Oklahoma had lower effective residential rates. Nebraska and Iowa tax rates on both commercial-industrial and residential property were considerably higher than those in Kansas in 1986. 1986 effective assessment ratios were not available for Colorado. However, a rough approximation of the effective tax rates which will apply in the next few years can be made by multiplying the post-reassessment estimated mill levy of 57.45 mills by the Colorado statutory assessment ratios of 21 percent and 29 percent.. This results in an estimated tax on residential property of 10.34 mills and on commercial-industrial real estate of 16.66 mills, placing Colorado in the middle of the states surveyed.

A major change in property taxation is currently taking place in Kansas. As of 1989, different statutory assessment ratios will apply to various classes of property. Simultaneously, Kansas property is undergoing a major reassessment. After reassessment and classification of property in Kansas, estimates indicate that the average effective tax rates on commercial-industrial and residential real estate will be 27.99 and 11.2

mills respectively.[2] It appears that the rate for commercial-industrial real estate will increase substantially.

Businesses are particularly concerned with taxes on two classes of property in addition to commercial-industrial real estate: inventories and machinery and equipment. Only Oklahoma and Kansas include inventories in the property tax base. Effective January 1, 1989, Kansas will begin to exempt inventories from property taxes. Until that time, businesses which engage in interstate trade are entitled under the provisions of the Kansas Freeport Law to an exemption from the inventory tax based on the proportion of their shipments made to other states. All of the states except Iowa tax all business machinery and equipment; Iowa taxes only manufacturing machinery and computers. The states attempt to assess some measure on the fair market value of machinery and equipment. However, the particular rules used to appraise the market value may result in estimates which diverge from economic measures of value such as used asset prices. Nevertheless, the measured value and market value are likely to be close for new equipment.

The property taxes paid by a business are actually a composite of the taxes which apply to the major categories of business property: real estate, inventories, and machinery. Even where the statutory assessment ratios on these types of property are the same, the effective assessment ratios may differ. Table 13 illustrates the case of a hypothetical firm with $250,000 in real estate, $500,000 in machinery, and $100,000 in inventories. It is assumed that the fair market values of equipment and

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[2]Calculated by multiplying Kansas Department of Revenue estimate of average mill rate times statutory assessment ratios of 30 percent for commercial-industrial and 12 percent for residential.

inventories are estimated correctly, so that statutory and effective rates for these types of property are identical. The effective assessment ratios of Table 12 are applied to real estate.

For a firm with the asset structure indicated, property taxes range from a low of $7,484 in Oklahoma to a high of $23,636 in Kansas, using 1986 Kansas rates. Kansas property taxes are high due to the relatively high taxes applied to machinery. After reassessment and property classification in Kansas, a firm such as the one shown would experience a considerable reduction in taxes, due to the reduction in the statutory assessment ratio on machinery from 30 percent to 20 percent. However, it should be pointed out that a firm with small inventories and a large real estate component could actually end up paying higher taxes after Kansas property tax reforms.

Abatement of property taxes on land, buildings, and equipment is a notable incentive found with varying restrictions in all of the six states. Kansas allows a local option for a property tax exemption of up to 10 years for new firms engaging in manufacturing, research and development, and interstate warehousing. Expansions of existing businesses also qualify if new employment is created as a result. Iowa offers a broad package of exemptions. As a local option, a percentage of the value added to industrial property due to new construction and acquisition of new machinery may be excluded from the property tax base for up to five years. The exemption is limited to manufacturers, distributors, and warehouses. Additionally, Iowa assesses industrial equipment and computers at a different rate than other property. Assessment is at 30 percent of acquisition cost rather than full market value. This lowers the effective tax on business property. Iowa also makes special provisions for both residential and industrial property in urban "revitalization areas." Improvements made to industrial property can be fully exempted from the property tax for three years or partially exempted for ten years. Missouri offers property tax abatements in blighted urban areas and in economically depressed areas qualifying as enterprize zones. Developers in designated blighted urban areas are eligible for a complete abatement of taxes on improvements for ten years and for a partial tax abatement for an additional fifteen years. Within designated enterprise zones, localities are required to abate at least 50 percent of the property tax on improvements for 25 years; they are authorized to abate property taxes up to 100 percent. Manufacturing and research and development firms operating in Oklahoma may receive tax relief for a period of five years on the value they add to property. To qualify for property tax exemption, a firm must be new to Oklahoma or expand into a new facility. Legislation passed by the Nebraska Legislature in 1987 offers limited property tax relief. Firms investing at least $10 million and hiring at least 100 new employees in a business directly involved with the processing of agricultural products are eligible for a fifteen year tax exemption on equipment. 1987 Colorado legislation allows localities to reduce property taxes of firms which locate in enterprise zones. Property tax abatements are limited to the value which the firm adds to the property. Additional guidelines have not yet been worked out.

Table 12

Property Tax

	Average Mill Levy per $1 of Assessed Value (Range)[1]	Average Actual Assessment Ratio for 1986	Statutory Assessment Ratios	Average Effective % Tax Rate per Current Fair Market Value[2]
Colorado	88.74 (33.87 - 114.96) 101.123 (57.45)[3]	Residential: 21% of 1977 value. All other except agriculture, oil, gas and producing mines: 29% of 1977 value. Gas and mines based on production. Starting in 1987, assessments based on 1985 values. Residential assess. ratio will be 18%.	Res: 21% Other: 29%	Not available
Iowa	29.228 (20.03 - 38.46) Not available	Agriculture assessed at productivity. Commercial and industrial assessed at market value. Residential: 77% of market value.	100% 30% for industrial equipment[6]	Res: 22.5 Ind: 29.3
Kansas	185.215 (71.46 - 376.68) 115.28 93.3[4]	Residential: 7.71% Commercial: 9.86% Industrial: 10.0%	30%[5]	Res: 8.88 Ind: 11.52
Missouri	49.04 (27.50 - 71.00) 42.60	Residential: 18.7% Agriculture: 11.7% Commercial-industrial: 31%	33 1/3%	Res: 7.97 Ind: 13.21
Nebraska	27.529 (20.28 - 33.28) 24.103	Single family home improved: 84.92% Multi-family home improved: 82.47% Commercial improved: 85.53% Industrial improved: 87.72%	100%	Res: 20.47 Ind: 21.14
Oklahoma	81.143 (54.00 - 125.31) 81.00	Effective 1988: real property must be between 10 and 15%. Commercial-industrial: 10.87% Residential: 10.5%	35% max.	Res: 8.50 Ind: 8.80

1 First mill average levy and range obtained from Prentice-Hall, State Tax Guide. Average mill levy below obtained directly from state taxation departments (see Appendix A).
2 Average effective tax rate per $1000 of fair market value calculated by multiplying average mill levy by average actual assessment ratio for 1986 (urban and commercial ratios used as denoted by state). The average mill levy for 1986 received directly from state was used for all states except Iowa.
3 Estimate of mill levy for 1987, following reassessment, calculated as (mill levy based on 1977 values)/1985 housing price index for Western U.S.
4 Estimate of mill levy following reassessment and reclassification, Kansas Department of Revenue.
5 As of January 1, 1989, Kansas statutory assessment ratios will be as follows: Residential: 12%, Commercial-industrial: 30%, Commercial and industrial machinery: 20%.
6 Machinery used in manufacturing and computers are assessed at 30% for acquisition cost less depreciation. Other business personal property not taxed.

Table 13

Property Taxes for a Hypothetical Firm and State Ranking

1. Kansas--before reassessment and classification

	Land, Build.	Machinery	Inventory	Total
Asset Amt.	$250,000	$500,000	$100,000	$850,000
Tax Rate	0.1153	0.1153	0.1153	0.1153
Assess. Ratio	0.1	0.3	0.3	----
Effective Rate	0.01153	0.03459	0.03459	0.0278
Tax	$2,883	$17,295	$3,459	$23,636

2. Kansas--after reassessment and classification

	Land, Build.	Machinery	Inventory	Total
Asset Amt.	$250,000	$500,000	$100,000	$850,000
Tax Rate	0.0933	0.0933	0.0933	0.0933
Assess. Ratio	0.3	0.2	0	----
Effective Rate	0.02799	0.01866	0	0.0192
Tax	$6,997	$9,330	$0	$16,328

3. Colorado--using post-reassessment estimate of property tax rate

	Land, Build.	Machinery	Inventory	Total
Asset Amt.	$250,000	$500,000	$100,000	$850,000
Tax Rate	0.0575	0.0575	0.0575	0.0575
Assess. Ratio	0.29	0.29	0	----
Effective Rate	0.016675	0.016675	0	0.0147
Tax	$4,169	$8,338	$0	$12,506

4. Iowa

	Land, Build.	Machinery	Inventory	Total
Asset Amt.	$250,000	$500,000	$100,000	$850,000
Tax Rate	0.0293	0.0293	0	0.0293
Assess. Ratio	1	0.3	0	----
Effective Rate	0.0293	0.00879	0	0.0138
Tax	$7,325	$4,395	$0	$11,720

5. Missouri

	Land, Build.	Machinery	Inventory	Total
Asset Amt.	$250,000	$500,000	$100,000	$850,000
Tax Rate	0.0426	0.0426	0	0.0426
Assess. Ratio	0.31	0.31	0	----
Effective Rate	0.013206	0.013206	0	0.0117
Tax	$3,301	$6,603	$0	$9,904

6. Nebraska

	Land, Build.	Machinery	Inventory	Total
Asset Amt.	$250,000	$500,000	$100,000	$850,000
Tax Rate	0.0241	0.0241	0	0.0241
Assess. Ratio	0.8772	1	0	----
Effective Rate	0.02114052	0.0241	0	0.0204
Tax	$5,285	$12,050	$0	$17,335

7. Oklahoma

	Land, Build.	Machinery	Inventory	Total
Asset Amt.	$250,000	$500,000	$100,000	$850,000
Tax Rate	0.081	0.081	0.081	0.081
Assess. Ratio	0.1087	0.1087	0.1087	----
Effective Rate	0.0088047	0.0088047	0.0088047	0.0088
Tax	$2,201	$4,402	$880	$7,484

Ranking of States According to Hypothetical Firm Property Taxes

	State	Effective Rate
1.	Oklahoma	.0088
2.	Missouri	.0117
3.	Iowa	.0138
4.	Colorado	.0147
5.	Kansas	.0192
6.	Nebraska	.0204

Table 14

Tax Status of Business Property and Goods With Regard to Property Tax

Type of Property	Colorado	Iowa	Kansas	Missouri	Nebraska	Oklahoma
Land and Buildings	Taxed (9)	Taxed (1)(2)	Taxed (4)	Taxed (6)	Taxed	Taxed (8)
Machinery and Equipment	Taxed (9)	Taxed (1)(2)(3)	Taxed (4)	Taxed	Taxed (7)	Taxed (8)
Inventories	Exempt	Exempt	Exempt (4)(5)	Exempt	Exempt	Taxed
Goods in Transit	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt

(1) As a local option, the value added to property by the acquisition of new equipment or by new construction by establishments in manufacturing, warehousing, and research is partially exempted for 5 years. Exemption for the first year is 75%. Exemption is 15% less each additional year.

(2) In urban "revitalization areas," improvements to property may be exempted 100% for 3 years on a partial basis for 10 years, starting with 80% the first year and declining thereafter.

(3) Manufacturing machinery and computers assessed at 30% of acquisition cost less depreciation. Other business personal property exempt.

(4) Property tax abatement of up to 10 years as local option for land, buildings, equipment, and other tangible personal property, used for
(a) manufacturing articles of commerce.
(b) conducting research and development.
(c) storing goods of interstate commerce.

(5) Property tax on inventories will be repealed effective 1-1-89. Until that time, firms engaged in interstate commerce may be eligible for a proportional exemption equal to the percent of interstate trade in total shipments under the Kansas Freeport Law.

(6) In blighted urban areas, property tax on improvements abated 100% for 10 years and 50% for an additional 15 years. In enterprise zones, property tax on improvements abated between 50% and 100% for 25 years. Applies to real estate only.

Table 14 cont.

(7) A 15 year property tax abatement for agricultural processors investing at least $10 million and hiring at least 100 new workers.

(8) Manufacturing and research and development operations are eligible for 5-year exemption from all property taxes associated with
(a) the construction of a new facility,
(b) the expansion of an existing facility,
(c) the acquisition of certain unoccupied facilities.
The exemption extends to land, buildings, structures, machinery, equipment, and personal property used in the production process.

(9) Local option for property tax reductions in enterprise zones, starting July, 1987. Will apply to the increase in the value of property due to new or expanding businesses.

SOURCE: Directory of Incentives for Business Investment and Development in the United States, 1986. Information also provided by individual states. See Appendix A.

Franchise Tax

The corporate franchise tax is imposed on corporations for the privilege of conducting business in a state. Corporate franchise taxes are usually based on a firm's net worth. As indicated in Table 15, Kansas, Missouri, and Oklahoma levy franchise taxes as a percentage of a firm's capital value. Nebraska levies a corporate occupation tax which ranges from $13 to $11,995, depending on the firm's capital value. In Iowa, the franchise tax applies only to financial institutions and is not applicable to industrial corporations. However, Iowa imposes a licence fee which ranges from $15 to $3000. Since many firms are multi-state corporations, the taxable base of the franchise tax must be determined; the apportionment formula generally depends on the ratio of in-state assets to total assets.

Of the three states levying an independent franchise tax, Oklahoma's is the highest at 0.125 percent. The minimum tax in Oklahoma is $10 and the maximum is $20,000. Kansas is next highest, with a tax of 0.1 percent of shareholder's equity, a minimum tax of $20 and a maximum tax of only $2,500. Missouri's franchise tax rate is the smallest at 0.05 percent with a minimum tax of $25, but Missouri puts no cap on franchise tax payments. The Nebraska corporate occupation tax and the Iowa licence fee each define taxes in terms of brackets which depend on the firm's in-state capital.

Table 15

Franchise Tax

Colorado	None.
Iowa	5% of taxable income only on financial institutions. Corporate licence tax ranges from $15 to $3000.
Kansas	0.1% of corporation shareholder's equity attributable to Kansas. Minimum tax: $20; maximum tax: $2,500.
Missouri	0.05% on value of outstanding capital stock and surplus. Minimum tax: $25.
Nebraska	Corporate Occupation Tax ranges from $13 to $11,995.
Oklahoma	0.125% on value of capital invested or used in Oklahoma. Minimum tax: $10; maximum tax: $20,000.

SOURCE: Information provided by individual states. See Appendix A.

Unemployment Insurance

Unemployment insurance compensates a worker for wages lost while he or she is involuntarily unemployed yet willing and able to work. Employers must pay both federal and state unemployment insurance taxes but the state tax is by far the largest. Although the federal government establishes broad regulations, the details of unemployment insurance programs are essentially state specific. Federal restrictions exist to ensure that reserves are adequate in order to maintain the solvency of each state's system. The states define the fundamentals including eligibility rules, benefit provisions, administration and financing. Both benefits and taxes vary widely among states.

Because unemployment insurance payments depend on both firm specific and state specific characteristics, a comparison of unemployment insurance rates among the states is difficult. The unemployment insurance tax rate assigned to an employer depends on a firm's unemployment experience as well as the state's total unemployment compensation trust fund experience. A firm with a positive contribution-benefit balance will be charged lower rates than one with a negative balance. Unemployment insurance rates are volatile, increasing and decreasing in accordance with the state trust fund's economic condition.

Table 16 shows 1987 state data from the Prentice-Hall, State Tax Guide. The new employer's rate indicates the percentage of payroll which would be paid by a firm new to the state. The 1987 minimum and maximum rates show the range of rates applied, while the statutory minimum and maximum show the range of rates allowed by law. Within the permissible rates, the actual rate paid by a firm depends primarily on the amount of claims made by its previous employees. The taxable wage base shows the amount of the annual wage of each individual employee which is subject to the insurance premium. For a firm with high turnover, a large share of annual wage payments will fall within the taxable base, and all taxable wage payments will be subject to high insurance rates. Missouri has the lowest 1987 minimum tax, 0 percent, and Oklahoma has the highest 1987 maximum tax, 9.2 percent. Kansas's unemployment insurance rates are in the middle. Of the six states, it has the second lowest 1987 minimum at 0.06 percent and the third highest 1987 maximum at 6.4 percent. The Kansas taxable wage base is also average. For 1987, it was $8000, the third smallest of the six states. Iowa recorded the high of $12,300 and Nebraska the low at $7000. All states except Colorado require unemployment insurance payments from firms which employ one or more persons for twenty weeks. In Colorado employers of one or more employees for thirteen weeks are liable.

More comprehensible comparisons can be drawn from Table 17. Each state maintains a trust fund to support the payment of unemployment claims. The net worth of the fund is the balance in the fund minus loans from the federal government. Kansas is clearly the leader in this category. Of the six states, Kansas's net trust fund worth ranked highest at $346.88 per covered worker. It ranks eighth in the nation. Nebraska is a distant second in the region, with an unemployment compensation trust fund balance of $148.77 per covered worker. The strength of a state's unemployment insurance fund depends both on its balance and on the magnitude of unemployment insurance claims. Table 17 shows the average unemployment compensation benefits paid per covered worker, per year. This indicates the current level of withdrawals from the unemployment compensation trust fund. For 1987, Kansas withdrawals were average among the six states. With modest claims and a healthy trust fund balance, Kansas unemployment insurance rates are likely to remain comparatively stable.

Table 16

Unemployment Insurance Rates and Bases

	1987 New Employer's Rate	1987 Minimum	1987 Maximum	Statutory Minimum	Statutory Maximum	1987 Taxable Wage Base	Number of Employees to Make Employer Subject to Tax
Colorado	Greater of standard rate, experience rate, or average industry rate, unrated employers pay 3% (new employers are subject to the 0.3% surcharge)	0.6%. Includes 0.3% surcharge	5.7%. Includes 0.3% surcharge	0%	5.4%	$9,000 For 1988: $10,000	1 for 13 weeks
Iowa	1.8% to 2.3%. New construction employers pay 9%	0.5%. Does not include surcharge of negative-balance employers	7%. Does not include surcharge of negative-balance employees	0%	7%	$12,300 Greater of 66 2/3% of statewide average annual wage base increased by $1,600	1 for 20 weeks
Kansas	1% plus the greater of average industry rate or average rate for all covered employers but not less than 2%	0.06%	6.4%. Includes 0.1% to 1% surcharge for negative-balance employers	0%	5.4%	$8,000	1 for 20 weeks
Missouri	Higher of average industry rate or 2.7%. For 1987: 2.7% to 5.4%	0%. Minimum rate for employers failing to file reports is 5.4%	6%	0%	6%	$7,500. Increased and decreased by $500 if fund reaches a certain point	1 for 20 weeks
Nebraska	3.5%	0.1%	5.4%	Fixed annually	5.4%	$7,000	1 for 20 weeks
Oklahoma	3.1%	0.3%	9.2%	0.1%	5.5%. Rates may be increased by surcharges	$9,100	1 for 20 weeks

SOURCE: State Tax Guide, Prentice-Hall, 1987 and information provided by individual states (see Appendix A).

Table 17

Unemployment Insurance Benefits and Net Worth, 1986

	Average Benefit Per Worker[1]	Trust Fund Net Worth Per Worker[2]
Colorado	$149.88	$ 74.05
Iowa	$214.97	$ 63.35
Kansas	$151.13	$346.33
Missouri	$117.00	$137.74
Nebraska	$128.90	$148.77
Oklahoma	$177.20	$117.60

1 Average unemployment compensation benefits paid per covered worker per year.

2 Net worth of state unemployment compensation fund per covered worker. Balance of trust fund minus loans from federal government.

SOURCE: The 8th Annual Study of General Manufacturing Climates of the Forty-Eight Contiguous States of America, Grant-Thornton, 1987.

Workers' Compensation

Labor costs are the single largest factor payment facing most firms. State mandated programs such as unemployment insurance and workers' compensation comprise a considerable portion of labor costs in many industries. Because of the obligatory participation of firms in these programs, this study treats them as taxes.

Workers' compensation laws require firms to compensate workers who are injured on the job, or to pay benefits in the case of a worker's job related death. Although some state governments sponsor an insurance fund for workers' compensation, private companies provide this type of insurance in all of the six states considered in this study. Private firms voluntarily participate in an industry group, the National Council on Compensation Insurance, which does actuary work and suggests rates specific to each industry in a state. The suggested rates are subject to review and revision by state insurance agencies.

A number of factors influence the workers' compensation rate schedule for a given state. These include the magnitude of injury payments, the safety records of workers in the various industry categories, and state regulation. Compensation payments, summarized in Table 18, are determined by state law, and indicate the value of claims which will be made against insurers in the case that a worker is injured. The accident record of firms in an industry suggests the likelihood that a claim will be made. Finally, the state regulatory process may mitigate rate increases, since rate increase are subject to approval. The average insurance rates by state, shown in Table 18, reflect both the insurance structure of each state and the composition of industries within a state.

A clearer picture of workers' compensation rates can be gained by looking at the average rates paid by particular industries listed in Table 19. For all of the industrial categories, Kansas ranks average among the six states, having neither the highest or the lowest rates. Colorado appears to have the largest workers' compensation payments; Colorado's rates were highest or second highest for all of the categories considered.

An individual establishment's workers' compensation depends primarily on the state in which it is located and on the industry in which it is classified. However, the individual characteristics of an establishment also influence the actual rate paid by a firm. Businesses are allowed to rate certain workers at job specific rather than industry specific rates. An example of this is office workers, who can be rated at the very low clerical worker's rate. Businesses with actual accident records better than their industry average qualify for refunds on premiums paid, and those with worse than average experience ratings are subject to additional premiums. Finally, large total premiums entitle a policyholder to a volume discount. All of these factors weigh in the costs that workers' compensation places on a firm.

Table 18

Workers' Compensation Payments and Premiums

	Average Workers' Compensation Insurance Payment[1]	Average Premium[2]	Period Covered
Colorado	$112.46	$3.08	3/83-2/84
Iowa	$273.81	$1.81	1/83-2/84
Kansas	$120.96	$1.84	12/82-12/83
Missouri	$179.34	$1.73	1/83-12/83
Nebraska	$106.27	$1.59	2/83-1/84
Oklahoma	$164.44	$3.26	6/83-5/84

[1] Average weekly payment for permanent or temporary disability. SOURCE: The 8th Annual Study of General Manufacturing Climates of the Fourty-Eight Contiguous States of America, Grant-Thornton, 1987.

[2] Average premium per $100 of payroll for period indicated. SOURCE: Information provided by the National Council on Compensation Insurance.

Table 19

Workers' Compensation Rates by Industry (per $100 payroll)
Applicable Rates as of July, 1987

Classification	Colorado	Iowa	Kansas	Missouri	Nebraska	Oklahoma
Auto Manufacturing and Assembly	10.46	4.08	4.00	3.34	2.52	4.99
Drug Preparation	2.86	1.46	1.92	1.46	1.22	1.78
Printing	3.12	1.53	2.35	1.87	1.80	1.66
Metal Goods Manufacturing	10.31	4.76	6.97	5.87	2.76	11.28
Plastics	4.34	3.52	4.43	3.64	2.70	4.13
Clerical Workers	.34	.17	.19	.22	.19	.35

SOURCE: Compiled from Workers Compensation and Employers Liability, National Council on Compensation Insurance, 1987.

Major Business Tax Revisions

All of the states included in this study have legislated major business tax revisions recently. Table 20 lists the major tax revisions instituted in each state between 1983 and 1987. Each state has made changes to sales tax rates over this period, with the general trend being to increase rates. Nebraska, Colorado, and Oklahoma have made major corporate income tax changes. Both Nebraska and Colorado decreased corporate income tax rates in 1987.

Personal income tax rates have increased in Colorado and Nebraska over this period. Income tax rates are set annually by the Nebraska Legislature in accordance with the need for state revenue. Other states' personal income taxes have remained virtually constant over the five year period.

Tax changes aimed at promoting economic development have been common in the last few years. Colorado instituted enterprise zone legislation in 1987, Iowa granted sales tax exemptions for industrial machinery in 1985, Kansas granted the constitutional authority for property tax abatements in 1986, and Nebraska began a major job and investment tax credit program in 1987. It appears that tax based approaches to economic development will be widely debated in the 1988 legislative sessions.

Table 20

Major Business Tax Revisions (1983-1987)

Tax		Revision
Colorado		
Sales	1983: --	imposed 0.1% sales tax on tourist related transactions.
	--	temporarily increased sales tax from 3% to 3.5%.
	1984: --	allowed temporary sales tax increase to expire.
Corporate Income	1983: --	temporarily suspended corporate income tax rates.
	1985: --	continue flat rate rather than planned graduated rates.
	--	repealed worldwide unitary combination.
	1986: --	increased corporate income tax to 6%.
	1987: --	flat 5% rate being phased in, fully effective July 1, 1993 ("Tax Equity Act of 1987").
Personal Income	1983: --	temporarily suspended income tax indexing and the low income tax credit.
	1985: --	extended temporary increase, suspending 0.5% credit for income below $9,000.
	1986: --	suspended income tax indexing.
Economic Development Incentives	1986: --	enterprise zones established.
	1987: --	enterprise zone investment tax credit allows option of tripling statewide 1% credit or the special enterprise zone investment tax credit.
	--	statewide exemption of purchases of manufacturing equipment from sales and use tax (effective January 1, 1988) in excess of $1000 (minimum does not apply to enterprise zones).
Iowa		
Sales	1983: --	increased from 3% to 4%.
	1985: --	expanded sales tax base to miscellaneous products.
	--	authorized counties and cities to levy a 1% sales tax.
	--	began a lottery.
Economic Development Incentives	1985: --	instituted sales tax credit for industrial and farm machinery.
Kansas		
Sales	1986: --	increased from 3% to 4%.
Personal Income	1983: --	limited federal tax deduction.

Kansas cont.

	1985:	-- limit on federal tax deduction expired.
Unemployment Compensation	1984:	-- Taxable wage base raised from $7000 to $8000.
Severance Tax	1983:	-- instituted severance tax on oil, gas, coal, and salt.
Economic Development Incentives	1986:	-- allowed income tax credit up to 100% of income tax liability for research and development expenditures.
		-- broadened application of income tax credits for business facilities under the Job Expansion Act of 1976.
		-- provided sales tax exemption (instead of refund) for property or services associated with construction or expansion or a qualified business facility located in an enterprise zone.
		-- permitted counties as well as cities to establish enterprise zones.
		-- constitutional amendment permitted counties or cities to allow property tax abatement for up to 10 years on buildings and personal property used by a new business for manufacturing, research and development, or storing goods in transit. An exemption could also be granted for new buildings or for expansions if new employment is created.
		-- extended from July 1, 1986 to July 1, 1988 the law permitting a refund of sales tax on manufacturing equipment and machinery to be used in a new or expanding facility.
Property		-- constitutional amendment classifying property and exempting inventories from property tax.

Missouri

Sales	1984:	-- temporarily raised rate 0.1%.
		-- rate decreased from 4.225% to 4.125% effective July 1, 1990.
	1987:	-- allowed St. Louis County to levy tax up to 3.375%.
		-- allowed other jurisdictions to levy tax up to 3%.

Nebraska

Sales	1983:	-- temporarily raised tax from 3.5% to 4%.
	1984:	-- temporary sales tax increase expired.

Nebraska cont.		
	1985: --	expanded sales tax base by removing certain exemptions (mainly business, utilities).
	1986: --	increased from 3.5% to 4% as of 1-1-87.
Personal Income	1983: --	increased from 18% to 20% of federal tax liability.
	1984: --	reduced rate from 20% to 19% of federal income tax liability.
	1985: --	temporarily increased personal income tax from 19% to 20% of federal tax liability.
	1986: --	allowed tax rate to decrease as scheduled.
	1987: --	personal income tax revised. Before was % of federal income tax. Now based on federal adjusted gross income less deductions.
Corporate Income	1983: --	raised rates.
	1984: --	decreased rates for incomes under $50,000 from 5% to 4.75%.
	1987: --	"sales only" apportionment formula being phased in by January 1, 1992.
Economic Development Incentives	1987: --	new job investment tax credit program with large firms able to qualify for different benefits under three different categories of investment (See Table 8, New Job and Investment Tax Credits).
Oklahoma		
Sales	1984: --	temporarily increased from 2% to 3%.
	1985: --	made increase permanent.
	--	increased from 3% to 3.25%.
	1987: --	increased from 3.25% to 4%.
Corporate Income	1983: --	conformed to ACRS but increased corporate income tax rates offset losses.
	1985: --	increased corporate income tax from 4% to 5%.
Economic Development Incentives	1987: --	expanded investment tax credit to investment in depreciable property put in service before January 1, 1992 to January 1, 1995.

SOURCE: "Significant Features of Fiscal Federalism," Annual Ed.; Advisory Commission on Intergovernmental Relations. Information provided by individual states. See Appendix A.

Part 2.
A State by State Comparison of Business Taxes for Hypothetical Firms in Nine Industries

Introduction

The first part of the study How Well Does Kansas Compete? A Comparison of the Business Tax Structures of Kansas and Nearby States presented an overview of the types and magnitudes of taxes which are paid by business in the six state region. The second part of the study applies the tax structures of six states, Kansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma, to hypothetical firms in each of nine industries. The hypothetical firms been chosen to illustrate a cross section of industries which might be attracted to locations in the region. The industries examined include agricultural processing, manufacturing, telecommunications, and data processing. The study is designed to rank the states in the region according to business tax liabilities.

As illustrated in Part 1 of this study, the tax structures of states in the region vary considerably. Economic development incentives such as new job and investment credits and property tax abatements magnify the variations in state and local taxation. The diversity of tax credits and exemptions across the states makes it difficult to judge whether Kansas imposes high or low business taxes in comparison with its neighbors. The hypothetical firm study provides a way of evaluating the combined effect of a state's tax rates and tax incentives. The resulting tax bills for hypothetical firms in Kansas can be compared with the tax bills in other states to assess the competitiveness of the Kansas taxes.

General Approach to the Hypothetical Firm Study

Part 1 of this study pointed out the importance of tax credits, exemptions, and deductions in determining the taxes which will actually be paid by a firm doing business in Kansas or one of the other states in the region. All of the states in the study provide tax incentives to new manufacturing facilities, and a few of the states extend incentives to firms in non-manufacturing industries as well. Many of the states designate special enterprise zones in which additional tax benefits apply. The abundance of such incentives makes it difficult to compare the business tax structures of states, since so much of any firm's tax environment will depend on whether it meets the qualifications for various tax breaks.

The tax considerations given new or expanding firms generally differ from those facing long established firms with stable employment. States focus economic development incentives almost exclusively at new or expanding firms. In contrast, the basic structure of income and property tax rates exerts a much greater influence on long established firms than on firms which qualify for economic development incentives. While this study concentrates on the tax liabilities of firms which open or expand facilities, it also examines the case of established firms. The examination of new and expanding businesses focusses the study on the role of business taxes in Kansas's ability to compete for new jobs and investment. This is not meant to imply that the tax climate of a state is unimportant to long established firms. However, a long established firm will probably be less sensitive to tax climate than a new firm. The established firm generally has a large investment sunk into its existing facility, a cost which would be difficult to recover should the firm change locations.

This report adopts a hypothetical firm methodology to compare the competitiveness of various site locations. Under this approach, a set of industries is chosen for examination. A representative firm is then constructed for each industry. The costs, sales, assets, and profits of the firm are based on industry averages.

A number of recent studies base their results on a hypothetical firm approach. A 1983 study conducted by the Wisconsin Department of Revenue[3] constructs financial statements for representative firms in seven industries. Under the assumption that a firm's profits and property holdings are independent of the state in which the firm locates, the study calculates tax liabilities in several states. The study considers only long established firms, and hence fails to capture the important impacts of economic development incentives. A study of Michigan's tax competitiveness[4] takes a similar approach, but includes adjustments for property tax abatements and for the interdependence of federal and state income taxes. A 1986 article by James Papke and Leslie Papke measures interstate tax differentials in terms of their impact on after tax profit rates.[5] The article compares the after tax rate of return on investment in sixteen

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[3]Wisconsin Department of Revenue, Corporate Tax Climate: A Comparison of Sixteen States (Madison: Wisconsin Department of Revenue, February, 1983).

[4]Timothy L. Hunt, Michigan's Business Tax Costs Relative to the Other Great Lakes States, (Kalamazoo: W. E. Upjohn Institute for Employment Research, February, 1985).

[5]James A.Papke and Leslie E. Papke, "Measuring Differential State-Local Tax Liabilities and Their Implications for Business Investment Location" National Tax Journal (September, 1986): 357-366.

industries across several states. It appears that the authors account for economic development incentives, although the description of methodology does not make clear how incentives fit into their model. A West Virginia study[6] analyzes the non-tax costs of doing business for hypothetical firms in a number of industries. A forthcoming study will apparently consider tax costs[7]. Finally, a report prepared for the State of Indiana[8] considers both tax and non-tax variables within a single model. Business costs in all fifty states are compared for twenty industries. This study again concentrates on established firms, and ignores the impact of development incentives.

Profiles of the Hypothetical Firms.

This study constructs hypothetical firms to represent a broad range of industries, asset structures, and profitability. Included in the study are two food processing firms (meat products and grain mill products), several basic manufacturing firms (plastics, metal products, construction machinery, motor vehicles), a high technology manufacturing firm (electronic components and accessories), a telecommunications firm, and a data processing firm. Profiles of the hypothetical firms in each industry reflect the amounts of various assets which would be used, the costs which would be encountered,

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[6]Robert Walker and Frank Calzonetti, The Cost of Doing Business in West Virginia: Non-Tax Costs (Morgantown: Center for Economic Research, West Virginia University, April, 1987).

[7]West Virginia Research League, The Cost of Doing Business: The Tax Burden (West Virginia Research League, Inc., forthcoming).

[8]Barry M. Rubin and C. Kurt Zorn, A Comparative Analysis of Interstate Variation in Manufacturing Industry Business Costs (Bloomington, Indiana: Center for Urban and Regional Analysis, Indiana University, June, 1983).

and the sales which would be expected during a year's business. The hypothetical firm profiles reflect national averages for firms in each industry. Tables 26-A through 37-A present the costs, assets and sales of the representative firms. Details of the construction of the firm profiles are found in Appendix C.

Tax Calculations.

The profiles of the hypothetical firms provide information which can be used to calculate most important business taxes, including federal and state corporate income taxes, unemployment taxes and worker's compensation, property taxes, franchise taxes, and sales taxes on business purchases. Briefly, property taxes and franchise taxes are calculated on the basis of the firm's assets, business sales taxes on the basis of the firm's original investment purchases plus calculated replacement investment, and income taxes on the basis of sales minus costs. Because industries differ in their profitability, labor use, and property holdings, tax payments are industry specific. A detailed discussion of the tax calculations for each firm is found in Appendixes D and E.

A major goal of the study is to calculate differences in tax liabilities across states. Variations in state income taxes and property taxes reflect state to state differences in tax rates, differences in tax bases, and differences in the types and amounts of economic development credits for which the firms qualify. Variations in unemployment taxes are explained both by differences in tax rates and in taxable wage bases. Workers' compensation rates vary across the states because of differences in state regulations and fund balances.

Three important aspects of this study improve upon related work. These improvements are intended to estimate as closely as possible the tax variables which would actually affect a firms decision of where to locate production facilities.

First, the study carefully incorporates the impact of economic development incentives. This requires that new and expanding firms be distinguished from long established firms. The study concentrates on new enterprises, calculating tax liabilities for nine industries. Firms are assumed to qualify for all tax based economic development incentives allowed for their respective industries. Firms locating in states which designate special enterprise zones are assumed to take advantage of these additional credits. The study also considers the effect of taxes on long established firms for a smaller set of three industries.

Second, the study calculates tax liabilities in "present value[9]" terms. This feature allows comparison of tax incentives which have different time profiles. For example, Nebraska allows a large $1000 new employee tax credit in the first year that a firm operates. Kansas, on the other hand, grants a much smaller credit, but extends it for up to 10 years. Several years of tax projections are needed to make interstate comparisons accurately. Present value calculations also allows adjustments to be made for tax changes which are written into law but not scheduled to become effective until some future year. Present value calculations are a tool

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[9]The present value of one dollar to be received (or paid) at a time t years from now is the amount that a person would accept (or pay) today in lieu of the transaction at the future date. Present value calculations make corrections for the effect of time. For a more detailed explanation, see William J. Baumol and Alan S. Blinder, Microeconomics: Principles and Policy, 3d ed. (San Diego: Harcourt Brace Jovanovich, 1986), pp. 388-389, or most introductory economics texts.

used to compare streams of payments which differ in their timing. Present value calculations can also be annualized to get a time adjusted yearly average tax payment.

Finally, this study fully accounts for the "federal offset" to state and local taxes. State and local taxes are deductible from federal gross income for corporations. This means that federal taxable income and federal income taxes will differ across the states. In states where state and local taxes are low, federal income taxes will be high. The differences between the states due to state and local taxes will be in part offset by counterbalancing differences in federal taxes.

Non-Tax Business Costs.

Throughout this study, it has been assumed that costs other than taxes are independent of the state in which a firm locates. The study shows only the impact of taxes on a firm's bottom line profits. Clearly, differences among states in the costs of labor, energy, land, and transportation can have an impact on profits at least as large as that of state and local taxes. For example, the study by Rubin and Zorn[10] indicates that for food processing industries, fuel costs in Kansas are over 30 percent higher than in the lowest cost state, Nebraska; labor costs in Kansas are about 13 percent higher than in Oklahoma. The study by Rubin and Zorn appears to be the only hypothetical firm study to consider tax and non-tax costs simultaneously; however, their treatment of taxes, particularly tax incentives, is not as detailed as that of the current study.

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[10]Rubin and Zorn.

Ranking of the States

Tables 21, 22, and 23 summarize the major findings of the hypothetical firm study. Total tax liabilities were calculated for all of the hypothetical firms under each state's tax laws. Federal taxes were included in the totals because of the federal offset factor described previously. The states were ranked for each industry, with the lowest taxed state receiving a rank of 1. An overall ranking based on the average rank over all industries was also developed. States were ranked for taxes which would be paid by new facilities (a new firm or a new plant site) and for taxes which would be paid by long established businesses.

Ranking of New Establishments.

For all of the industries included in the study, a new firm locating in Missouri would pay lower taxes than a similar firm locating in any of the other states in the region. This is due to a combination of low Missouri tax rates and generous enterprise zone credits. Oklahoma and Kansas tie for a second place rank in this comparison. However, the more detailed comparisons based on taxes per employee, shown in Table 22, rank Kansas third. Oklahoma's favorable ranking is primarily due to low property taxes. As shown in the industry summary reports (Tables 26-A through 37-A), Oklahoma property taxes are among the lowest for all industries except telecommunications. Kansas falls between the highest and the lowest taxed states for all industries. Kansas state income taxes appear to be higher than average for all industries, but this is compensated by lower than average property taxes for qualifying firms in enterprise zones. For most industries, Tables 26-D to 37-D to show that overall taxes paid by a Kansas firm are very close to the regional average. Exceptions are structural metal products, where Kansas taxes are about 4 percent lower than average, and telecommunications, where taxes are about 4 percent higher than average. For new firms, Nebraska taxes are the highest in the region overall, and for four of the nine specific industries. This conclusion is based on the assumption that the new firms are too small to qualify for Nebraska's generous credits for firms investing over $3 million.

The rankings of the states in Table 21 are confirmed by the rankings in Table 22. Table 22 adjusts the total taxes paid by various firms by a measure of firm size, the number of employees. The total taxes per employee are then averaged over the nine industries. In the ranking based on total taxes per employee, Kansas taxes per employee appear slightly higher than those in Oklahoma.

The findings of this study should be viewed with three qualifications in mind. First, the study bases its results on the assumption that firms locate within a state in the areas where the largest packages of tax breaks are available. In contrast, an actual firm may pick locations outside enterprise zones or other specially designated areas. Second, the use of state average property tax rates disguises the within state variations in property tax rates which characterize every state. A firm locating in some rural Kansas counties may enjoy a property tax rate considerably below the state average. Finally, and perhaps most importantly, tax considerations are only one of many factors which influence a firm's location. The availability of well trained labor, quality education, good public services, and good transportation may easily outweigh an unfavorable tax ranking.

Table 21

Ranking of States for Nine Industries
New Plant Sites

(1 = lowest tax liability)

SIC	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
201	3	6	2	1	4	5
204	4	3	5	1	6	2
307	3	4	5	1	6	2
344	2	6	4	1	3	5
353	2	4	5	1	6	3
367	4	2	5	1	6	3
371	2	6	4	1	5	3
481	5	2	6	1	4	3
737	4	2	6	1	5	3
AVERAGE	3.22	3.89	4.67	1.00	5.00	3.22
OVERALL RANK	3	4	5	1	6	2

Overall rank based on averages.
Note: Kansas and Oklahoma rank identically in this comparison. Kansas has been ranked third because of its higher average tax per employee ratio (see Table 22).

Industries:

SIC 201 meat products
SIC 204 grain mill products
SIC 307 misc. plastic products
SIC 344 fabricated structural metal products
SIC 353 construction and related machinery
SIC 367 electronic components and accessories
SIC 371 motor vehicles and equipment
SIC 481 telecommunications
SIC 737 data processing and computer services

Table 22

Total Taxes by State and Industry and Total Taxes Per Employee

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Total Taxes by State and by Industry						
201: MEAT PRODUCTS	$110,329	$115,534	$111,301	$106,352	$111,312	$113,542
204: GRAIN MILL PRODUCTS	$398,923	$393,778	$402,254	$367,853	$410,245	$392,328
307: MISC. PLASTIC PRODUCTS	$97,550	$97,908	$101,996	$91,851	$104,120	$97,542
344: FAB. STRUCT. METAL PROD.	$49,532	$56,969	$51,048	$46,648	$49,969	$54,660
353: CONSTRUCT. AND RELATED MACH.	$102,621	$104,273	$106,380	$96,305	$109,980	$104,024
367: ELECT. COMPONENTS	$60,666	$60,217	$61,899	$55,554	$67,696	$60,268
371: MOTOR VEHICLES AND EQUIP.	$177,034	$192,953	$183,142	$164,997	$185,356	$179,093
481: TELECOMMUNICATIONS	$1,062,757	$935,011	$1,065,510	$916,370	$1,001,679	$989,159
737: COMPUTER SERV., DATA PROC.	$99,480	$97,846	$102,953	$90,970	$101,631	$99,057
Total Taxes per Employee by State and by Industry						
201: MEAT PRODUCTS	$6,896	$7,221	$6,956	$6,647	$6,957	$7,096
204: GRAIN MILL PRODUCTS	$30,686	$30,291	$30,943	$28,296	$31,557	$30,179
307: MISC. PLASTIC PRODUCTS	$5,738	$5,759	$6,000	$5,403	$6,125	$5,738
344: FAB. STRUCT. METAL PROD.	$3,810	$4,382	$3,927	$3,588	$3,844	$4,205
353: CONSTRUCT. AND RELATED MACH.	$6,414	$6,517	$6,649	$6,019	$6,874	$6,501
367: ELECT. COMPONENTS	$3,569	$3,542	$3,641	$3,268	$3,982	$3,545
371: MOTOR VEHICLES AND EQUIP.	$9,835	$10,720	$10,175	$9,166	$10,298	$9,950
481: TELECOMMUNICATIONS	$10,628	$9,350	$10,655	$9,164	$10,017	$9,892
737: COMPUTER SERV., DATA PROC.	$9,948	$9,785	$10,295	$9,097	$10,163	$9,906
AVERAGE OF INDUSTRIES	$9,724	$9,730	$9,915	$8,960	$9,980	$9,668
RANK OF STATES	3	4	5	1	6	2

Ranking of Long Established Firms.

The tax situation of a long established firm may differ considerably from that of a new firm. The established firms are not eligible for the credits, abatements, and deductions that most states offer to new and expanding firms only. Furthermore, the depreciation deductions for the established firms are considerably less than those for new firms. The new firms apply the I.R.S. depreciation schedules to a base of new and replacement investment. The established firms apply depreciation to only their replacement investment; it is assumed that their original investment is already fully depreciated. The established firms in this study are assumed to remain constant in size over the period of time considered.

As shown in Table 23, Kansas taxes for established firms rank among the highest in the region for the industries considered. The summary tables for established firms, Tables 28, 31, and 36, indicate various reasons for this result. For grain mill products, a fairly high profit industry, a higher than average state corporate income tax payment hurts Kansas's ranking. This is exacerbated by higher than average property taxes. For metal products, higher than average property and state income taxes are offset by lower than average unemployment and workers' compensation payments, so that Kansas taxes are only slightly higher than the regional average. For telecommunications, where property taxes are a large part of total taxes, higher than average effective property tax rates lead Kansas to be ranked second highest in taxes.

In their overall tax ranking for the six state region, Kansas new and expanding firms fare better than their long established counterparts. New Kansas grain mill firms rank fourth lowest regionally, while established

Kansas firms rank sixth. Similarly, new Kansas metal producers rank second lowest in the region while established producers rank fourth. It appears that generous economic development incentives in Kansas, notably job and investment credits and property tax abatements, improve the Kansas tax climate relative to other states. For telecommunications, Kansas ranks fifth in the region for both new and established firms. Significantly, the status of telecommunications as a public utility disqualifies the industry from most economic development incentives.

Table 23.

Ranking of States for Three Industries
Long Established Businesses

(1 = lowest tax liability)

SIC	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
204	6	3	5	1	4	2
344	4	6	3	1	1	5
481	5	2	6	1	4	3
AVERAGE	5.00	3.67	4.67	1.00	3.00	3.33
OVERALL RANK	6	4	5	1	2	3

Overall rank based on averages.

Industries:

SIC 204 grain mill products

SIC 344 fabricated structural metal products

SIC 481 telecommunications

Impact of Tax Differentials on Firm Profits

The firms in this study are identical in every state except in the tax climates that they face. Hence differences in taxes among the states translate directly into differences in profits. The importance of tax differences can be put into perspective by looking at the resulting profit differentials. Tax differences between the highest and lowest taxed states, and between Kansas and the extreme states have been calculated for all industries. These tax differences have been expressed as a percent of before tax profits, as shown in Tables 24 and 25.

<u>New Establishments.</u>

The impact of tax differentials on bottom line profits varies considerably across industries. For meat products, tax differences would account for only about a 4.6 percent profit difference between the high and low tax states. For such an industry, non-tax locational factors such as labor costs and proximity to transportation are probably more important than tax considerations. For four of the industries investigated, taxes have a moderate impact on profits, in the 6 to 7 percent range. Three of the industries, structural metal products, electronic components, and motor vehicles, have tax differentials in the 9 to 10 percent range. The tax differential for telecommunications is more dramatic, amounting to over 29 percent of before tax profits. State and local taxes are likely to play a larger role in firm decision making the larger impact they have on overall profits.

Kansas profits fall midway between profits in the lowest and highest taxed states for most industries. For meat products, the difference between Kansas and the low taxed state is small; on the basis of taxes alone, Kansas should be able to compete well for firms in this industry. On the other hand, the difference between Kansas and the lowest taxed state, Missouri, is substantial for telecommunications, putting Kansas at a competitive disadvantage.

Long Established Firms.

Table 25 illustrates the impact of taxes on profit differences across states for long established firms. For grain mill products and metal products, profits for an established firm would be about 3 percent higher in the lowest taxed state than in Kansas, assuming that all other costs are the same across the states. Profits of an established telecommunications firm operating in Kansas would be about 14% lower than for a firm operating in the lowest taxed state, Missouri. The established firm comparisons indicate whether taxes discourage firms from remaining in-state. On the basis of taxes alone, Kansas may have difficulty retaining telecommunications firms.

Although these findings show significant differences in the profits that a firm would experience in the various states, the findings should be interpreted cautiously. Differences in labor costs, labor productivity, land values, or materials costs could easily cause profit differences as large as those caused by taxes. In fact, tax differences, may in part be capitalized into the value of industrial real estate. Unfortunately, a complete examination in business cost differences between the states was beyond the scope of this study.

Table 24.

Profit Differences as Percentages of Kansas Profits: New Firms

SIC Code	Difference High-Low State	Difference Kansas-Low State	Difference Kansas-High State
201	4.58	1.84	2.74
204	6.81	4.08	2.73
307	6.12	2.84	3.28
344	10.05	2.58	7.47
353	6.57	2.97	3.60
367	8.96	3.36	5.60
371	9.16	3.68	5.48
481	29.47	28.08	1.39
737	6.06	4.38	1.68

Table 25.

Profit Differences as Percentages of Kansas Profits: Long Established Firms

SIC Code	Difference High-Low State	Difference Kansas-Low State	Difference Kansas-High State
204	2.99	2.99	0.0
344	8.59	3.73	4.86
481	16.05	14.23	1.82

Profiles of New Firms in Nine Industries

This section presents the detail of firm profiles and tax data for the individual industries. The tables present industry summaries, followed by a comparison of individual taxes, an analysis of profit differences, and a comparison of Kansas with regional averages.

Tables 26-A through 37-A show the costs, assets and taxes for all firms in all states. Firms operating in manufacturing and service industries are assumed to maintain 100 percent of their property and payroll within the state under consideration. Such a firm would generally be liable for state and local taxes in one state only. For telecommunications, the firm's headquarters are assumed to be located in-state. However, payroll and property used to deliver services (wires, service personnel, etc.) are assumed to be spread over several states in proportion to sales. This makes the telecommunications firm subject to taxation in several states. An estimate of out of state taxes, based on national averages found in Statistics of the Telephone Industry, is included in the summary reports.

Tables 26-B through 37-B show taxes in each state as a percentage of Kansas taxes. These tables can be used to single out particular taxes for which Kansas ranks high or low in the region. It should be noted that for locations where state and local taxes are higher than in Kansas, federal taxes will be lower because of the federal offset factor.

Tables 26-C through 37-C show the profitability of the industries. These calculations are the basis for Tables 24 and 25. Finally Tables 26-D through 37-D compare Kansas taxes with regional averages.

Because the individual industries in this study differ in terms of size and profitability, absolute differences in the levels of taxation across industries are to be expected. Of more interest is the relative composition of Kansas taxes and a comparison with regional averages. Of additional importance are the relative differentials between the high and low states, and the Kansas position between the extremes.

Industry 201: Meat Products
Summary Tables for New Firms

Kansas taxes in this industry are somewhat lower than average for the region. When measured as percentages of before tax profits, state income taxes and labor taxes are significant in Kansas; other taxes are quite small. Table 26-D shows that property taxes are much lower than the regional average; this is due to generous property tax abatements for which the firm is assumed to qualify.

The difference in profits between a firm operating in Kansas and a firm operating in the lowest taxed state, Missouri, is small. Tax differences among the states should not prevent Kansas from competing for new firms in this industry.

Table 26-A. New Meat Products Firm.

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	201	201	201	201	201	201
HYPOTHETICAL # EMPLOYEES	16	16	16	16	16	16
HYPOTHETICAL PAYROLL	$257,540	$257,540	$257,540	$257,540	$257,540	$257,540
PRODUCTION	$195,429	$195,429	$195,429	$195,429	$195,429	$195,429
OTHER	$62,111	$62,111	$62,111	$62,111	$62,111	$62,111
EMPLOYER'S SS PAYMENT (TOTAL)	$18,414	$18,414	$18,414	$18,414	$18,414	$18,414
EMPLOYER'S UI PAYMENT (TOTAL)	$2,653	$2,035	$4,249	$1,777	$1,854	$2,704
EMPLOYER'S WC PAYMENT (TOTAL)	$10,945	$22,413	$10,268	$14,129	$5,434	$16,047
EMPLOYER'S BENEFITS PAYMENT	$29,536	$29,536	$29,536	$29,536	$29,536	$29,536
HYPOTHETICAL SALES	$3,541,740	$3,541,740	$3,541,740	$3,541,740	$3,541,740	$3,541,740
HYPOTHETICAL COST OF MATERIALS	$2,858,049	$2,858,049	$2,858,049	$2,858,049	$2,858,049	$2,858,049
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$17,938	$17,938	$17,938	$17,938	$17,938	$17,938
HYPOTHETICAL BUILDINGS	$179,379	$179,379	$179,379	$179,379	$179,379	$179,379
HYPOTHETICAL MACHINERY	$205,654	$205,654	$205,654	$205,654	$205,654	$205,654
HYPOTHETICAL INVENTORY	$103,691	$103,691	$103,691	$103,691	$103,691	$103,691
HYPOTHETICAL ANNUAL DEPRECIATION	$33,272	$32,976	$32,779	$32,778	$33,725	$32,779
DEBT/EQUITY RATIO	0.76	0.76	1.6	0.76	0.76	0.76
INTEREST PAYMENT	$21,895	$21,895	$24,798	$21,895	$21,895	$21,895
TOTAL RENT PAYMENT	$7,918	$7,918	$7,918	$7,918	$7,918	$7,918
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$2,182,600	$2,106,101	$2,138,557	$2,233,781	$2,186,343	$2,134,558
ANNUALIZED	$260,868	$251,725	$255,604	$266,985	$264,476	$255,126
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$723,812	$693,978	$706,635	$743,773	$725,272	$705,076
STATE INCOME TAX	$77,183	$60,060	$68,244	($1,742)	$67,208	$84,682
UNEMPLOY. AND WORKER COMP.	$97,660	$180,752	$101,822	$116,686	$51,134	$136,010
PROPERTY	$16,510	$29,549	$44,801	$22,210	$68,357	$19,389
FRANCHISE	$2,188	$0	$489	$8,888	$1,903	$4,817
SALES	$5,739	$2,295	$0	$0	$6,312	$0
TOTAL	$923,092	$966,634	$921,991	$889,815	$920,186	$949,974
ANNUALIZED	$110,329	$115,534	$110,198	$106,352	$111,312	$113,542

Table 26-B. **New Meat Products Firm.**

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	95.88%	97.63%	102.76%	100.20%	97.41%
STATE INCOME TAX	100.00%	77.82%	88.42%	-2.26%	87.08%	109.72%
UNEMPLOY. AND WORKER COMP.	100.00%	185.08%	104.26%	119.48%	52.36%	139.27%
PROPERTY	100.00%	178.97%	271.35%	134.52%	414.03%	117.43%
FRANCHISE	100.00%	0.00%	22.36%	406.15%	86.95%	220.13%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	104.72%	99.88%	96.40%	99.69%	102.91%

Table 26-C.

Profits in Six States Compared with Corresponding Kansas Profits.
Taxes as Percentages of Before Tax Profits.

Industry 201: Meat Products.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$315,114	$315,410	$315,607	$315,607	$314,661	$315,607
Profit Before Income Taxes	$301,206	$289,970	$298,024	$297,944	$300,152	$296,458
Profit Before Fed Income Tax	$291,981	$282,792	$289,755	$298,152	$292,119	$286,337
Profit (After Taxes)	$205,470	$199,847	$204,306	$209,256	$205,434	$202,065
Profit, % of Total Assets	40.55%	39.44%	40.32%	41.30%	40.55%	39.88%
Profit as % of Kansas Profit	100.00%	97.26%	99.43%	101.84%	99.98%	98.34%
Profit Difference, % Kansas Profit	0.00%	-2.74%	-0.57%	1.84%	-0.02%	-1.66%
Federal Taxes, % of Profit	27.45%	26.30%	27.07%	28.17%	27.55%	26.70%
State Income Taxes, % of Profit	2.93%	2.28%	2.62%	-0.07%	2.55%	3.21%
UI and WC, % of Profit	3.70%	6.85%	3.86%	4.42%	1.94%	5.15%
Property Tax, % of Profit	0.63%	1.12%	1.70%	0.84%	2.60%	0.73%
Franchise, % of Profit	0.08%	0.00%	0.02%	0.34%	0.07%	0.18%
Sales Tax, % of Profit	0.22%	0.09%	0.00%	0.00%	0.24%	0.00%
Total Tax, % of Profit	35.01%	36.63%	35.27%	33.70%	34.95%	35.98%

Table 26-D.

Highest and Lowest States Taxed States, Regional Averages, Kansas as Percentage of Regional Average
SIC 201: Meat Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE COLORADO	AVG	KAN % AVG
TOTAL ANNUAL SALES	$3,541,740	$3,541,740	$3,541,740	$3,541,740	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$723,812	$743,773	$693,978	$717,806	100.84%
STATE INCOME TAX	$77,183	-$1,742	$60,060	$59,430	129.87%
UNEMPLOYMENT AND WORKER'S COMP.	$97,660	$116,686	$180,752	$114,011	85.66%
PROPERTY TAX	$16,510	$22,210	$29,549	$33,469	49.33%
FRANCHISE TAX	$2,188	$8,888	$0	$3,048	71.81%
SALES TAX	$5,739	$0	$2,295	$2,391	240.00%
TOTAL TAXES	$923,092	$889,815	$966,634	$930,154	99.24%
STATE AND LOCAL TAX TOTAL	$199,279	$146,042	$272,656	$212,348	93.85%
STATE AND LOCAL TAX AS A PERCENT OF SIC 201'S TOTAL TAX LIABILITY	21.59%	16.41%	28.21%	22.83%	94.56%

Industry 204: Grain Mill Products
Summary Tables for New and Established Firms

New Firms.

Overall taxes in Kansas are about average for the region for new firms in the grain mill industry. In Kansas, state income taxes and labor taxes constitute the most important state and local taxes. In comparison with other states, Kansas income taxes and sales taxes are relatively high, labor taxes are about average, and the property tax is relatively low. For grain mill products, income taxes, federal and Kansas, comprise a larger percentage of total taxes than in any other industry. The hypothetical firm data is based on a year in which the industry was quite profitable.

The profit differential between Kansas and the lowest taxed industry is 4.08, third highest among the industries. In terms of taxes alone, Kansas may have some difficulty competing in this industry.

Established Firms.

Kansas taxes are estimated to be the highest in the region. Since grain mill products is a high profit industry, a higher than average corporate income tax payment hurts Kansas's ranking. This is exacerbated by higher than average property taxes. However, taxes create a profit differential of only 2.99 percent between Kansas and the lowest taxed state. It appears unlikely that established firms would relocate on the basis of taxes alone.

Table 27-A. **New Grain Mill Products Firm.**

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	204	204	204	204	204	204
HYPOTHETICAL # EMPLOYEES	13	13	13	13	13	13
HYPOTHETICAL PAYROLL	$314,621	$314,621	$314,621	$314,621	$314,621	$314,621
PRODUCTION	$206,047	$206,047	$206,047	$206,047	$206,047	$206,047
OTHER	$108,574	$108,574	$108,574	$108,574	$108,574	$108,574
EMPLOYER'S SS PAYMENT (TOTAL)	$22,495	$22,495	$22,495	$22,495	$22,495	$22,495
EMPLOYER'S UI PAYMENT (TOTAL)	$2,423	$1,888	$3,901	$1,636	$1,699	$2,486
EMPLOYER'S WC PAYMENT (TOTAL)	$10,364	$14,884	$7,108	$9,696	$7,809	$13,402
EMPLOYER'S BENEFITS PAYMENT	$43,364	$43,364	$43,364	$43,364	$43,364	$43,364
HYPOTHETICAL SALES	$4,461,451	$4,461,451	$4,461,451	$4,461,451	$4,461,451	$4,461,451
HYPOTHETICAL COST OF MATERIALS	$2,760,416	$2,760,416	$2,760,416	$2,760,416	$2,760,416	$2,760,416
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$42,733	$42,733	$42,733	$42,733	$42,733	$42,733
HYPOTHETICAL BUILDINGS	$427,331	$427,331	$427,331	$427,331	$427,331	$427,331
HYPOTHETICAL MACHINERY	$802,478	$802,478	$802,478	$802,478	$802,478	$802,478
HYPOTHETICAL INVENTORY	$296,471	$296,471	$296,471	$296,471	$296,471	$296,471
HYPOTHETICAL ANNUAL DEPRECIATION	$98,961	$99,140	$114,080	$97,798	$100,276	$104,974
DEBT/EQUITY RATIO	0.76	0.76	0.8	0.76	0.76	0.76
INTEREST PAYMENT	$67,702	$67,702	$67,702	$67,702	$67,702	$67,702
TOTAL RENT PAYMENT	$12,227	$12,227	$12,227	$12,227	$12,227	$12,227
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$8,078,105	$8,103,717	$7,830,177	$8,408,219	$7,987,142	$8,045,507
ANNUALIZED	$965,508	$968,569	$935,875	$1,004,962	$966,183	$961,612
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$2,746,556	$2,755,264	$2,662,260	$2,858,795	$2,715,628	$2,735,472
STATE INCOME TAX	$429,480	$304,674	$507,791	$43,285	$369,246	$360,144
UNEMPLOY. AND WORKER COMP.	$89,331	$120,048	$72,092	$80,085	$66,293	$111,429
PROPERTY	$49,710	$108,312	$122,602	$86,664	$219,908	$60,524
FRANCHISE	$6,785	$0	$783	$8,888	$2,909	$14,918
SALES	$15,806	$6,322	$0	$0	$17,387	$0
TOTAL	$3,337,668	$3,294,621	$3,365,529	$3,077,716	$3,391,372	$3,282,486
ANNUALIZED	$398,923	$393,778	$402,254	$367,853	$410,245	$392,328

Table 27-B. New Grain Mill Products Firm.

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	100.32%	96.93%	104.09%	98.87%	99.60%
STATE INCOME TAX	100.00%	70.94%	118.23%	10.08%	85.98%	83.86%
UNEMPLOY. AND WORKER COMP.	100.00%	134.39%	80.70%	89.65%	74.21%	124.74%
PROPERTY	100.00%	217.89%	246.63%	174.34%	442.38%	121.75%
FRANCHISE	100.00%	0.00%	11.55%	131.00%	42.88%	219.88%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	98.71%	100.83%	92.21%	101.61%	98.35%

Table 27-C.

**Profits in Six States Compared with Corresponding Kansas Profits.
Taxes as Percentages of Before Tax Profits**

Industry 204: Grain Mill Products

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$1,141,664	$1,141,485	$1,126,545	$1,142,827	$1,140,350	$1,135,651
Profit Before Income Taxes	$1,124,235	$1,113,861	$1,103,181	$1,121,835	$1,105,795	$1,113,316
Profit Before Fed Income Tax	$1,072,903	$1,077,446	$1,042,489	$1,116,662	$1,061,662	$1,070,271
Profit (After Taxes)	$1,072,092	$1,077,446	$1,042,396	$1,115,599	$1,061,314	$1,068,488
Profit, % of Total Assets	68.33%	68.67%	66.44%	71.10%	67.64%	68.10%
Profit as % of Kansas Profit	100.00%	100.50%	97.23%	104.06%	98.99%	99.66%
Profit Difference, % Kansas Profit	0.00%	0.50%	-2.77%	4.06%	-1.01%	-0.34%
Federal Taxes, % of Profit	28.75%	28.85%	28.25%	29.90%	28.46%	28.79%
State Income Taxes, % of Profit	4.50%	3.19%	5.39%	0.45%	3.87%	3.79%
UI and WC, % of Profit	0.94%	1.26%	0.76%	0.84%	0.69%	1.17%
Property Tax, % of Profit	0.52%	1.13%	1.30%	0.91%	2.30%	0.64%
Franchise, % of Profit	0.07%	0.00%	0.01%	0.09%	0.03%	0.16%
Sales Tax, % of Profit	0.17%	0.07%	0.00%	0.00%	0.18%	0.00%
Total Taxes, % of Profit	34.94%	34.50%	35.71%	32.19%	35.55%	34.55%

Table 27-D.

Highest and Lowest States and Regional Averages
SIC 204: Grain Mill Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	$4,461,451	$4,461,451	$4,461,451	$4,461,451	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$2,746,556	$2,858,795	$2,715,628	$2,745,663	100.03%
STATE INCOME TAX	$429,480	$43,285	$369,246	$335,770	127.91%
UNEMPLOYMENT AND WORKER'S COMP.	$89,331	$80,085	$66,293	$89,880	99.39%
PROPERTY TAX	$49,710	$86,664	$219,908	$107,953	46.05%
FRANCHISE TAX	$6,785	$8,888	$2,909	$5,714	118.74%
SALES TAX	$15,806	$0	$17,387	$6,586	240.00%
TOTAL TAXES	$3,337,668	$3,077,716	$3,391,372	$3,291,565	101.40%
STATE AND LOCAL TAX TOTAL	$591,112	$218,922	$675,744	$545,903	108.28%
STATE AND LOCAL TAX AS A PERCENT OF SIC 204'S TOTAL TAX LIABILITY	17.71%	7.11%	19.93%	16.58%	106.79%

Table 28-A. Established Grain Mill Products Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	204	204	204	204	204	204
HYPOTHETICAL # EMPLOYEES	13	13	13	13	13	13
HYPOTHETICAL PAYROLL	$314,621	$314,621	$314,621	$314,621	$314,621	$314,621
PRODUCTION	$206,047	$206,047	$206,047	$206,047	$206,047	$206,047
OTHER	$108,574	$108,574	$108,574	$108,574	$108,574	$108,574
EMPLOYER'S SS PAYMENT (TOTAL)	$22,495	$22,495	$22,495	$22,495	$22,495	$22,495
EMPLOYER'S UI PAYMENT (TOTAL)	$2,423	$1,888	$3,901	$1,636	$1,699	$2,486
EMPLOYER'S WC PAYMENT (TOTAL)	$10,364	$14,884	$7,108	$9,696	$7,809	$13,402
EMPLOYER'S BENEFITS PAYMENT	$43,364	$43,364	$43,364	$43,364	$43,364	$43,364
HYPOTHETICAL SALES	$4,461,451	$4,461,451	$4,461,451	$4,461,451	$4,461,451	$4,461,451
HYPOTHETICAL COST OF MATERIALS	$2,760,416	$2,760,416	$2,760,416	$2,760,416	$2,760,416	$2,760,416
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$42,733	$42,733	$42,733	$42,733	$42,733	$42,733
HYPOTHETICAL BUILDINGS	$427,331	$427,331	$427,331	$427,331	$427,331	$427,331
HYPOTHETICAL MACHINERY	$802,478	$802,478	$802,478	$802,478	$802,478	$802,478
HYPOTHETICAL INVENTORY	$296,471	$296,471	$296,471	$296,471	$296,471	$296,471
HYPOTHETICAL ANNUAL DEPRECIATION	$56,824	$57,542	$56,612	$57,354	$57,036	$57,374
DEBT/EQUITY RATIO	0.76	0.76	0.76	0.76	0.76	0.76
INTEREST PAYMENT	$67,702	$67,702	$67,702	$67,702	$67,702	$67,702
TOTAL RENT PAYMENT	$12,227	$12,227	$12,227	$12,227	$12,227	$12,227
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$8,146,440	$8,318,268	$8,173,869	$8,440,210	$8,248,758	$8,327,282
ANNUALIZED	$973,676	$994,213	$976,954	$1,008,786	$985,903	$995,290
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$2,769,790	$2,828,211	$2,779,116	$2,869,671	$2,804,578	$2,831,276
STATE INCOME TAX	$488,015	$350,981	$548,413	$289,415	$405,267	$390,225
UNEMPLOY. AND WORKER COMP.	$89,331	$120,048	$72,092	$80,085	$66,293	$111,429
PROPERTY	$222,565	$154,381	$158,020	$134,642	$219,908	$102,997
FRANCHISE	$6,785	$0	$783	$8,888	$2,909	$14,918
SALES	$17,952	$17,951	$16,157	$22,440	$19,747	$18,850
TOTAL	$3,594,438	$3,471,572	$3,574,580	$3,405,140	$3,518,703	$3,469,693
ANNUALIZED	$429,613	$414,928	$427,240	$406,987	$420,560	$414,703

Table 28-B. Established Grain Mill Products Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	102.11%	100.34%	103.61%	101.26%	102.22%
STATE INCOME TAX	100.00%	71.92%	112.38%	59.30%	83.04%	79.96%
UNEMPLOY. AND WORKER COMP.	100.00%	134.39%	80.70%	89.65%	74.21%	124.74%
PROPERTY	100.00%	69.36%	71.00%	60.50%	98.81%	46.28%
FRANCHISE	100.00%	0.00%	11.55%	131.00%	42.88%	219.88%
SALES	100.00%	99.99%	90.00%	125.00%	110.00%	105.00%
TOTAL	100.00%	96.58%	99.45%	94.73%	97.89%	96.53%

Table 28-C.

Profits in Six States Compared with Corresponding Kansas Profits.
Taxes as Percentages of Before Tax Profits.

Industry 204: Grain Mill Products

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$1,183,801	$1,183,083	$1,184,013	$1,183,271	$1,183,589	$1,183,251
Profit Before Income Taxes	$1,145,712	$1,149,886	$1,156,416	$1,156,545	$1,149,034	$1,155,840
Profit Before Fed Income Tax	$1,087,384	$1,107,936	$1,090,869	$1,121,953	$1,100,596	$1,109,200
Profit (After Taxes)	$756,334	$769,904	$758,705	$778,966	$765,389	$770,801
Profit, % of Total Assets	48.20%	49.07%	48.36%	49.65%	48.78%	49.13%
Profit as % of Kansas Profit	100.00%	101.79%	100.31%	102.99%	101.20%	101.91%
Profit Difference, % Kansas Profit	0.00%	1.79%	0.31%	2.99%	1.20%	1.91%
Profits Before Taxes	$1,183,801	$1,183,083	$1,184,013	$1,183,271	$1,183,589	$1,183,251
Federal Taxes, % of Profit	27.96%	28.57%	28.05%	28.99%	28.32%	28.60%
State Income Taxes, % of Profit	4.93%	3.55%	5.54%	2.92%	4.09%	3.94%
UI and WC, % of Profit	0.90%	1.21%	0.73%	0.81%	0.67%	1.13%
Property Tax, % of Profit	2.25%	1.56%	1.60%	1.36%	2.22%	1.04%
Franchise, % of Profit	0.07%	0.00%	0.01%	0.09%	0.03%	0.15%
Sales Tax, % of Profit	0.18%	0.18%	0.16%	0.23%	0.20%	0.19%
Total Taxes, % of Profit	36.29%	35.07%	36.08%	34.40%	35.53%	35.05%

Table 28-D.

Highest and Lowest States Taxed States, Regional Averages, Kansas as Percentage of Regional Average.

SIC 204: Grain Mill Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE KANSAS	AVG	KAN % AVG
TOTAL ANNUAL SALES	$4,461,451	$4,461,451	$4,461,451	$4,461,451	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$2,769,790	$2,869,671	$2,769,790	$2,813,774	98.44%
STATE INCOME TAX	$488,015	$289,415	$488,015	$412,053	118.44%
UNEMPLOYMENT AND WORKER'S COMP.	$89,331	$80,085	$89,331	$89,880	99.39%
PROPERTY TAX	$222,565	$134,642	$222,565	$165,419	134.55%
FRANCHISE TAX	$6,785	$8,888	$6,785	$5,714	118.74%
SALES TAX	$17,952	$22,440	$17,952	$18,850	95.24%
TOTAL TAXES	$3,594,438	$3,405,140	$3,594,438	$3,505,688	102.53%
STATE AND LOCAL TAX TOTAL	$824,648	$535,469	$824,648	$691,914	119.18%
STATE AND LOCAL TAX AS A PERCENT OF SIC 204'S TOTAL TAX LIABILITY	22.94%	15.73%	22.94%	19.74%	116.24%

Industry 307: Miscellaneous Plastic Products
Summary Tables for New Firms

Kansas taxes for a firm in the miscellaneous plastics industry are about average for the region, as shown in Table 29-D. Tax burdens in Oklahoma and Kansas are almost identical. In Kansas, property taxes are somewhat lower than the regional average, due to comprehensive property tax abatements; without property tax abatements, Kansas taxes would be above the regional average. Workers' compensation and unemployment taxes are higher than average. Sales taxes on equipment are higher than average, although they comprise only a small share of the total tax liability. Taxes cause only a 2.84 percent profit differential between Kansas and the lowest taxed state, Missouri. On the basis of taxes, Kansas should appear an attractive location for new firms in this industry.

Table 29-A. New Miscellaneous Plastic Products Firm.

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	307	307	307	307	307	307
HYPOTHETICAL # EMPLOYEES	17	17	17	17	17	17
HYPOTHETICAL PAYROLL	$314,560	$314,560	$314,560	$314,560	$314,560	$314,560
PRODUCTION	$205,106	$205,106	$205,106	$205,106	$205,106	$205,106
OTHER	$109,454	$109,454	$109,454	$109,454	$109,454	$109,454
EMPLOYER'S SS PAYMENT (TOTAL)	$22,491	$22,491	$22,491	$22,491	$22,491	$22,491
EMPLOYER'S UI PAYMENT (TOTAL)	$3,555	$2,737	$5,694	$2,391	$2,485	$3,649
EMPLOYER'S WC PAYMENT (TOTAL)	$9,294	$9,241	$7,406	$7,707	$5,746	$8,854
EMPLOYER'S BENEFITS PAYMENT	$35,470	$35,470	$35,470	$35,470	$35,470	$35,470
HYPOTHETICAL SALES	$1,563,083	$1,563,083	$1,563,083	$1,563,083	$1,563,083	$1,563,083
HYPOTHETICAL COST OF MATERIALS	$788,116	$788,116	$788,116	$788,116	$788,116	$788,116
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$21,689	$21,689	$21,689	$21,689	$21,689	$21,689
HYPOTHETICAL BUILDINGS	$216,893	$216,893	$216,893	$216,893	$216,893	$216,893
HYPOTHETICAL MACHINERY	$425,521	$425,521	$425,521	$425,521	$425,521	$425,521
HYPOTHETICAL INVENTORY	$178,334	$178,334	$178,334	$178,334	$178,334	$178,334
HYPOTHETICAL ANNUAL DEPRECIATION	$66,349	$65,680	$65,234	$65,234	$67,264	$65,234
DEBT/EQUITY RATIO	1.00	1.00	1.0	1.00	1.0	1.00
INTEREST PAYMENT	$42,059	$42,059	$42,059	$42,059	$42,059	$42,059
TOTAL RENT PAYMENT	$12,530	$12,530	$12,530	$12,530	$12,530	$12,530
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$1,900,367	$1,890,474	$1,833,071	$1,974,713	$1,834,161	$1,892,295
ANNUALIZED	$227,135	$225,953	$219,092	$236,021	$221,873	$226,170
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$613,741	$609,883	$587,496	$642,736	$587,921	$610,593
STATE INCOME TAX	$72,571	$66,067	$118,965	$2,266	$86,586	$81,094
UNEMPLOY. AND WORKER COMP.	$86,739	$81,279	$83,151	$68,642	$54,446	$82,527
PROPERTY	$26,959	$57,184	$63,153	$45,954	$114,942	$33,878
FRANCHISE	$3,209	$0	$602	$8,888	$2,582	$8,010
SALES	$12,953	$4,749	$0	$0	$14,249	$0
TOTAL	$816,172	$819,163	$853,366	$768,486	$860,725	$816,102
ANNUALIZED	$97,550	$97,908	$101,996	$91,851	$104,120	$97,542

Table 29-B. New Miscellaneous Plastic Products Firm.

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	99.37%	95.72%	104.72%	95.79%	99.49%
STATE INCOME TAX	100.00%	91.04%	163.93%	3.12%	119.31%	111.74%
UNEMPLOY. AND WORKER COMP.	100.00%	93.71%	95.86%	79.14%	62.77%	95.14%
PROPERTY	100.00%	212.12%	234.25%	170.46%	426.35%	125.66%
FRANCHISE	100.00%	0.00%	18.76%	277.00%	80.48%	249.62%
SALES	100.00%	36.67%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	100.37%	104.56%	94.16%	105.46%	99.99%

Table 29-C.

Profits in Six States Compared with Corresponding Kansas Profits.
Taxes as percentages of Before Tax Profits.

Industry 307: Misc. Plastic Products

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$281,509	$282,177	$282,623	$282,623	$280,593	$282,623
Profit Before Income Taxes	$267,536	$265,428	$265,065	$267,864	$260,039	$267,753
Profit Before Fed Income Tax	$258,862	$257,531	$250,846	$267,593	$249,690	$258,060
Profit (After Taxes)	$185,507	$184,637	$180,628	$190,773	$179,421	$185,081
Profit, % of Total Assets	22.02%	21.92%	21.44%	22.65%	21.30%	21.97%
Profit as % of Kansas Profit	100.00%	99.53%	97.37%	102.84%	96.72%	99.77%
Profit Difference, % Kansas Profit	0.00%	-0.47%	-2.63%	2.84%	-3.28%	-0.23%
Federal Taxes, % of Profit	26.06%	25.83%	24.85%	27.18%	25.04%	25.82%
State Income Taxes, % of Profit	3.08%	2.80%	5.03%	0.10%	3.69%	3.43%
UI and WC, % of Profit	3.68%	3.44%	3.52%	2.90%	2.32%	3.49%
Property Tax, % of Profit	1.14%	2.42%	2.67%	1.94%	4.90%	1.43%
Franchise, % of Profit	0.14%	0.00%	0.03%	0.38%	0.11%	0.34%
Sales Tax, % of Profit	0.55%	0.20%	0.00%	0.00%	0.61%	0.00%
Total Tax, % of Profit	34.65%	34.70%	36.09%	32.50%	36.66%	34.51%

Table 29-D.

Highest and Lowest States and Regional Averages
SIC 307: Miscellaneous Plastic Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	$1,563,083	$1,563,083	$1,563,083	$1,563,083	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$613,741	$642,736	$587,921	$608,728	100.82%
STATE INCOME TAX	$72,571	$2,266	$86,586	$71,258	101.84%
UNEMPLOYMENT AND WORKER'S COMP.	$86,739	$68,642	$54,446	$76,130	113.93%
PROPERTY TAX	$26,959	$45,954	$114,942	$57,012	47.29%
FRANCHISE TAX	$3,209	$8,888	$2,582	$3,882	82.66%
SALES TAX	$12,953	$0	$14,249	$5,325	243.24%
TOTAL TAXES	$816,172	$768,486	$860,725	$822,336	99.25%
STATE AND LOCAL TAX TOTAL	$202,431	$125,750	$272,805	$213,607	94.77%
STATE AND LOCAL TAX AS A PERCENT OF SIC 307'S TOTAL TAX LIABILITY	24.80%	16.36%	31.69%	25.98%	95.48%

Industry 344: Structural Metal Products
Summary Tables for New and Established Firms

New Firms.

New structural metal products firms locating in Kansas encounter total tax liabilities somewhat lower than the regional average. State income taxes are higher than the regional average. However, property taxes, workers' compensation, and unemployment taxes are relatively low. Tax differences result in a profit differential which is second lowest among the industries, about 2.6 percent of profits. Kansas should be able to compete well with Missouri, the lowest taxed state, for new firms in this industry. Additionally, the differences between Kansas and the two highest taxed states, Oklahoma and Colorado, is large, amounting to 5.0 and 7.5 percent of profits respectively. New firms should find the Kansas tax climate favorable in comparison to these two competing states. On the whole, Kansas provides an advantageous location for this industry.

Established Firms.

For metal products, higher than average property and state income taxes are offset by lower than average unemployment and workers' compensation payments, so that Kansas taxes are only slightly greater than the regional average. Assuming that all other costs are the same across the states, tax differences lead to a profit differential between Kansas and the lowest taxed state of about 3.0 percent. The impact of taxes on an established firm's decision to leave Kansas would be at most moderate. The tax climate appears somewhat favorable for an established firm in this industry, although not as favorable as for a new firm.

Table 30-A. New Fabricated Structural Metal Products Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	344	344	344	344	344	344
HYPOTHETICAL # EMPLOYEES	13	13	13	13	13	13
HYPOTHETICAL PAYROLL	$271,990	$271,990	$271,990	$271,990	$271,990	$271,990
PRODUCTION	$169,625	$169,625	$169,625	$169,625	$169,625	$217,041
OTHER	$102,365	$102,365	$102,365	$102,365	$102,365	$54,948
EMPLOYER'S SS PAYMENT (TOTAL)	$19,447	$19,447	$19,447	$19,447	$19,447	$19,447
EMPLOYER'S UI PAYMENT (TOTAL)	$3,726	$2,883	$5,957	$2,502	$2,611	$3,835
EMPLOYER'S WC PAYMENT (TOTAL)	$10,694	$25,490	$11,556	$10,182	$6,555	$18,077
EMPLOYER'S BENEFITS PAYMENT	$31,302	$31,302	$31,302	$31,302	$31,302	$31,302
HYPOTHETICAL SALES	$1,219,328	$1,219,328	$1,219,328	$1,219,328	$1,219,328	$1,219,328
HYPOTHETICAL COST OF MATERIALS	$679,530	$679,530	$679,530	$679,530	$679,530	$679,530
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$12,734	$12,734	$12,734	$12,734	$12,734	$12,734
HYPOTHETICAL BUILDINGS	$127,341	$127,341	$127,341	$127,341	$127,341	$127,341
HYPOTHETICAL MACHINERY	$178,611	$178,611	$178,611	$178,611	$178,611	$178,611
HYPOTHETICAL INVENTORY	$189,864	$189,864	$189,864	$189,864	$189,864	$189,864
HYPOTHETICAL ANNUAL DEPRECIATION	$28,077	$27,820	$27,648	$27,648	$28,460	$27,648
DEBT/EQUITY RATIO	0.96	0.96	0.96	0.96	$0.96	0.96
INTEREST PAYMENT	$24,856	$24,856	$24,856	$24,856	$24,856	$24,856
TOTAL RENT PAYMENT	$9,766	$9,766	$9,766	$9,766	$9,766	$9,766
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$997,172	$893,895	$963,093	$1,044,516	$1,003,095	$932,336
ANNUALIZED	$119,184	$106,840	$115,110	$124,842	$121,342	$111,434
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$261,495	$221,217	$248,205	$279,959	$263,805	$236,209
STATE INCOME TAX	$32,476	$23,361	$30,123	($5,453)	$26,806	$35,209
UNEMPLOY. AND WORKER COMP.	$97,538	$205,139	$114,826	$87,603	$60,768	$159,305
PROPERTY	$15,948	$24,934	$33,461	$19,289	$54,482	$21,763
FRANCHISE	$1,978	$0	$490	$8,888	$1,734	$4,835
SALES	$4,984	$1,994	$0	$0	$5,482	$0
TOTAL	$414,419	$476,644	$427,104	$390,287	$413,077	$457,321
ANNUALIZED	$49,532	$56,969	$51,048	$46,648	$49,969	$54,660

Table 30-B. New Fabricated Structural Metal Products Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	84.60%	94.92%	107.06%	100.88%	90.33%
STATE INCOME TAX	100.00%	71.93%	92.75%	-16.79%	82.54%	108.42%
UNEMPLOY. AND WORKER COMP.	100.00%	210.32%	117.72%	89.81%	62.30%	163.33%
PROPERTY	100.00%	156.34%	209.81%	120.95%	341.62%	136.46%
FRANCHISE	100.00%	0.00%	24.78%	449.45%	87.69%	244.50%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	115.02%	103.06%	94.18%	99.68%	110.35%

Table 30-C.

Profits in Six States Compared with Corresponding Kansas Profits.
Taxes as Percentages of Before Tax Profits.

Industry 344: Fabricated Structural metal Products

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$154,360	$154,618	$154,789	$154,789	$153,977	$154,789
Profit Before Income Taxes	$140,560	$126,786	$137,007	$140,951	$139,995	$132,570
Profit Before Fed Income Tax	$136,678	$123,994	$133,407	$141,603	$136,791	$128,362
Profit (After Taxes)	$105,424	$97,554	$103,741	$108,142	$105,261	$100,130
Profit, % of Total Assets	20.73%	19.18%	20.40%	21.26%	20.70%	19.69%
Profit as % of Kansas Profit	100.00%	92.53%	98.40%	102.58%	99.85%	94.98%
Profit Difference, % Kansas Profit	0.00%	-7.47%	-1.60%	2.58%	-0.15%	-5.02%
Federal Taxes, % of Profit	20.25%	17.10%	19.17%	21.62%	20.48%	18.24%
State Income Taxes, % of Profit	2.51%	1.81%	2.33%	-0.42%	2.08%	2.72%
UI and WC, % of Profit	7.55%	15.86%	8.87%	6.76%	4.72%	12.30%
Property Tax, % of Profit	1.23%	1.93%	2.58%	1.49%	4.23%	1.68%
Franchise, % of Profit	0.15%	0.00%	0.04%	0.69%	0.13%	0.37%
Sales Tax, % of Profit	0.39%	0.15%	0.00%	0.00%	0.43%	0.00%
Total Tax, % of Profit	32.09%	36.85%	32.98%	30.14%	32.06%	35.31%

Table 30-D.

Highest and Lowest States and Regional Averages
SIC 344: Fabricated Structural Metal Products

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE COLORADO	AVG	KAN % AVG
TOTAL ANNUAL SALES	$1,219,328	$1,219,328	$1,219,328	$1,219,328	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$261,495	$279,959	$221,217	$251,815	103.84%
STATE INCOME TAX	$32,476	-$5,453	$23,361	$23,754	136.72%
UNEMPLOYMENT AND WORKER'S COMP.	$97,538	$87,603	$205,139	$120,863	80.70%
PROPERTY TAX	$15,948	$19,289	$24,934	$28,313	56.33%
FRANCHISE TAX	$1,978	$8,888	$0	$2,987	66.19%
SALES TAX	$4,984	$0	$1,994	$2,077	240.00%
TOTAL TAXES	$414,419	$390,287	$476,644	$429,809	96.42%
STATE AND LOCAL TAX TOTAL	$152,923	$110,327	$255,427	$177,993	85.92%
STATE AND LOCAL TAX AS A PERCENT OF SIC 344'S TOTAL TAX LIABILITY	36.90%	28.27%	53.59%	41.41%	89.11%

Table 31-A. Established Fabricated Structural Metal Products Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	344	344	344	344	344	344
HYPOTHETICAL # EMPLOYEES	13	13	13	13	13	13
HYPOTHETICAL PAYROLL	$271,990	$271,990	$271,990	$271,990	$271,990	$271,990
PRODUCTION	$169,625	$169,625	$169,625	$169,625	$169,625	$217,041
OTHER	$102,365	$102,365	$102,365	$102,365	$102,365	$54,948
EMPLOYER'S SS PAYMENT (TOTAL)	$19,447	$19,447	$19,447	$19,447	$19,447	$19,447
EMPLOYER'S UI PAYMENT (TOTAL)	$3,726	$2,883	$5,957	$2,502	$2,611	$3,835
EMPLOYER'S WC PAYMENT (TOTAL)	$10,694	$25,490	$11,556	$10,182	$6,555	$18,077
EMPLOYER'S BENEFITS PAYMENT	$31,302	$31,302	$31,302	$31,302	$31,302	$31,302
HYPOTHETICAL SALES	$1,219,328	$1,219,328	$1,219,328	$1,219,328	$1,219,328	$1,219,328
HYPOTHETICAL COST OF MATERIALS	$679,530	$679,530	$679,530	$679,530	$679,530	$679,530
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$12,734	$12,734	$12,734	$12,734	$12,734	$12,734
HYPOTHETICAL BUILDINGS	$127,341	$127,341	$127,341	$127,341	$127,341	$127,341
HYPOTHETICAL MACHINERY	$178,611	$178,611	$178,611	$178,611	$178,611	$178,611
HYPOTHETICAL INVENTORY	$189,864	$189,864	$189,864	$189,864	$189,864	$189,864
HYPOTHETICAL ANNUAL DEPRECIATION	$17,877	$17,877	$17,810	$18,047	$17,945	$17,877
DEBT/EQUITY RATIO	0.96	0.96	0.96	0.96	$0.96	0.96
INTEREST PAYMENT	$24,856	$24,856	$24,856	$24,856	$24,856	$24,856
TOTAL RENT PAYMENT	$9,766	$9,766	$9,766	$9,766	$9,766	$9,766
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$1,010,948	$946,707	$1,020,565	$1,072,019	$1,068,099	$989,201
ANNUALIZED	$120,830	$113,152	$121,980	$128,129	$127,661	$118,231
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$266,868	$241,814	$270,619	$290,685	$289,157	$258,387
STATE INCOME TAX	$55,060	$36,885	$41,461	$32,627	$41,854	$44,964
UNEMPLOY. AND WORKER COMP.	$97,538	$205,139	$114,826	$87,603	$60,768	$159,305
PROPERTY	$60,518	$38,662	$43,052	$33,586	$54,482	$32,399
FRANCHISE	$1,978	$0	$490	$8,888	$1,734	$4,835
SALES	$5,661	$5,661	$5,094	$7,076	$6,227	$5,944
TOTAL	$487,622	$528,161	$475,543	$460,465	$454,221	$505,834
ANNUALIZED	$58,281	$63,127	$56,838	$55,035	$54,289	$60,458

Table 31-B. Established Fabricated Structural Metal Products Firm

State, Local and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	90.61%	101.41%	108.92%	108.35%	96.82%
STATE INCOME TAX	100.00%	66.99%	75.30%	59.26%	76.02%	81.66%
UNEMPLOY. AND WORKER COMP.	100.00%	210.32%	117.72%	89.81%	62.30%	163.33%
PROPERTY	100.00%	63.88%	71.14%	55.50%	90.03%	53.54%
FRANCHISE	100.00%	0.00%	24.78%	449.45%	87.69%	244.50%
SALES	100.00%	100.00%	90.00%	125.00%	110.00%	105.00%
TOTAL	100.00%	108.31%	97.52%	94.43%	93.15%	103.73%

Table 31-C.

Profits in Six States Compared with Corresponding Kansas Profits.
Taxes as Percentages of Before Tax Profits.

Industry 344: Fabricated Structural Metal Products

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$164,560	$164,560	$164,628	$164,391	$164,493	$164,560
Profit Before Income Taxes	$145,433	$135,068	$145,699	$148,844	$150,511	$141,069
Profit Before Fed Income Tax	$138,852	$130,660	$140,744	$144,944	$145,508	$135,695
Profit (After Taxes)	$106,955	$101,758	$108,399	$110,201	$110,948	$104,813
Profit, % of Total Assets	21.03%	20.01%	21.32%	21.67%	21.82%	20.61%
Profit as % of Kansas Profit	100.00%	95.14%	101.35%	103.03%	103.73%	98.00%
Profit Difference, % Kansas Profit	0.00%	-4.86%	1.35%	3.03%	3.73%	-2.00%
Profits Before Taxes	$164,560	$164,560	$164,628	$164,391	$164,493	$164,560
Federal Taxes, % of Profit	19.38%	17.56%	19.65%	21.13%	21.01%	18.77%
State Income Taxes, % of Profit	4.00%	2.68%	3.01%	2.37%	3.04%	3.27%
UI and WC, % of Profit	7.08%	14.90%	8.34%	6.37%	4.42%	11.57%
Property Tax, % of Profit	4.40%	2.81%	3.13%	2.44%	3.96%	2.35%
Franchise, % of Profit	0.14%	0.00%	0.04%	0.65%	0.13%	0.35%
Sales Tax, % of Profit	0.41%	0.41%	0.37%	0.51%	0.45%	0.43%
Total Taxes, % of Profit	35.42%	38.36%	34.52%	33.48%	33.00%	36.74%

Table 31-D.

Highest and Lowest States Taxed States, Regional Averages, Kansas as Percentage of Regional Average. SIC 344: Fabricated Structural Metal Products

	KANSAS	LOWEST STATE NEBRASKA	HIGHEST STATE COLORADO	AVG	KAN % AVG
TOTAL ANNUAL SALES	$1,219,328	$1,219,328	$1,219,328	$1,219,328	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$266,868	$289,157	$241,814	$269,588	98.99%
STATE INCOME TAX	$55,060	$41,854	$36,885	$42,142	130.65%
UNEMPLOYMENT AND WORKER'S COMP.	$97,538	$60,768	$205,139	$120,863	80.70%
PROPERTY TAX	$60,518	$54,482	$38,662	$43,783	138.22%
FRANCHISE TAX	$1,978	$1,734	$0	$2,987	66.19%
SALES TAX	$5,661	$6,227	$5,661	$5,944	95.24%
TOTAL TAXES	$487,622	$454,221	$528,161	$485,308	100.48%
STATE AND LOCAL TAX TOTAL	$220,754	$165,064	$286,347	$215,719	102.33%
STATE AND LOCAL TAX AS A PERCENT OF SIC 344'S TOTAL TAX LIABILITY	45.27%	36.34%	54.22%	44.45%	101.85%

Industry 353: Construction and Related Equipment Manufacturing Summary Tables for New Firms

Kansas taxes in the construction machinery industry are slightly less than the regional average; Kansas ranks second lowest in taxation among the six states. The favorable Kansas ranking is due primarily to low property taxes for new businesses. Labor taxes in Kansas are about average for the region, and state income taxes are higher than average.

Among the nine states, the profit differential between Kansas and the lowest taxed state is moderate, ranking fourth lowest among nine industries. The differential between the high and low taxed states is also average. The Kansas tax advantage over Oklahoma and Colorado is only slight; profit differences between Kansas and either of these states amount to about one percent. Kansas is competitive in comparison with Nebraska and Iowa, similar to Colorado and Oklahoma, and less competitive than Missouri for new firms in this industry. However, the profit difference between Kansas and Missouri is not prohibitively large.

Table 32-A. New Construction and Related Equipment Manufacturing Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	353	353	353	353	353	353
HYPOTHETICAL # EMPLOYEES	16	16	16	16	16	16
HYPOTHETICAL PAYROLL	$417,257	$417,257	$417,257	$417,257	$417,257	$417,257
PRODUCTION	$230,136	$230,136	$230,136	$230,136	$230,136	$230,136
OTHER	$187,120	$187,120	$187,120	$187,120	$187,120	$187,120
EMPLOYER'S SS PAYMENT (TOTAL)	$29,834	$29,834	$29,834	$29,834	$29,834	$29,834
EMPLOYER'S UI PAYMENT (TOTAL)	$6,676	$5,132	$10,682	$4,506	$4,673	$6,843
EMPLOYER'S WC PAYMENT (TOTAL)	$8,019	$12,639	$6,946	$8,144	$5,257	$9,630
EMPLOYER'S BENEFITS PAYMENT	$59,504	$59,504	$59,504	$59,504	$59,504	$59,504
HYPOTHETICAL SALES	$1,931,099	$1,931,099	$1,931,099	$1,931,099	$1,931,099	$1,931,099
HYPOTHETICAL COST OF MATERIALS	$958,164	$958,164	$958,164	$958,164	$958,164	$958,164
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$33,937	$33,937	$33,937	$33,937	$33,937	$33,937
HYPOTHETICAL BUILDINGS	$339,371	$339,371	$339,371	$339,371	$339,371	$339,371
HYPOTHETICAL MACHINERY	$492,286	$492,286	$492,286	$492,286	$492,286	$492,286
HYPOTHETICAL INVENTORY	$540,370	$540,370	$540,370	$540,370	$540,370	$540,370
HYPOTHETICAL ANNUAL DEPRECIATION	$82,016	$81,165	$80,597	$80,597	$83,151	$80,597
DEBT/EQUITY RATIO	1.27	1.27	1.27	1.27	1.27	1.27
INTEREST PAYMENT	$78,632	$78,632	$78,632	$78,632	$78,632	$78,632
TOTAL RENT PAYMENT	$11,051	$11,051	$11,051	$11,051	$11,051	$11,051
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$1,956,657	$1,931,569	$1,880,470	$2,040,336	$1,885,337	$1,924,793
ANNUALIZED	$233,863	$230,864	$224,757	$243,864	$228,064	$230,054
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$635,695	$625,910	$605,982	$668,329	$607,879	$623,267
STATE INCOME TAX	$70,577	$58,238	$98,096	($2,349)	$75,190	$74,286
UNEMPLOY. AND WORKER COMP.	$86,296	$113,253	$95,224	$77,719	$56,889	$96,974
PROPERTY	$44,830	$68,425	$90,001	$53,165	$148,168	$62,439
FRANCHISE	$4,713	$0	$747	$8,888	$2,909	$13,367
SALES	$16,484	$6,594	$0	$0	$18,133	$0
TOTAL	$858,595	$872,420	$890,050	$805,752	$909,169	$870,334
ANNUALIZED	$102,621	$104,273	$106,380	$96,305	$109,980	$104,024

Table 32-B. New Construction and Related Equipment Manufacturing Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	98.46%	95.33%	105.13%	95.62%	98.05%
STATE INCOME TAX	100.00%	82.52%	138.99%	-3.33%	106.54%	105.25%
UNEMPLOY. AND WORKER COMP.	100.00%	131.24%	110.34%	90.06%	65.92%	112.37%
PROPERTY	100.00%	152.63%	200.76%	118.59%	330.51%	139.28%
FRANCHISE	100.00%	0.00%	15.86%	188.58%	61.73%	283.62%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	101.61%	103.66%	93.85%	105.89%	101.37%

Table 32-C.
Profits in Six States Compared with Corresponding Kansas Profits
Taxes as percentages of Before Tax Profits

Industry 353: Construction Machinery and Related Machinery

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$294,642	$295,493	$296,060	$296,060	$293,507	$296,060
Profit Before Income Taxes	$278,406	$273,516	$273,833	$279,355	$268,650	$275,409
Profit Before Fed Income Tax	$269,971	$266,555	$262,108	$279,636	$259,663	$266,531
Profit (After Taxes)	$193,992	$191,746	$189,680	$199,756	$187,009	$192,037
Profit, % of Total Assets	13.80%	13.64%	13.49%	14.21%	13.30%	13.66%
Profit as % of Kansas Profit	100.00%	98.84%	97.78%	102.97%	96.40%	98.99%
Profit Difference, % Kansas Profit	0.00%	-1.16%	-2.22%	2.97%	-3.60%	-1.01%
Federal Taxes, % of Profit	25.79%	25.32%	24.46%	26.98%	24.75%	25.16%
State Income Taxes, % of Profit	2.86%	2.36%	3.96%	-0.09%	3.06%	3.00%
UI and WC, % of Profit	3.50%	4.58%	3.84%	3.14%	2.32%	3.91%
Property Tax, % of Profit	1.82%	2.77%	3.63%	2.15%	6.03%	2.52%
Franchise, % of Profit	0.19%	0.00%	0.03%	0.36%	0.12%	0.54%
Sales Tax, % of Profit	0.67%	0.27%	0.00%	0.00%	0.74%	0.00%
Total Tax, % of Profit	34.83%	35.29%	35.93%	32.53%	37.02%	35.14%

Table 32-D.

Highest and Lowest States and Regional Averages
SIC 353: Construction Machinery and Related Machinery

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	$1,931,099	$1,931,099	$1,931,099	$1,931,099	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$635,695	$668,329	$607,879	$627,844	101.25%
STATE INCOME TAX	$70,577	-$2,349	$75,190	$62,340	113.21%
UNEMPLOYMENT AND WORKER'S COMP.	$86,296	$77,719	$56,889	$87,726	98.37%
PROPERTY TAX	$44,830	$53,165	$148,168	$77,838	57.59%
FRANCHISE TAX	$4,713	$8,888	$2,909	$5,104	92.34%
SALES TAX	$16,484	$0	$18,133	$6,868	240.00%
TOTAL TAXES	$858,595	$805,752	$909,169	$867,720	98.95%
STATE AND LOCAL TAX TOTAL	$222,901	$137,423	$301,289	$239,876	92.92%
STATE AND LOCAL TAX AS A PERCENT OF SIC 353'S TOTAL TAX LIABILITY	25.96%	17.06%	33.14%	27.64%	93.91%

Industry 367: Electronic Components and Accessories
Summary Tables for New Firms

After tax profits in this industry are relatively low as a percentage of total assets. Not surprisingly, income taxes in Kansas comprise a relatively low share of total taxes. Labor, sales, and property taxes together account for over 70 percent of state and local taxes.

Tax differences among the states translate into substantial profit differences, about nine percent between the high and low taxed states. Kansas falls about mid-range between the high and low state. Kansas should be able to compete very well against the high taxed state, Nebraska, for firms in this industry. It should compete moderately well with Colorado, Iowa, and Oklahoma, which provide similar profits.

Table 33-A. New Electronic Components and Accessories Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	367	367	367	367	367	367
HYPOTHETICAL # EMPLOYEES	17	17	17	17	17	17
HYPOTHETICAL PAYROLL	$376,242	$376,242	$376,242	$376,242	$376,242	$376,242
PRODUCTION	$176,918	$176,918	$176,918	$176,918	$176,918	$176,918
OTHER	$199,324	$199,324	$199,324	$199,324	$199,324	$199,324
EMPLOYER'S SS PAYMENT (TOTAL)	$26,901	$26,901	$26,901	$26,901	$26,901	$26,901
EMPLOYER'S UI PAYMENT (TOTAL)	$6,057	$4,665	$9,707	$4,101	$4,252	$6,246
EMPLOYER'S WC PAYMENT (TOTAL)	$4,908	$6,297	$3,205	$3,818	$2,944	$7,173
EMPLOYER'S BENEFITS PAYMENT	$48,061	$48,061	$48,061	$48,061	$48,061	$48,061
HYPOTHETICAL SALES	$1,307,380	$1,307,380	$1,307,380	$1,307,380	$1,307,380	$1,307,380
HYPOTHETICAL COST OF MATERIALS	$499,972	$499,972	$499,972	$499,972	$499,972	$499,972
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$29,353	$29,353	$29,353	$29,353	$29,353	$29,353
HYPOTHETICAL BUILDINGS	$293,526	$293,526	$293,526	$293,526	$293,526	$293,526
HYPOTHETICAL MACHINERY	$476,883	$476,883	$476,883	$476,883	$476,883	$476,883
HYPOTHETICAL INVENTORY	$232,127	$232,127	$232,127	$232,127	$232,127	$232,127
HYPOTHETICAL ANNUAL DEPRECIATION	$105,784	$104,263	$103,249	$103,248	$107,320	$103,249
DEBT/EQUITY RATIO	0.88	0.88	0.9	1.27	0.88	0.88
INTEREST PAYMENT	$48,213	$48,213	$48,213	$57,711	$48,213	$48,213
TOTAL RENT PAYMENT	$11,904	$11,904	$11,904	$11,904	$11,904	$11,904
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$1,209,061	$1,211,541	$1,161,713	$1,210,154	$1,135,985	$1,199,642
ANNUALIZED	$144,509	$144,805	$138,850	$144,639	$137,417	$143,383
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$344,270	$345,235	$325,694	$344,558	$316,166	$340,568
STATE INCOME TAX	$43,161	$22,678	$54,585	($9,146)	$39,069	$40,889
UNEMPLOY. AND WORKER COMP.	$56,114	$59,881	$56,517	$40,369	$34,718	$71,589
PROPERTY	$33,234	$65,381	$80,439	$51,501	$137,482	$41,384
FRANCHISE	$4,181	$0	$655	$8,888	$2,909	$9,811
SALES	$26,614	$10,646	$0	$0	$29,275	$0
TOTAL	$507,574	$503,820	$517,890	$436,171	$559,619	$504,240
ANNUALIZED	$60,666	$60,217	$61,899	$52,132	$67,696	$60,268

Table 33-B. New Electronic Components and Accessories Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	100.28%	94.60%	100.08%	91.84%	98.92%
STATE INCOME TAX	100.00%	52.54%	126.47%	-21.19%	90.52%	94.74%
UNEMPLOY. AND WORKER COMP.	100.00%	106.71%	100.72%	71.94%	61.87%	127.58%
PROPERTY	100.00%	196.73%	242.04%	154.96%	413.67%	124.52%
FRANCHISE	100.00%	0.00%	15.67%	212.56%	69.58%	234.63%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	99.26%	102.03%	85.93%	110.25%	99.34%

Table 33-C.

Profits in Six States Compared with Corresponding Kansas Profits Taxes as Percentages of Before Tax Profits.

Industry 367: Electronic Components and Accessories

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$190,302	$191,823	$192,837	$192,838	$188,765	$192,837
Profit Before Income Taxes	$179,123	$176,670	$176,390	$180,795	$167,836	$178,162
Profit Before Fed Income Tax	$173,964	$173,960	$169,866	$181,808	$163,167	$173,275
Profit (After Taxes)	$132,817	$132,697	$130,938	$137,283	$125,378	$132,570
Profit, % of Total Assets	12.87%	12.86%	12.69%	13.30%	12.15%	12.85%
Profit as % of Kansas Profit	100.00%	99.91%	98.59%	103.36%	94.40%	99.81%
Profit Difference, % Kansas Profit	0.00%	-0.09%	-1.41%	3.36%	-5.60%	-0.19%
Federal Taxes, % of Profit	21.62%	21.51%	20.19%	23.09%	20.02%	21.11%
State Income Taxes, % of Profit	2.71%	1.41%	3.38%	-0.53%	2.47%	2.53%
UI and WC, % of Profit	3.52%	3.73%	3.50%	2.50%	2.20%	4.44%
Property Tax, % of Profit	2.09%	4.07%	4.99%	3.19%	8.70%	2.56%
Franchise, % of Profit	0.26%	0.00%	0.04%	0.55%	0.18%	0.61%
Sales Tax, % of Profit	1.67%	0.66%	0.00%	0.00%	1.85%	0.00%
Total Tax, % of Profit	31.88%	31.39%	32.10%	28.81%	35.43%	31.25%

Table 33-D.

Highest and Lowest States and Regional Averages
SIC 367: Electronic Components and Accessories

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE NEBRASKA	AVG	KAN % AVG
TOTAL ANNUAL SALES	$1,307,380	$1,307,380	$1,307,380	$1,307,380	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$344,270	$372,527	$316,166	$340,743	101.03%
STATE INCOME TAX	$43,161	-$8,480	$39,069	$31,984	134.95%
UNEMPLOYMENT AND WORKER'S COMP.	$56,114	$40,369	$34,718	$53,198	105.48%
PROPERTY TAX	$33,234	$51,501	$137,482	$68,237	48.70%
FRANCHISE TAX	$4,181	$8,888	$2,909	$4,407	94.87%
SALES TAX	$26,614	$0	$29,275	$11,089	240.00%
TOTAL TAXES	$507,574	$464,806	$559,619	$509,658	99.59%
STATE AND LOCAL TAX TOTAL	$163,304	$92,278	$243,453	$168,915	96.68%
STATE AND LOCAL TAX AS A PERCENT OF SIC 367'S TOTAL TAX LIABILITY	32.17%	19.85%	43.50%	33.14%	97.08%

Industry 371: Motor Vehicles, Parts and Equipment
Summary Tables for New Firms

Taxes comprise a fairly high percent of before tax profits in this industry, ranging from 33.9 percent in Missouri to 39.7 percent in Colorado. Worker's compensation and unemployment take a relatively high percent of before tax profits in most of the six states; in Kansas, the share of before tax profits used for these payments is second highest among the nine industries.

The difference in taxes as a percent of profits is 9.16 percent between the highest and lowest states. Kansas profits are second highest among the states. Kansas should be able to compete well for firms in this industry, particularly in comparison with Nebraska, Colorado, and Iowa.

Table 34-A. New Motor Vehicles, Parts, and Equipment Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	371	371	371	371	371	371
HYPOTHETICAL # EMPLOYEES	18	18	18	18	18	18
HYPOTHETICAL PAYROLL	$568,108	$568,108	$568,108	$568,108	$568,108	$568,108
PRODUCTION	$446,218	$446,218	$446,218	$446,218	$446,218	$446,218
OTHER	$121,890	$121,890	$121,890	$121,890	$121,890	$121,890
EMPLOYER'S SS PAYMENT (TOTAL)	$40,620	$40,620	$40,620	$40,620	$40,620	$40,620
EMPLOYER'S UI PAYMENT (TOTAL)	$6,647	$5,113	$10,680	$4,488	$4,658	$6,817
EMPLOYER'S WC PAYMENT (TOTAL)	$18,080	$47,052	$18,413	$15,172	$12,093	$22,693
EMPLOYER'S BENEFITS PAYMENT	$110,790	$110,790	$110,790	$110,790	$110,790	$110,790
HYPOTHETICAL SALES	$4,515,823	$4,515,823	$4,515,823	$4,515,823	$4,515,823	$4,515,823
HYPOTHETICAL COST OF MATERIALS	$3,140,843	$3,140,843	$3,140,843	$3,140,843	$3,140,843	$3,140,843
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$31,699	$31,699	$31,699	$31,699	$31,699	$31,699
HYPOTHETICAL BUILDINGS	$316,989	$316,989	$316,989	$316,989	$316,989	$316,989
HYPOTHETICAL MACHINERY	$681,817	$681,817	$681,817	$681,817	$681,817	$681,817
HYPOTHETICAL INVENTORY	$279,334	$279,334	$279,334	$279,334	$279,334	$279,334
HYPOTHETICAL ANNUAL DEPRECIATION	$102,306	$101,324	$100,669	$100,669	$103,710	$100,669
DEBT/EQUITY RATIO	0.87	0.87	0.9	0.87	0.87	0.87
INTEREST PAYMENT	$60,789	$60,789	$60,789	$60,789	$60,789	$60,789
TOTAL RENT PAYMENT	$7,521	$7,521	$7,521	$7,521	$7,521	$7,521
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$3,261,830	$3,048,532	$3,170,858	$3,396,144	$3,179,903	$3,223,031
ANNUALIZED	$389,859	$364,365	$378,986	$405,912	$384,664	$385,222
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$1,109,022	$1,036,217	$1,078,092	$1,154,689	$1,081,167	$1,095,831
STATE INCOME TAX	$131,426	$94,151	$155,852	$3,096	$124,638	$128,786
UNEMPLOY. AND WORKER COMP.	$175,468	$385,555	$202,281	$140,171	$113,359	$210,087
PROPERTY	$40,907	$90,844	$95,341	$73,633	$189,280	$51,261
FRANCHISE	$5,339	$0	$725	$8,888	$2,909	$12,453
SALES	$19,026	$7,610	$0	$0	$20,928	$0
TOTAL	$1,481,188	$1,614,378	$1,532,290	$1,380,477	$1,532,281	$1,498,417
ANNUALIZED	$177,034	$192,953	$183,142	$164,997	$185,356	$179,093

Table 34-B. New Motor Vehicles, Parts, and Equipment Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	93.44%	97.21%	104.12%	97.49%	98.81%
STATE INCOME TAX	100.00%	71.64%	118.59%	2.36%	94.84%	97.99%
UNEMPLOY. AND WORKER COMP.	100.00%	219.73%	115.28%	79.88%	64.60%	119.73%
PROPERTY	100.00%	222.08%	233.07%	180.00%	462.71%	125.31%
FRANCHISE	100.00%	0.00%	13.58%	166.47%	54.49%	233.25%
SALES	100.00%	40.00%	0.00%	0.00%	110.00%	0.00%
TOTAL	100.00%	108.99%	103.45%	93.20%	103.45%	101.16%

Table 34-C.

Profits in Six States Compared with COrresponding Kansas Profits
Taxes as Percentages of Before Tax Profits

Industry 371: Motor Vehicles, Parts, Equipment

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$484,845	$485,828	$486,482	$486,483	$483,442	$486,482
Profit Before Income Taxes	$458,346	$428,199	$450,824	$459,866	$446,923	$453,757
Profit Before Fed Income Tax	$442,638	$416,946	$432,196	$459,496	$432,026	$438,365
Profit (After Taxes)	$310,086	$293,096	$303,341	$321,486	$302,803	$307,389
Profit, % of Total Assets	23.67%	22.38%	23.16%	24.54%	23.12%	23.47%
Profit as % of Kansas Profit	100.00%	94.52%	97.82%	103.68%	97.65%	99.13%
Profit Difference, % Kansas Profit	0.00%	-5.48%	-2.18%	3.68%	-2.35%	-0.87%
Federal Taxes, % of Profit	27.34%	25.49%	26.49%	28.37%	26.73%	26.92%
State Income Taxes, % of Profit	3.24%	2.32%	3.83%	0.08%	3.08%	3.16%
UI and WC, % of Profit	4.33%	9.49%	4.97%	3.44%	2.80%	5.16%
Property Tax, % of Profit	1.01%	2.23%	2.34%	1.81%	4.68%	1.26%
Franchise, % of Profit	0.13%	0.00%	0.02%	0.22%	0.07%	0.31%
Sales Tax, % of Profit	0.47%	0.19%	0.00%	0.00%	0.52%	0.00%
Total Tax, % of Profit	36.51%	39.72%	37.65%	33.92%	37.88%	36.81%

Table 34-D.

Highest and Lowest States and Regional Averages
SIC 371: Motor Vehicles, Parts, Equipment

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE COLORADO	AVG	KAN % AVG
TOTAL ANNUAL SALES	$4,515,823	$4,515,823	$4,515,823	$4,515,823	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$1,109,022	$1,154,689	$1,154,689	$1,092,503	101.51%
STATE INCOME TAX	$131,426	$3,096	$3,096	$106,325	123.61%
UNEMPLOYMENT AND WORKER'S COMP.	$175,468	$140,171	$140,171	$204,487	85.81%
PROPERTY TAX	$40,907	$73,633	$73,633	$90,211	45.35%
FRANCHISE TAX	$5,339	$8,888	$8,888	$5,052	105.67%
SALES TAX	$19,026	$0	$0	$7,927	240.00%
TOTAL TAXES	$1,481,188	$1,380,477	$1,614,378	$1,506,505	98.32%
STATE AND LOCAL TAX TOTAL	$372,166	$225,788	$225,788	$414,002	89.89%
STATE AND LOCAL TAX AS A PERCENT OF SIC 371'S TOTAL TAX LIABILITY	25.13%	16.36%	13.99%	27.48%	91.43%

Industry 481: Telecommunications
Summary Tables for New and Established Firms

New Firms.

Telecommunications is a unique industry. A firm operating in Kansas would pay over 69 percent of its before tax profits in various taxes; this ranks highest among the industries. In Kansas, property taxes comprise an extraordinary share of total taxes, over twice as large as the federal income tax share. Notably, Kansas law excludes telecommunications firms from property tax abatements or enterprise zone credits. High effective property tax rates result in a large tax burden in this industry.

The high to low state difference in taxes as a percentage of total profits is greater in this industry than in any other, 29.47 percent. High property taxes result in taxes which are higher in Kansas than in any state except Iowa. The difference in taxes between Missouri, the lowest taxed state, and Kansas amounts to 28.8 percent of before tax profits. The Missouri advantage in this industry is great.

Established Firms.

The telecommunications industry has the highest capital to labor ratio of any industry in this study. This in part accounts for high property taxes in the industry. Further contributing to high property taxes is the method of assessment used to value public utilities in most states. To simplify, most states attempt to evaluate the market value of such firms on an annual basis. Property assessments and taxation are then applied to this current market value. In contrast, firms not classified as public utilities may benefit when assessments fail to keep up with the market values.

For established firms, the profit difference between Kansas and Missouri is narrowed to 14.2 percent in comparison with the 28.8 percent difference for new firms. Nevertheless, Missouri locations maintain an attractive edge over Kansas locations. Kansas may have difficulty retaining established firms in this industry.

Table 35-A. New Telecommunications Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	481	481	481	481	481	481
HYPOTHETICAL # EMPLOYEES	100	100	100	100	100	100
HYPOTHETICAL PAYROLL	$3,098,692	$3,098,692	$3,098,692	$3,098,692	$3,098,692	$3,098,692
PRODUCTION	$3,098,692	$3,098,692	$3,098,692	$3,098,692	$3,098,692	$3,098,692
OTHER	$0	$3,098,692	$0	$0	$0	$0
EMPLOYER'S SS PAYMENT (TOTAL)	$221,556	$221,556	$221,556	$221,556	$221,556	$221,556
EMPLOYER'S UI PAYMENT (TOTAL)	$11,060	$5,785	$12,214	$5,143	$5,357	$7,928
EMPLOYER'S WC PAYMENT (TOTAL)	$13,863	$16,928	$7,714	$9,642	$7,500	$12,214
EMPLOYER'S BENEFITS PAYMENT	$601,766	$601,766	$601,766	$601,766	$601,766	$601,766
HYPOTHETICAL SALES	$11,252,055	$11,252,055	$11,252,055	$11,252,055	$11,252,055	$11,252,055
HYPOTHETICAL COST OF MATERIALS	$2,881,527	$2,881,527	$2,881,527	$2,881,527	$2,881,527	$2,881,527
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$317,805	$317,805	$317,805	$317,805	$317,805	$317,805
HYPOTHETICAL BUILDINGS	$3,178,045	$3,178,045	$3,178,045	$3,178,045	$3,178,045	$3,178,045
HYPOTHETICAL MACHINERY	$22,633,438	$22,633,438	$22,633,438	$22,633,438	$22,633,438	$22,633,438
HYPOTHETICAL INVENTORY	$0	$0	$0	$0	$0	$0
HYPOTHETICAL ANNUAL DEPRECIATION	$1,305,060	$1,305,060	$1,305,060	$1,305,058	$1,320,845	$1,305,060
DEBT/EQUITY RATIO	0.72	0.72	0.72	0.72	0.72	0.72
INTEREST PAYMENT	$1,093,784	$1,093,784	$1,093,784	$1,093,784	$1,093,784	$1,093,784
TOTAL RENT PAYMENT	$0	$0	$0	$0	$0	$0
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$10,220,934	$11,657,761	$10,196,845	$12,289,873	$11,022,257	$10,978,776
ANNUALIZED	$1,221,623	$1,393,354	$1,218,743	$1,468,903	$1,333,332	$1,312,201
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$3,475,118	$3,963,639	$3,466,927	$4,178,557	$3,747,568	$3,732,784
STATE INCOME TAX	$260,454	$266,227	$488,931	($25,989)	$402,542	$341,138
UNEMPLOY. AND WORKER COMP.	$125,494	$172,758	$151,570	$112,455	$97,787	$153,200
PROPERTY	$3,560,449	$2,098,872	$3,718,183	$1,683,672	$2,793,756	$2,704,682
FRANCHISE	$19,015	$0	$3,148	$63,602	$2,909	$19,015
SALES	$247,120	$452,878	$407,590	$307,664	$498,166	$452,878
TOTAL	$7,687,650	$6,954,373	$8,236,351	$6,319,962	$7,542,729	$7,403,698
ANNUALIZED	$918,840	$831,198	$984,422	$755,371	$912,423	$884,902

Table 35-B. New Telecommunications Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	114.06%	99.76%	120.24%	107.84%	107.41%
STATE INCOME TAX	100.00%	102.22%	187.72%	-9.98%	154.55%	130.98%
UNEMPLOY. AND WORKER COMP.	100.00%	137.66%	120.78%	89.61%	77.92%	122.08%
PROPERTY	100.00%	58.95%	104.43%	47.29%	78.47%	75.96%
FRANCHISE	100.00%	0.00%	16.56%	334.48%	15.30%	100.00%
SALES	100.00%	183.26%	164.94%	124.50%	201.59%	183.26%
TOTAL	100.00%	90.46%	107.14%	82.21%	98.11%	96.31%

Table 35-C.

Profits in Six States Compared with Corresponding Kansas Profits Taxes as Percentages of Before Tax Profits

Industry 481: Telecommunications

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$2,049,669	$2,049,669	$2,049,669	$2,049,671	$2,033,884	$2,049,669
Profit Before Income Taxes	$1,606,848	$1,774,877	$1,586,775	$1,827,394	$1,687,935	$1,705,819
Profit Before Fed Income Tax	$1,575,718	$1,743,057	$1,528,337	$1,830,500	$1,639,823	$1,665,045
Profit (After Taxes)	$1,160,367	$1,269,317	$1,113,965	$1,331,073	$1,191,908	$1,218,898
Profit, % of Total Assets	4.44%	4.86%	4.26%	5.09%	4.56%	4.66%
Profit as % of Kansas Profit	100.00%	109.39%	96.00%	114.71%	102.72%	105.04%
Profit Difference, % Kansas Profit	0.00%	9.39%	-4.00%	14.71%	2.72%	5.04%
Federal Taxes, % of Profit	20.26%	23.11%	20.22%	24.37%	22.02%	21.77%
State Income Taxes, % of Profit	1.52%	1.55%	2.85%	-0.15%	2.37%	1.99%
UI and WC, % of Profit	0.73%	1.01%	0.88%	0.66%	0.57%	0.89%
Property Tax, % of Profit	20.76%	12.24%	21.68%	9.82%	16.42%	15.77%
Franchise, % of Profit	0.11%	0.00%	0.02%	0.37%	0.02%	0.11%
Sales Tax, % of Profit	1.44%	2.64%	2.38%	1.79%	2.93%	2.64%
Total Tax, % of Profit	44.83%	40.55%	48.03%	36.85%	44.32%	43.17%

Table 35-D.

Highest and Lowest States and Regional Averages
SIC 481: Telecommunications

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE IOWA	AVG	KAN % AVG
TOTAL ANNUAL SALES	$11,252,055	$11,252,055	$11,252,055	$11,252,055	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$3,475,118	$4,178,557	$3,466,927	$3,760,765	92.40%
STATE INCOME TAX	$260,454	-$25,989	$488,931	$288,884	90.16%
UNEMPLOYMENT AND WORKER'S COMP.	$125,494	$112,455	$151,570	$135,544	92.59%
PROPERTY TAX	$3,560,449	$1,683,672	$3,718,183	$2,759,936	129.00%
FRANCHISE TAX	$19,015	$63,602	$3,148	$17,948	105.94%
SALES TAX	$247,120	$307,664	$407,590	$394,383	62.66%
TOTAL TAXES	$7,687,650	$6,319,962	$8,236,351	$7,357,460	104.49%
STATE AND LOCAL TAX TOTAL	$4,212,532	$2,141,405	$4,769,423	$3,596,695	117.12%
STATE AND LOCAL TAX AS A PERCENT OF SIC 481'S TOTAL TAX LIABILITY	54.80%	33.88%	57.91%	48.89%	112.09%

Table 36-A. Established Telecommunications Firm

SUMMARY TABLE:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	481	481	481	481	481	481
HYPOTHETICAL # EMPLOYEES	100	100	100	100	100	100
IN STATE	69	69	69	69	69	69
HYPOTHETICAL PAYROLL	$3,098,692	$3,098,692	$3,098,692	$3,098,692	$3,098,692	$3,098,692
EMPLOYER'S SS PAYMENT (TOTAL)	$221,556	$221,556	$221,556	$221,556	$221,556	$221,556
EMPLOYER'S UI PAYMENT (TOTAL)	$11,060	$5,785	$12,214	$5,143	$5,357	$7,928
EMPLOYER'S WC PAYMENT (TOTAL)	$13,469	$16,928	$7,714	$9,642	$7,500	$12,214
EMPLOYER'S BENEFITS PAYMENT	$601,766	$601,766	$601,766	$601,766	$601,766	$601,766
HYPOTHETICAL SALES	$11,252,055	$11,252,055	$11,252,055	$11,252,055	$11,252,055	$11,252,055
HYPOTHETICAL COST OF MATERIALS	$2,881,527	$2,881,527	$2,881,527	$2,881,527	$2,881,527	$2,881,527
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$317,805	$317,805	$317,805	$317,805	$317,805	$317,805
HYPOTHETICAL BUILDINGS	$3,178,045	$3,178,045	$3,178,045	$3,178,045	$3,178,045	$3,178,045
HYPOTHETICAL MACHINERY	$22,633,438	$22,633,438	$22,633,438	$22,633,438	$22,633,438	$22,633,438
HYPOTHETICAL INVENTORY	$0	$0	$0	$0	$0	$0
HYPOTHETICAL ANNUAL DEPRECIATION	$1,029,982	$1,029,982	$1,029,982	$1,029,982	$1,029,982	$1,038,331
DEBT/EQUITY RATIO	0.72	0.72	0.72	0.72	0.72	0.72
INTEREST PAYMENT	$1,093,784	$1,093,784	$1,093,784	$1,093,784	$1,093,784	$1,093,784
TOTAL RENT PAYMENT	$0	$0	$0	$0	$0	$0
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$10,120,679	$11,587,488	$9,874,433	$12,053,422	$10,944,782	$10,958,635
ANNUALIZED	$1,209,640	$1,384,955	$1,180,208	$1,440,645	$1,308,138	$1,309,794
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$3,441,031	$3,939,746	$3,357,307	$4,098,164	$3,721,226	$3,725,936
OTHER STATES' TAXES	$2,918,195	$2,918,195	$2,918,195	$2,918,195	$2,918,195	$2,918,195
STATE INCOME TAX	$420,262	$382,726	$498,855	$211,928	$401,021	$340,512
UNEMPLOY. AND WORKER COMP.	$125,494	$172,758	$151,570	$112,455	$97,787	$153,200
PROPERTY	$3,560,449	$2,098,872	$3,718,183	$1,804,495	$2,793,756	$2,704,682
FRANCHISE	$19,015	$0	$3,148	$63,602	$2,909	$19,015
SALES	$253,500	$253,500	$228,150	$315,608	$278,850	$253,500
TOTAL	$10,737,947	$9,765,796	$10,875,409	$9,524,447	$10,213,745	$10,115,041
ANNUALIZED	$1,283,417	$1,167,224	$1,299,846	$1,138,377	$1,220,763	$1,208,966

Table 36-B. Established Telecommunications Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	114.49%	97.57%	119.10%	108.14%	108.28%
STATE INCOME TAX	100.00%	91.07%	118.70%	50.43%	95.42%	81.02%
UNEMPLOY. AND WORKER COMP.	100.00%	137.66%	120.78%	89.61%	77.92%	122.08%
PROPERTY	100.00%	58.95%	104.43%	50.68%	78.47%	75.96%
FRANCHISE	100.00%	0.00%	16.56%	334.48%	15.30%	100.00%
SALES	100.00%	100.00%	90.00%	124.50%	110.00%	100.00%
TOTAL	100.00%	90.95%	101.28%	88.70%	95.12%	94.20%

Table 36-C.

Profits in Six States Compared with Corresponding Kansas Profits
Taxes as Percentages of Before Tax Profits

Industry 481: Telecommunications

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$2,324,748	$2,324,748	$2,324,748	$2,324,748	$2,324,748	$2,316,399
Profit Before State Income Taxes	$1,533,139	$1,704,453	$1,513,067	$1,739,243	$1,630,012	$1,623,761
Profit Before Fed Income Tax	$1,482,909	$1,658,709	$1,453,443	$1,713,913	$1,582,082	$1,583,062
Profit (After Taxes)	$1,071,632	$1,187,825	$1,052,173	$1,224,094	$1,137,315	$1,137,733
Profit, % of Total Assets	4.10%	4.55%	4.03%	4.68%	4.35%	4.35%
Profit as % of Kansas Profit	100.00%	110.84%	98.18%	114.23%	106.13%	106.17%
Profit Difference, % Kansas Profit	0.00%	10.84%	-1.82%	14.23%	6.13%	6.17%
Profits Before Taxes	$2,324,748	$2,324,748	$2,324,748	$2,324,748	$2,324,748	$2,316,399
Federal Taxes, % of Profit	17.69%	20.26%	17.26%	21.07%	19.13%	19.23%
State Income Taxes, % of Profit	15.00%	15.00%	15.00%	15.00%	15.00%	15.06%
UI and WC, % of Profit	0.65%	0.89%	0.78%	0.58%	0.50%	0.79%
Property Tax, % of Profit	18.31%	10.79%	19.12%	9.28%	14.36%	13.96%
Franchise, % of Profit	0.10%	0.00%	0.02%	0.33%	0.01%	0.10%
Sales Tax, % of Profit	1.30%	1.30%	1.17%	1.62%	1.43%	1.31%
Total Taxes, % of Profit	55.21%	50.21%	55.91%	48.97%	52.51%	52.19%

Table 36-D.

Highest and Lowest States Taxed States, Regional Averages, Kansas as Percentage of Regional Average.
SIC 481: Telecommunications

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE IOWA	AVG	KAN % AVG
TOTAL ANNUAL SALES	$11,252,055	$11,252,055	$11,252,055	$11,252,055	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$3,441,031	$4,098,164	$3,357,307	$3,713,902	92.65%
OTHER STATES' TAXES	$2,918,195	$2,918,195	$2,918,195	$2,918,195	100.00%
STATE INCOME TAX	$420,262	$211,928	$498,855	$375,884	111.81%
UNEMPLOY. AND WORKER COMP.	$125,494	$112,455	$151,570	$135,544	92.59%
PROPERTY	$3,560,449	$1,804,495	$3,718,183	$2,780,073	128.07%
FRANCHISE	$19,015	$63,602	$3,148	$17,948	105.94%
SALES	$253,500	$315,608	$228,150	$263,852	96.08%
TOTAL	$10,737,947	$9,524,447	$10,875,409	$10,205,397	105.22%
ANNUALIZED	$1,283,417	$1,138,377	$1,299,846	$1,219,764	105.22%
STATE AND LOCAL TAX AS A PERCENT OF SIC 481'S TOTAL TAX LIABILITY	67.95%	56.97%	69.13%	63.61%	106.83%

Industry 737: Data Processing and Computer Services
Summary Tables for New Firms

In the data processing and computer services industry, profits are very large when measured as a percentage of physical assets. It is likely that a large part of these profits are returns to the entrepreneurship and risk taking which characterize the industry. Income taxes, state and federal, are the most significant taxes affecting the industry. In terms of both state income taxes and overall taxes, Kansas ranks third highest in the region. Significantly, Missouri state income taxes amount to only about 14 percent of the corresponding Kansas tax. Missouri exempts 50 percent of otherwise taxable income for firms which locate in enterprise zones; this helps to explain the low Missouri income tax liability.

For data processing and computer services, the interstate differential in taxes is about average, 6.1 percent of profits. The difference between Kansas and the low taxed state, Missouri, is fairly large, 4.38 percent. In comparison with Missouri, Kansas taxes are a relatively large portion of profits. On the basis of taxes alone, Kansas may have difficulty competing with its neighbor.

Table 37-A. New Data Processing and Computer Services Firm

SUMMARY REPORT:	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
SIC CODE	737	737	737	737	737	737
HYPOTHETICAL # EMPLOYEES	10	10	10	10	10	10
HYPOTHETICAL PAYROLL	$234,758	$234,758	$234,758	$234,758	$234,758	$234,758
PRODUCTION	$234,758	$234,758	$234,758	$234,758	$234,758	$234,758
OTHER	$0	$0	$0	$0	$0	$0
EMPLOYER'S SS PAYMENT (TOTAL)	$16,785	$16,785	$16,785	$16,785	$16,785	$16,785
EMPLOYER'S UI PAYMENT (TOTAL)	$2,676	$2,066	$4,273	$1,808	$1,878	$2,747
EMPLOYER'S WC PAYMENT (TOTAL)	$446	$516	$399	$516	$446	$822
EMPLOYER'S BENEFITS PAYMENT	$17,607	$17,607	$17,607	$17,607	$17,607	$17,607
HYPOTHETICAL SALES	$652,830	$652,830	$652,830	$652,830	$652,830	$652,830
HYPOTHETICAL COST OF MATERIALS	$48,205	$48,205	$48,205	$48,205	$48,205	$48,205
HYPOTHETICAL ASSETS						
HYPOTHETICAL LAND	$2,158	$2,158	$2,158	$2,158	$2,158	$2,158
HYPOTHETICAL BUILDINGS	$21,583	$21,583	$21,583	$21,583	$21,583	$21,583
HYPOTHETICAL MACHINERY	$50,359	$50,359	$50,359	$50,359	$50,359	$50,359
HYPOTHETICAL INVENTORY	$0	$0	$0	$0	$0	$0
HYPOTHETICAL ANNUAL DEPRECIATION	$10,900	$10,900	$10,873	$10,632	$11,059	$10,900
DEBT/EQUITY RATIO	0.79	0.79	0.79	0.79	0.79	0.79
INTEREST PAYMENT	$3,281	$3,281	$3,281	$3,281	$3,281	$3,281
TOTAL RENT PAYMENT	$29,443	$29,443	$29,443	$29,443	$29,443	$29,443
PRESENT VALUE: FED. TAXABLE INCOME						
15 YEARS OPERATION	$2,079,319	$2,101,778	$2,042,079	$2,179,439	$2,072,172	$2,087,482
ANNUALIZED	$248,524	$251,208	$244,073	$260,490	$250,665	$249,499
PRESENT VALUE OF TAXES:						
15 YEARS OPERATION						
FEDERAL INCOME TAX	$683,533	$692,292	$669,009	$722,579	$680,745	$686,716
STATE INCOME TAX	$109,715	$94,950	$145,310	$15,146	$122,909	$106,491
UNEMPLOY. AND WORKER COMP.	$23,748	$19,641	$35,533	$17,677	$17,677	$27,141
PROPERTY	$12,202	$6,663	$6,691	$5,439	$12,901	$2,489
FRANCHISE	$314	$0	$239	$282	$314	$705
SALES	$2,810	$5,100	$4,590	$0	$5,609	$5,240
TOTAL	$832,322	$818,646	$861,372	$761,123	$840,157	$828,782
ANNUALIZED	$99,480	$97,846	$102,953	$90,970	$101,631	$99,057

Table 37-B. New Data Processing and Computer Services Firm

State, Local, and Federal Taxes as Percentages of Corresponding Kansas Taxes.

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
FEDERAL INCOME TAX	100.00%	101.28%	97.88%	105.71%	99.59%	100.47%
STATE INCOME TAX	100.00%	86.54%	132.44%	13.80%	112.03%	97.06%
UNEMPLOY. AND WORKER COMP.	100.00%	82.71%	149.62%	74.44%	74.44%	114.29%
PROPERTY	100.00%	54.61%	54.84%	44.57%	105.73%	20.40%
FRANCHISE	100.00%	0.00%	76.17%	89.74%	100.00%	224.35%
SALES	100.00%	181.45%	163.30%	0.00%	199.59%	186.45%
TOTAL	100.00%	98.36%	103.49%	91.45%	100.94%	99.57%

Table 37-C.

Profits in Six States Compared with Corresponding Kansas Profits
Taxes as Percentages of Before Tax Profits

Industry 737: Data Processing and Computer Services

	KANSAS	COLORADO	IOWA	MISSOURI	NEBRASKA	OKLAHOMA
Profit Before All Taxes	$291,852	$291,852	$291,878	$292,119	$291,693	$291,852
Profit Before Income Taxes	$287,517	$288,670	$286,803	$289,323	$288,000	$288,226
Profit Before Fed Income Tax	$274,404	$277,321	$269,435	$287,513	$273,310	$275,498
Profit (After Taxes)	$192,707	$194,577	$189,475	$201,149	$191,946	$193,421
Profit, % of Total Assets	260.06%	262.59%	255.70%	271.46%	259.04%	261.03%
Profit as % of Kansas Profit	100.00%	100.97%	98.32%	104.38%	99.61%	100.37%
Profit Difference, % Kansas Profit	0.00%	0.97%	-1.68%	4.38%	-0.39%	0.37%
Federal Taxes, % of Profit	27.99%	28.35%	27.40%	29.56%	27.89%	28.12%
State Income Taxes, % of Profit	4.49%	3.89%	5.95%	0.62%	5.04%	4.36%
UI and WC, % of Profit	0.97%	0.80%	1.46%	0.72%	0.72%	1.11%
Property Tax, % of Profit	0.50%	0.27%	0.27%	0.22%	0.53%	0.10%
Franchise, % of Profit	0.01%	0.00%	0.01%	0.01%	0.01%	0.03%
Sales Tax, % of Profit	0.12%	0.21%	0.19%	0.00%	0.23%	0.21%
Total Tax, % of Profit	34.09%	33.53%	35.27%	31.14%	34.43%	33.94%

Table 37-D.

Highest and Lowest States and Regional Averages
SIC 737: Data Processing and Computer Services

	KANSAS	LOWEST STATE MISSOURI	HIGHEST STATE IOWA	AVG	KAN % AVG
TOTAL ANNUAL SALES	$652,830	$652,830	$652,830	$652,830	100.00%
TAXES (15 YEAR OPERATION):					
FEDERAL INCOME TAX	$683,533	$722,579	$669,009	$689,146	99.19%
STATE INCOME TAX	$109,715	$15,146	$145,310	$99,087	110.73%
UNEMPLOYMENT AND WORKER'S COMP.	$23,748	$17,677	$35,533	$23,570	100.76%
PROPERTY TAX	$12,202	$5,439	$6,691	$7,731	157.83%
FRANCHISE TAX	$314	$282	$239	$309	101.65%
SALES TAX	$2,810	$0	$4,590	$3,892	72.22%
TOTAL TAXES	$832,322	$761,123	$861,372	$823,734	101.04%
STATE AND LOCAL TAX TOTAL	$148,789	$38,544	$192,363	$134,588	110.55%
STATE AND LOCAL TAX AS A PERCENT OF SIC 737'S TOTAL TAX LIABILITY	17.88%	5.06%	22.33%	16.34%	109.41%

Part 3.
A Simulation of Proposed Changes in Kansas Business Taxes

Introduction

As an extension of the business tax study prepared for Kansas Inc., the Institute for Public Policy and Business Research has completed several simulations of possible changes in the Kansas tax code. The proposed tax code changes are applied to the hypothetical firm profiles constructed in the earlier phases of the study. The tax changes affect a firm's after tax profit; if the impact on profits is large, the tax change may influence a firm's decision to locate or remain in Kansas.

The simulations are carried out for a small sample of industries, the grain mill products industry, the structural metals products industry, and telecommunications. All tax calculations are present value figures for fifteen years of operation. The simulations provide some insight of the importance of tax changes from the firm's point of view. This study makes no attempt to estimate the impact of the proposed changes on overall Kansas tax revenue; however, estimates for some of the changes have been carried out independently by the Kansas Department of Revenue.[11]

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[11] _Kansas Tax Reform: Report and Recommendations of the Governor's Task Force on Tax Reform_ (Topeka: State of Kansas, January, 1988), pp. 25-28.

Changes in Kansas Corporate Tax Rates

Kansas corporations currently pay a tax rate of 4.5 percent on their first $25,000 of taxable income and a surcharge of 2.25 percent, for a total of 6.75 percent, on additional income. A proposal made by Kansas Inc. considers lowering the initial rate to 4.0 percent and the surcharge to 1.75 percent. Tables 38 and 39 show the impact of the proposed change on established firms in the grain products, metal products, and telecommunications industries.

The effect of the tax rate decrease on total taxes is very small since Kansas corporate taxes comprise less than 15 percent of the total tax payment in all of the industries examined. Generally, the change is less than 1 percent of total taxes. The rate changes produce changes in Kansas corporate income tax payments of about 15 percent for the firms considered.

For one of the three industries, the proposed tax change would improve Kansas's rank relative to nearby states. Under current law, Kansas taxes for a hypothetical grain mill firm exceed taxes for a comparable firm located in Iowa; under the proposed changes, Kansas taxes would be slightly less than those in Iowa. Kansas's ranking remains unchanged for the remaining two industries.

Table 38

Total Tax Liability for Current and Proposed Income Tax Rates

SIC CODE:	204	344	481
CURRENT RATES: (4.5% normal tax, 2.25% surcharge)	$3,594,438	$487,622	$10,737,947
REDUCED RATES: (4.0% normal tax, 1.75% surcharge)	$3,549,247	$483,060	$10,698,475
Taxes under proposed change as % of current taxes.	98.7%	99.1%	99.6%

(15 Year Present Value Figures)

Table 39

Kansas Corporate Income Taxes Under Current and Proposed Rates

SIC CODE:	204	344	481
CURRENT RATES: (4.5% normal tax, 2.25% surcharge)	$488,015	$55,060	$420,262
REDUCED RATES: (4.0% normal tax, 1.75% surcharge)	$419,556	$47,592	$360,455
Taxes under proposed change as % of current taxes.	86.0%	86.4%	85.8%

(15 Year Present Value Figures)

Sales Tax Exemption for Productive Machinery

Current Kansas law makes two provisions for the exemption of capital goods from the Kansas sales tax. First, machinery and equipment used directly for the purpose of manufacturing, fabricating, finishing, or assembling articles of commerce are eligible for a refund of the Kansas sales tax, provided that the machinery contributes to the establishment or expansion of a business as defined by law. (K.S.A. 79-3642). These sales tax provisions expire in 1988. Second, for qualified firms in enterprise zones, sales taxes are eliminated on machinery and equipment purchased and installed in the original establishment of the facility, and on services and property used in the construction of the facility (K.S.A. 79-3606). The enterprise zone exemption extends to a broader class of goods and industries than manufacturing. Replacement machinery appears to be subject to the sales tax both inside and outside enterprise zones.

Table 5 in the first section of this report compares the Kansas sales tax provisions with those in nearby states. All of the states exempt manufacturing equipment in new facilities. Most of the other states allow some exemptions for replacement equipment. However, Kansas makes provisions for firms in enterprise zones which are more generous than in many of the nearby states. Exemptions in enterprise zones are not limited to manufacturing or a few other industries.

Tables 40 through 43 examine the impact of a sales tax exemption for new and replacement machinery and equipment used directly in manufacturing. The simulations compare two extremes, the exempt case and the case in which all capital goods are subject to sales tax. The analysis considers new and established firms in grain mill products and metal products. Service industries and telecommunications are not included in the analysis since they are not classified in manufacturing. However, the methodology used in the simulations could be easily applied to a broader definition of exempt equipment.

Established firms remain constant in size over the time period considered in the simulations. Sales taxes on machinery affect only their replacement investment. New firms undertake an initial investment as well as replacement investment, and therefore benefit more from an inclusive exemption for machinery and equipment. Under current law, many new establishments already receive sales tax exemptions. Contrasting an exempt case with a non-exempt case makes the importance of sales tax exemptions more clear.

The impact of a sales tax exemption depends on the percentage of equipment which meets the legal qualifications for exempt property. The simulations in this report experiment with a criterion that only equipment and machinery be used directly in the manufacturing process are exempt. The Survey of Current Business (Bureau of Economic Analysis, November, 1985) contains information on the use of various types of capital by industry throughout the United States. These statistics provide the basis for estimates of the percentage of each industry's investment for equipment and machinery **not** used directly in manufacturing. This included office machinery, trucks, automobiles, measuring instruments, communications equipment, electrical transmission equipment, office equipment, and furniture. For industry 204, 24.7 percent of investment fails to qualify for the proposed sales tax exemption. For industry 344, 34.4 percent of investment would not qualify.

In comparison to a case in which machinery and equipment is taxed, sales tax exemptions reduce a firm's overall tax liability by a small percentage, ranging from .23 percent to 1.4 percent for the firms examined. The resulting increase in overall firm profits is also small in percentage terms. However, these results may understate the significance of sales taxes in two ways. First, sales taxes increase the price of capital, and therefore affect a firm just at the moment of its decision to invest. An additional 4 to 5 percent investment cost may seem important in the short run when location decisions are made, even if it has a small impact on long run profits. Second, a firm trying to decide between locations where other taxes are comparable may be influenced by the marginal impact of sales taxes on profits.

Table 40
Elimination of the Sales Tax on Productive Machinery and Equipment
Established Firm, Industry 204: Grain Mill Products

COMPARISON OF TAXES	EXEMPTION	100% TAXED	% CHANGE
PRESENT VALUE OF TAXES:			
15 YEARS OPERATION			
FEDERAL INCOME TAX	$2,774,014	$2,769,790	0.15%
STATE INCOME TAX	$488,766	$488,015	0.15%
UNEMPLOY. AND WORKER COMP.	$89,331	$89,331	0.00%
PROPERTY	$222,565	$222,565	0.00%
FRANCHISE	$6,785	$6,785	0.00%
SALES	$4,614	$17,952	-74.30%
TOTAL	$3,586,074	$3,594,438	-0.23%
ANNUALIZED	$428,613	$429,613	-0.23%
PROFITS (ANNUAL) AND CHANGE IN AFTER TAX PROFIT	$757,307	$756,334	0.13%

Table 41
Elimination of Sales Tax on Productive Machinery and Equipment
Established Firm, Industry 344: Fabricated Structural Metal Products

COMPARISON OF TAXES	EXEMPTION	100% TAXED	% CHANGE
PRESENT VALUE OF TAXES:			
15 YEARS OPERATION			
FEDERAL INCOME TAX	$268,236	$266,868	0.51%
STATE INCOME TAX	$55,266	$55,060	0.37%
UNEMPLOY. AND WORKER COMP.	$97,538	$97,538	0.00%
PROPERTY	$60,518	$60,518	0.00%
FRANCHISE	$1,978	$1,978	0.00%
SALES	$1,947	$5,661	-65.60%
TOTAL	$485,483	$487,622	-0.44%
ANNUALIZED	$58,026	$58,281	-0.44%
PROFITS (ANNUAL) AND CHANGE IN AFTER TAX PROFIT	$107,211	$106,955	0.24%

Table 42
Elimination of Sales Tax on Productive Machinery and Equipment
New Firm, Industry 204: Grain Mill Products

COMPARISON OF TAXES	EXEMPTION	100% TAXED	% CHANGE
PRESENT VALUE OF TAXES:			
15 YEARS OPERATION			
FEDERAL INCOME TAX	$2,746,737	$2,738,167	0.31%
STATE INCOME TAX	$429,512	$427,988	0.36%
UNEMPLOY. AND WORKER COMP.	$89,331	$89,331	0.00%
PROPERTY	$49,710	$49,710	0.00%
FRANCHISE	$6,785	$6,785	0.00%
SALES	$13,437	$52,283	-74.30%
TOTAL	$3,335,511	$3,364,264	-0.85%
ANNUALIZED	$398,666	$402,102	-0.85%
PROFITS (ANNUAL) AND CHANGE IN AFTER TAX PROFIT	$744,670	$742,700	0.27%

Table 43
Elimination of Sales Tax on Productive Machinery and Equipment
New Firm, Industry 344: Fabricated Structural Metal Products

COMPARISON OF TAXES	EXEMPTION	100% TAXED	% CHANGE
PRESENT VALUE OF TAXES:			
15 YEARS OPERATION			
FEDERAL INCOME TAX	$261,543	$259,048	0.96%
STATE INCOME TAX	$32,499	$32,292	0.64%
UNEMPLOY. AND WORKER COMP.	$97,538	$97,538	0.00%
PROPERTY	$15,948	$15,948	0.00%
FRANCHISE	$1,978	$1,978	0.00%
SALES	$4,507	$13,103	-65.60%
TOTAL	$414,013	$419,906	-1.40%
ANNUALIZED	$49,483	$50,188	-1.40%
PROFITS (ANNUAL) AND CHANGE IN AFTER TAX PROFIT	$105,432	$104,969	0.44%

Changes in the Income Allocation Formula for the Kansas Corporate Income Tax

Income of firms which do business in several states must be allocated among the states for tax purposes. Each state chooses its own method of income allocation. Currently, the Kansas income allocation factor is calculated as:

(1/3)*(ratio of in-state sales to total sales) +
(1/3)*(ratio of in-state property to total property) +
(1/3)*(ratio of in-state payroll to total payroll).

This report looks at the tax differences which would result under alternative allocation formulas.

The impact of a change in factor weights depends on the location of a firm's sales, property, and payroll. The simulations in this report consider two alternative assumptions about the characteristics of the firm.

Under the first set of assumptions, summarized in Tables 45 and 47, manufacturing firms maintain all of their property and payroll within Kansas, and the telecommunications firm maintains its headquarters in Kansas. The payroll and property factors are large in comparison with sales. Intuitively, the services of Kansas property and labor are exported from the state. A factor allocation formula which gives a heavy weight to sales will reduce Kansas taxes for these firms.

Under the second set of assumptions, summarized in Tables 46 and 48, firms are truly multi-state. Firm profiles must include data on sales, property and payroll ratios. The Kansas Department of Revenue provided information for several industries based on a firm sample. Table 44 presents data for three industries.

Table 44
Factor Ratios for Multi-State Firms

Industry:	204	344	481
Sales	.6858	.6087	.5328
Property	.6926	.7213	.5398
Payroll	.7009	.6413	.5372

Source: Compiled from data provided by the Kansas Department of Revenue.

Tables 45 through 48 compare three alternative factor weights with the current three-factor formula. Marginal changes in the factor allocations formula produce only small changes in a firm's overall tax liability. For the firms entirely located or headquartered in Kansas, a switch to a formula based on 50 percent sales and 50 percent property creates the largest tax reductions. Total firm taxes decrease between .15 and .5 percent. Under the most favorable change, Kansas corporate income taxes fall between 6 and 8 percent. Multi-state firms feel a smaller impact from a change in the factor allocation formula. The data in Table 44 indicate that within each industry, sales, property, and payroll ratios are very close. A shift in the sales or property weight does little to the overall percentage of income allocated to Kansas. Changes in the allocation formula which increase the weight given to sales will benefit firms which have a low percentage of sales in-state in comparison to their property and payrolls.

Table 45

Changes in the Factor Allocation Formula: Impact on Total Taxes Analysis for Firms Headquartered or Entirely Located in Kansas

	INDUSTRY	204	344	481
	CURRENT TAXES:			
1.	33% Sales, 33% Property, 33% Payroll	$3,594,438	$487,622	$10,737,947
	ALTERNATIVES:			
2.	50% Sales, 25% Property, 25% Payroll	$3,576,452	$485,043	$10,728,343
	As a percentage of Current Taxes	99.500%	99.471%	99.911%
3.	50% Sales, 50% Property	$3,576,452	$485,043	$10,722,757
	As a percentage of Current Taxes	99.500%	99.471%	99.859%
4.	40% Sales, 30% Property, 30% Payroll	$3,587,258	$486,593	$10,734,109
	As a percentage of Current Taxes	99.800%	99.789%	99.964%

Table 46

Changes in the Factor Allocation Formula: Impact on Total Taxes
Analysis for Multi-State Firms

	INDUSTRY	204	344	481
	CURRENT TAXES:			
1.	33% Sales, 33% Property, 33% Payroll	$5,137,875	$938,934	$13,904,616
	ALTERNATIVES:			
2.	50% Sales, 25% Property, 25% Payroll	$5,136,965	$938,188	$13,904,079
	As a percentage of Current Taxes	99.982%	99.921%	99.961%
3.	50% Sales, 50% Property	$5,135,931	$939,420	$13,904,446
	As a percentage of Current Taxes	99.962%	100.052%	99.999%
4.	40% Sales, 30% Property, 30% Payroll	$5,137,511	$938,636	$13,904,401
	As a percentage of Current Taxes	99.929%	99.968%	99.998%

Table 47

Changes in the Factor Allocation Formula: Impact on Kansas Income Taxes
Analysis for Firms Headquartered or Entirely Located in Kansas

	INDUSTRY	204	344	481
	CURRENT TAXES:			
1.	33% Sales, 33% Property, 33% Payroll	$488,015	$55,060	$420,262
	ALTERNATIVES:			
2.	50% Sales, 25% Property, 25% Payroll	$460,769	$50,838	$405,711
	As a percentage of Current Taxes	94.417%	92.332%	96.538%
3.	50% Sales, 50% Property	$460,769	$50,838	$397,246
	As a percentage of Current Taxes	94.417%	92.332%	94.523%
4.	40% Sales, 30% Property, 30% Payroll	$477,138	$53,376	$414,447
	As a percentage of Current Taxes	97.771%	96.942%	98.616%

Table 48

Changes in the Factor Allocation Formula: Impact on Kansas Income Taxes Analysis for Multi-State Firms

INDUSTRY	204	344	481
CURRENT TAXES:			
1. 33% Sales, 33% Property, 33% Payroll	$543,344	$64,947	$472,061
ALTERNATIVES:			
2. 50% Sales, 25% Property, 25% Payroll	$541,966	$63,726	$471,247
As a percentage of Current Taxes	99.746%	98.120%	98.828%
3. 50% Sales, 50% Property	$540,400	$65,744	$471,804
As a percentage of Current Taxes	99.958%	101.227%	99.946%
4. 40% Sales, 30% Property, 30% Payroll	$542,793	$64,459	$471,736
As a percentage of Current Taxes	99.899%	101.227%	99.931%

Combined Impact of Three Business Tax Changes

State legislatures frequently consider packages of proposed tax changes rather than isolated items. The package approach provides room for negotiation and compromise. The Institute for Public Policy and Business Research completed a study of the impact of one such package for Kansas Inc. While the package differs in some respects to the recommendations made by Kansas Inc. during the 1988 Kansas legislative session, two of the items, an elimination of the sales tax on machinery and equipment and a reduction in corporate tax rates, are very similar.

The analysis considers a combination of changes which would alter the tax climate facing Kansas businesses. The proposed changes include:

1. an elimination of the sales tax on equipment and machinery used directly in manufacturing.

2. a change in the income allocation formula from a weight based on 33.33 percent sales, 33.33 percent property, and 33.33 percent payroll to a weight based on 50 percent sales, 25 percent property, and 25 percent payroll.

3. a reduction in the basic Kansas corporate tax rate from 4.5 percent to 4 percent and a reduction in the surcharge on income over $25,000 from 2.25 percent to 1.75 percent.

Tables 49 through 51 show the effects of the tax changes on a sample of industries: grain mill products, fabricated metal products, and telecommunications. For each industry, three possible situations have been considered. First, calculations have been done for a <u>new</u> firms locating in Kansas. Second, calculations have been completed for <u>established</u> firms locating in Kansas. Finally, the analysis has been completed for <u>established multi-state</u> firms which maintain plant sites both in Kansas and other states. For all industries, the multi-state firm cases assume a distribution of payroll, property, and sales based on information from the Kansas Department of Revenue. Tax calculations are reported as the present value of 15 years of tax payments.

In general, the combined package of tax reductions decreases total taxes, including state, local, and federal components, by less than 2 percent. The tax package reduces state imposed taxes by a considerably larger percentage. The "federal offset" weakens the impact of any state sponsored tax reduction. State taxes fall by a larger dollar amount than do total taxes.

The combined tax package is sufficiently large to change Kansas's ranking in one of the three industries examined. For new firms in the grain mill products industry, Kansas taxes would be second lowest in the region if the changes were implemented. However, Kansas taxes would still be considerably higher than taxes in Missouri. For established firms, Kansas would move from highest taxed state to second highest, with Kansas taxes closely approximating Nebraska taxes.

The impact of the tax reductions may extend beyond their immediate impact on firm profits. The elimination of the sales tax on productive machinery lowers the effective price of capital goods, and may encourage increases in capital expenditures. The change in the allocation formula will result in lower taxes for firms which have a major portion of their sales out of state. In other words, the change in the allocation formula may encourage export oriented industries.

Table 49
Impact of the Proposed Tax Package on New Firms

INDUSTRY AND TYPE OF TAX	CURRENT LAW	TAX PACKAGE	% CHANGE
Industry 204: Grain Mill Products			
FEDERAL INCOME TAX	$2,746,556	$2,776,387	1.09%
STATE INCOME TAX	$429,480	$338,038	-21.29%
UNEMPLOY. AND WORKER COMP.	$89,331	$89,331	0.00%
PROPERTY	$49,710	$49,710	0.00%
FRANCHISE	$6,785	$6,785	0.00%
SALES	$15,806	$4,062	-74.30%
TOTAL	$3,337,668	$3,264,314	-2.20%
ANNUALIZED	$398,923	$390,156	-2.20%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$744,631	$752,858	1.10%
Industry 344: Fabricated Structural Metal Products			
FEDERAL INCOME TAX	$261,495	$264,635	1.20%
STATE INCOME TAX	$32,476	$25,863	-20.36%
UNEMPLOY. AND WORKER COMP.	$97,538	$97,538	0.00%
PROPERTY	$15,948	$15,948	0.00%
FRANCHISE	$1,978	$1,978	0.00%
SALES	$4,984	$1,714	-65.60%
TOTAL	$414,419	$407,676	-1.63%
ANNUALIZED	$49,532	$48,726	-1.63%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$105,424	$106,121	0.66%
Industry 481: Telecommunications			
FEDERAL INCOME TAX	$1,490,947	$1,498,402	0.50%
OTHER STATES' TAXES	$2,633,094	$2,633,094	0.00%
KS STATE INCOME TAX	$181,077	$149,654	-17.35%
KS UNEMPLOY. AND WORKER COMP.	$125,494	$125,494	0.00%
KS PROPERTY	$3,560,449	$3,560,449	0.00%
KS FRANCHISE	$19,015	$19,015	0.00%
KS SALES	$881,680	$881,680	0.00%
TOTAL	$8,891,756	$8,867,788	-0.27%
ANNUALIZED	$1,062,757	$1,059,892	-0.27%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$566,190	$569,055	0.51%

Table 50
Impact of the Proposed Tax Package on Established Firms

INDUSTRY AND TYPE OF TAX	CURRENT LAW	TAX PACKAGE	% CHANGE
Industry 204: Grain Mill Products			
FEDERAL INCOME TAX	$2,769,790	$2,805,349	1.28%
STATE INCOME TAX	$488,015	$396,573	-18.74%
UNEMPLOY. AND WORKER COMP.	$89,331	$89,331	0.00%
PROPERTY	$222,565	$222,565	0.00%
FRANCHISE	$6,785	$6,785	0.00%
SALES	$17,952	$4,614	-74.30%
TOTAL	$3,594,437	$3,525,216	-1.93%
ANNUALIZED	$429,613	$421,339	-1.93%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$756,334	$764,588	1.09%
Industry 344: Fabricated Structural Metal Products			
FEDERAL INCOME TAX	$266,868	$272,578	2.14%
STATE INCOME TAX	$55,059	$44,106	-19.89%
UNEMPLOY. AND WORKER COMP.	$97,538	$97,538	0.00%
PROPERTY	$60,518	$60,518	0.00%
FRANCHISE	$1,978	$1,978	0.00%
SALES	$5,661	$1,947	-65.60%
TOTAL	$487,622	$478,665	-1.84%
ANNUALIZED	$58,281	$57,211	-1.84%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$106,955	$108,026	1.00%
Industry 481: Telecommunications			
FEDERAL INCOME TAX	$3,441,031	$3,465,630	0.71%
OTHER STATES' TAXES	$2,918,195	$2,918,195	0.00%
KS STATE INCOME TAX	$420,262	$347,914	-17.22%
KS UNEMPLOY. AND WORKER COMP.	$125,494	$125,494	0.00%
KS PROPERTY	$3,560,449	$3,560,449	0.00%
KS FRANCHISE	$19,015	$19,015	0.00%
KS SALES	$253,500	$253,500	0.00%
TOTAL	$10,737,947	$10,690,198	-0.44%
ANNUALIZED	$1,283,417	$1,277,710	-0.44%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$1,071,632	$1,077,339	0.53%

Table 51
Impact of the Proposed Tax Package on Established Multi-State Firms

INDUSTRY AND TYPE OF TAX	CURRENT LAW	TAX PACKAGE	% CHANGE
Industry 204: Grain Mill Products			
FEDERAL INCOME TAX	$3,979,793	$4,010,664	0.78%
OTHER STATES' TAXES	$230,030	$230,030	0.00%
KS STATE INCOME TAX	$543,344	$465,546	-14.32%
KS UNEMPLOY. AND WORKER COMP.	$87,407	$87,407	0.00%
KS PROPERTY	$269,881	$269,881	0.00%
KS FRANCHISE	$9,680	$9,680	0.00%
KS SALES	$17,739	$4,559	-74.30%
TOTAL	$5,137,875	$5,077,767	-1.17%
ANNUALIZED	$614,087	$606,903	-1.17%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$1,077,936	$1,085,101	0.66%
Industry 344: Fabricated Structural Metal Products			
FEDERAL INCOME TAX	$481,291	$492,672	2.36%
OTHER STATES' TAXES	$218,499	$218,499	0.00%
KS STATE INCOME TAX	$64,947	$39,899	-38.57%
KS UNEMPLOY. AND WORKER COMP.	$97,538	$97,538	0.00%
KS PROPERTY	$68,068	$68,068	0.00%
KS FRANCHISE	$2,224	$2,224	0.00%
KS SALES	$6,367	$2,190	-65.60%
TOTAL	$938,934	$921,090	-1.90%
ANNUALIZED	$112,223	$110,090	-1.90%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$145,436	$147,569	1.47%
Industry 481: Telecommunications			
FEDERAL INCOME TAX	$4,471,375	$4,494,575	0.52%
OTHER STATES' TAXES	$4,650,293	$4,650,293	0.00%
KS STATE INCOME TAX	$472,061	$403,826	-14.45%
KS UNEMPLOY. AND WORKER COMP.	$126,256	$126,256	0.00%
KS PROPERTY	$3,888,742	$3,888,742	0.00%
KS FRANCHISE	$19,015	$19,015	0.00%
KS SALES	$276,874	$276,874	0.00%
TOTAL	$13,904,616	$13,859,581	-0.32%
ANNUALIZED	$1,661,902	$1,656,520	-0.32%
AFTER TAX PROFIT AND CHANGE IN AFTER TAX PROFIT	$1,381,846	$1,387,229	0.39%

Appendixes

Appendix A
State Agencies Providing Information

Colorado	Department of Local Affairs Division of Commerce and Development Department of Revenue Department of Labor and Employment
Iowa	Department of Revenue and Finance Department of Economic Development Department of Employment Services
Kansas	Department of Revenue Department of Commerce Department of Administration Department of Human Resources
Missouri	Department of Commerce Department of Labor and Industrial Relations Department of Economic Development Department of Revenue
Nebraska	Department of Labor Department of Economic Development Department of Commerce Department of Revenue
Oklahoma	Department of Commerce Tax Commission

Appendixes B1-B6
State and Local Tax Revenues 1981-1986

Appendix B-1
Colorado

Local Tax Revenues, 1981-1985

	1981	1982	1983	1984	1985
TOTAL	1,514,400	1,743,600	1,908,900	2,123,300	2,395,402
POPULATION	2,890	2,890	3,139	3,190	3,231
PER CAPITA	524.01	603.32	608.12	665.61	741.38
GENERAL SALE	369,200	430,300	502,600	550,400	534,284
PER CAPITA	127.75	148.89	160.11	172.54	165.36
PERCENTAGE	24.38%	24.68%	26.33%	25.92%	22.30%
PROPERTY	1,040,400	1,196,900	1,275,200	1,410,000	1,598,222
PER CAPITA	360.00	414.15	406.24	442.01	494.65
PERCENTAGE	68.70%	68.65%	66.80%	66.41%	66.72%

Source: Bureau of the Census, State Government Tax Collections, annual editions; Bureau of the Census, Government Finances, annual editions.

Note: All individual and total tax figures are in $1000. Population in thousands. Per-capita figures in dollars.

Appendix B-1 Continued
Colorado

State Tax Revenues, 1981-1986

	1981	1982	1983	1984	1985	1986
TOTAL	1,445,777	1,685,067	1,743,225	2,132,825	2,284,417	2,344,375
POPULATION	2,890	2,890	3,139	3,190	3,231	3,267
PER CAPITA	500.27	583.07	555.34	668.60	707.03	717.59
GENERAL SALE	529,881	612,900	622,548	791,382	726,484	736,649
PER CAPITA	183.35	212.08	198.33	248.08	224.85	225.48
PERCENTAGE	36.65%	36.37%	35.71%	37.10%	31.80%	31.42%
SELECT SALE	221,063	260,467	263,361	313,042	319,282	338,413
PER CAPITA	76.49	90.13	83.90	98.13	98.82	103.59
PERCENTAGE	15.29%	15.46%	15.11%	14.68%	13.98%	14.44%
PROPERTY	4,525	4,967	5,272	5,757	8,373	9,052
PER CAPITA	1.57	1.72	1.68	1.80	2.59	2.77
PERCENTAGE	0.31%	0.29%	0.30%	0.27%	0.37%	0.39%
IND INCOME	437,649	548,944	655,496	763,627	907,619	955,931
PER CAPITA	151.44	189.95	208.82	239.38	280.91	292.60
PERCENTAGE	30.27%	32.58%	37.60%	35.80%	39.73%	40.78%
CORP INCOME	103,465	91,400	56,184	87,721	101,654	116,937
PER CAPITA	35.80	31.63	17.90	27.50	31.46	35.79
PERCENTAGE	7.16%	5.42%	3.22%	4.11%	4.45%	4.99%
LICENSES	100,869	105,900	99,359	125,807	133,062	142,817
PER CAPITA	34.90	36.64	31.65	39.44	41.18	43.72
PERCENTAGE	6.98%	6.28%	5.70%	5.90%	5.82%	6.09%
SEVERANCE	35,879	49,184	27,056	30,009	30,401	22,577
PER CAPITA	12.41	17.02	8.62	9.41	9.41	6.91
PERCENTAGE	2.48%	2.92%	1.55%	1.41%	1.33%	0.96%

Appendix B-2
Iowa

Local Tax Revenue, 1981-1985

	1981	1982	1983	1984	1985
TOTAL	1,192,600	1,295,700	1,387,900	1,462,400	1,531,159
POPULATION	2,914	2,914	2,905	2,903	2,884
PER CAPITA	409.27	444.65	477.76	503.75	530.92
GENERAL SALE	0	0	0	0	0
PER CAPITA	0.00	0.00	0.00	0.00	0.00
PERCENTAGE	0.00%	0.00%	0.00%	0.00%	0.00%
PROPERTY	1,170,200	1,272,500	1,363,100	1,434,100	1,500,502
PER CAPITA	401.58	436.68	469.23	494.01	520.29
PERCENTAGE	98.12%	98.21%	98.21%	98.06%	98.00%

Source: Bureau of the Census, State Government Tax Collections, annual editions; Bureau of the Census, Government Finances, annual editions.

Note: All individual and total tax figures are in $1000. Population in thousands. Per-capita figures in dollars.

Appendix B-2 Continued
Iowa

State Tax Revenue, 1981-1986

	1981	1982	1983	1984	1985	1986
TOTAL	1,835,807	1,996,991	2,014,289	2,241,503	2,307,406	2,459,172
POPULATION	2,914	2,914	2,905	2,903	2,884	2,851
PER CAPITA	630.00	685.31	693.39	772.13	800.07	862.56
GENERAL SALE	529,881	523,397	571,087	736,265	757,765	768,564
PER CAPITA	181.84	179.61	196.59	253.62	262.75	269.58
PERCENTAGE	28.86%	26.21%	28.35%	32.85%	32.84%	31.25%
SELECT SALE	270,873	330,451	318,190	325,592	313,380	390,398
PER CAPITA	92.96	113.40	109.53	112.16	108.66	136.93
PERCENTAGE	14.75%	16.55%	15.80%	14.53%	13.58%	15.88%
PROPERTY	0	0	0	0	0	0
PER CAPITA	0.00	0.00	0.00	0.00	0.00	0.00
PERCENTAGE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
IND INCOME	673,470	720,883	724,127	788,001	824,551	864,475
PER CAPITA	231.12	247.39	249.27	271.44	285.91	303.22
PERCENTAGE	36.69%	36.10%	35.95%	35.16%	35.73%	35.15%
CORP INCOME	135,868	147,115	138,483	132,093	154,412	138,588
PER CAPITA	46.63	50.49	47.67	45.50	53.54	48.61
PERCENTAGE	7.40%	7.37%	6.88%	5.89%	6.69%	5.64%
LICENSES	183,494	193,276	195,156	199,253	196,442	236,417
PER CAPITA	62.97	66.33	67.18	68.64	68.11	82.92
PERCENTAGE	10.00%	9.68%	9.69%	8.89%	8.51%	9.61%
SEVERANCE	0	0	0	0	0	0
PER CAPITA	0.00	0.00	0.00	0.00	0.00	0.00
PERCENTAGE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Appendix B-3
Kansas

Local Tax Revenue, 1981-1985

	1981	1982	1983	1984	1985
TOTAL	979,700	1,086,800	1,171,700	1,282,300	1,408,664
POPULATION	2,364	2,364	2,425	2,440	2,450
PER CAPITA	414.42	459.73	483.18	525.53	574.96
GENERAL SALE	33,100	40,700	50,100	85,200	121,113
PER CAPITA	14.00	17.22	20.66	34.92	49.43
PERCENTAGE	3.38%	3.74%	4.28%	6.64%	8.60%
PROPERTY	895,400	988,800	1,056,600	1,116,700	1,200,764
PER CAPITA	378.76	418.27	435.71	457.66	490.11
PERCENTAGE	91.40%	90.98%	90.18%	87.09%	85.24%

Source: Bureau of the Census, State Government Tax Collections, annual editions; Bureau of the Census, Government Finances, annual editions.

Note: All individual and total tax figures are in $1000. Population in thousands. Per-capita figures in dollars.

Appendix B-3 Continued
Kansas

State Tax Revenues, 1981-1986

	1981	1982	1983	1984	1985	1986
TOTAL	1,392,277	1,402,736	1,565,625	1,789,628	1,915,199	1,911,548
POPULATION	2,364	2,364	2,425	2,440	2,450	2,461
PER CAPITA	588.95	593.37	645.62	733.45	781.71	776.74
GENERAL SALE	449,213	470,762	498,495	518,907	546,933	560,718
PER CAPITA	190.02	199.14	205.56	212.67	223.24	227.84
PERCENTAGE	32.26%	33.56%	31.84%	29.00%	28.56%	29.33%
SELECT SALE	219,213	225,041	229,877	279,581	315,946	325,789
PER CAPITA	92.73	95.20	94.79	114.58	128.96	132.38
PERCENTAGE	15.74%	16.04%	14.68%	15.62%	16.50%	17.04%
PROPERTY	20,642	24,170	24,232	24,117	26,314	27,291
PER CAPITA	8.73	10.22	9.99	9.88	10.74	11.09
PERCENTAGE	1.48%	1.72%	1.55%	1.35%	1.37%	1.43%
IND INCOME	415,015	419,821	530,657	567,469	603,459	582,158
PER CAPITA	175.56	177.59	218.83	232.57	246.31	236.55
PERCENTAGE	29.81%	29.93%	33.89%	31.71%	31.51%	30.45%
CORP INCOME	150,421	122,549	141,347	136,665	159,670	156,344
PER CAPITA	63.63	51.84	58.29	56.01	65.17	63.53
PERCENTAGE	10.80%	8.74%	9.03%	7.64%	8.34%	8.18%
LICENSES	107,863	107,825	111,243	115,828	121,159	124,780
PER CAPITA	45.63	45.61	45.87	47.47	49.45	50.70
PERCENTAGE	7.75%	7.69%	7.11%	6.47%	6.33%	6.53%
SEVERANCE	1,007	1,013	2,339	116,990	111,886	102,108
PER CAPITA	0.43	0.43	0.96	47.95	45.67	41.49
PERCENTAGE	0.07%	0.07%	0.15%	6.54%	5.84%	5.34%

Appendix B-4
Missouri

Local Tax Revenue, 1981-1985

	1981	1982	1983	1984	1985
TOTAL	1,740,500	1,831,000	1,986,500	2,017,300	2,132,115
POPULATION	4,917	4,917	4,970	5,001	5,029
PER CAPITA	353.98	372.38	399.70	403.38	423.96
GENERAL SALE	266,800	302,300	340,800	379,400	445,776
PER CAPITA	54.26	61.48	68.57	75.86	88.64
PERCENTAGE	15.33%	16.51%	17.16%	18.81%	20.91%
PROPERTY	1,087,900	1,121,300	1,205,300	1,165,300	1,194,292
PER CAPITA	221.25	228.05	242.52	233.01	237.48
PERCENTAGE	62.51%	61.24%	60.67%	57.77%	56.01%
INCOME					
IND & CORP	122,200	125,300	128,500	136,400	151,932
PER CAPITA	24.85	25.48	25.86	27.27	30.21
PERCENTAGE	7.02%	6.84%	6.47%	6.76%	7.13%

Source: Bureau of the Census, State Government Tax Collections, annual editions; Bureau of the Census, Government Finances, annual editions.

Note: All individual and total tax figures are in $1000. Population in thousands. Per-capita figures in dollars.

Appendix B-4 Continued
Missouri

State Tax Revenues, 1981-1986

	1981	1982	1983	1984	1985	1986
TOTAL	2,142,965	2,313,057	2,640,325	3,053,002	3,352,482	3,608,083
POPULATION	4,917	4,917	4,970	5,001	5,029	5,065
PER CAPITA	435.83	470.42	531.25	610.48	666.63	712.36
GENERAL SALE	787,185	839,003	984,874	1,328,464	1,418,212	1,530,176
PER CAPITA	160.09	170.63	198.16	265.64	282.01	302.11
PERCENTAGE	36.73%	36.27%	37.30%	43.51%	42.30%	42.41%
SELECT SALE	339,754	350,279	403,041	393,592	413,185	445,409
PER CAPITA	69.10	71.24	81.09	78.70	82.16	87.94
PERCENTAGE	15.85%	15.14%	15.26%	12.89%	12.32%	12.34%
PROPERTY	5,136	5,528	6,210	5,753	6,162	9,228
PER CAPITA	1.04	1.12	1.25	1.15	1.23	1.82
PERCENTAGE	0.24%	0.24%	0.24%	0.19%	0.18%	0.26%
IND INCOME	669,728	760,711	885,272	903,604	1,053,598	1,116,470
PER CAPITA	136.21	154.71	178.12	180.68	209.50	220.43
PERCENTAGE	31.25%	32.89%	33.53%	29.60%	31.43%	30.94%
CORP INCOME	128,282	123,072	118,625	165,652	160,564	174,199
PER CAPITA	26.09	25.03	23.87	33.12	31.93	34.39
PERCENTAGE	5.99%	5.32%	4.49%	5.43%	4.79%	4.83%
LICENSES	186,031	197,627	210,009	230,194	277,578	304,369
PER CAPITA	37.83	40.19	42.26	46.03	55.20	60.09
PERCENTAGE	8.68%	8.54%	7.95%	7.54%	8.28%	8.44%
SEVERANCE	19	30	25	26	41	31
PER CAPITA	0.00	0.01	0.01	0.01	0.01	0.01
PERCENTAGE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Appendix B-5
Nebraska

Local Tax Revenue, 1981-1985

	1981	1982	1983	1984	1985
TOTAL	724,900	784,700	843,700	910,000	969,505
POPULATION	1,570	1,570	1,597	1,605	1,600
PER CAPITA	461.72	499.81	528.30	566.98	605.94
GENERAL SALE	43,700	48,200	49,400	54,500	55,819
PER CAPITA	27.83	30.70	30.93	33.96	34.89
PERCENTAGE	6.03%	6.14%	5.86%	5.99%	5.76%
PROPERTY	648,700	701,800	756,100	811,600	865,205
PER CAPITA	413.18	447.01	473.45	505.67	540.75
PERCENTAGE	89.49%	89.44%	89.62%	89.19%	89.24%

Source: Bureau of the Census, State Government Tax Collections, annual editions; Bureau of the Census, Government Finances, annual editions.

Note: All individual and total tax figures are in $1000. Population in thousands. Per-capita figures in dollars.

Appendix B-5 Continued
Nebraska

State Tax Revenues, 1981-1986

	1981	1982	1983	1984	1985	1986
TOTAL	803,960	860,527	987,454	1,068,742	1,040,064	1,119,392
POPULATION	1,590	1,590	1,597	1,605	1,600	1,598
PER CAPITA	505.64	541.21	618.32	665.88	650.04	700.50
GENERAL SALE	281,212	288,517	356,608	374,541	341,429	349,884
PER CAPITA	176.86	181.46	223.30	233.36	213.39	218.95
PERCENTAGE	34.98%	33.53%	36.11%	35.05%	32.83%	31.26%
SELECT SALE	186,368	202,565	204,099	221,976	224,649	255,206
PER CAPITA	117.21	127.40	127.80	138.30	140.41	159.70
PERCENTAGE	23.18%	23.54%	20.67%	20.77%	21.60%	22.80%
PROPERTY	3,110	3,025	3,570	2,623	4,094	4,145
PER CAPITA	1.96	1.90	2.24	1.63	2.56	2.59
PERCENTAGE	0.39%	0.35%	0.36%	0.25%	0.39%	0.37%
IND INCOME	201,161	226,560	280,662	304,318	318,848	351,828
PER CAPITA	126.52	142.49	175.74	189.61	199.28	220.17
PERCENTAGE	25.02%	26.33%	28.42%	28.47%	30.66%	31.43%
CORP INCOME	54,128	48,498	51,635	66,909	48,959	54,559
PER CAPITA	34.04	30.50	32.33	41.69	30.60	34.14
PERCENTAGE	6.73%	5.64%	5.23%	6.26%	4.71%	4.87%
LICENSES	69,824	73,623	81,100	85,031	90,669	93,757
PER CAPITA	43.91	46.30	50.78	52.98	56.67	58.67
PERCENTAGE	8.69%	8.56%	8.21%	7.96%	8.72%	8.38%
SEVERANCE	4,196	6,010	5,217	4,539	4,607	4,037
PER CAPITA	2.64	3.78	3.27	2.83	2.88	2.53
PERCENTAGE	0.52%	0.70%	0.53%	0.42%	0.44%	0.36%

Appendix B-6
Oklahoma

Local Tax Revenue, 1981-1985

	1981	1982	1983	1984	1985
TOTAL	822,300	946,000	1,081,700	1,159,300	1,273,358
POPULATION	3,025	3,025	3,298	3,310	3,301
PER CAPITA	271.83	312.73	327.99	350.24	385.75
GENERAL SALE	281,600	363,200	389,900	424,400	452,317
PER CAPITA	93.09	120.07	118.22	128.22	137.02
PERCENTAGE	34.25%	38.39%	36.05%	36.61%	35.52%
PROPERTY	492,500	525,100	621,800	658,300	744,863
PER CAPITA	162.81	173.59	188.54	198.88	225.65
PERCENTAGE	59.89%	55.51%	57.48%	56.78%	58.50%

Source: Bureau of the Census, <u>State Government Tax Collections</u>, annual editions; Bureau of the Census, <u>Government Finances</u>, annual editions.

Note: All individual and total tax figures are in $1000. Population in thousands. Per-capita figures in dollars.

Appendix B-6 Continued
Oklahoma

State Tax Revenues, 1981-1986

	1981	1982	1983	1984	1985	1986
TOTAL	2,232,278	2,713,324	2,627,487	2,661,981	2,982,100	2,959,632
POPULATION	3,025	3,025	3,298	3,310	3,301	3,305
PER CAPITA	737.94	896.97	796.69	804.22	903.39	895.50
GENERAL SALE	382,649	481,996	409,125	456,679	630,522	656,048
PER CAPITA	126.50	159.34	124.05	137.97	191.01	198.50
PERCENTAGE	17.14%	17.76%	15.57%	17.16%	21.14%	22.17%
SELECT SALE	390,912	423,199	391,489	442,414	492,598	560,814
PER CAPITA	129.23	139.90	118.70	133.66	149.23	169.69
PERCENTAGE	17.51%	15.60%	14.90%	16.62%	16.52%	18.95%
PROPERTY	0	0	0	0	0	0
PER CAPITA	0.00	0.00	0.00	0.00	0.00	0.00
PERCENTAGE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
IND INCOME	494,023	641,428	651,202	657,831	727,100	687,646
PER CAPITA	163.31	212.04	197.45	198.74	220.27	208.06
PERCENTAGE	22.13%	23.64%	24.78%	24.71%	24.38%	23.23%
CORP INCOME	128,697	139,022	103,325	97,223	104,522	107,077
PER CAPITA	42.54	45.96	31.33	29.37	31.66	32.40
PERCENTAGE	5.77%	5.12%	3.93%	3.65%	3.50%	3.62%
LICENSES	188,173	237,027	254,891	260,720	270,152	326,204
PER CAPITA	62.21	78.36	77.29	78.77	81.84	98.70
PERCENTAGE	8.43%	8.74%	9.70%	9.79%	9.06%	11.02%
SEVERANCE	601,486	742,701	777,687	703,738	708,816	571,375
PER CAPITA	198.84	245.52	235.81	212.61	214.73	172.88
PERCENTAGE	26.94%	27.37%	29.60%	26.44%	23.77%	19.31%

Appendix C
Details of the Hypothetical Firm Methodology

Hypothetical Number of Employees.

Data from County Business Patterns were used to calculate the median number of employees per plant or establishment in each industry. These statistics were then used as the hypothetical number of employees for the representative firm in the manufacturing industries. The median number of employees per plant proved to be quite small. This is consistent with 1986 data on new manufacturing provided by the Kansas Department of Commerce, which indicate that about 85 percent of new Kansas manufacturing firms hire fewer than 50 new workers. For the service industry included in the study (data processing and computer services), median firm size was also calculated from County Business Patterns. However, the median firm size was smaller than four employees. For this industry, we chose a somewhat larger than median firm, one with 10 employees. About 30 percent of firms in the data processing industry have at least this many workers. For telecommunications, we somewhat arbitrarily picked a firm size of 100 employees. It should be noted that any of the firm profiles can be scaled up or down to represent realistic firm sizes.

Hypothetical Payroll, Employer's Benefits, Social Security.

For manufacturing industries, payroll figures were taken from the 1985 Annual Survey of Manufactures. All costs including payroll were measured in 1985 dollars. Since the units of measurements (1985 dollars) were the same for all states, the failure to adjust costs for inflation between 1985 and 1987 had no consequence for the relative rankings of tax payments across the states. For data processing and telecommunications, payrolls were obtained from County Business Patterns, 1984, and adjusted for inflation to 1985 dollars.

Employer's benefits payments include contributions made by employers for health and life insurance, pensions, and other fringe benefits. For manufacturing, benefits as a percentage of payroll were obtained from the Annual Survey of Manufactures. For data processing and computer services, this ratio was obtained from the 1982 Census of Service Industries; this was the most current data available. For telecommunications, the ratio of benefits to payroll was obtained from the Survey of Current Business series on employee compensation.

Social security payments were estimated by multiplying the 1987 rate of 7.15 percent times payroll.

Hypothetical Sales and Cost of Materials.

For manufacturing, the ratio of sales to payroll was calculated from the Annual Survey of Manufactures. This was multiplied by the hypothetical number of employees to obtain the sales of the hypothetical firm. Similar calculations provided the hypothetical cost of materials figure. For data processing and computer services, sales figures were provided in the 1986 U.S. Industrial Outlook. Sales were divided by estimated number of employees to get sales per employee. A ratio of the cost of materials to sales was available for 1982 for a broader industry grouping (S.I.C. code 73, which includes all business services). Since no better data were readily available, this ratio was used to calculate hypothetical cost of materials. A ratio of operating costs less depreciation to sales for the telecommunications industry was available in Telephone Statistics, 1987. This number was adjusted to exclude labor payments. The remainder was assumed to be materials costs.

Hypothetical Assets.

The gross book value of depreciable assets for manufacturing industries is recorded in the Annual Survey of Manufactures. Assets are broken down into two categories, machinery and buildings. The gross book value of assets must be adjusted for depreciation and inflation to arrive at an estimate of the market value of capital. Two adjustment ratios were calculated. The Bureau of Economic Analysis estimate of the current value of U.S. manufacturing equipment (Survey of Current Business, Jan., 1986) was divided by the Annual Survey of Manufactures estimate of the gross book value of machinery. The ratio for 1985 was 0.85, indicating that depreciation outweighed inflation in the preceding years. Similarly, the B.E.A. estimate of the current value of structures was divided by the gross book value of structures. The resulting ratio of 1.42 indicates that for structures, inflation outweighed depreciation during the time period considered.

The gross book value of assets in the telecommunications industry is detailed in Telephone Statistics, 1987. Adjustments similar to those used for manufacturing were applied to arrive at estimates of the current value of capital in telecommunications.

Information on assets in the data processing industry was obtained from Dun and Bradstreet Industry Norms and Key Business Ratios. No breakdown between structures and machinery was available; a ratio of 0.4 to 1 was assumed.

No information on the current value of land was available for any industry. It was assumed throughout the study that land values were equal to 10 percent of the value of structures.

Inventory to sales ratios for manufacturing were available from the Annual Survey of Manufactures. For telecommunications and data processing, inventories were assumed to be zero. While it is true that these industries may keep supplies in inventory, it is likely that the values of their inventories are much smaller than for firms which keep final goods in stock.

Depreciation.

The Internal Revenue Service publishes estimates of the average life of various types of assets. Many of these asset types are specific to industries, for example, grain milling equipment. The hypothetical firms are assumed to hold machinery exclusive to their industries. The asset lives estimated by the I.R.S. are used to place equipment into categories for depreciation. Most of the firms in this study have assets which fall in the 7 year category. Specific depreciation rates apply to each category of asset life. The rates used for this study are those which will apply in 1987. Straight line depreciation is applied to structures over 31.5 years, in accordance with I.R.S. rules.

Since this study looks at a firm's operation over 15 years, it is necessary to look at depreciation of replacement investment as well as of the initial investment. Firms are assumed to replace a fraction of their equipment equal to 1/(estimated life) each year. This keeps the real value of the firm's capital constant over the 15 year period.

Depreciation is highest in the early years of the firms' operations, when a large stock of new equipment is eligible for accelerated depreciation rates. An annualized depreciation figure, shown in the profile of the hypothetical firm, gives a time adjusted average of depreciation over the 15 year period.

Depreciation of equipment varies slightly across states because depreciation is calculated on the basis of the full price of assets including sales tax. Sales tax varies from state to state both because of rate differences and because of differences in exemptions.

Interest and Debt to Equity Ratio.

Debt to equity ratios were obtained from Dun and Bradstreet, Industry Norms and Key Business Ratios. The ratios used to estimate the amount of the debt. The debt of each firm was assumed to remain constant over the 15 year period. Debt was multiplied by an interest rate of 10 percent to estimate interest payments.

Rental Payments.

For manufacturing industries, a ratio of rental payments to sales was obtained from the Annual Survey of Manufactures. The 1982 Census of Service Industries provides a similar ratio for business services; this ratio was used for the data processing industry. No information on rental payments was available for telecommunications.

Appendix D
Details of the Tax Calculations

Overview.

As a first step in calculating the taxes of the hypothetical firms, corporate income tax forms were obtained from the I.R.S. and from each of the individual states. Simplifying assumptions about the activities of the firms were made in order to set some lines on the tax forms equal to zero. In particular, it was assumed that the firms' income derived exclusively from sales, and that the firms had no capital gains or losses for the time period considered. For the most part, the state and federal tax laws in effect in 1987 were assumed to remain in effect throughout the 15 year period (1987-2001). However, when a specific change was scheduled to become effective after 1987, appropriate adjustments to the calculations were made. Worksheets incorporating an abbreviated version of state and local tax forms were developed using Lotus 1-2-3.

Federal Taxes.

State and local taxes, payroll, benefits, labor taxes, depreciation, rent, material costs, and interest were subtracted from gross sales to arrive at federal taxable income. As discussed in Appendix C, depreciation was calculated using I.R.S. depreciation rules as they apply in 1987. Federal taxable income clearly depends on state income taxes. However, most state income tax calculations begin with federal taxable income. As an easy way around this simultaneity problem, state income taxes lagged one period were used to calculate federal taxable income.

State Income Taxes.

State tax calculation in all of the states begin with federal taxable income. Adjustments are made to federal income in order to arrive at gross state income. For the purposes of this study, the most important adjustment to federal taxable income is the deduction of federal income taxes, applicable in Missouri and Iowa. An allocation formula determines the portion of the remaining income which is taxable in a specific state.

Allocation formulas vary across the states, as shown Part 1 of this study. All allocation formulas require firms to calculate the percentage of in-state sales to total firm sales. Calculation of the percentage of in-state payroll to total payroll and in-state property to total property may also be required. For the purposes of this study, all firms except telecommunications (discussed separately in Appendix E) were assumed to have 100 percent of their payroll and property in-state. This assumption is reasonable for a small firm which operates only one plant. However, the firms were assumed to sell to out of state as well as in-state customers. This required us to gather information on factor allocations actually in use. Data were obtained only for Kansas; we assumed that the percentage of in-state to total sales was the same in the surrounding states.

To estimate individual in-state to total factor ratios, various business lists and directories were examined to produce a list of six or seven sample firms for each S.I.C. code within Kansas. The selection process sought to include average size firms and firms specializing in the particular industry. Small, very large, and multiple S.I.C. firms were excluded. Where possible the selection of firms included a regional distribution within Kansas. Summary data on the actual allocation ratios used by the firms in each S.I.C. code were provided by the Kansas Department of Revenue. Using corporate income tax returns, the Department of Revenue averaged the percentages used within each S.I.C. code, after eliminating extreme values. The in-state sales to total sales ratios, presented in Table D-1, proved particularly useful for this study.

The allocation formulas for each state were calculated using a 100 percent payroll figure, a 100 percent property figure, and the sales figure provided by the Kansas Department of Revenue. For the purposes of this study, it was assumed that the firms paid taxes in only one of the states in the region. However, the firms might also encounter some state income tax liabilities due to their multi-state sales. This additional taxation was not incorporated in the study.

State specific deductions must be subtracted from state allocated income before taxes can be calculated. This was especially important in Missouri, where 50 percent of income earned in an enterprise zone can be deducted from Missouri taxable income. Taxes are calculated on the basis of state taxable income after deductions.

All of the states in the region allow economic development credits against the calculated tax liability. The size of these credits generally depends on the number of new jobs and the amount of investment brought into the state by a new or expanding firm. Credits for each state were calculated according to the individual state regulations. In calculating taxes of a Nebraska firm, it was assumed that manufacturing firms qualified for only the smaller of the two Nebraska job and investment credits; telecommunications was assumed to qualify for the larger credit. Most states in the region allow credits up to 100 percent of a firm's tax liability. In

Kansas, the figure is 50 percent. In Missouri, refunds are allowed when earned credits exceed total tax liabilities. This explains why state income taxes are actually negative for some Missouri industries.

Table D-1

Ratio of Kansas Sales to Entire Firm Sales
for Nine Industries

S.I.C. Code	Kansas Sales to Entire Firm Sales Ratio
201	.5281
204	.6858
307	.9062
344	.6087
353	.7658
367	.8017
371	.6692
481	.5363
737	.9293

Source: Compiled from aggregate firm data for 1986 supplied by the Kansas Department of Revenue.

Unemployment and Worker's Compensation.

Worker's compensation rates vary by industry and by state. Current information on rates was provided by the National Council on Compensation Insurance. For each industry, workers not directly engaged in production were assumed to qualify for a special office and clerical worker's rate. Worker's compensation rates were multiplied by respective payrolls to calculate the total payment in each year. A 15 year present value figure was also calculated.

Unemployment compensation as a percent of actual payroll was calculated using data from a sample of firms, the same firms chosen to estimate the factor allocation rates. The Research and Analysis section of the Kansas Department of Human Resources provided 1986 unemployment compensation tax payments, taxable wages, and total wages for each of the selected firms. Firms with fewer than four quarters of tax payments were eliminated; this excluded firms just starting business and firms ceasing business during the year. An average tax rate, contributions divided by total wages, was calculated for each firm. For each S.I.C., extreme values were eliminated and for the remaining firms (at least four in each industry) an average tax rate was calculated. The rates used in this study are averages of individual firm tax rates; they are not weighted by firm size. The analysis done for Kansas was extended to the other states in the region. A state adjustment factor was calculated from Division of Actuarial Services, U.S. Department of Labor data. The data employed are the 1986/1987 total tax contributions divided by total wages for each state. These effective total state tax rates were expressed as a percentage of the comparable Kansas tax rate. The adjustment factors were applied to the calculated Kansas average tax rates by S.I.C. In this way, the Kansas particular profile of tax rates by S.I.C. are prorated to other states on the basis of the overall relationship of these states to Kansas.

Property Tax.

The study applied state average effective tax rates on various classes of assets, real estate, equipment, and inventories, to the amounts of these assets used by the hypothetical firms. Replacement investment was assumed to occur at a rate exactly sufficient to keep the real value of the firm's machinery and equipment constant at its initial value. Machinery and equipment were assumed to be appraised at their real values. The tax rates applied to the various classes of equipment were essentially the rates found in Table 13 of Part 1 of this report. The property tax rates used for Kansas were those estimated to apply after classification and reassessment of property.

All of the states in the region allow reductions in property taxes for new and expanding enterprises. Credits in Nebraska, however, are very limited and apply to none of the firms in our study. For the remaining states, it was generally assumed that the firms qualified for the maximum credits allowed for their industries. Exceptions were made for Missouri and Colorado. Discussions with the Missouri Department of Economic Development revealed that applying an abatement of 100 percent for 10 years instead of the maximum allowable length of 25 years would more closely represent actual average practices in the state. Discussions with the Colorado Department of Local Affairs indicated that Colorado localities have so far shown little interest in granting property tax reductions; since the inception of the program in July, 1987, no abatements have in fact been granted. In view of this information, Colorado firms were assumed to be granted abatements only on real estate rather than on the much larger base of real estate and equipment. Even this may overstate the importance of Colorado's property tax abatement program. In Colorado and Missouri, firms engaged in any revenue producing enterprise are eligible for property tax abatements if they qualify in other respects. In Kansas, Oklahoma, and Iowa, such abatements are limited to manufacturing and a few other selected industries. For the purposes of this study, telecommunications and data processing qualify for abatements only in Colorado and Missouri.

Franchise Tax.

The franchise and licence taxes described in Part 1 of this study were applied in each state. In all states except Missouri, franchise taxes are very small in comparison with other business taxes.

Sales Tax.

As noted in Part 1 of this study, sales taxes are levied both locally and at the state level. For the purposes of the hypothetical firm study, the average sales tax rate for the largest cities in each state were used in making state comparisons. Sales tax exemptions on new and replacement equipment are common throughout the region; these were applied as applicable. Some states distinguish between manufacturing equipment and other equipment in granting exemptions. This study assumed that 100 percent of the equipment purchased by manufacturers was used directly in the manufacturing process.

Appendix E
Taxation of the Hypothetical Telecommunications Firm

A profile of the hypothetical telecommunications firm is constructed using data from Telephone Statistics, 1987. The industry has the highest capital to labor ratio of any of the firms included in this study, about \$270,000 per worker. About 40 percent of this capital consists of lines and cables, and 60 percent consists of central office equipment. Given the large amount of capital employed in this industry, it is not surprising that property taxes form a substantial part of total tax payments.

Unlike the manufacturing firms in this study, the telecommunications firm was assumed to have payroll and property both in-state and out of state. The hypothetical firm's headquarters, assumed to contain 1/3 of the firm's property and payroll, were located in-state. However, payroll and property used to deliver services were assumed to be spread out over several states, making firms liable for state and local taxes in several locations. An estimate of out of state taxes is included in each summary report.

New Firms.

The tax analysis for the new firm assumes a labor force of 100 workers. Property and payroll used to deliver services, including lines, cables, and service personnel are located 53 percent in-state and 47 percent out of state, a figure derived from data supplied by the Kansas Department of Revenue for a sample of firms. All new headquarters workers and central office equipment are assumed to locate in-state. Proportions of in-state to total payroll and property are recalculated after the accounting for the headquarters facility; the sales factor is assumed to remain at 53 percent.

The new firm is subject to all major business taxes. Since the firm is not located entirely within a single state, taxes are calculated somewhat differently than for the other firms in the study. To arrive at federal taxable income, state and local taxes in all jurisdictions must be subtracted from gross income. The in-state part of state and local taxes is calculated according to the specific state's tax structure. The out of state part of this component is assumed to be 8 percent of out of state sales, a figure derived from national data. The tax figures in Tables 35 and 36 reflect the firm's entire federal tax payment, but only the in-state portion of state and local taxes.

States employ distinctive methods of taxing public utilities, including telecommunications. The firm is assessed by the state rather than by local taxing agencies. In general, the individual states value the entire firm rather than specific pieces of property. An exception is Missouri where both the entire firm and individual properties are assigned values. Once the value of the firm has been established, a share of the value is apportioned to the state according to the ratio of in-state to total property. In calculating the taxes of the telecommunications firm, it was assumed that all states valued the firms at a figure equal to the value of its assets. An effective assessment ratio provided by each state, generally equal to the statutory assessment ratio, was then applied to the in-state portion of firm value to get the tax base. Finally, the tax base was multiplied by the average property tax rate.

Established Firms.

The assumptions made for the established firm are essentially identical to those for the new firm. The established firm headquarters is located in-state, while other property and payroll are located in several states.

Appendix F
Description of Industries

S.I.C. 201: Meat Products. Meat packing plants, prepared meats, poultry slaughtering and processing.

S.I.C. 204: Grain Mill Products. Flour, breakfast foods, dog and cat food, prepared feeds and feed ingredients for animals.

S.I.C. 307: Miscellaneous Plastics Products: Plastics film and sheet, unsupported rods, tubes and other shapes, plastic pipe, plastic foam products, plastic plumbing fixtures, other miscellaneous.

S.I.C. 344: Fabricated Structural Metal Products. Fabricated iron and steel for bridges and buildings, metal doors, sashes and frames, fabricated plate work.

S.I.C. 353: Construction, Mining, and Materials Handling Machinery and Equipment. Bulldozers, concrete mixers, cranes, power shovels, mine cars, rock crushing machinery,, conveyers, portable drilling rigs, derricks, elevators, hoists, industrial trucks, tractors, and trailers used in and around industrial establishments.

S.I.C. 367: Electronic Components and Accessories. Electron tubes, printed circuit boards, semiconductors and related devices, capacitors, coils, transformers, and inductors, connectors, miscellaneous.

S.I.C. 371: Motor Vehicles and Motor Vehicle Equipment. Motor vehicle and passenger car bodies, truck and bus bodies, parts and accessories, truck trailers, motor homes.

S.I.C. 481: Telephone Communications. Radiotelephone communications, telephone communications.

S.I.C. 737: Computer Programming, Data Processing, and Other Computer Related Services. Programming services, prepackaged software, computer integrated systems design, data preparation and processing services, information retrieval services, computer facilities management, computer rental and leasing, computer maintenance and repair.

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